MEDIOBANCA

Interim Report

for the six months ended 31 December 2023

MEDIOBANCA

SOCIETÀ PER AZIONI (JOINT-STOCK CORPORATION)
CAPITAL € 444,509,680.50
REGISTERED ADDRESS IN MILAN - PIAZZETTA ENRICO CUCCIA 1

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

Interim Report

for the six months ended 31 December 2023

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

Mediobanca S.p.A.
Registered Office: Piazzetta Enrico Cuccia, 1 - Milan, Italy
Tel. +39 02 88291 – Fax +39 02 8829.550
Enrolled in the Bank of Italy Register of Banks as No. 4753
Parent Company of Mediobanca Banking Group
Enrolled in the Register of Banking Groups with ABI code No. 10631.0
www.mediobanca.com;
Tax code and Milan-Monza-Brianza-Lodi Companies' Register Enrolment No. 00714490158
V.A.T. No. 10536040966
Share capital €444,509.680.50
Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Ordinary shares listed on MTA Market

BOARD OF DIRECTORS

		Term expires
Renato Pagliaro	Chairman	2026
Sabrina Pucci	Deputy Chairman	2026
Vittorio Pignatti Morano	Deputy Chairman	2026
Alberto Nagel	Chief Executive Officer	2026
Francesco Saverio Vinci	General Manager	2026
Mana Abedi	Director	2026
Virginie Banet	Director	2026
Laura Cioli	Director	2026
Angela Gamba	Lead Independent Director	2026
Marco Giorgino	Director	2026
Valérie Hortefeux	Director	2026
Maximo Ibarra	Director	2026
Sandro Panizza	Director	2026
Laura Penna	Director	2026
Angel Vilà Boix	Director	2026

STATUTORY AUDIT COMMITTEE

Mario Matteo Busso	Chairman	2026
Elena Pagnoni	Standing Auditor	2026
Ambrogio Virgilio	Standing Auditor	2026
Angelo Rocco Bonissoni	Alternate Auditor	2026
Anna Rita de Mauro	Alternate Auditor	2026
Vieri Chimenti	Alternate Auditor	2026

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

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REVIEW OF OPERATIONS
FOR SIX MONTHS ENDED 31 DECEMBER 2023

REVIEW OF GROUP OPERATIONS

The Mediobanca Group delivered a net profit of €611.2m for the six months ended 31 December 2023, in line with the path outlined in the new 2023-26 Strategic Plan "One Brand-One Culture". The diversified business model drove top-line growth, with revenues up 4.3% YoY to €1.7bn, in an uncertain macroeconomic scenario which produced growing results in Wealth Management (revenues up 12.4%) and Consumer Finance (up 4.2%), despite the expected slowdown in Corporate and Investment Banking (down 20.4%). There were also positive contributions from Insurance-PI operations (revenues up 12.6%) and the Holding Functions division (up 64.7%), the latter of which includes the Group's treasury operations which were helped by the interest rate trend.

The extraordinary deals announced near the end of the FY 2022-23 financial year, the rationale for which was to enhance the Group's international footprint, to accelerate the development of digital operations, and to reduce risk assets, were duly completed during the month of October. These were the acquisitions of Arma Partners, the digital economy advisory house with a strong presence in the United Kingdom and Northern Europe, and HeidiPay Switzerland, market leader in the Swiss Buy Now Pay Later (BNPL) segment, plus the disposal of Revalea to Banca Ifis, with which a service contract has been executed in respect of the Specialty Finance operations carried out by the CIB division.

The commercial performance has borne out the targets set in the new Strategic Plan, with Wealth Management TFAs in particular up €5.5bn, on NNM of €4.2bn in AUM/AUA, plus the approx. €1.8bn market effect, with deposits down €487m to €27.7bn as a natural consequence, with only a limited rise in costs. New business in Consumer Finance operations rose to almost €4bn, driven by personal loans (up 8,9% YoY to €1.8bn), the web channels and the proprietary BNPL Pagolight solution. CIB operations prioritized selectivity in lending, which, in conjunction with an increased use of risk mitigation techniques, drove a 17% reduction in RWAs in the six months in accordance with the Strategic Plan guidelines.

Profit from ordinary activities was up 6.2% YoY to €862.3m, with both the cost/income ratio and cost of risk stable, at 42,5% and 51 bps respectively. ROTE at Group level stood at 13% (30/6/23: 12.7%), while RoRWA was 2.5%, reflecting the benefit on RWAs in CIB.

In the six months consolidated revenues rose from €1,659.1m to €1,730.6m, an increase of 4.3%, with a higher contribution in 2Q (up €3.2m, to €866.9m), in part due to the consolidation of Arma Partners (which contributed revenues of €24m), despite the lower contribution from Assicurazioni Generali (down 45%).

The main income items performed as follows:

- Net interest income neared the one billion Euros mark, climbing 18.2% to €996.5m, and up 23% in the 2023 calendar year to €1,955m. Compared to last year, the difference between interest receivable and payable has increased by 55 bps, with the return on assets up 200 bps to 5.7%, and the cost of funding up 145 bps to 2.3%. The following aspects are worth noting: increased selectiveness in lending volumes (lower corporate loans, higher Consumer Finance loans and mortgages), offset by the increase in banking book securities, and resilient cost of funding due to Wealth Management deposits reflecting a reduced correlation versus market interest rates. Centralized management of the ALM position and interest rate risk is reflected in the healthy performance by treasury operations, the contribution of which increased from €6.5m to €85m. The other divisions all reported improved results: Consumer Finance reported NII of €512.7m (up 4.1% YoY), Wealth Management of €213m (up 23.7%), and CIB of €153.1m (up 13.2%);
- Net fee and commission income totalled €422.1m, reflecting a good recovery in 2Q (up 34.8%, from €179.8m to €242.3m), which, in addition to the Arma Partners acquisition (contributing fees of €24.1m), also reflects higher organic growth of €37.9m, in particular from service to corporates[1] and asset management[2]. Year-on-year comparison (31/12/22: fees of €472.7m) reflects both the declining trend in investment banking operations, after the outperformance in the final months of 2022, and lower growth rates in asset management (up 4%). In more detail, fee income earned by the Wealth Management division totalled €240.4m (up 4.5% YoY, from €230m), €167.8m of which in management fees (up 1.9% YoY), with banking fees of €51.3m (up 5.2% YoY), and upfront fees of €45.5m (up 18% YoY); to be noted towards the year-end the contribution of performance fees from asset and fund management totalling €8.5m. On an annualized basis CIB reported fees of €133.4m (compared with €185.3m), due to the reduction in Corporate Finance (from €98.6m to €79m, despite the Mid Cap component remaining solid, while fees earned from Consumer Finance operations totalled €70.9m, with Pagolight doubling its contribution to €10m;

[1] Investment banking and corporate services include corporate finance, ECM, and NPL management.

[2] Asset management services include management and upfront fees.

- Net treasury income totalled €93.4m, with a similar contribution in the two quarters (1Q: €47.5m; 2Q: €45.9m), while reflecting a sharp reduction overall compared to last year's €148.1m driven by the amounts made on the CIB proprietary trading positions plus certain bespoke client deals in equity trading. In the six months under review, the proprietary trading portfolio generated revenues of €30.4m, down sharply on last year's €73.3m, in CIB in particular (down from €46.9m to €7.3m), whereas management of the banking book by the Holding Functions division added a total of €23.1m (versus €26.4m last year), €8.8m of which derived from gains realized on the disposal of banking book securities, with the book's valuation returning to positive territory; Client trading delivered revenues of €48.4m, with a good performance in fixed-income trading (€28.9m, compared with €18.4m last year), which offset the reduced contribution from equity trading (down from €43.6m to €17.9m). Dividends and other income in the Insurance-PI division totalled €7.8m;
- The contribution from Assicurazioni Generali, which is equity-accounted, totalled €215.1m, up 10.6% from last year (€194.4m), despite the 4Q performance being affected by an above-average number of claims related to catastrophic events, which dampened the good operating performance helped by the financial effects of the new IFRS 17/9 rules, application of which reduced the volatility of the balance-sheet items. The other IAS 28 investments contributed €3.5m (€1m).

Operating costs totalled €735.4m, up 6.4% YoY (from €690.9m), impacting only to a limited degree on the cost/income ratio which remained at low levels (42.5%), despite accelerating in 2Q in line with the customary seasonal issues, plus the acquisition of Arma Partners (€8.8m). The increase in labour costs of 6.2% (from €359.8m to €382.2m) chiefly reflects the recruitment of new staff (FTEs: up 5%, from 5,129 to 5,369), concentrated in the business areas, and renewal of the national collective labour contract for the banking sector, whereas accruals for the share of variable remuneration were correlated to the trend in CIB revenues. The rise in administrative expenses (which were up 6.7%, from €331.1m to €353.2m) was concentrated in the IT component (up 10%), which accounts for roughly one-half of the total, and includes out-of-pocket expenses for the ongoing project activities (approx. €26m), plus the instalments and amortization charges for investments; there was also an increase in commercial expenses (entertainment and travel), up 7% to €33m, while net credit recovery expenses were down 27% to €23m due to the sale of Revalea which offset the increase in Consumer Finance (up 6.7% YoY).

Loan loss provisions of €132.9m reflect a Cost of Risk (CoR) of 51 bps, approx. 10 bps lower than twelve months previously. The 6M figure incorporates the customary adjustments to reflect the new macro scenario, which in this case affect almost exclusively the Consumer Finance default rates, the growth in which had already been amply factored into the overlays set aside last year, resulting in writebacks of €22m being credited (the Group's stock of overlays thus reduces to €243m, €187.2m of which in relation to Consumer Finance). Conversely, unlike last year there were no effects at the CIB level. The reduced corporate lending volumes, plus a widespread improvement in the levels of inflation, which resulted in approx. €8m of overlays being released, contributed to the stabilisation of provisions despite absorbing the amounts set aside for factoring business (€1.1m). The increase in charges taken for Consumer Finance division (up from €100.3m to €121.3m) reflects the change in portfolio mix (with more direct personal loans), plus the expected increase in loan losses following several quarters of high interest rates and inflation. Loan loss provisions in Wealth Management were largely stable at €6.3m. Holding Functions, with LLPs of €5.7m (€14.1m) were boosted by the lower charges in connection with Revalea (down from €13.4m to €2.2m).

The net profit of €611.2m for the six months also reflects:

– Net writebacks of €5.1m for other financial assets, chiefly due to holdings in funds being aligned to fair value as at end-December 2023 (€7.8m), net of the impairment charges for the banking book securities portfolio (€2.7m);
– Contribution to the interbank Deposit Guarantee Fund, which this year totalled €23.8m (€25m);
– Income tax of €220.7m (€191.4m), reflecting the taxation of intercompany dividends;
– Other negative one-off items totalling €1.4m (negative for €13.1m).

* * *

On the balance-sheet side, total assets amounted to €94.9bn (30/6/23: €91.6bn), with the main items reflecting the following performances:

– Customer loans declined by 1.4%, from €52.5bn to €51.8bn, due to the effect of the reduced Corporate and Investment Banking stock (down 3.5%, from €19.6bn to €18.9bn), in Wholesale Banking in particular (down 4.5%, to €16bn). Conversely, customer loans in Consumer Finance rose by 1.6%, to €14.7bn, on new loans for 6M totalling €3,9bn. In Wealth Management customer loans were virtually unchanged at €16.9bn, despite the sharp

reduction in new mortgage lending business (from €1.4bn to €479.8m). Meanwhile, the decrease recorded by the Holding Functions division (down 5.3%, to €1.3bn) reflects the disposal of Revalea (which accounted for €238.8m) plus the reduced customer loan stock in leasing business;

– Banking book securities rose from €10.5bn to €10.9bn (€4.7bn of which in the HTC portfolio, and €6.1bn of which in the HTC&S portfolio), and reflect some €2.1bn in new sovereign debt securities, half of which Italian; the positive market trend wiped out the shortfall on the OCI reserve which closed in positive territory at €1.1m (compared with minus €73.2m last year), and halved the unrealized gains on the HTC portfolio (down from €119.7m to €43.5m);

– Net treasury assets totalled €4.6bn, slightly lower than at end-June 2023 (€5bn), despite substantial early repayments being made on the T-LTRO in the six months, helped by the funding activity. The positive market scenario, with declining interest rates, has encouraged investments in bonds and equities, which have increased by €1.5bn overall. The liquidity indicators remain excellent, with the NSFR at 119.6% and the LCR at 155.9%;

– Funding in 6M remained stable, at €60.6bn (€60.5bn) despite the T-LTRO repayment (€2.2bn), much of which ahead of schedule with respect to the contractual terms; strong primary market activity drove a €1.6bn n increase in the stock of debt securities in issue (from €22.3bn to €23.9bn), with approx. €2.5bn in new deals against redemptions totalling €1.4bn; the decrease in Wealth Management deposits (down from €28.2bn to €27.7bn) reflects the market trend and was offset by the higher recourse to other forms of funding (up from €4.5bn to €5.6bn);

– Total Financial Assets (TFAs) rose to €93.6bn (up 6.3% since end-June 2023, driven by AUM/AUA inflows of €4.2bn (€2.5bn of which in 2Q) coupled with the €1.8bn positive market effect. The stock of AUM/AUA (€65.9bn) was split between Premier Banking (€22.3bn), Private Banking (€31.3bn) and Asset Management (€27bn), €12.3bn of which from institutional investors).

The capital ratios remain high (CET1: 15.3%;[3] Total Capital: 17.4%) comfortably above the new SREP level[4] (CET1: 8.15%; Total Capital: 12.45%) which includes the higher Pillar 2 Requirement (P2R: 182 bps, vs 168 bps) and the O-SII buffer (introduced this year at 12.5bps; vs 25 bps fully-loaded)[5].

[3] CET1 fully-phased pro forma, with Danish Compromise permanent (benefit approx. 100 bps).

[4] The minimum ratios do not include the Counter-Cyclical Buffer, the value of which depends on Mediobanca's exposure to the various countries for which the CcB is set on a quarterly basis (as at 30/09/23 the CCyB was 0.13%).

[5] As a result of analysis by the Bank of Italy which found for the first time that Mediobanca has systemic relevance.

The reduction in the capital ratios reported during 6M (CET1: from 15.9% to 15.3%; Total Capital: from 17.9% to 17.4%) reflects the effects of the acquisitions plus approx. 100 bps in relation to other extraordinary operations (in particular as follows: Arma acquisition goodwill: -60 bps; share buyback: -45 bps; Revalea disposal: +10 bps), plus the introduction of the AIRB models for the Consumer Finance loan book (-25 bps, equivalent to approx. €900m more in RWAs). Much of the reduction was offset by ordinary operations, which include retained earnings (which added 35 bps net of the payout ratio at 70%), the recovery of the FVOCI reserves (which added 10 bps),plus careful loan book management (which added 80 bps in connection with the €2.6bn reduction in RWAs) on the back of a more selective approach to new loans and increasing use of risk mitigation techniques, for the CIB portfolio in particular. The higher deductions in respect of the Assicurazioni Generali investment (which accounted for 45 bps) will reduce accordingly when the dividend is collected.

The leverage ratio declined slightly, to 7.8%, from 8.4% at end-June 2023, but is still above sector average (5.7%); the reduction is due almost exclusively to the decrease in Tier 1 capital, primarily as a result of the extraordinary transactions referred to above.

The MREL ratio remained high and stable during 6M: 40.7% of RWAs and 20.7%[6] of LREs, above the new minimum requirements set for 2024, i.e. 23.57% and 5.91% respectively, most of which has been met without the need for senior preferred liabilities (the current and expected amount of subordinated eligible MREL is around 20% of RWAs and 10% of LREs).

* * *

The divisional performances for the six months were as follows:

– Wealth Management (WM): this division reported a net profit of €100.2m, with a balanced contribution between the two quarters (1Q: €49.9m; 2Q: €50.3m), up 21.9% on last year. The profit indicators reflect improvement: cost/income ratio 65.9%; RoRWA 3.6%. Commercial activity generated indirect NNM of €4.2bn (almost €1bn higher than last year), with a mix that continues to be skewed in favour of AUA (€3.7bn), underpinning a strong

[6] The requirement includes the P2R and the Combined Buffer Requirement (CBR) applicable at the relevant date. Starting from 2025, Mediobanca will be subject to the subordination requirement (13.50% of RWAs and 5.85% of LREs respectively) with no impact anticipated in view of the amount of subordinated eligible MREL.

performance in upfront fees (up 18.8% to €45.5m). Revenues were up 12.4% YoY, from €407.3m to €457.8m, reflecting an acceleration in 2Q (1Q: €217.8m; 2Q: €240m), net interest income rose by 23.7% (from €172.2m to €213m), and fees grew by 4.5% (from €230m to €240.4m), helped in 2Q by performance fees of €8.5m plus resilient management fees of €167.8m (up 2% YoY, from €164.7m; ROA[7] 83 bps). The trend in costs, which were up 10% (to €301.6m), reflects strengthening in the commercial network, products, and IT applications, plus spending in connection with the launch of Mediobanca Premier;

- Corporate and Investment Banking (CIB): the net profit of €108.3m was down 26.4% on last year but shows quarter-on-quarter improvement (up from €47.8m to €60.5m), reflecting the addition of Arma Partners (which made a net contribution of €5.3m). RoRWA was 1.2%, in line with expectations and stable versus the figure at end-June 2023 (1.2%), driven by the reduction in RWAs (which were down €2.8bn). M&A fees totalled €79.4m, with a strong recovery in 2Q due in part to the addition of Arma Partners (which contributed €24.1m); overall revenues totalled €342.3m, on net interest income of €153.1m (up 13.2% YoY, despite the reduced lending volumes) and net treasury income of €55.8m (€135.2m and €109.5m last year respectively). At the same time, operating costs rose by 5.7%, to €171.5m (cost/income ratio 50,1%), reflecting the strong project component (IT and project costs were up 5%, to €29m) and the resumption of business expenses (marketing and travel costs were up 28%, to €5.2m). The six months reflect net losses on loans and securities totalling €2.5m, consistent with the selective lending approach adopted and with borrowers' good capacity in terms of absorbing inflation;

- Consumer Finance (CF): the division posted a net profit of €194.1m, again near the high levels reported last year (31/12/22: €196.4m); RoRWA rose to 2.75% despite the introduction of the AIRB models (meaning RWAs were €900m higher). Customer loans increased from €14.5bn to €14.7bn, despite the repricing manoeuvres which, coupled with a product mix that was geared more in favour of direct personal loans, helped improve the return on assets to 8.2% (up 80 bps YoY). Thus net interest income rose by 4.1% to €512.7m, while fees grew by 3.7% to €70.9m. Material project activity to support the division's technological and international development drove an increase in costs of 6.6% to €174.6m (cost/income ratio 29.9%), reflected

[7] Return on Assets Under Management.

in the rise in labour costs (which were up 6.7%, including the effects of the new national labour contract) and in IT and project costs (up 14%, to €24m). The cost of risk (166 bps) reflects the increase in default rates seen during the summer months, which stabilized subsequently; while loan loss provisions totalled €121.3m (up 20.9% YoY);

- Insurance – Principal Investing (PI): the net profit of €223.4m (RoRWA 3.2%) earned by this division was due to the contribution from Assicurazioni Generali (€215.1m), which in 2Q was impacted by the high number of claims related to catastrophic events. The book value of the Assicurazioni Generali investment totalled €3.6bn, compared with a market value of €3.9bn (up 2.6% in 6M);
- Holding Functions (HF): the net loss incurred by the division reduced significantly, from €44.9m to €13m, reflecting the penultimate payment to the Italian Deposit Guarantee Scheme in an amount of €23.8m and the higher tax burden (approx. €19m) due to the dividends received from the Group Legal Entities. Total revenues were up 64.7% to €134.2m, driven by the trend in net interest income which rose from €31.8m to €103.1m; operating costs, meanwhile, were down 4.6% (to €93.8m), with central costs of €56m remaining stable in relative terms at 7.5% of the Group total. ALM and interest rate risk management enabled the Group's funding to be expanded and optimized, and also drove net interest income from treasury operations up from €6m to €85m, while at the same time guaranteeing high regulatory ratios (LCR: 155.9%; NSFR: 119.6%; MREL: 40.7%). As for the other activities, leasing contributed a net profit of €1.9m, with NPLs gradually decreasing (from €107.4m to €90.8m, with a net stock of €25.1m); in the four months for which Revalea's operations have been included (i.e. before its disposal), there was a reduction in extra collections, credit recovery expenses and provisions (revenues down from €31.8m to €10.2m; operating costs down from €20.7m to €8.6m; and LLPs down from €13.4m to €2.2m), whereas deconsolidation of the company's activities resulted in €238.8m a reduction in net NPLs (RWAs of €250m).

* * *

Significant events in the six months include the following extraordinary operations already referred to:

- Following the agreement reached last year, on 2 October 2023 Mediobanca completed the acquisition of a controlling interest in UK-based partnership Arma Partners LLP, an independent financial advisory firm which is a European leader in the Digital Economy sector. The company is now part of the Banking Group and consolidated on a line-by-line basis;
- On 16 October 2023, Compass Banca completed the acquisition of 100% of HeidiPay Switzerland AG, a Swiss fintech specializing in the Buy Now Pay Later (BNPL) segment. The deal strengthens the partnership with HeidiPay AG, the holding company specializing in the development of digital platforms to support BNPL in the world of e-commerce and for physical merchants;
- On 31 October 2023, once the necessary regulatory authorizations were obtained, the sale of Revalea S.p.A. was completed, with a consideration of €100m collected. As of that date the company has exited the scope of operations of the Mediobanca Banking Group;
- MB SpeedUp, a joint venture set up in conjunction with London-based company builder and early-stage investor Founders Factory, has commenced operations, to facilitate the promotion of, and investment in, fintech companies.

At the Annual General Meeting held on 28 October 2023, the shareholders of Mediobanca adopted resolutions in respect of various important initiatives related to the 2023-26 Strategic Plan, in particular as follows:

- Long-Term Incentive Plan 2023-26 ("LTI 2023-26") for senior and strategic Group staff, to be allocated upon financial and non-financial objectives being met;
- Employee Share Ownership and Coinvestment Plan 2023-26 ("ESOP 2023-26") for Mediobanca Group Staff who decide to acquire Mediobanca shares on a voluntary basis and on favourable terms; participants in the scheme receive additional shares free of charge upon the Plan targets being achieved. The subscription phase was completed in December 2023, with approx. 30% of in-scope staff taking part (for a total of 415,600 share);
- Share buyback scheme involving a maximum of 17 million shares to be bought back within twelve months, which, unlike in previous schemes of this kind operated by the Group, may also be cancelled. The scheme, which was authorized by the ECB on 20 October 2023 (involving a total outlay of €203m), was launched on 13 November 2023, and by 31 December had involved a total of 6,171,724 shares at an outlay of €69m.

Finally, it should be noted that with the approval of the profit allocation for the year FY 2022-23, the shareholders gathered in Annual General Meeting adopted a resolution, pursuant to Article 26 of Italian Decree Law no. 104/2023, as amended by Italian Law 136/2023, to establish a non-distributable reserve in an amount of €226m, rather than pay the windfall tax due on banks' profits, and that an equivalent resolution was adopted by the shareholders of Compass Banca S.p.A. at the company's AGM.

From an accounting perspective, the tax concerned falls within the scope of application of IFRIC 21 on "Levies"[8], so given the fact that the option was exercised, meaning that no obligation to pay was triggered, no amount has been taken through profit and loss for the financial year ended 30 June 2023.

* * *

The Group assigns great importance to sustainability issues which are a pillar of its growth model.

This commitment has been recognized by the leading ESG rating agencies, including CDP – Carbon Disclosure Project, which has scored Mediobanca as B, as recognition of good capability in managing its own environmental impacts, and ISS – Institutional Shareholder Services, which in December 2023 assigned Mediobanca its top score of 1[9] in all three ESG areas - Environmental, Social and Governance.

In its relations with investors, the Group, which considers engagement with stakeholders to be of fundamental importance, has also taken part in the Euronext Sustainability Week 2023, the week devoted to sustainable finance, which includes public debates and meetings between corporates and investors.

Mediobanca also successfully completed the issue of a €500m Sustainability Senior Non-Preferred Bond in October 2023.

As regards the three pillars of the regulations on sustainability (ESG), the following points should be noted:

E – Environment: in the area of tackling climate change, the Group has consolidated its decarbonization roadmap, confirming its use of energy obtained

[8] This is because the tax is applied to net interest income (or, if a given cap set by the law is reached, to RWAs) which is treated as not equivalent to "taxable income" based on the definition provided in IAS 12.

[9] Inferior risk= 1, Superior risk= 10.

100% from renewable resources, and offsetting the GHG emissions generated directly by company assets (Scope 1) and those indirectly deriving from the procurement of energy (Scope 2 market-based), in accordance with the objectives set as part of the 2023-26 Strategic Plan "One Brand-One Culture".

The carbon emissions offset activity for FY 2022-23 was enabled by the acquisition of CO_2 credits used to finance the Ghani Solar Renewable Power Project, certified in accordance with the VCS-Verra standard, which generates clean energy through the installation of a solar power project in the Indian state of Andhra Pradesh.

Through its partnership with Mission Bambini, Mediobanca also donated a total of 500 new trees to the municipality of Rozzano in the Milan region in November 2023, with 30 Group staff volunteers helping to plant them.

S – Social: in the social area, initiatives have continued to develop an increasingly collaborative and inclusive environment.

This commitment enabled Mediobanca to be recognized in October 2023 as one of the "Italy's Best Employers 2024", based on the results of an independent survey of employees' opinions, while in December it obtained Gender parity certification in accordance with the UNI/PdR 125:2022 standards in testimony to the hard work done by Mediobanca in recognizing the value of diversity.

In the area of inclusion, the Mediobanca Group, in partnership with Junior Achievement Italy, has launched "CONTA SUL FUTURO!", the new free financial education and career guidance programme for middle school pupils in Italy, with the Group's volunteers involved in the classroom.

G – Governance: following the appointment of the new Board of Directors, a new Sustainability Committee has been set up, tasked with assessing the Group's sustainable growth strategy to ensure it is correctly positioned over time, with ensuring that the value of its people is duly recognized, and with reducing the Group's direct and indirect impacts.

* * *

Developments on capital markets

The six months under review were characterized by the final phase of the tightening monetary policy implemented by the leading Western central banks, with inflation falling quicker than expected, and a weakening of the momentum in terms of economic growth. The Chinese economy's complicated process of development to a more technology-based economic model continued during the six months, coupled with the inevitable difficulties in terms of growth for both the domestic and regional economies. In the Middle East, the Israeli army's response to the terrorist attacks at the start of October 2023 has developed into a longer-term military operation, the limits of which are as yet unknown. The development of the Middle Eastern crisis and the Russia-Ukraine war has inevitably fuelled uncertainties over economic prospects.

Overall, global growth has slowed in the six months compared to the previous period, with an annual average growth rate for 6M of 2% (as against 3.4% for 1H 2023). In Europe the 3Q 2023 growth rate was -0.1%, in the United States 1.2%, in China 1.3% (versus 2Q growth of 0.5%), and in Japan -0.7%. In the leading economic areas, the slowdown from the high levels of activity in the services sector has set the tone for growth overall, while in the manufacturing sector signs of a convincing recovery are still struggling to emerge.

The modest decline in food prices (down 3.4%), plus the basic stability of both industrial raw materials (down 1.2%) and oil prices (up 4.5%, but affected temporarily by the Middle Eastern conflict) on international markets helped to slow down the price variations in the main geographical regions. European inflation decreased from 8.5% YoY in January 2023 to 5.5% in June, before closing the six months to end-December at 2.9%; US inflation decreased more rapidly, from 6.5% YoY in January to 3.0% in June, closing the six-month period at 3.4%. European inflation was slower to react because of the widespread use of collective contracts and their different timings in the various Eurozone countries. In the coming quarter, this will be the main focus for the European Central Bank (ECB) in its attempts to calibrate the degree of monetary policy easing to the complex wage dynamics.

Financial markets have acknowledged the resilience of the global economies, with regard to the job market in particular, to the monetary tightening policies implemented by the central banks; during the summer months interest rates rose, factoring in positive growth prospects plus moderate inflation, while after

the crisis in the Middle East and the central banks' guidance on reaching a satisfactory level of monetary tightening, they priced in rapid monetary policy easing actions and at the same time caused the price of risk assets to increase.

The performance of the world's largest stock markets was largely positive over the period, due in particular to soaring prices in the final weeks as just mentioned (the MSCI World put on 6.8%, S&P 7.2%, Eurostoxx 600 3.7%, and the FTSE MIB 7.5% For the 2023 calendar year, global stock markets performed as follows: MSCI World up 21.8%, S&P down 24.2%, Eurostoxx 600 up 12.7%, and FTSE MIB up 28.0%.

Credit risk asset prices followed the trend shown by equities, so, like them, fixed-income indexes increased during the six months overall. The US CDX High Yield index decreased from 429 bps to 356 bps (after reaching a high of 528 bps in the wake of the attacks in Israel), while the European CDS iTraxx Crossover index fell from 404 bps to approx. 311 bps (after reaching a high of 470 bps in the same circumstances as its US counterpart).

The long-term rates remained virtually unchanged over the same period: the 10Y US bond rose from 3.84% to 3.88%, while the 10Y German *Bund* decreased from 2.32% to 2.02%. Ten-year inflation priced in by the market declined marginally, from 2.55% to approx. 2.41% on the US market and from 2.23% to 2.17% on the German market.

Italian economic activity did not report any major accelerations during the six months, remaining modest and subject to the weak international conditions. Like the other large economies, there was also a drop in the Italian unemployment rate, and a rise in the number of people in jobs. The robust job market rests on expectations of economic stability, despite the unfavourable scenario already referred to.

Against this backdrop, financial markets have shown an appetite for Italian assets and for Italian credit risk. The equity index outperformed, while the 10Y BTP/*Bund* spread closed at around 170 bps, after reaching a high of 200 bps in October 2023. Going forward, the market's appetite for Italian assets will once again depend on the effectiveness of the implementation of the programme of structural reforms and investments linked to the Next Generation EU strategy and included in the NRRP, on the combination of changes to the tax rules currently under discussion in Brussels, and the monetary policy system being compiled in Frankfurt.

Consolidated profit-and-loss/balance-sheet data

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

CONSOLIDATED BALANCE SHEET

(€m)

	31/12/2023	30/6/2023*	31/12/2022*
Assets			
Financial assets held for trading	11,132.0	9,546.2	8,689.7
Treasury financial assets and cash	12,440.8	10,378.5	15,247.7
Banking book securities	10,858.6	10,471.3	8,627.2
Customer loans	51,827.3	52,549.2	53,600.8
Equity Investments	4,539.3	4,367.7	3,147.9
Tangible and intangible assets	1,646.2	1,327.6	1,370.4
Other assets	2,466.1	2,983.3	3,038.3
Total assets	**94,910.3**	**91,623.8**	**93,722.0**
Liabilities and net equity			
Funding	60,624.0	60,506.2	61,952.8
Treasury financial liabilities	9,657.7	5,470.0	8,290.0
Financial liabilities held for trading	9,349.0	9,436.7	9,534.2
Other liabilities	4,047.7	4,599.7	4,074.2
Provisions	177.8	182.6	164.6
Net equity	10,346.6	10,298.5	9,048.1
Minority interests	96.3	104.1	102.6
Profit for the period	611.2	1,026.0	555.5
Total liabilities and net equity	**94,910.3**	**91,623.8**	**93,722.0**

* The figures as at 31 December 2023 and 30 June 2023 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

Key Performance Indicators (KPIs)

	31/12/2023	30/6/2023	31/12/2022
CET 1 capital	*7,532.3*	*8,177.6*	*7,952.6*
Total capital	*8,546.3*	*9,217.0*	*8,815.3*
RWA[1]	*49,088.4*	*51,431.5*	*52,573.6*
CET1 ratio[2]	*15.3%*	*15.9%*	*15.1%*
RWA Density[3]	*51.7%*	*56.1%*	*56.1%*
Total capital ratio	*17.4%*	*17.9%*	*16.8%*
Leverage ratio[4]	*7.8%*	*8.4%*	*8.2%*
Gross NPL / Gross loans ratio[5]	*2.43%*	*2.48%*	*2.4%*
Net NPL / Net loans ratio[6] *No.*	*0.77%*	*0.72%*	*0.7%*
shares (m)	*849.9*	*849.3*	*849.2*

[1] Risk Weighted Assets.

[2] CET1/RWAs.

[3] RWAs/total assets.

[4] CET1/total leveraged exposures.

[5] Gross NPLs (net of positions acquired by Revalea)/gross loans.

[6] Net NPLs (net of positions acquired by Revalea/net loans.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	31/12/2023	30/6/2023*	*31/12/2022**	Chg.
Profit-and-loss data				
Net interest income	996.5	1,801.0	842.9	18.2%
Net treasury income	93.4	205.7	148.1	-36.9%
Net fee and commission income	422.1	842.8	472.7	-10.7%
Equity-accounted companies	218.6	453.9	195.4	11.9%
Total income	**1,730.6**	**3,303.4**	**1,659.1**	**4.3%**
Labour costs	(382.2)	(728.3)	(359.8)	6.2%
Administrative expenses	(353.2)	(684.8)	(331.1)	6.7%
Operating costs	**(735.4)**	**(1,413.1)**	**(690.9)**	**6.4%**
Loan loss provisions	(132.9)	(270.1)	(156.4)	-15.0%
Provisions for other financial assets	5.1	(7.3)	(22.7)	n.m.
Other income (losses)	(25.2)	(185.8)	(38.1)	-33.9%
Profit before tax	**842.2**	**1,427.1**	**751.0**	**12.1%**
Income tax for the period	(220.7)	(394.4)	(191.4)	15.3%
Minority interest**	(10.3)	(6.7)	(4.1)	n.m.
Net profit	**611.2**	**1,026.0**	**555.5**	**10.0%**

* The figures as at 31 December 2023 and 30 June 2023 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

** Includes profits credited back to the category B partners of Arma Partners.

Key Performance Indicators (KPIs)

	31/12/2023	30/6/2023*	*31/12/2022**	Chg.
ROTE[1]	*13.3%*	*13.0%*	*13.8%*	*-3.6%*
Cost / Income ratio[2]	*42%*	*42.8%*	*42%*	*2.0%*
CoR (bps)[3]	*51*	*52*	*59*	*-13.6%*
EPS[4]	*0.72*	*1.21*	*0.65*	*10.6%*

1 Return On Tangible Equity (adjusted).

2 Cost/income ratio.

3 Cost of Risk.

4 Earnings Per Share.

5 Dividend Per Share.

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

(€m)

6 mths ended 31/12/23	Wealth Management	Consumer Finance	Corporate and Investment Banking	Insurance-Principal Investing	Holding Functions	Group[1]
Profit-and-loss						
Net interest income	213.0	512.7	153.1	(3.6)	103.1	996.5
Net treasury income	4.4	0.4	55.8	7.8	23.1	93.4
Net fee and commission income	240.4	70.9	133.4	—	8.0	422.1
Equity-accounted companies	—	(0.2)	—	218.8	—	218.6
Total income	**457.8**	**583.8**	**342.3**	**223.0**	**134.2**	**1,730.6**
Labour costs	(159.4)	(57.6)	(94.4)	(2.0)	(68.6)	(382.2)
Administrative expenses	(142.2)	(117.0)	(77.1)	(0.6)	(25.2)	(353.2)
Operating costs	**(301.6)**	**(174.6)**	**(171.5)**	**(2.6)**	**(93.8)**	**(735.4)**
Loan loss provisions	(6.3)	(121.3)	0.4	—	(5.7)	(132.9)
Provisions for other financial assets	0.7	(0.1)	(2.9)	9.2	(1.8)	5.1
Other income (losses)	(2.9)	0.1	1.0	—	(23.7)	(25.2)
Profit before tax	**147.7**	**287.9**	**169.3**	**229.6**	**9.2**	**842.2**
Income tax for the period	(47.0)	(93.8)	(52.5)	(6.2)	(20.9)	(220.7)
Minority interest	(0.5)	—	(8.5)	—	(1.3)	(10.3)
Net profit	**100.2**	**194.1**	**108.3**	**223.4**	**(13.0)**	**611.2**
Cost/Income (%)	65.9	29.9	50.1	n.m.	n.m.	42.5
ROAC adj[2]	*3.6%*	*2.7%*	*1.2%*	*3.2%*	—	*2.5%*
Balance-sheet data						
Loans and advances to customers	16,867.6	14,701.5	18,939.6	—	1,318.6	51,827.3
Risk-weighted assets	5,864.2	14,545.0	15,991.9	8,395.1	4,292.1	49,088.4
No. of staff	2,233	1,542	730	9	855 (427[2])	5,369

Notes:

* Divisions comprise:

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

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

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

– Insurance – Principal Investing (PI): division that manages the Group's portfolio of equity investments and holdings;

– Holding Functions: division which includes SelmaBipiemme Leasing, MIS, NPL management and other minor companies, plus the following Group units: Treasury and ALM, Operations, support and control, as well as the senior management of Mediobanca S.p.A.; for further details please refer to p. 55,

[1] The sum of the divisional data differs from the Group total due to adjustments/differences arising on consolidation between business areas (equal to €1.8m).

[2] The 855 staff employed in the Holding Functions division reduce to 427 as at end-Dec. 2023, bearing in mind that the service units and part of the support and control units, comprising a total of 428 FTEs, are charged back to the business lines as "administrative expenses", leaving the FTEs properly attributable to the Holding Functions as follows: Group Treasury and ALM activities (44), Leasing (93), General Management, plus the other 40% of the service, support and control units.

(€m)

6 mths ended 31/12/22	Wealth Management	Consumer Finance	Corporate and Investment Banking	Insurance-Principal Investing	Holding Functions	Group[1]*
Profit-and-loss						
Net interest income	172.2	492.4	135.2	(3.5)	31.8	842.9
Net treasury income	5.1	—	109.5	5.7	26.4	148.1
Net fee and commission income	230.0	68.4	185.3	—	23.3	472.6
Equity-accounted companies	—	(0.4)	—	195.8	—	195.4
Total income	**407.3**	**560.4**	**430.0**	**198.0**	**81.5**	**1,659.0**
Labour costs	(143.7)	(54.0)	(95.2)	(2.0)	(64.7)	(359.8)
Administrative expenses	(130.4)	(109.8)	(67.1)	(0.5)	(33.6)	(331.1)
Operating costs	**(274.1)**	**(163.8)**	**(162.3)**	**(2.5)**	**(98.3)**	**(690.9)**
Loan loss provisions	(5.8)	(100.3)	(36.2)	—	(14.1)	(156.4)
Provisions for other financial assets	(2.5)	(0.1)	(10.2)	(11.5)	1.5	(22.7)
Other income (losses)	(7.4)	(4.7)	—	—	(26.3)	(38.1)
Profit before tax	**117.5**	**291.5**	**221.3**	**184.0**	**(55.7)**	**750.9**
Income tax for the period	(34.7)	(95.1)	(72.2)	(1.2)	12.3	(191.3)
Minority interest	(0.6)	—	(2.0)	—	(1.5)	(4.1)
Net profit	**82.2**	**196.4**	**147.1**	**182.8**	**(44.9)**	**555.5**
Cost/Income (%)	67.3	29.2	37.7	n.m.	n.m.	41.6
ROAC adj[2]	*3.1%*	*3.0%*	*1.5%*	*2.9%*	—	*2.4%*

* The figures as at 31 December 2022 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

Balance-sheet data						
Loans and advances to customers	16.430,8	14.142,7	21.290,2	—	1.737,1	53.600,8
Risk-weighted assets	5.812,6	13.154,1	21.802,3	8.535,4	3.269,1	52.573,6
No. of staff	2.140	1.507	632	10	840 (441[2])	5.129

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

[2] Adjusted Return On Allocated Capital.

Balance sheet

The Group's total assets rose from €91.6bn to €94.9bn, with parent company Mediobanca's contribution totalling 56.1%. The main balance-sheet items showed the following trends for the six months under review (comparative data as at 30 June 2023).

Funding – funding totalled €60.6bn, basically flat versus end-June 2023 (€60.5bn), despite a macro scenario marked by the ongoing international political tensions and tighter monetary and credit conditions for companies and households; in the six months the Group has succeeded in implementing an ambitious and diversified funding strategy through strong debt security activity on the primary market, with new issuance totalling €2.5bn (against redemptions totalling €1.4bn), approx. €900m of which placed with Premier clients[10] and €1.6bn through the institutional channel;[11] the cost of the new issues was low at approx.146 bps. Thus the stock of debt securities rose from €22.3bn to €23.9bn, absorbing the expected reduction in the T-LTRO share (following repayments €2.2bn, reducing the balance from €5.6bn at end-June 2023 to €3.4bn, as compared with €8bn twelve months previously. Wealth Management deposits decreased from €28.2bn to €27.7bn, reflecting the market trend for transforming demand deposits into assets under administration (AUA); strong client promotion activity limited outflows at low cost; the share of tied deposits in promotion or time deposits is 40% of the total. Interbank funding increased from €4.5bn to €5.6bn, reflecting the inclusion of certain non-recurring transactions.

	31/12/2023		30/6/2023		Chg.
	(€m)	%	(€m)	%	
Debt securities (incl. ABS)	23,925.0	39%	22,282.8	37%	7.4%
CheBanca! retail funding	16,992.3	28%	16,983.6	28%	0.1%
Private Banking deposits	10,704.1	18%	11,194.6	19%	-4.4%
LTRO	3,364.2	6%	5,586.2	9%	-39.8%
Interbank funding (+CD/CP)	5,638.4	9%	4,459.0	7%	26.4%
Total funding	**60,624.0**	**100%**	**60,506.2**	**100%**	**0.2%**

Interest rate risk hedging activity, which is used for virtually all the Bank's funding using plain vanilla swaps with qualified market counterparties, serves to transform the funding to floating rate (for bond issues and part of the modelled deposits). The sharp increase in interest rates drove a significant reduction in the fair value of fixed-rate funding, the value of which (€1.1bn) is perfectly offset by the valuations for the derivatives (which are booked as other liabilities).

[10] Of which around 2/3 on third party network.

[11] Of which two €500m emission of 3 and 5 years respectively, issued at a cost of Euribor3m + 157bps and Euribor3m + 151 bps.

Loans and advances to customers – these were down 1.4%, from €52.5bn to €51.8bn, chiefly due to Corporate and Investment Banking (down 3.5%, from €19.6bn to €18.9bn), which continues to reflect weak demand; by contrast, the loan stock in factoring business increased to €2.9bn. The Consumer Finance loan book also grew by 1.6%, from €14.5bn to €14.7bn, on higher contributions from personal loans (up 1.8%, from €7,117m to €7,245m), special purpose loans (up 1.7%, from €1,342m to €1,364m), and automotive finance (up 1%, from €3,538m to €3,573m). Customer loans in Wealth Management were stable at €16.9bn, €12.4bn of which attributable to the mortgage lending segment and €4.3bn to Private Banking loans. Holding Functions reported a 19.2% reduction in loans, reflecting the sale of Revalea (with its €238.8m loans) and the ongoing trimming of the leasing book (down 5.3%, to €1.3bn).

New loans in the six months for the Consumer Finance division increased from €3,869m to €3,927m, in direct personal loans in particular (up 10.6%, from €1,305.5m to €1,444.7m); while the reductions in special purpose loans (down 5.2%, from €613.7m to €582m) and automotive finance (down 16.6%, from €805.3m to €671.3m) were largely offset by the Pagolight channel, where new loans increased by almost 3x, from €77.8m to €207.1m (mostly BNPL). The strong reduction in demand due to interest rates remaining high impacted on new loans in the mortgage lending segment (down 65.8%, to €479.8m). Corporate and Investment Banking continues to be affected by the difficulties in terms of demand in Wholesale Banking, with new loans down 41% to €2.7bn, against repayments of €3.7bn, while turnover in factoring increased by 3.7%, from €6bn to €6.2bn. New business in leasing was down more than 30%, from €162.8m to €112.1m.

	31/12/2023		30/6/2023		Chg.
	(€m)	%	(€m)	%	
Corporate & Investment Banking	18,939.6	37%	19,625.9	37%	-3.5%
Consumer Banking	14,701.5	28%	14,465.0	28%	1.6%
Wealth Management	16,867.6	33%	16,827.3	32%	0.2%
Holding Functions (leasing)	1,318.6	3%	1,631.0	3%	-19.2%
Total loans and advances to customers	**51,827.3**	**100%**	**52,549.2**	**100%**	**-1.4%**

(€m)

	31/12/2023				30/6/2023			
	Performing		NPL	Total	Performing		NPL[1]	Total
	Stage 1	Stage 2			Stage 1	Stage 2		
Corporate & Investment Banking	18,112.8	802.7	24.1	18,939.6	19,279.9	323.7	22.3	19,625.9
Consumer Banking	13,322.2	1,160.4	218.8	14,701.5	12,901.4	1,364.2	199.4	14,465.0
Wealth Management	16,021.0	713.8	132.8	16,867.6	15,981.3	726.1	119.9	16,827.3
Holding Functions (leasing)	1,228.7	64.8	25.1	1,318.6	1,281.8	77.6	271.6	1,631.0
Total loans and advances to customers	**48,684.7**	**2,741.7**	**400.8**	**51,827.3**	**49,444.4**	**2,491.6**	**613.2**	**52,549.2**
As % of total	**93.9%**	**5.3%**	**0.8%**	**100%**	**94.1%**	**4.7%**	**1.2%**	**100.0%**
Total loans and advances to customers	**48,684.7**	**2,741.7**	**400.8**	**51,827.3**	**49,444.4**	**2,491.6**	**374.3**	**52,310.3**
As % of total	**93.9%**	**5.3%**	**0.8%**	**100%**	**94.5%**	**4.8%**	**0.7%**	**100.0%**

[1] The figures for 30 June 2023 include Stage 3 and POCI deals (NPLs purchased by Revalea).

(€m)

	31/12/2023			30/6/2023		
	Gross	Net	Coverage ratio %	Gross	Net	Coverage ratio %
Corporate Investment Banking	48.1	24.1	49.9%	135.7	22.2	83.6%
Consumer Banking	928.4	218.8	76.4%	878.0	199.4	77.3%
Wealth Management	231.9	132.8	42.8%	218.2	119.9	45.1%
Holding Functions (leasing)	90.8	25.1	72.3%	107.8	32.8	69.6%
Total net non-performing loans	**1,299.2**	**400.8**	**69.1%**	**1,339.7**	**374.3**	**72.1%**
- of which: bad loans	*352.9*	*33.0*		*430.8*	*41.2*	
As % of total loans and advances	**2.4%**	**0.8%**		**2.5%**	**0.7%**	

Gross NPLs totalled €1,299.2m, reflecting a further reduction in 6M (from €1,339.7m), in relative as well as absolute terms (from 2.4% to 2.5% of total loans)[12]. The reduction regards Wholesale Banking, where two positions were sold at their net book value in the month of December for a gross amount of €104m, while a new position with a gross value of €12.2m was included for the first time, which, however, is fully covered by insurance by a public entity; leasing operations, too, showed an improvement beyond expectations, with NPLs decreasing from €107.8m to €90.8m, helped by the fact that there were no new positions. Gross NPLs in Consumer Finance were approx. €50m higher, at €928.4m, due to an upturn in default rates which remain below pre-Covid levels. The Wealth Management division saw an approx. €14m increase in NPLs due to the inclusion of certain Private Banking positions, with suitable counter-guarantees, while there was substantial stability in the mortgage lending segment, where the potential impact of the rise in Euribor was mitigated by the mortgage protection mechanism. The slight reduction in the coverage ratio (down from 72.1% to 69.1%) is reflected in the rise in net NPLs (from €374.3m to €400.8m), but the share of bad debts is extremely low at just €33m (0.8% of the loan stock).

[12] The Finrep gross NPL ratio decreased to 2% (30/6/23: 2.1%); reference is made to Part E of the Notes to the Accounts for further details.

Net Stage 2 positions totalled €2,741.7m (or 5.3% of net total loans), higher than at end-June 2023 (€2,491.6m) due to the higher number of large corporate loans reclassified (with six new Stage 2 positions), reflecting some automatic mechanisms plus more prudent reclassification to watch list status; thus the stock of CIB Stage 2 loans increased from €323.7m to €802.7m (4.2% of the loan book); whereas application of the lifetime criteria for SICR entailed a reduction in Stage 2 positions in Consumer Finance, down from €1,364.2m to €1,160.4m (7.8% of the total), while for the other divisions they were virtually stable: Wealth Management: €713.8m (4.2%); and Leasing €64.8m (4.9%).

The selective lending policy, allied to prudent provisioning, has enabled the coverage ratio for all performing loans to remain basically unchanged: 1.41% for the Group (30/6/23: 1.34%) and 3.74% for Consumer Finance (3.75%). The stock of overlays remains comfortable at around €243m (€187.2m of which in Consumer Finance), slightly lower than at end-June 2023 (€269m and €209m respectively).

Investment holdings[13] – these increased from €4.4bn to €4.5bn, €3.7bn of which involve the investments accounted for using the equity method, plus €591.7m in investments in funds, and €255m in equities (including equity-like instruments).

The book value of the Assicurazioni Generali investment increased over the six months, from €3,472.2m to €3,599.5m, after profits for the period (€215.1m pro rata for the period ended 30 September 2023) and changes to the valuation reserve (down €87.7m).

In December 2023 Mediobanca launched MB SpeedUp, a joint venture for developing venture capital initiatives, with an initial capital call of €1.8m.

The other investments are largely unchanged: IEO (25.37%): €38.8m; Finanziaria Gruppo Bisazza S.r.l. (22.67%) €6.9m; CLI Holdings II Limited: €38.4m (after profits of €3.7m and dividends of €4m); HeidiPay (19.45%): €7.1m.

Holdings in funds increased from €562.9m to €591.7m, following net investments of €23.7m and value adjustments of €5.1m; of these holdings, €324.9m involve funds managed by the Group (seed capital) and €266.8m external funds, for the most part private equity.

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

(€m)

	31/12/2023		30/6/2023	
	Book value	**OCI Reserves**	**Book value**	**OCI Reserves**
Equity method investments[1]	3,692.6	n.d.	3,563.8	n.d.
Listed shares	123.7	65.4	115.1	56.8
Other unlisted shares	131.3	90.7	125.9	90.8
Seed capital	324.9	—	312.4	—
Private equity	162.6	—	142.5	—
Other funds	104.2	—	108.0	—
Total equity holdings	**4,539.3**	**156.1**	**4,367.7**	**147.6**

[1] Differs from the figure shown in the following table by €0.2m due to minor associate companies (30/6/23: €0.2m).

(€m)

	% of share capital	**31/12/2023**	**30/6/2023**
Assicurazioni generali	13.25	3,599.5	3,472.2
CLI Holdings II	26.76 (*)	38.4	38.6
Finanziaria Gruppo Bisazza	22.67	6.9	7.1
Istituto Europeo di Oncologia	25.37	38.8	39.1
HeidiPay	19.45	7.1	6.6
MB SpeedUp (JV)	50.0	1.8	—
Total equity method holdings		**3,692.5**	**3,563.6**

* Percentage calculated based on the nominal value of the notes issued.

Banking book debt securities – Fixed-income securities held as part of the banking book totalled €10.9bn, split between Hold to Collect & Sell (€6.1bn) and Hold to Collect (€4.7bn). The book's low duration facilitated turnover (approx. €2.1bn), which benefited immediately from the increase in yields.

Conversely, the decline in interest rates is reflected in the stocks' valuations: the OCI reserve has wiped out the deficit reported at end-June (minus €73.2m), with the increase in valuations split equally between government debt securities (Italian and non-Italian) and corporate and financial bonds. The unrealized losses on the Hold to Collect securities (which are recognized are cost) were cut by half to €43.5m (€119.7m), with a related effect on the interest rate hedges which totalled minus €9.3m (vs gains of €34.4m).

Approx. 78% of the banking book is made up of sovereign debt (€8.4bn), split equally between HTC and HTC&S, with a very short duration (approx. 2 years); the share accounted for by Italian government securities totals €5.2bn (approx. 48% of the entire portfolio, with a duration of approx. 2 years).

(€m)

	31/12/2023		30/6/2023	
	(€m)	%	(€m)	%
Hold to Collect	4,658.1	43%	4,669.3	45%
Hold to Collect & Sell	6,086.7	56%	5,801.1	55%
Other (Mandatorily measured at FV)	113.8	1%	0.9	n.m.
Total banking book securities	**10,858.6**	**100%**	**10,471.3**	**100%**

	31/12/2023			30/6/2023		
	Book value		OCI reserve	*Book value*		OCI reserve
	HTC	HTC&S		HTC	HTC&S	
Italian government bonds	1,898.6	3,289.4	(6.2)	2,111.1	3,020.0	(35.0)
Foreign government bonds	1,555.3	1,673.1	0.1	1,278.2	1,528.3	(7.7)
Bond issued by financial institutions	417.8	722.5	8.1	446.0	829.7	(16.3)
Corporate bonds	217.1	255.0	(1.8)	204.2	236.5	(11.8)
Asset Backet Securities (ABS)	569.5	146.8	0.9	629.8	186.6	(2.4)
Total banking book securities	**4,658.1**	**6,086.7**	**1.1**	**4,669.3**	**5,801.1**	**(73.2)**

Net treasury assets – net treasury assets decreased from €5bn to €4.6bn, helped by the good performance in funding and increased use of the repo market, which allowed a substantial tranche of the T-LTRO to be repaid (€2.2bn). At the same time, the anticipated reduction in the inflation rate, and the market's expectations that the ECB would cut interest rates accordingly, have favoured investments in equity and bond markets, which rose from €1.1bn to €1.9bn and from €1.4bn to €2.1bn respectively. Funds deposited with the ECB totalled €4bn (up €0.5bn), whereas liquid assets deposited on current accounts fell to €1.2bn (down €0.3bn).

	31/12/2023	30/6/2023	Chg.
	(€m)	(€m)	
Financial assets held for trading	11,132,0	9,546.2	16.6%
Treasury financial assets and cash	12,440.8	10,378.5	19.9%
Financial liabilities held for trading	(9,349,0)	(9,436.7)	-0.9%
Treasury financial liabilities	(9,657.7)	(5,470,0)	76.6%
Net treasury assets	**4,566.1**	**5,018,0**	**-9,0%**

	31/12/2023 (€ m)	30/6/2023 (€ m)	Chg.
Equities	1,875.1	1,147.5	63.4%
Bond securities	2,114.5	1,388.1	52.3%
Derivative contract valuations	(220.1)	(139.5)	57.8%
Certificates	(1,990.6)	(2,290.6)	(13.1%)
Trading loans	4.1	4.1	n.m.
Financial instruments held for trading	**1,783.0**	**109.6**	**1526.8%**

	31/12/2023 (€ m)	30/6/2023 (€ m)	Chg.
Cash and current accounts	1,174.2	1,495.3	(21.5%)
Cash available at BCE	4,037.9	3,499.9	15.4%
Deposits	(2,429.0)	(86.8)	n.m.
Net treasury	**2,783.1**	**4,908.4**	**(43.3%)**

	31/12/2023 (€ m)		30/6/2023 (€ m)	
	Assets	Liabilities	Assets	Liabilities
Italian government bonds	4,111.3	(3,244.5)	1,999.4	(1,925.2)
Foreign government bonds	423.0	(1,211.6)	1,263.6	(2,120.8)
Bond issued by financial institutions	1,791.3	(145.5)	1,840.8	(44.0)
Corporate bonds	149.1	(2.6)	110.0	—
Asset Backet Securities (ABS)	244.0	—	264.3	—
Equities	1,941.0	(65.9)	1,187.6	(40.1)
Total securities	**8,659.7**	**(4,670.1)**	**6,665.7**	**(4,130.1)**

	31/12/2023 (€ m)		30/6/2023 (€ m)	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	456.6	(466.2)	541.9	(550.8)
Foreign exchange	322.6	(274.3)	408.3	(329.9)
Interest rate options/futures	11.0	(44.2)	7.8	(23.6)
Equity swaps e options	1,420.2	(1,644.4)	1,747.0	(1,886.3)
Credit derivatives (others)	242.3	(243.8)	158.8	(212.7)
Derivative contract valuations	**2,452.7**	**(2,672.9)**	**2,863.8**	**(3,003.3)**

	31/12/2023 (€ m)		30/6/2023 (€ m)	
	Assets	Liabilities	Assets	Liabilities
Securities lending/repos deposits	4,872.6	(7,446.5)	3,006.9	(3,295.1)
Stock lending deposits	303.6	(988.5)	442.5	(584.7)
Other deposits	2,199.8	(1,370.0)	2,063.0	(1,719.4)
Deposits	**7,376.0**	**(9,805.0)**	**5,512.4**	**(5,599.2)**

Tangible and intangible assets – these totalled €1.6bn (€1.3bn), with intangible assets increasing from €796.9m to €1.1bn, and tangible assets of €541.6m (€530.7m).

The rise in intangible assets for the six months was attributable to the goodwill booked for the new acquisitions, before the Purchase Price Allocation (PPA) process is completed by the year-end; these were Arma Partners (€294.2m, representing the current value of £255.7m) and HeidiPay (€14m, representing the current value of CHF 13m).

Tangible assets rose from €530.7m to €541.6m and involve purchases of furniture and equipment totalling €18m, spending on capitalized improvements amounting to €6.7m, and as usual operations covered by IFRS 16 (most of which attributable to renting contracts) of €1.5m. Depreciation and amortization charges totalled €34.4m, €24.3m of which pursuant to IFRS 16 and €10.1m on properties and other tangible assets.

	31/12/2023		**30/6/2023**		**Chg.**
	(€ m)	**%**	**(€ m)**	**%**	
Land and properties	456.2	28%	457.2	34%	-0.2%
- of which: core	*169.7*	*10%*	171.4	*13%*	*-1.0%*
buildings RoU ex IFRS16	*230.2*	*14%*	229.9	*17%*	*0.1%*
Other tangible assets	85.4	5%	73.5	6%	16.2%
- of which: RoU ex IFRS16	*13.8*	*1%*	*11.7*	*1%*	*17.9%*
Goodwill	882.5	54%	574.6	43%	*53.6%*
Other intangible assets	222.1	13%	222.3	17%	-0.1%
Total tangible and intangible assets	**1,646.2**	**100%**	**1,327.6**	**100%**	**24.0%**

(€m)

Transaction	**31/12/2023**	**30/6/2023**
Polus Capital	56.7	56.9
MB Private Banking	52.1	52.1
Messier et Associés	93.2	93.2
Arma Partners	294.2	—
Consumer	386.3	372.3
of which:		
- Soisy	*6.4*	*6.4*
-Compass-Linea	*365.9*	*365.9*
- HeidiPay Switzerland	*14.0*	—
Total Goodwill	**882.5**	**574.5**

Provisions for liabilities – these amounted to €177.8m, slightly lower than last year (€182.6m), due to the reduction in provisions for commitments and guarantees due to impairment pursuant to IFRS 9 (down from €22.2m to €19.9m) and to amounts released from the provision for risks and charges (which decreased from €139.6m to €136.6m); while the provision for statutory end-of-service payments was virtually unchanged, at €21.3m (€20.8m).

The other provisions for risks and charges reduced as a result of withdrawals during the period, and in the absence of any major events were made up as follows: Mediobanca €64.3m, Compass Banca €27.6m, Mediobanca Premier €33.2m, SelmaBipiemme €7m, CMB Monaco €2.2m, and other Group Legal Entities €2.2m.

For further details, reference is made to section 10 of the Notes to the Accounts.

	31/12/2023		30/6/2023		Chg.
	(€ m)	%	(€ m)	%	
Commitments and financial guarantees given	19.9	11%	22.2	12%	-10.4%
Provisions for risks and charges	136.6	77%	139.6	76%	-2.1%
Staff severance indemnity provision	21.3	12.0%	20.8	11%	2.4%
of which: staff severance provision discount	*0.2*	*n.m.*	*(0.5)*	*n.m.*	*n.m.*
Total provision	**177.8**	**100%**	**182.6**	**100%**	**-2.6%**

Net equity – net equity totalled €11bn, slightly lower than last year (€11.3bn), reflecting payment of the dividend for 2023 (€713.4m), most of which was offset by the profit for the period, plus a reduced contribution from the valuation reserves, which at end-December 2023 reflected a balance of minus €114.9m (compared with a surplus of €62.3m last year). In particular, the market interest rate trend impacted on the cash flow hedge reserve (which decreased from €272.4m to €99.6m), while the adjustment to the contribution from the Assicurazioni Generali investment to the figures as at end-September 2023 caused an increase in the liability from €277.8m to €334.5m.

(€m)

	31/12/2023	30/6/2023*	Chg.
Share capital	444.5	444.2	*0.1%*
Other reserves	10,017.0	9,792.0	2.3%
Valuation reserves	(114.9)	62.3	n.m.
- *of which:*			
financial asset through oci	*128.9*	71.1	*81.3%*
cash flow hedge	*99.6*	*272.4*	*-63.4%*
equity investments	*(334.5)*	*(277.8)*	*n.m.*
Profit for the period	611.2	1,026.0	-40.4%
Total Group net equity	**10,957.8**	**11,324.5**	**-3.2%**

* The figures as at 30 June 2023 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

Conversely, the FVOCI valuation reserve rose from €71.1m to €128.9m; the reduction in spreads related to the short duration of the debt securities enabled the fair value of the securities held in the portfolio to recover gradually (increasing by €74m), roughly half of which is attributable to Italian government securities (which rose by €29m).

(€m)

	31/12/2023	30/6/2023*	Chg.
Equity shares	156.1	147.5	*5.8%*
Bonds	1.1	(73.3)	n.m.
of which: Italian government bonds	*(6.2)*	*(35.0)*	*n.m.*
Tax effect	(28.3)	(3.1)	n.m.
Total OCI reserve	**128.9**	**71.1**	**81.3%**

* The figures as at 30 June 2023 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

Profit and loss account

Net interest income – the increase in the spreads on interest rates between 2H FY 2022-23 and 1H 2023-24 has driven unbroken growth in net interest income, which was up 18.2% YoY, at €996.5m (€842.9m), while growth for the 2023 calendar year was even more pronounced (up 23%). This result was driven primarily by the higher return on assets (up 200 bps YoY), which, at 5.7%, reflects a gap of 55 bps compared to the increase in interest expense. Asset diversification enabled the reduction in the corporate loan book to be offset by the increase in Consumer Finance and by redeploying liquidity to buy banking book bonds, especially sovereign debt securities with higher yields, exploiting the short duration of the portfolio in general. The ALM position, which has been constructed with enhanced sensitivity in order to take full advantage of the rise in interest rates, contributed positively and enabled the anticipated increase in the cost of funding – which was low in any case, because of the substantial Wealth Management component – to be fully absorbed.

(€m)

	31/12/2023	31/12/2022	Chg.
Consumer Finance	512.7	492.4	4.1%
Wealth Management	213.0	172.2	23.7%
Corporate and Investment Banking	153.1	135.2	13.2%
Holding Functions and other (including IC)	117.7	43.1	n.m.
Net interest income	**996.5**	**842.9**	**18.2%**

Net treasury income – this item totalled €93.4m, 36.9% lower than last year (€148.1m), helped by the CIB proprietary trading portfolio recovering positions in USD volatility, and by the contribution of certain bespoke equity deals with clients. The proprietary trading book generated income of €30.4m, down sharply on last year's €73.3m, in CIB in particular (down from €46.9m to €7.3m), whereas management of the banking book by the Holding Functions division contributed €23.1m for the six months (versus €26.4m last year), €8.8m of which derived from gains realized on the disposal of banking book securities, with the book's valuation returning to positive territory. Client trading contributed revenues of €48.4m, on a strong performance from fixed-income trading (€28.9m, compared with €18.4m last year), driven by arbitrage and certificates trading, the result of which does not include the gains accounted for as net interest income; the equity trading component reduced from €43.6m last year to €17.9m. Dividends and other income in the Principal Investing division totalled €7.8m (€5.7m).

(€m)

	31/12/2023	31/12/2022	Chg.
Corporate Investment Banking	55.8	109.5	-49.0%
of which: client fixed income	46.8	62.0	-24.5%
Principal Investing	7.8	5.7	36.8%
Holding Functions	23.1	26.4	-12.5%
Other (including Intercompany)	6.7	6.5	3.1%
Net treasury income	**93.4**	**148.1**	**-36.9%**

Net fee and commission income – fees totalled €422.1m, rebounding strongly in 2Q (up 34.8%), which helped keep the year-on-year reduction to 10.7% (31/12/22: €472.7m); against growth of 4% in Wealth Management[14] (€211m), the contribution from investment banking and corporate services fell in line with the market[15], from €128m to €98m, but recovered well in 2Q (fees up from € 31m to €67m), split between organic growth and the contribution from the newly-consolidated Arma Partners (€24.1m). Lending activity[16], which generated fees of €117m (€135m) reflected the slowdown in corporate business, which was down 33% (to €40m), while retail lending posted marginal growth in fees (from €74m to €77m). Turning to the various business lines, fee income earned from Wealth Management operations continues to grow, up 4.5% (from €230m to €240.4m), with growth less buoyant in the recurring component (management and banking fees up 2.6% to €219.1m) consistent with demand still strongly geared in favour of AUA, while upfront fees continue to rise strongly (up 18%, to €45.5m); performance fees of €8.7m were also recorded at end-December 2023. In CIB (fees down 28% to €133.4m), the Mid Corporate segment (fees up 25% to €24.3m) fared much better than the combined performance from M&A (fees down from €99m to €79.4m) and Lending (where they virtually halved, from €48.8m to €24.9m), even though the 2Q results show something of a recovery. Fees generated from Specialty Finance operations were up 9%, to €16.1m, while those from Consumer Finance rose by 3.7%, to €70.9m, with Pagolight's contribution up 2x to €10m.

(€m)

	31/12/2023	31/12/2022*	Chg.
Wealth Management	240.4	230.0	4.5%
Corporate and Investment Banking	133.4	185.3	-28.0%
Consumer Banking	70.9	68.4	3.7%
Holding Functions and other (including Intercompany)[1]	(22.6)	(11.1)	n.m.
Net fee and commission income	**422.1**	**472.6**	**-10.7%**

* The figures as at 31 December 2022 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

[14] Asset management services include management and upfront fees.

[15] Investment banking and corporate services include Corporate Finance, ECM, and NPL management.

[16] Lending: includes corporate lending services and bond placements, factoring, leasing, consumer finance, and mortgage lending.

Insurance sector and other equity-accounted investments – strong growth of 11.9%, from €195.4m to €218.6m, was driven by a good performance from Assicurazioni Generali (up 10.6%, from €194.4m to €215.1m), despite the impact of claims following catastrophic events in 2Q, which impacted on the good operating performance helped by the financial effects linked to the introduction of the new International Financial Reporting Standards (IFRS 17 and IFRS 9). The other investments added €3.5m (€1m last year).

Operating costs – these rose by 6.4%, from €690.9m to €735.4m, reflecting both the strengthening of the headcount (FTEs: up 5%, to 5,369), in particular in Wealth Management (up 2%, to 2,233) and CIB (up 2%, to 730), and the higher IT costs (up 10%) in relation to the projects to consolidate infrastructure and develop digital operations; the cost/income ratio rose to 42.5% (31/12/22: 41.6%); in detail as follows:

– Labour costs rose by 6.2%, from €359.8m to €382.2m, reflecting a relatively minor share for adaptation to the national collective banking sector contract (approx. €2m) as well as the arrival of new staff. The growth is concentrated in Wealth Management (up 10.9%, to €159.4m), while Corporate and Investment Banking labour costs remained stable at €94.4m even after the consolidation of Arma Partners (€6.6m); Consumer Finance, meanwhile, saw a 6.7% rise in labour costs, to €57.6m (1,542 staff), and Holding Functions of 6% (to €68.6m);

– Administrative expenses grew by 6.7% (from €331.1m to €353.2m), primarily due to the technology upgrade/projects and the Group's expanded operations, whereas the inflation effect has been absorbed. The increase in the IT component (from €112m to €121m) reflects the amortization of the investments made in previous years, the higher data processing costs (up 9%, to €83.8m) and info-provider costs (up 13%, to €29.9m); new projects (up from €20m to €26m) regard certain cross-divisional strategic actions (migration to cloud-based solutions and ESG platform) as well as certain division-specific initiatives (first and foremost the CheBanca! rebranding, the Pagolight platform, and in CIB adaptation of the Markets division); extraordinary expenses in relation to commercial development also grew (from €31m to €33m), which include marketing, communications, and travel. The increases attributable to branches and offices[17] (up 4%, to €43m) and operations services (up 1% and stable at €54mi) were in large part related to inflation, whereas credit recovery costs were down by €9m (to €23m) which offset the 6.6% growth reported in Consumer Finance, with Revalea less in the months prior to its disposal.

[17] Includes depreciation charges for properties, both owned and leased.

Looking at the breakdown by division: Wealth Management reported operating costs of €142.2m (up 9%); Consumer Banking of €117m (up 6.6%); Corporate and Investment Banking of €77.1m (up 14.9%, up 11% net of Arma); while Holding Functions posted a reduction, from €33.6m to €25.2m, with the share of central costs (€56m) stable at 7.6% of the Group total.

(€m)

	31/12/2023	31/12/2022	Chg.
Labour costs	382.2	359.8	6.2%
of which:			
directors	*8.2*	*6.6*	*24.2%*
stock option and performance share schemes	*6.0*	*6.3*	*-4.8%*
Sundry operating costs and expenses	353.2	331.1	6.7%
of which:			
depreciations and amortizations (incl. IFRS16)	*49.5*	*45.7*	*8.3%*
administrative expenses	*303.7*	*285.4*	*6.4%*
Operating costs	**735.4**	**690.9**	**6.4%**

(€m)

	31/12/2023	31/12/2022	Chg.
Legal, tax and professional services	10.8	6.4	68.8%
Other consultancy expenses	21.7	18.7	16.0%
Credit recovery activities	23.1	31.6	-26.9%
Marketing and communication	24.0	22.8	5.3%
Rent and property maintenance	12.3	11.0	11.8%
EDP	83.8	76.9	9.0%
Financial information subscriptions	29.9	26.4	13.3%
Bank services, collection and payment commissions	15.6	16.4	-4.9%
Operating expenses	33.3	33.0	0.9%
Other labour costs	7.4	7.8	-5.1%
Other costs	22.5	16.5	36.4%
Direct and indirect taxes	19.3	17.9	7.8%
Total administrative expenses	**303.7**	**285.4**	**6.4%**

Loan loss provisions – these decreased by 15%, from €156.4m to €132.9m, reflecting a cost of risk (COR) down 8 bps to 51 bps. The reduction in provisioning is due in particular Corporate and Investment Banking, where they were wiped out entirely (writebacks of €0.4m were credited) after adjustments of €36.2m were taken last year due to the effects of adaptation to the new macro scenario plus the reclassification of one major position to UTP status. Conversely, loan loss provisions increased in the Consumer Banking division, from €100.3m to €121.3m, in part due to the growth in the loan book, in personal loans especially, and the remainder due to the trend in default rates, which after several quarters of high interest rates and inflation, have returned to near their pre-Covid levels;

the division's COR was therefore 166 bps (vs 144 bps last year), with an approx. 20 bps increase in the summer months which then stabilized in November and December. Wealth Management reported loan loss provisions of €6.3m (€5.8m), largely relating to mortgage lending (€5.1m) with the COR unchanged at 7 bps. Holding Functions posted provisions of €5.7m (€14.1m), with the share attributable to Revalea decreasing significantly (from €13.4m to €2.2m). The stock of overlays remained high, at €243m, with most of the €26.4m reduction for 6M taken to the ECL for the Consumer Finance model following adaption of the parameters to the new macro scenario (approx. €22m).

(€m)

	31/12/2023	31/12/2022	Chg.
Corporate & Investment Banking	(0.4)	36.2	n.m.
Consumer Finance	121.3	100.3	20.9%
Wealth Management	6.3	5.8	8.6%
Holding Functions (leasing)	5.7	14.1	-59.6%
Loan loss provisions	**132.9**	**156.4**	**-15.0%**
Cost of risk (bps)	**51**	**59**	

Provisions for other financial assets[18] – writebacks in respect of other financial assets of €5.1m were credited, as the difference between holdings in investment funds being aligned to fair value (adding €7.8m), after charges of €20m were taken last year, and the increase in provisioning for banking book securities (charges of €2.7m) concentrated in AFS bonds (HTC&S).

(€m)

	31/12/2023	31/12/2022	Chg.
Hold-to-Collect securities	(0.7)	(3.4)	-79.4%
Hold-to-Collect & Sell securities	(2.0)	0.7	n.m.
Financial assets mandatorily FVTPL	7.8	(20.0)	n.m.
Provisions for other financial assets	**5.1**	**(22.7)**	**n.m.**

Income tax for the period – tax charges totalled €220.7m, reflecting a tax rate of 26.2% which was higher than last year (25.5%) principally because of the higher percentage intercompany dividens. The Mediobanca Group adheres to the consolidated tax regime provided by Articles 117ff of the Italian Income Tax Act (known also as "national tax consolidation"). Of the various effects deriving from this decision, the main benefit is being able to determine an overall amount of comprehensive income, which is equal to the algebraic sum of the tax income or losses reported by the parties that have opted into this system.

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

Profit-and-loss figures/balance-sheet data by division

WEALTH MANAGEMENT

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

- Private Banking (Mediobanca Private Banking and CMB Monaco);
- Mediobanca Premier (previously CheBanca!).

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

(€m)

	6 mths ended 31/12/2023	12 mths ended 30/6/2023	6 mths ended 31/12/2022	Chg. %
Profit-and-loss				
Net interest income	213.0	361.5	172.2	23.7
Net trading income	4.4	9.4	5.1	-13.7
Net fee and commission income	240.4	449.6	230.0	4.5
Total income	**457.8**	**820.5**	**407.3**	**12.4**
Labour costs	(159.4)	(294.2)	(143.7)	10.9
Administrative expenses	(142.2)	(260.9)	(130.4)	9.0
Operating costs	**(301.6)**	**(555.1)**	**(274.1)**	**10.0**
Loan loss provisions	(6.3)	(10.5)	(5.8)	8.6
Provisions for other financial assets	0.7	(1.2)	(2.5)	n.m.
Other income (losses)	(2.9)	(20.9)	(7.4)	-60.8
Profit before tax	**147.7**	**232.8**	**117.5**	**25.7**
Income tax for the period	(47.0)	(70.0)	(34.7)	35.4
Minority interest	(0.5)	(0.9)	(0.6)	-16.7
Net profit	**100.2**	**161.9**	**82.2**	**21.9**
Cost/Income (%)	*65.9*	*67.7*	*67.3*	

	31/12/2023	30/6/2023	31/12/2022
			(€m)
Balance-sheet data			
Loans and advances to customers	16,867.6	16,827.3	16,430.8
of which:			
MB Premier	*12,539.7*	*12,384.1*	*11,981.8*
Private Banking	*4,327.9*	*4,443.2*	*4,449.0*
New loans	479.8	2,244.7	1,402.6
Risk-weighted assets	5,864.2	5,959.4	5,812.6
ROAC	3.6%	3.1%	3.1%
No. of staff	2,213	2,197	2,140

	31/12/2023	30/6/2023	31/12/2022	Chg. %
Commercial data				
Relationship managers	524	522	509	0.4%
Financial advisors	573	565	531	1.4%
No. of branches/agencies CheBanca!	206	208	207	-1.0%
Private Banker	156	149	137	4.7%

Net profit for the six months totalled €100.2m (up 21.9%) on revenues of €457.8m (up 12.4%), split equally between net interest income (up 23.7%) and fees (up 4.5%); the division’s RORWA stood at 3.6%, with the cost/income ratio declining to 65.9% and the COR stable at 7 bps.

Net New Money for 6M totalled €3.7bn, with a strong contribution in 2Q (€2.5bn) which, coupled with the recovery by the markets (adding €1.8bn) improved the AUM/AUA stock at the period-end to €65.9bn (up 10% in 6M; up 20.9% vs twelve months previously). TFAs totalled €93.6bn, and include €27.7bn of deposits, down approx. €500m in 6M, absorbing the anticipated reduction in favour of direct or indirect investments in fixed-income products by means of promotional campaigns for tied deposits and time deposits. The portfolio reflects an average profitability of 83 bps (85 bps).

The ongoing high interest rate scenario favoured investments in bond products, including sovereign debt or funds with debt securities as the underlying instrument, at the expense of wealth management products; for this reason, commercial efforts have focused on certificates (generating approx. €1.2bn in 6M) and funds with bond content (Target Maturity) offered by Mediobanca SGR to guarantee yields, diversification and portfolio optimization. The broad co-operation with CIB as part of the Private Investment Banking model has added new deposits of €100m in 6M as well as seven new deals in the Mid Corporate

segment. In addition, there have also been eight other deals bringing in €350m in NNM in relation to specific liquidity events.

In January 2024, the rebranding of CheBanca! as Mediobanca Premier was launched, which goes alongside the Bank's repositioning towards a higher- end client bracket able to benefit from an integrated Group offering, which on the Wealth Management side also contemplates leveraging the capabilities of the Group asset management product factories, and on the CIB side, gives entrepreneurs an opportunity to call on the Group's Corporate and Investment Banking services for both their ordinary and extraordinary financing requirements, not to mention the outstanding capabilities of the Mediobanca Securities equity research teams and the Mediobanca Research Area, according to a one-stop shop rationale.

At end-December 2023 the distribution structure consisted of 1,253 professionals, 1,097 in Premier Banking (524 bankers and 573 FAs), reflecting the addition of 37 new commercial figures (including 24 FAs) to offset exits and redeployments, and 156 Private Bankers, with six new recruits on the domestic market. The Mediobanca Premier network consists of 101 branch offices and 105 POS.

In Private Markets, the Apollo Aligned Alternatives fund was launched with the objective of increasing liquidity into funds with private equity strategies, thus enabling subscription and redemption windows over time. Two more deals from the BlackRock programme were also closed for a total of €80m (with the total amount invested now €480m), and the €500m TEC plan of investments (club deals with high potential SMEs as target) has now ended, while a new initiative is in the process of being implemented to promote the international growth of Italian firms.

Mediobanca Premier continued its efforts in the six months under review in line with last year. In the area of wealth administration products, Mediobanca bonds and certificates were sold for a total of €270m. There was also a recovery in wealth management products, towards the end of 2023 in particular, and four new Target Maturity funds were placed for a total of €263m.

With reference to direct funding, several initiatives should be noted. A "New cash 4%" promotion was launched for the 12M deposit account in November and December 2023, raising €1.2bn. Another promotion was also launched

in November, in conjunction with wealth management, which guaranteed an investment in funds in return for an interest rate of 4.5% for the first 12M.

Alternative Asset Management has seen a resumption in initiatives, with Polus in particular resuming CLO activity with two new €400m deals (CLO XVI and XVII), the first of which closed in September and the second at end-January 2024; the first subscriptions to the new closed-end Special Situations fund were also collected (€120m, vs target €750m), alongside the existing Master Fund which has seen assets increase by over $200m. Overall Polus has AUM of €8.5bn.

The RAM AI funds continue to outperform their respective benchmarks, in particular: Emerging Markets (2023 performance: +14%), Stable Climate Global Equities (+13.7%) and Strata UCITS (+11.4%); all three funds have been rated “5 star” by Morningstar.

Assets managed on behalf of clients (TFAs) totalled €93.6bn (up 6.3%, from €88bn), with €65.9bn in AUM/AUA (up 10%, from €59.8bn); the Premier segment contributed €39.3bn (up 4.6%), €22.3bn of which AUM/AUA (up 8.4%), Private Banking €42bn (AUM/AUA: €31.3bn; up 8.2% and up 13.4% respectively), and Asset Management €27bn (up 4%), €14.7bn of which placed internally within the Group.

Net TFAs	31/12/2023	30/6/23	31/12/2022	Chg. %	
				Dec 23 / Dec 22	Dec 23 / June 23
Affluent Banking	39,289	37,548	34,988	12.3%	4.6%
Private Banking	41,980	38,788	36,177	16.0%	8.2%
Asset Management	26,959	25,914	25,516	5.7%	4.0%
Intercompany	(14,673)	(14,217)	(13,464)	9.0%	3.2%
Wealth Management	**93,555**	**88,033**	**83,217**	**12.4%**	**6.3%**

Deposits	31/12/2023	30/6/23	31/12/2022	Chg. %	
				Dec 23 / Dec 22	Dec 23 / June 23
Affluent Banking	16,992	16,984	17,042	-0.3%	n.m.
Private Banking	10,709	11,205	11,700	-8.5%	-4.4%
Asset Management	—	—	—	n.m.	n.m.
Wealth Management	**27,702**	**28,189**	**28,742**	**-3.6%**	**-1.7%**

AUM/AUA	31/12/2023	30/6/23	31/12/2022	Chg. % Dec 23 / Dec 22	Chg. % Dec 23 / June 23
Affluent Banking	22,296	20,564	17,946	24.2%	8.4%
Private Banking	31,270	27,583	24,477	27.8%	13.4%
Asset Management	26,959	25,914	25,516	5.7%	4.0%
Intercompany	(14,673)	(14,217)	(13,464)	9.0%	3.2%
Wealth Management	**65,853**	**59,844**	**54,475**	**20.9%**	**10.0%**

	2022-2023				2023-2024	
Net New Money	**IQ**	**IIQ**	**IIIQ**	**IVQ**	**IQ**	**IIQ**
Affluent Banking	222	1,109	381	1,625	163	955
Private Banking	1,001	1,061	740	1,591	624	1,649
Asset Management	(85)	82	(120)	(331)	395	(82)
Wealth Management	**1,138**	**2,252**	**1,001**	**2,885**	**1,182**	**2,522**

Customer loans totalled €16.9bn (basically unchanged in 6M), with the mortgage lending share basically stable at €12.4bn, despite the sharp reduction in new business which totalled €479.8m (€1.4bn), impacted by the macro scenario and in particular the sharp rise in interest rates; customer loans in Private Banking totalled €4.3bn, on a slightly lower contribution from CMB Monaco (down 4.1%, to €2.8bn).

Gross NPLs totalled €232m (30/6/23: €218m), and account for 1.4% of total loans, made up as follows: Mediobanca Premier mortgage loans €165m (€166m), representing 1.3% of the loan stock; CMB Monaco €50.1m (€39m), and Mediobanca Private Banking €16.8m (€12.9m). The share of NPLs in mortgage lending remains low, helped by the low level of client exposure to the rise in interest rates by means of the fixed instalment/mortgage protection formula; while the rise in NPLs in the MB Premier and CMB segment involves positions that are adequately counter-guaranteed. The coverage ratio was 42.8% (70.2% for bad debts). NPLs totalled €132.8m (0.8% of total loans on a net basis), €77.3m of which are Mediobanca Premier mortgage loans (with net bad loans totalling €28.3m). Net loans classified as Stage 2 decreased to €713.8m, or 4.2% of the loan stock, over 90% of which consist of mortgages.

Revenues grew by 12.4%, from €407.3m to €457.8m, with a higher contribution in 2Q of €240m (1Q: €217.8m). The main income sources performed as follows:

– Net interest income rose by 23.7% (from €172.2m to €213m), despite the stable lending and funding volumes; the spread between interest income and interest expense increased from 113 bps to 134 bps (up 20 bps in the

last 12M), which more than offset the higher cost of funding (up 120 bps, to 1.5%); this trend was more pronounced in Private Banking (the contribution of which increased from €50.6m to €74.7m) than in Premier Banking (NII up 12.3%, from €121.4m to €136.3m), for which all interest rate and liquidity risk hedging is centralized at Parent Company level due to its different ALM structure;

– Net fees and commissions grew by 4.5%, from €230m to €240.4m, driven, in line with a scenario where demand is still focused on AUM, by upfront fees (up 18%, from €38.6m to €45.5m) in connection with the substantial placements of fixed-income instruments (government debt securities, bonds and certificates), and banking fees of €51.3m (up 5.2%); the growth in management fees was less pronounced, up 1.9% to €167.8m; while the trend in performance fees was also healthy, up 29.9% (from €6.7m to €8.7m), €3.2m of which deriving from wealth management products cashed in at end-2023.

Operating costs rose by 10%, from €274.1m to €301.6m, with parallel performances in both labour costs (up 10.9%) and administrative expenses (up 9%); the higher labour costs (up from €143.7m to €159.4m) chiefly reflects enhancement of the commercial structure (with 68 new professionals recruited) concentrated in the Premier Banking segment in particular, alongside higher accruals for the variable remuneration component to reflect the good results; the rise in administrative expenses (from €130.4m to €142.2m) is again attributable to the IT component (up 6.5% to €52m) and to project activities (up from €6m to €10m), including the rebranding (marketing, work to branch offices and on digital platforms), and organic network growth (branch and office costs: up 5% to €23m).

Loan loss provisions totalled €6.3m, virtually unchanged versus last year (€5.8m), as the potential savings deriving from the new risk parameters being recalibrated following the revision of the AIRB model for mortgage loans have not yet been fully released.

CORPORATE AND INVESTMENT BANKING

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

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

(€m)

	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Profit-and-loss				
Net interest income	153.1	288.0	135.2	13.2
Net treasury income	55.8	135.0	109.5	-49.0
Net fee and commission income	133.4	289.4	185.3	-28.0
Total income	**342.3**	**712.4**	**430.0**	**-20.4**
Labour costs	(94.4)	(183.0)	(95.2)	-0.8
Administrative expenses	(77.1)	(144.3)	(67.1)	14.9
Operating costs	**(171.5)**	**(327.3)**	**(162.3)**	**5.7**
Loan loss provisions	0.4	(32.3)	(36.2)	n.m.
Provisions for other financial assets	(2.9)	(10.1)	(10.2)	(71.6)
Other income (losses)	1.0	—	—	n.m.
Profit before tax	**169.3**	**342.7**	**221.3**	**-23.5**
Income tax for the period	(52.5)	(113.8)	(72.2)	(27.3)
Minority interest**	(8.5)	(3.7)	(2.0)	n.m.
Net profit	**108.3**	**225.2**	**147.1**	**-26.4**
Cost/Income (%)	*50.1*	*45.9*	*37.7*	

** Includes profits credited back to the Class B partners of Arma Partners.

	31/12/2023	30/6/2023	31/12/2022
Balance-sheet data			
Loans and advances to customers	18,939.6	19,625.9	21,290.2
of which:			
Corporate	*16,011.8*	*16,765.2*	*18,219.0*
Factoring	*2,927.8*	*2,860.7*	*3,071.2*
Credit Management - NPLs			
Corporate new loans	2,253.1	3,637.0	4,647.1
Factoring turnover	6,225.6	12,084.1	6,001.4
Risk-weighted assets	15,991.9	19,410.2	21,802.3
ROAC	1.2%	0.8%	1.5%
No. of staff	730	648	632
Front Office Wholesale	351	344	327

The CIB division posted a net profit of €108.3m in 6M, lower than last year (€147.1m) when the second quarter result was buoyed by the closing of several substantial deals. Consistent with the strong contraction in the European market, revenues fell from €430m to €342.3m, with an improving trend in 2Q, with the addition of Arma Partners (which contributed approx. €24m in revenues) and a recovery in the other businesses (2Q revenues approx. €176m, compared to an average of approx. €140m in the last three quarters). The cost/income ratio stood at 50.1%, while the bottom line result was boosted by net writebacks to loans and other securities held of €2.5m (compared with writedowns of €46.4m last year). Wholesale Banking contributed net profit of €96.1m, and Specialty Finance of €12.2m. RORWA for the division stood at 1.2%.

The European M&A market in 2023 posted a 28% reduction in volume of deals announced (the lowest value in the past 10Y), with the number of deals also more than 10% lower than in 2022. This gap was most pronounced in Italy (which reported a 42% drop in volumes) and the United Kingdom (down 43%), and was less marked in France (down 26%) and Spain (down 18%). However, the European market did record a 31% HoH increase in 2H 2023, on the back of a significant recovery of volumes in 4Q 2023 (up 67% on 4Q 2022), driven by corporates refocusing on their core activities and by increased activity from private equity funds.

Despite the market scenario, Mediobanca confirmed its position as the Italian advisor of choice, completing more than twenty deals in the space of six months, including the acquisition of Memry by Resonetics in the Healthcare sector, and the acquisition of Kiona by Carel in the Industrials sector, plus the numerous deals executed with the involvement of financial sponsors, including the acquisition of Fabbrica Italiana Sintetici by Bain Capital in the Healthcare sector, and the sale of a majority interest in Zimmermann by Style Capital to Advent in the Consumer and Luxury sector.

Business in France was also positive, with Messier et Associés completing more than ten deals in 2023, confirming its key role in the French Large Corporates panorama.

The addition of Arma Partners is a fundamental part of the 2023-26 Strategic Plan which is focused on low capital absorption initiatives with a strong emphasis on international expansion. The boutique has confirmed its positioning as one of the leading European advisors in the digital economy sector, with more than

fifteen deals completed worth a value of approx. £33bn. The Arma Partners software team in particular has seen strong levels of activity, followed by the Data and Information, Digital Transformation, and FinTech teams, thus contributing to expansion of the sectors of specialization covered by Mediobanca's advisory services, as well as providing geographical diversification (the UK market in particular).

Advisory business levels are expected to pick up gradually in the coming quarters, driven by the numerous deals that have been announced in recent months, on the Italian market and internationally, including the following: in the TMT sector, the acquisition of TIM's fixed line telephony activities by KKR, the largest Italian deal in this sector in the last five years, and the acquisition of SKS365 by Lottomatica; and in the Energy Transition segment, the acquisition of Italiana Petroli by Macquarie, and the sale of Enerfin by Elecnor to Statkraft.

As far as regards activity on Debt Capital Markets, which showed windows of strong activity, in 6M the Bank took part in the largest Italian bond issues (including Intesa SanPaolo, Banco BPM, Assicurazioni Generali, Monte dei Paschi di Siena, Terna and Leasys), plus some other major deals in its core markets (such as BPCE, Commerzbank, TDF Infrastructure and Suez), with a growing presence in the ESG space. The Bank's leadership position in the US Private Placement sector for Italian issuers was also confirmed during the period under review.

In Equity Capital Markets, where the performance reflects the ongoing negative market conditions (1H FY 2023-24 was the poorest half-year recorded in the European market in the last 21 years), Mediobanca took part in the main deals completed on the domestic market: the capital increase for Carel, and the stake-building in Banca Popolare di Sondrio by executing the Reverse ABB launched by Unipol (the largest ever in the Italian market). The Bank was also responsible for the issue of a convertible bond by Cellnex in Spain.

In Lending activity, the Bank has lent to, and assisted in putting together finance for, its clients in all the main geographies it covers, supporting them in both their ordinary activity (including Eni, Ferrero, Recordati, Flutter, Virgin Media, Entain, and Tank & Rast) and extraordinary activity (including KKR-Netco, and EIP-Plenitude), confirming its role as leader in the Italian market, and strengthening its European footprint, despite reflecting a reduction in volumes and fees in a strongly reduced market.

Markets activity offset the reduction in business with institutional clients by improving activities with private and professional clients, continually searching out high-yield investment instruments for customers with substantial liquidity positions exposed to inflation. Volumes of securities and equities traded have improved, despite the absence of specific trends.

* * *

In 6H customer loans decreased from €19.6bn to €18.9bn (down 3.5%), on a 4.5% reduction in Wholesale Banking (from €16.8bn to €16bn). Lending and Structured Finance in particular reporting a 20% reduction since the balance-sheet date (down €1.4bn), with customer loans of €2.3bn (€1.4bn of which in new loans executed in 6M) offset by repayments totalling €3.7bn. Customer loans for the CIB division as a whole totalled €2.7bn, against €4.1bn in redemptions. Turnover in factoring business was higher than a year ago, up 3.7%, from €6bn to €6.2bn, with a stable client base focused on the large corporate sector which accounts for approx. 90% of the volumes (in terms of turnover and stock) and revenues.

	31/12/2023		30/6/2023		Chg. (%)
	(€m)	%	(€m)	%	
Italy	9,266.4	48.9%	10,375.9	52.9%	-10.7%
France	2,401.3	12.7%	2,591.7	13.2%	-7.3%
Spain	1,652.5	8.7%	1,579.4	8.0%	4.6%
Germany	1,370.2	7.2%	980.0	5.0%	39.8%
U.K.	1,067.1	5.6%	1,124.3	5.7%	-5.1%
Other non resident	3,182.1	16.8%	2,974.6	15.2%	7.0%
Total loans and advances to customers CIB	**18,939.6**	**100.0%**	**19,625.9**	**100.0%**	**-3.5%**
- of which: Specialty Finance	*2,927.8*	*15.5%*	*2,860.7*	*14.6%*	*2.3%*

Gross NPLs decreased from €135.7m to €48.1m, following the sale (at NAV) of two of the three exposures outstanding at the balance-sheet date (€104m); one new position was included in-scope during 6M, albeit relatively small in size (€12.2m) and guaranteed in full by insurance policies taken out with a public entity. The gross NPL ratio declined accordingly to 0.3% (vs 0.7% last year), whereas net NPLs increased from €22.2m to €24.1m, with the coverage ratio lower at 49.8% (83.6%).

Gross loans classified as Stage 2 rose to €853.2m, 4.5% of the stock, with the Wholesale Banking component increasing sharply from €280.3m to €768.3m (4.78%) following the inclusion of six Large Corporate exposures, reflecting certain automatic mechanisms and the prudent reclassification to watch list status. The coverage ratio for performing loans (Stages 1 and 2) was 0.5%, despite the stock of overlays (€32m) declining slightly (down €8m), after revision of the industrial sectors most affected by the macroeconomic uncertainties (in particular inflation) resulted in certain exits in both segments (overlays for Wholesale Banking decreased from €25.2m to €20m, and in Factoring from €15m to €12m).

Revenues for the six months totalled €342.3m, down 20.4%, split between Wholesale Banking (€304.8m; down 23.2%) and Specialty Finance (€37.5m; up 12.6%), with the main income items performing as follows:

- Net interest income totalled €153.1m, up 13.2% on last year (€135.2m); the reduction in corporate lending volumes (from €15.8bn to €13.1bn) drove an approx. 4% decrease in net interest income from lending and structured finance transactions (€79.5m), offset in part by careful selection of new business in order to increase returns; the reduction was more than offset by the contribution from securities, which rose from €21.3m to €41.8m, with the Markets division contributing €35.5m; Specialty Finance contributed €21.5m (€18.6m), compensating for the higher cost of funding through an effective repricing policy with volumes growing slightly;
- Net fee and commission income totalled €133.4m, a 28% reduction YoY, reflecting the slowdown in the Investment Banking market (from €120m to €84m) despite the addition of Arma Partners (€24.1m) and the resilience of the Mid Corp segment, which posted fees of €24.3m (€19.5m); DCM also performed well, with fees up from €6.7m to €10.4m. Conversely, the rest of the M&A operations with fees decreasing from €79m to €30m, ECM operations with fees decreasing from €21m to €5m, as did Lending (fees down from €48.8m to €24.9m); Specialty Finance contributed €16.1m (€14.8m), €13.5m of which in relation to MBCS (€11.7m) due to third party credit recovery activity;
- Net treasury income was down 49%, from €109.5m to €55.8m, with the Markets division's client activity decreasing from €62m to €46.8m despite the recovery in fixed-income trading (up from €18.4m to €28.9m), helped by the widening spread and by operations in certificates which, however, were not sufficient to offset the slowdowns reported by the equity component

(down from €43.6m to €17.9m) due to the lack of bespoke deals. Revenues generated by the proprietary trading desk were down €42.9m on last year, with the equity component hit by difficulties in arbitrage trading (which contributed just €3.9m for the six months) and fixed-income trading, which was impacted by the stabilizing volatility (recording profits of €3.4m in 6M).

Revenues	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Capital Market	15.0	43.5	27.8	-46.2%
Lending	105.9	226.1	132.3	-19.9%
Advisory M&A	79.3	143.8	98.6	-19.5%
Trading Prop	11.6	61.9	50.1	n.m.
Market, sales and other gains	93.0	166.5	87.8	5.9%
Specialty Finance	37.5	70.6	33.4	12.3%
Total Revenues	**342.3**	**712.4**	**430.0**	**-20.4%**

Commissions	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Capital Market, Sales and other gains	13.4	48.0	23.1	-41.8%
Lending	24.9	67.2	48.8	-49.1%
Advisory M&A	79.0	143.8	98.6	-19.9%
Specialty Finance	16.1	30.4	14.8	8.8%
Total Commissions	**133.4**	**289.4**	**185.3**	**-28.0%**

Operating costs grew by 5.7%, from €162.3m to €171.5m, the increase attributable to the consolidation of Arma Partners (costs of €8.8m, €6.6m of which in labour costs) and the rebound in administrative expenses (up 14.9%, from €67.1m to €77.1m); labour costs were stable at €94.4m (but down 7.8% net of Arma Partners) due to the lower variable remuneration component. Conversely, the technology upgrade plus the various project initiatives impacted on leasing instalments and info-provider costs (IT costs up 5% YoY), and also on travel/entertainment and operations expenses. In particular the projects are directly related to the development of new products for the Markets area, to RWA efficiency optimization (maintaining the Roll-Out Plan, including extending the AIRB models to the Factoring business), and participation in joint projects such as digitalization/cloud computing solutions and ESG implementation activities.

	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
CIB	1.5	(32.1)	(34.0)	n.m.
Specialty Finance	(1.1)	(0.2)	(2.2)	-50.0%
Other financial assets	(2.9)	(10.1)	(10.2)	n.m.
Total provisions	**(2.5)**	**(42.4)**	**(46.4)**	**n.m.**

Valuations of financial assets (loans, banking book securities and holdings in funds) at the period-end resulted in writedowns of €2.5m, much lower than last year when charges of €46.4m were taken. This reversal of trend was attributable to Wholesale Banking, which closed the six months with writebacks of €1.5m, due to the reduction in volumes, the absence of significant reclassifications to UTP status, and an improvement in the macroeconomic conditions which unlike last year, did not impact on the model parameters, while at the same time reducing the number of borrowers still at risk of default because of inflation, which resulted in overlays being released. Specialty Finance operations posted value adjustments of €1.1m (€2.2m). Adjustments to holdings in funds to reflect fair value entailed charges in the region of €3m (mostly in relation to the distribution of dividends recorded as net treasury income), much lower than the equivalent figure last year (charges of €10.2m).

CONSUMER FINANCE

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

(€m)

	31/12/2023	30/6/2023*	31/12/2022*	Chg. (%)
Profit-and-loss				
Net interest income	512.7	984.9	492.4	4.1
Net fee and commission income	0.4	—	—	n.m.
Total income	70.9	137.3	68.4	3.7
Labour costs	**(0.2)**	**(0.8)**	**(0.4)**	**-50.0**
Administrative expenses	583.8	1,121.4	560.4	4.2
Operating costs	(57.6)	(113.8)	(54.0)	6.7
Loan loss provisions	**(117.0)**	**(233.6)**	**(109.8)**	**6.6**
Provisions for other financial assets	(174.6)	(347.4)	(163.8)	6.6
Other income (losses)	(121.3)	(203.9)	(100.3)	20.9
Profit before tax	(0.1)	—	(0.1)	n.m.
Income tax for the period	**0.1**	**(14.0)**	**(4.7)**	**n.m.**
Net profit	287.9	556.1	291.5	-1.2
Cost/Income (%)	(93.8)	(182.6)	(95.1)	-1.4
Utile/(Perdita) del periodo	**194.1**	**373.5**	**196.4**	**-1.2**
Cost/Income (%)	*29.9*	*31.0*	*29.2*	

* The figures as at 31 December 2023 and 30 June 2023 have been restated after Bank of Italy Circular no. 262/2005, eighth update came into force, incorporating the introduction of the new IFRS 17 – insurance contracts.

	31/12/2023	30/6/2023	31/12/2022
Balance-sheet data			
Loans and advances to customers	14,701.5	14,465.0	14,142.7
- *of which:*			
Personal loans	*7,245.7*	*7,117.0*	*6,970.1*
Salary-backed finance	*1,680.7*	*1,736.4*	*1,799.3*
New loans	3,927.4	7,848.8	3,869.0
Risk-weighted assets	14,545.0	13,516.9	13,154.1
ROAC	2.7%	2.8%	3%
No. of staff	1,533	1,520	1,507

	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Commercial data				
Branches Consumer	181	181	181	—
Agencies Consumer	78	72	67	8.3%

The Consumer Finance division delivered a net profit of €194.1m for the six months, confirming last year's excellent result (31/12/22: €196.4m) with RORWA[19] at 2.7%. The upward trend in revenues also continues, up 4.2% YoY to €583.8m, reflecting the effective repricing policy that has not affected commercial activity which remains buoyant, helped by the introduction of the new products. The substantial project activity required to expand the digital and international offering, coupled with the investments made in previous quarters becoming fully operative, have driven an unusual albeit anticipated rise in costs, which were up 6.6% YoY, with the cost/income ratio, however, below 30%. At the same time, the ongoing high interest and inflation rates has reduced households' debt servicing capabilities, driving an increase in the cost of risk to 166 bps, near to pre-Covid levels. More recently, the good performance delivered in the winter months, as a result of the credit recovery policies among other factors, is reflected in the CoR stabilizing quarter-on-quarter.

The results and activities performed in 6M are in line with the targets set in the 2023-26 Strategic Plan, and work continues in strengthening both direct and digital distribution and investments in innovative products. The ongoing development of the Pagolight platform has strengthened Compass's footprint in the BNPL segment, with a significant increase in both the number of merchant dealers (from over 15,000 to over 20,000 POS, physical and online, in 6M) and in turnover (€180m in revenues generated via the physical channel and €45m via the digital channel[20]), while Pagolight Pro has given the division a technologically advanced solution for granting special purpose loans and credit lines. The acquisition of HeidiPay Switzerland (which has contributed €10m in turnover with 180 merchants) has launched international expansion with a technologically sophisticated partner (50% of HeidiPay's new loans are generated via the internet) which has a franchise in areas traditionally less covered by Compass, and which potentially could provide new customer base for less risky personal loans. In 6M a total of six new agencies have been opened, taking the number of active POS in Italy to 317 (78 of which are agencies). With the objective of further increasing growth in the digital channel, a total of six

[19] Adjusted return on RWA.

[20] Including approx. €20m from Soisy.

dedicated “Digital Sales Hubs” have been created to support and help with clients who start their applications via the internet but then struggle to complete the process; of the €485m processed, approx. 40% have digital on-boarding, and 20% are fully digital. An “instant lending” product is also being refined, which gives 400,000 existing clients with solid track records an opportunity to have a new loan approved in the space of one minute.

The Italian consumer credit market reported flows of €25bn in the last six months of the 2023 calendar year, 1% lower than the same period in 2022. The positive trend in personal loans (up 1.5%) and special purpose finance (cars and motorbikes up 0.8%; other special purpose finance up 0.2%) was not sufficient to offset the reduction in volumes transacted by credit cards (down 4.7%) and by salary-backed finance (down 10.5%).

New loans for the six months totalled €3.9bn, up 1.5%, with approx. €1.1m in deals completed, despite the stricter acceptance levels implemented in order to preserve portfolio quality. The positive commercial performance was concentrated in direct personal loans (up 10.7%, from €1,305m to €1,445m) and in the Pagolight digital channel (up 151%, from €78m to €197m, corresponding to approx. 168,000 transactions); whereas reductions were reported in automotive finance (down 16.6%, from €805m to €671m), special purpose finance (down 5.2%, from €614m to €582m), and salary-backed finance operations (down 29.1%, from €234m to €166m), in the indirect channel in particular (down 49%).

The asset quality ratios remain extremely robust: the coverage ratio for performing loans stood at 3.74% (stable versus end-June 2023); gross NPLs of €928.4m represent 5.81% of the loan stock, slightly worse than at end-June 2023 (5.60%), while net NPLS were up approx. 11 bps to 1.49% on a declining coverage ratio of 76.4% (77.3%), reflecting the improved quality of the new additions.

The growth in revenues (up 4.2%, from €560.4m to €583.8m) is in line with the performance in average lending volumes (which rose by 4%) and is evenly split between net interest income (up 4.1%) and fees (up 3.7%). The main income items performed as follows:

– Net interest income rose from €492.4m to €512.7m, reflecting the improved profitability of loans (up 80 bps, to 8.2%) coupled with a more favourable product mix (direct personal loans now account for approx. 35% of the loan stock) plus the effects of the intensive repricing activity, meaning that

after approx. 18M the process of passing on the increased cost of funding and hedging has now been virtually completed; unlike the other divisions, Consumer Finance also posted higher average lending volumes (approx. €700m);

– Net fee and commission income rose from €68.4m to €70.9m (up 3.7%), with the new initiatives related to Pagolight doubling their contribution to €10m, while the sale of insurance products fell from €21.5m to €15.6m.

The rise in operating costs, up 6.6% (from €163.8m to €174.6m), reflects an increase of virtually the same percentage in labour costs (up 6.7%, to €57.6m) and administrative expenses (up 6.6%, €117m); the former reflects the increase in the headcount (the average number of employees grew by 3.5%) and also the adjustment to the accrual set aside for the collective labour contract renewal set aside last year; whereas the latter reflect the increase in IT expenses (from €21.2m to €24m), much of which in relation to the new initiatives included in the 2023-26 Strategic Plan; the inflation effect involved costs for premises (up 11%) and operations (up 5%), whereas credit recovery costs remained at around €30m because of the trend in the cost of risk.

Loan loss provisions rose from €100.3m to €121.3m, with the contribution stable in both quarters (1Q: €59.9m; 2Q: €61.4m), suggesting that cases of non-payment and arrears were largely stable following the increases during the summer months. This trend is reflected in the CoR which increased to 166 bps, back to the levels estimated in the budget, albeit at least two quarters ahead of schedule. The approx. €22m use of overlays was limited to the share of funds deriving from the risk parameters being adjusted to reflect the new scenario, which entailed an increase in the ECL based on IFRS 9 adequately anticipated last year; thus the stock of overlays reduces to €187.2m.

INSURANCE - PRINCIPAL INVESTING

The Insurance – Principal Investing (PI) division comprises the Group's portfolio of equity investments and holdings, including the 13.25% stake in Assicurazioni Generali. The latter investment has been this division's main constituent for many years, and is distinguished for its sound management, consistency of results, high profitability and contributions in terms of diversification and stabilization of the Mediobanca Group's revenues. Furthermore, in December 2023, following the completion of the process of defining the changes to the new European prudential regulations (CRR III), the prudential treatment currently applied to the Assicurazioni Generali investment (known as the "Danish Compromise") in force until 31 December 2024, was made permanent; the competent EU bodies are expected to approve the decision and the new regulation should be published by June 2024. The division includes the Group's investments in funds and SPVs and/or managed by the Group's asset management companies (seed capital) based on an approach that combines mid-term profitability for the Group with synergies between the divisions, as well as investment activity in private equity funds managed by third parties.

(€m)

	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Profit-and-loss				
Other incomes	4.2	8.9	2.2	n.m.
Equity-accounted companies	218.8	454.7	195.8	11.7
Total income	**223.0**	**463.6**	**198.0**	**12.6**
Labour costs	(2.0)	(4.0)	(2.0)	n.m.
Administrative expenses	**(0.6)**	**(1.0)**	**(0.5)**	**20.0**
Operating costs	(2.6)	(5.0)	(2.5)	4.0
Net loss provisions	9.2	2.4	(11.5)	n.m.
Profit before tax	**229.6**	**461.0**	**184.0**	**24.8**
Income tax for the period	(6.2)	(21.5)	(1.2)	n.m.
Net profit	**223.4**	**439.5**	**182.8**	**22.2**

	31/12/2023	30/6/2023	31/12/2022
Balance-sheet data			
Banking book equity securities	737.6	675.6	738.5
Equity method investments	3,683.6	3,557.1	2,258.8
Risk-weighted assets	8,395.1	8,713.9	8,535.4
RORWA	3.2%	3.6%	2.9%

The Insurance & PI division delivered a net profit of €223.4m for the six months, up 22.2% on last year (€182.8m), due to a higher contribution from the Assicurazioni Generali investment (up from €194.4m to €215.1m), confirming the excellent profitability of both the investment and the division (RoRWA[21] 3.2%).

Application of the equity method to the Group's investments returned a profit of €218.8m, made up as follows: Assicurazioni Generali €215.1m; other IAS 28 investments (IEO, CLI Holdings II, Finanziaria Gruppo Bisazza) €3.5m.

Amounts collected from dividends and other income from holdings in funds totalled €7.5m, virtually all of which from the Group's seed capital; adjustment of the value of holdings in funds to reflect fair value added €9.2m, unlike last year when downward adjustments of €11.4m were taken.

The book value of the Assicurazioni Generali investment increased from €3,472.2m to €3,599.5m, contributing €215.1m to earnings, with the performance for 2Q impacted by claims from significant catastrophic events that curbed the good operating performance, helped also by the financial effects of the introduction of the new IFRS 17 and IFRS 9, the application of which also reduced the volatility of the balance-sheet items. The market value of the investment rose by 2.6% to €3.9bn.

The other banking book securities increased to €737.6m (30/6/23: €675.6m): holdings in funds rose from €435.4m to €483.4m, following approx. €41.3m in net investments, and upward adjustments to reflect fair value of €6.7m; the equity component rose to €254.2m (€240.1m), on investments totalling approx. €5.4m and upward adjustments to reflect fair value (taken through Other Comprehensive Income) totalling €8.7m, all of which in connection with listed instruments.

[21] Adjusted return on allocated capital.

HOLDING FUNCTIONS (CENTRAL, TREASURY AND LEASING)

The Holding Functions comprises SelmaBipiemme Leasing, MIS and other minor companies, Group Treasury and ALM[22] (with the aim of optimizing funding and liquidity management on a consolidated basis, including the securities held as part of the banking book), Group central function costs including the operations, support units (Chief Financial Office, Corporate Affairs, Investor Relations, etc.), senior management and the control units (Risk Management, Group Audit and Compliance), for the shares not attributable to the business lines. The NPL portfolio management business, spun off to Revalea S.p.A[23] and included in the Holding Functions division as from last year, has been included for four months only, as in October it was sold to Banca Ifis.

(€m)

	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Profit-and-loss				
Net interest income	103.1	145.1	31.8	n.m.
Net trading income	23.1	42.8	26.4	-12.5
Net fee and commission income	8.0	32.5	23.3	-65.7
Total income	**134.2**	**220.4**	**81.5**	**64.7**
Labour costs	(68.6)	(133.4)	(64.7)	6.0
Administrative expenses	(25.2)	(68.6)	(33.6)	-25.0
Operating costs	**(93.8)**	**(202.0)**	**(98.3)**	**-4.6**
Loan loss provisions	(5.7)	(23.4)	(14.1)	-59.6
Provisions for other financial assets	(1.8)	1.8	1.5	n.m.
Other income (losses)	(23.7)	(83.5)	(26.3)	-9.9
Profit before tax	**9.2**	**(86.7)**	**(55.7)**	**n.m.**
Income tax for the period	(20.9)	(6.5)	12.3	n.m.
Minority interest	(1.3)	(2.1)	(1.5)	(13.3)
Net profit	**(13.0)**	**(95.3)**	**(44.9)**	**(71.0)**

	31/12/2023	30/6/2023	31/12/2022
Balance-sheet data			
Loans and advances to customers	1,318.6	1,631.0	1,737.1
Banking book securities	8,950.6	8,740.0	6,963.3
No. of staff [1]	855 (427)	853 (444)	840 (441)
Risk-weighted assets	4,292.1	3,831.2	3,269.1

[1] The 855 staff employed in the Holding Functions division reduce to 427 as at end-Dec. 2023, bearing in mind that the service units and part of the support and control units, comprising a total of 428 FTEs, are charged back to the business lines as "administrative expenses", leaving the FTEs properly attributable to the Holding Functions as follows: Group Treasury and ALM activities (44), Leasing (93), General Management, plus the other 40% of the service, support and control units.

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

[23] Revalea was set up in April 2022, and received authorization to operate from the supervisory authorities at end-2022.

The net loss posted by the Holding Functions division reduced to €13m, following the €23.8m payment to the Italian Deposit Guarantee Scheme (DGS) and €19m in higher tax on dividends from the Group Legal Entities taken through profit and loss pursuant to resolutions adopted by shareholders in Annual General Meeting. Total income increased from €81.5m to €134.2m and reflects the strong growth in net interest income (from €31.8m to €103.1m), a slight reduction in net treasury income (from €26.4m to €23.1m), plus further income from Revalea in relation to the transition arrangements (negative for €20m YoY). Operating costs, net of the Revalea contribution, increased from €77.6m to €85.2m, including the central cost component (€56m, up 9% YoY) which continues to represent 7.5% of the Group's total costs.

The main income items performed as follows:

- Treasury: the net contribution from treasury management increased from €9.8m to €55.6m, on a markedly improved performance in net interest income (up from €6.4m to €85m), due to the effect of treasury operations, with the ALM position and interest rate risk managed effectively through the banking book securities portfolio (the return on which increased from 2.15% to 3.2%), and strong efforts on the funding side to optimize costs (interest rose from 1.06% to 3.4%, but on a declining spread vs Euribor, down approx. 15 bps). The MREL ratio (40.7%, compared with a requirement of 23.13%) and the COREP ratios (LCR: 155.9%; NSFR: 119.6%) were higher as a result of the new debt security issuance and the resilience of the WM funding, with no impact from the higher T-LTRO repayments;
- Leasing: a net profit of €1.9m was earned from leasing operations in 1H, aligned with last year's performance, with revenues flat at €16.7m despite new business and customer loans falling (loan stock down 11%, to €1.3bn) and loan loss provisions low at €3m; gross NPLs also continued to decrease, from €107.4m to €90.8m, while net NPLs totalled €25.1m;
- The disposal of Revalea and the other assets attributable to the NPL portfolio acquisition business line at end-October 2023 for a total of €238.8m (RWAs of €250m); the four months for which the Revelea operations were consolidated reflect breakeven, on revenues of €10.2m (€3.9m in net interest income and €6.3m other income), costs of €8.6m, and loan loss provisions of €2.2m.

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Mediobanca spa

RESTATED PROFIT AND LOSS ACCOUNT

(€m)

	31/12/2023	30/6/2023	31/12/2022	Chg. (%)
Economic Data				
Net interest income	210.7	333.2	121.0	74.1%
Net treasury income	97.5	207.5	155.6	-37.3%
Net fee and commission income	150.9	319.9	200.5	-24.7%
Equity-accounted companies	419.4	527.3	117.4	n.m.
Total income	**878.5**	**1,387.9**	**594.5**	**47.8%**
Labour costs	(145.2)	(288.8)	(147.3)	-1.4%
Administrative expenses	(108.6)	(209.6)	(94.3)	15.2%
Operating costs	**(253.8)**	**(498.4)**	**(241.6)**	**5.0%**
Gains (losses) on disposal of equity holdings	(3.4)	(36.3)	(35.5)	n.m.
Loan loss provisions	4.4	(7.0)	(20.5)	n.m.
Provisions for other financial assets	—	(54.3)	—	n.m.
Other income (losses)	(0.5)	(50.4)	(0.8)	-37.5%
Profit before tax	**625.2**	**741.5**	**296.1**	**n.m.**
Income tax for the period	(85.0)	(135.0)	(66.0)	28.8%
Net profit	**540.2**	**606.5**	**230.1**	**n.m.**

RESTATED BALANCE SHEET

Balance - sheet data	31/12/2023	30/6/2023	31/12/2022
Assets			
Financial assets held for trading	11,280.2	10,509.4	9,801.1
Treasury financial assets and cash	14,645.5	12,790.5	18,163.6
Banking book securities	11,114.4	11,118.7	9,727.2
Customer loans	39,931.8	41,446.9	42,628.8
Equity Investments	4,847.4	4,542.9	4,656.8
Tangible and intangible assets	169.5	169.3	170.4
Other assets	1,165.1	690.2	632.0
Total assets	**83,153.9**	**81,267.9**	**85,779.9**
Liabilities and net equity			
Funding	55,487.5	55,893.0	58,119.8
Treasury financial liabilities	10,799.5	6,585.1	9,218.4
Financial liabilities held for trading	9,582.7	10,592.2	10,858.2
Other liabilities	2,317.1	3,041.4	2,798.4
Provisions	92.2	102.8	117.8
Net equity	4,334.7	4,446.9	4,437.2
Profit for the period	540.2	606.5	230.1
Total liabilities and net equity	**83,153.9**	**81,267.9**	**85,779.9**

Mediobanca S.p.A., the parent company of the Mediobanca Group, posted a net profit for the six months of €540.2m, more than twice the result reported last year (€230.1m), because of the substantial contribution from dividends paid by the Group Legal Entities that totalled €419.4m (31/12/22: €117.4m) and involved the majority of the Group companies.

Equally, revenues rose from €594.5m to €878.5m; net of dividends the trend compared to last year would reverse, with revenues down to €459m (compared with €477m) due to the reductions in net fee income (down 24.7%) and net treasury income (down 37.3%). The main income items performed as follows:

- Net interest income increased from €121m to €210.7m, driven by the higher return on assets, despite the reduction in lending volumes, which reflects the rapid repricing of the banking book securities (the contribution of which increased from €106m to €179m), the flow of dividend income from trading (up €24m), and the higher return on liquidity components (up €67m). The increase in the cost of funding was less pronounced, with interest expense increasing from €462m to €1,092m, in particular for the WM component, where the cost of funding was 2.1%;
- Net treasury income totalled €97.5m (€155.6m), on lower contributions from client trading (down from €61m to €47m) attributable primarily to the equity component (down from €43.6m to €17.9m) given the absence of bespoke

deals compared to last year, only in part offset by the recovery in fixed-income trading (from €17m to €24.8m). The contribution from proprietary trading decreased to €7.3m, whereas management of the banking book returned a total of €22.8m, €8.8m of which in gains on disposals; income from dividends amounted to €20.8m;

– Net fee and commission income came in at €150.9m (€200.5m), on a markedly lower contribution from Wholesale Banking (down from €146m to €75m), concentrated in M&A (down from €75.4m to €39.6m), ECM (down from €21.1m to €4.6m) and Lending (down from €43.3m to €20.6m), whereas fees earned from DCM operations grew from €6.9m to €10.4m; in Private Banking, fees rose from €54.5m to €64.9m, following a good performance in upfront fees from placements which totalled €23.6m (€20.7m) and the return of performance fees towards the year-end (which totalled €2.8m);

– Dividends from investments amounted to €419.4m, €330m of which from Compass Banca, €33m from Mediobanca Premier, €18.4m from Mediobanca International, €14.2m from SelmaBipiemme, €11m from MBFACTA, €8.1m from Mediobanca SGR, and €4.6m from other minor investments.

Growth of 5% in operating costs, from €241.6m to €253.8m, mainly refers to the trend in administrative expenses (up 15.2%, from €94.3m to €108.6m) in relation to IT costs to support project activities; by contrast, labour costs decreased by 1.4%, from €147.3m to €145.2m, reflecting the lower variable remuneration component in line with the trend in ordinary revenues;

Provisions for financial assets (loans, banking book securities and holdings in funds) were wiped out and indeed net writebacks of around €1m were credited, compared to the €56m charges taken last year as a result of adjustment to changes in the macro scenario, which by contrast triggered the release of approx. €3.7m in overlays (which reduced accordingly, from €25.2m to €21.5m), offsetting the effect of one large corporate position being reclassified as Stage 2; alignment of holdings in funds to fair value as recorded at the period-end generated a gain of €6.8m (compared to a loss of €17.6m last year).

The Bank's total assets increased in the six months from €81.3m to €83.2bn, with the main balance-sheet items reflecting the following performances:

– Customer loans decreased from €41.4bn to €39.9bn, €13.4bn of which regards corporate lending (€12.2bn), €1.5bn loans to Private Banking customers (unchanged), and €25bn to other Group Legal Entities (€26bn).

Gross NPLs decreased significantly, from €118.3m to €17.8m, following the sale (at NAV) of two positions in an amount of €104m, which absorbed the only new addition for the period (a €5m position in Private Banking, which is adequately guaranteed). Net NPLs totalled €7.6m (almost entirely attributable to Private Banking clients), with a coverage ratio of 57% which reflects the good collateralization level. Stage 2 exposures totalled €697.8m (30/6/23: €179.5m), following the inclusion of six large corporate exposure, reflecting some automatic mechanisms plus more prudent reclassification to watch list status;

– Funding decreased from €55.9bn to €55.5bn, despite the partial repayment of the T-LTRO facilities (€2.2bn) and the anticipated reduction in WM funding (from €28bn to €27.2bn), due to the strong primary market debt securities issuance activity, with €2.6bn placed in 6M (against redemptions totalling €1.3bn), taking the stock from €20bn to €21.4bn.

AUM/AUA in Private Banking were up 10%, from €19.2bn to €21.2bn (AUM up 2% from €10.3bn to €10.4bn and AUA up 20%, from €8.9bn to €10.7bn, on good flows of NNM (€1.4bn) and a positive market effect of €570m.

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

(€m)

Company	Percentage shareholding	Business Line	Total assets	Loans and advances to customers	Total net equity[1]	No. of staff
Mediobanca Securities (data in USDm)	100%	CIB	7.8	—	6.3	5
Messier et Associés S.A.S.*	100%	CIB	82.4	—	20.5	37
Messier et Associés L.L.C. (dati in USDm)*	100%	CIB	0.4	—	0.4	3
Mediobanca International	100%	CIB	5,576.7	3,802.7	443.3	19
MBFACTA	100%	CIB	3,177.8	2,928.4	225.9	49
MBCredit Solutions	100%	CIB	51.1	0.3	34.5	164
MB Contact Solutions	100%	CIB	1.5	—	0.5	5
Arma Partnes LLP (dati in GBPm)	100%	CIB	46.7	—	37.5	91
Arma Partnes CF Ltd UK (dati in GBPm)	100%	CIB	3.9	—	0.5	—
Arma DE GmbH (dati in GBPm)	100%	CIB	0.8	—	0.3	—
Compass Banca	100%	CF	16,675.2	14,876.6	2,852.9	1,494
Quarzo S.r.l.	90%	CF	0.2	—	—	—
Compass RE	100%	CF	313.1	—	162.8	1
Compass Rent	100%	CF	9.4	—	3.0	13
Compass Link	100%	CF	1.8	—	(1.1)	1
Soisy	100%	CF	9.1	—	0.9	30
HeidiPay Switzerland AG (data in CHFm)	100%	CF	18.9	16.5	(0.3)	6
MB Premier	100%	WM	30,568.6	12,539.7	917.4	1,568
Mediobanca Covered Bond	90%	WM	0.9	—	0.1	—
CMB Monaco	100%	WM	8,750.2	2,814.1	1,055.2	252
Spafid	100%	WM	48.3	—	41.2	39
Spafid Family Office SIM	100%	WM	1.4	—	0.8	6
Polus Capital Management Group Ltd (dati in GBPm)* - consolidato	89.07%	WM	127.8	—	99.1	66
Polus Capital Management Group Ltd	*89.07%*	WM	*98.8*	—	*73.5*	*61*
Polus Capital Management Ltd	*89.07%*	WM	*32.1*	—	*28.3*	*1*
Polus Capital Management (US) Inc.	*89.07%*	WM	*1.0*	—	*(0.7)*	*4*
Bybrook Capital Management Limited	*89.07%*	WM	*3.0*	—	*2.8*	—
RAM Active Investments (dati in CHFm)*	98.28%	WM	19.2	—	15.9	34
RAM Active Investments (Luxembourg) (dati in CHFm)	98.28%	WM	8.7	—	2.3	4
CMG Monaco	100%	WM	11.5	—	0.7	13
Spafid Trust S.r.l.	100%	WM	1.3	—	1.1	3
Mediobanca SGR S.p.A.	100%	WM	73.8	34.2	59.5	58
Mediobanca Management Company S.A.	100%	WM	11.3	—	9.2	6
CMB RED	100%	WM	49.9	—	49.5	1
Mediobanca International Immobilière	100%	HF	2.1	—	2.1	—
Mediobanca Funding Luxembourg	100%	HF	1.1	—	1.0	—
SelmaBipiemme Leasing	60%	HF	1,431.4	1,318.6	208.5	93
Mediobanca Innovation Services	100%	HF	99.8	—	35.8	145

[1] Includes profit for the period.

* Taking into account the put and call option; see Part A1 – section 3 – Area and methods of consolidation, p. 90.

(€m)

Company	Percentage shareholding	*B*usiness Line	Total income	Operating costs	Loss provisions	Gain/(loss) for the period
Mediobanca Securities (data in USDm)	100%	CIB	1.7	(1.7)	—	—
Messier et Associés S.A.S.*	100%	CIB	15	15.4	—	(0.4)
Messier et Associés L.L.C. (dati in USDm)*	100%	CIB	—	0.1	—	0.1
Mediobanca International	100%	CIB	19.3	(6.0)	4.9	12.6
MBFACTA	100%	CIB	23.6	(7.9)	(1.2)	10.0
MBCredit Solutions	100%	CIB	14.1	(11.1)	(0.1)	1.9
MB Contact Solutions	100%	CIB	1.0	(0.9)	—	0.1
Arma Partnes LLP (dati in GBPm)**	100%	CIB	21.3	(7.6)	—	13.7
Arma Partnes CF Ltd UK (dati in GBPm)	100%	CIB	3.4	(3.4)	—	—
Arma DE GmbH (dati in GBPm)	100%	CIB	0.4	(0.4)	—	—
Compass Banca	100%	CF	566.9	(168.2)	(121.0)	283.0
Quarzo S.r.l.	90%	CF	—	—	—	—
Compass RE	100%	CF	14.4	(0.5)	—	10.3
Compass Rent	100%	CF	1.0	(2.1)	—	(0.9)
Compass Link	100%	CF	0.3	(0.5)	—	(0.3)
Soisy	100%	CF	0.9	(2.7)	—	(1.8)
HeidiPay Switzerland AG (dati in CHFm)	100%	CF	0.4	(0.5)	(0.3)	(0.4)
MB Premier	100%	WM	227.0	(158.8)	(4.7)	27.1
Mediobanca Covered Bond	90%	WM	—	—	—	—
CMB Monaco	100%	WM	93.1	(49.6)	(0.9)	33.6
Spafid	100%	WM	4.7	(4.5)	—	0.1
Spafid Family Office SIM	100%	WM	0.6	(0.7)	—	(0.1)
Polus Capital Management Group Ltd (dati in GBPm)* - consolidato	89.07%	WM	23.5	(17.4)	—	4.5
Polus Capital Management Group Ltd	*89.07%*	WM	*2.7*	*(4.3)*	—	*(0.7)*
Polus Capital Management Ltd	*89.07%*	WM	*20.8*	*(12.1)*		*6.2*
Polus Capital Management (US) Inc.	*89.07%*	WM	—	*(1.0)*	—	*(1.0)*
Bybrook Capital Management Limited	*89.07%*	WM	*2.9*	—	—	*2.9*
RAM Active Investments (data in CHFm)*	98.28%	WM	4.7	(6.7)	—	0.1
RAM Active Investments (Luxembourg) (dati in CHFm)	98.28%	WM	—	(1.0)	—	(0.8)
CMG Monaco	100%	WM	2.2	(1.9)	—	0.3
Spafid Trust S.r.l.	100%	WM	0.4	(0.4)	—	—
Mediobanca SGR S.p.A.	100%	WM	16.6	(9.3)	—	5.0
Mediobanca Management Company S.A.	100%	WM	1.0	(1.1)	—	(0.1)
CMB RED	100%	WM	—	—	—	—
Mediobanca International Immobilière	100%	HF	0.1	(0.1)	—	—
Mediobanca Funding Luxembourg	100%	HF	0.2	(0.2)	—	—
SelmaBipiemme Leasing	60%	HF	16.7	(9.8)	(3.0)	3.2
Mediobanca Innovation Services	100%	HF	(0.2)	0.6	—	0.3

* Taking into account the put and call option; see Part A1 – section 3 – Area and methods of consolidation, p. 90.

** Mediobanca has acquired 100% of the Class A interests in Arma Partners, which entitle their holders to a share of the company's distributable earnings, calculated as a fixed percentage of its revenues, and guarantee sufficient governance rights for the investee company to be consolidated by Mediobanca on a line-by-line basis and to retain legal, regulatory and accounting control of Arma Partners; the existing partners hold the Class B interests which entitle them to receive the remaining percentage of the company's distributable profits, plus certain governance rights impacting specifically on the Partners' earning rights.

Other information

Related party disclosure

Financial accounts outstanding as at 31 December 2023 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the Notes to the Accounts, along with all the information required in terms of transparency pursuant to Consob resolution no. 17221 issued on 12 March 2010 (amended most recently by resolution no. 21264 of 10 December 2020). All such accounts form part of Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into solely in the interests of the companies concerned. No atypical or irregular transactions have been entered into with such counterparties.

Article 15 of Consob's market regulations

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

Principal risks facing the Group

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

Consolidated Non-Financial Statement

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

The Group's Consolidated Non-Financial Statement is published annually on the Bank's website at www.mediobanca.com (in the section entitled "Responsible Business"), and is drawn up in accordance with the provisions of Italian Legislative Decree 254/16 and based on the GRI-Sustainability Reporting Standards "in accordance" option defined in 2016 and updated in 2021 by the GRI-Global Reporting Initiatives (the "GRI Standards"). The standards developed by the Sustainability Accounting Standards Board ("SASB") have also been taken into consideration, where applicable, and information useful for purposes of EU Taxonomy Eligibility.

The document is accompanied by the second TCFD Report, containing the Group's decarbonization objectives for the cement and aviation sectors (in addition to those for the energy and automotive industries), and also, for the first time, separate reporting of the results reached based on the Principles for Responsible Banking.

Research

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

Credit rating

In November 2023, rating agency Moody's raised Mediobanca's outlook from negative to stable and confirmed its long-term rating as Baa1, following the similar move previously taken on sovereign rating. The S&P and Fitch rating, both BBB with stable outlook, are unchanged.

Other reports

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

Outlook

The macroeconomic scenario remains largely unchanged, with GDP set to show modest growth, low unemployment levels and a gradually reducing inflation rate. Intervention from central banks will serve to calibrate the degree of monetary easing relative to the trend in inflation, in view, among other things, of developments in the various geopolitical crises; the first interest rate cuts are expected at the start of summer 2024.

This macroeconomic scenario looks supportive to the Group's top line growth (both net interest income and fees), as:

– The reduction of interest rates will lead to stabilization in the cost of funding, and will favour Investment Banking (by reducing the cost of borrowing for corporates), Wealth Management (by providing an incentive for customers to convert liquid assets into AUM), and Consumer Finance activities (by preserving margins, which will remain high, in part due to the familiar stickiness of the repricing process);

– Keeping inflation and unemployment at lower levels will also facilitate control of asset quality and the development of new business in Consumer Finance.

This confirms the growth trajectory mapped out in the 2023-26 Plan “One Brand-One Culture”, based on:

– Prioritizing the development of the Wealth Management business based on two projects that are unique within the Italian panorama, namely the distinctive Private Investment Banking model and the repositioning and branding of CheBanca! as Mediobanca Premier. The resilience of markets will facilitate the transfer of AUM following the major discontinuity in the banker and FA recruitment processes after CheBanca! was renamed as Mediobanca Premier in January 2024;
– Change in capital allocation at Group level, with increasing importance to be given to capital-light businesses, and a reduction in the capital allocated to Corporate & Investment Banking: growth in CIB will be targeted primarily through fee income from new initiatives, the addition of new acquisitions such as Arma Partners (the acquisition of which was completed at the start of October 2023), and the anticipated recovery in the demand for investment banking services;
– Material growth in shareholder remuneration (to €3.7bn, up 70% in 3Y vs the previous Strategic Plan), achievable on the back of high capital generation, disciplined cost and risk management, and higher profitability (with ROTE to increase from 12% to 15%).

FY 2023-24, following the record revenues and profits delivered by the Group in 1H, looks set to show solid growth compared with the previous financial year. Revenues are expected to confirm the growth rate factored into the Strategic Plan (3Y CAGR: +5%). Net profit is expected to increase, with operating costs rising in connection with the initiatives featured in the Strategic Plan, while the cost of risk is confirmed as normalizing at pre-Covid levels in Consumer Finance, and in the 55 bps area at Group level. Shareholder remuneration is confirmed to grow, following a cash payout ratio of 70%, plus completion of the share buyback scheme under execution, involving a total amount of €200m. The interim dividend for FY 2023-24 will be paid in May 2024.

Reconciliation of shareholders' equity and net profit

(€ m)

	Shareholders' equity	Net profit (loss)
Balance at 30/06 as per Mediobanca S.p.A. accounts	4,345,226	539,572
Net surplus over book value for consolidated companies	14,822	402,267
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	10,320	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	5,976,229	(330,661)
Dividends received during the period	—	—
Total	**10,346,597**	**611,178**

Milan, 8 February 2024

THE BOARD OF DIRECTORS

CERTIFICATION BY THE HEAD OF COMPANY FINANCIAL REPORTING

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

1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58/98, declare that the administrative and accounting procedures used in the preparation of the interim financial report:
   - were adequate in view of the company's characteristics and
   - were effectively adopted during the period 1 July - 31 December 2023.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the interim financial report at 31 December 2023 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT frameworks).

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

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

Milan, 8 February 2024

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

EXTERNAL AUDITORS' REPORT

EY
Building a better working world

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

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

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

To the Shareholders of
Mediobanca S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated profit and loss account, the consolidated comprehensive profit and loss account, the statement of changes to consolidated net equity, the consolidated cash flow statement and related notes of Mediobanca S.p.A. and its subsidiaries (hereafter "Mediobanca Group") as of December 31, 2023 and for the six months then ended. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Mediobanca Group as of December 31, 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, February 9, 2024

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

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

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€/000)

Assets		31 December 2023	30 June 2023 (*)
10.	Cash and cash equivalents	4,743,344	4,236,982
20.	Financial assets measured at fair value through profit or loss	12,412,639	10,654,399
	a) financial assets held for trading	11,132,017	9,546,212
	b) Financial assets designated at fair value	677,710	538,590
	c) Other financial assets mandatorily at fair value	602,912	569,597
30.	Financial assets measured at fair value through other comprehensive income	6,341,673	6,042,119
40.	Financial assets measured at amortized cost	63,607,667	62,555,709
	a) Due from banks	5,553,809	4,478,644
	b) Due from customers	58,053,858	58,077,065
50.	Hedging derivatives	688,283	1,321,883
60.	Adjustment of hedging financial assets (+/-)	–	–
70.	Investments	3,692,611	3,563,831
80.	Insurance assets	–	–
	a) insurance contracts issued that are assets	–	–
	b) reinsurance contracts held that are assets	–	–
90.	Tangible assets	541,520	530,742
100.	Intangible assets	1,104,711	796,700
	of which:		
	goodwill	*882,608*	*574,550*
110.	Tax assets	557,931	769,127
	a) current	*147,855*	*244,746*
	b) prepaid	*410,076*	*524,381*
120.	Non-current assets and disposal groups classified as held for sale **	–	251,987
130.	Other assets	1,219,962	900,345
Total assets		**94,910,341**	**91,623,824**

* The data at 30 June 2023 were repeated following the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia, which transposed the introduction of the new principle IFRS17 - insurance contracts. In particular, the reclassification generated an impact on the total negative assets for 15,189.

** They refer to the sale of Revalea to Banca Ifis finalised in October 2023.

(€/000)

Liabilities and net equity	31 December 2023	30 June 2023 (*)
10. Financial liabilities measured at amortized cost	67,559,615	64,903,066
a) Due to banks	*12,593,376*	*13,275,089*
b) Due to customers	*32,980,703*	*30,750,602*
c) Securities in issue	*21,985,536*	*20,877,375*
20. Trading liabilities	9,348,982	9,436,672
30. Financial liabilities designated at fair value	3,384,323	1,580,956
40. Hedging derivatives	1,391,260	2,069,542
50. Adjustment of hedging financial liabilities (+/-)	–	–
60. Tax liabilities	551,679	867,359
a) current	*163,087*	*416,935*
b) deferred	*388,592*	*450,424*
70. Liabilities included in disposal groups classified as held for sale *	–	8,134
80. Other liabilities	1,348,581	1,051,393
90. Provision for statutory end-of-service payments	21,265	20,584
100. Provisions for risks and charges:	156,504	161,127
a) commitments and financial guarantees	*19,875*	*22,166*
b) post-employment and similar benefits	–	–
c) other provisions for risks and charges	*136,629*	*138,961*
110. Insurance liabilies	94,014	96,294
a) insurance contracts issued that are liabilities	*94,014*	*96,294*
b) reinsurance contracts held that are liabilities	–	–
120. Revaluation reserves	(114,917)	62,127
130. Redeemable shares	–	–
140. Equity instruments	–	–
150. Reserves	7,957,842	7,675,542
160. Share premium reserves	2,195,606	2,195,606
170. Capital	444,510	444,169
180. Treasury shares (-)	(136,444)	(78,876)
190. Minority interests (+/-)	96,342	104,143
200. Profit (loss) for the year (+/-)	611,179	1,025,986
Total liabilities and net equity	**94,910,341**	**91,623,824**

* The data at 30 June 2023 were repeated following the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia, which transposed the introduction of the new principle IFRS17 - insurance contracts. In particular, the reclassification has generated an impact on total liabilities (-14.638) and Equity (-551).

** They refer to the sale of Revalea to Banca Ifis finalised in October 2023.

Consolidated Income Statement

(€/000)

Items		31 December 2023	30 June 2023(*)	31 December 2022(*)
10.	Interest and similar income	1,956,429	2,834,084	1,189,463
	of which: interest income calculated according to the effective interest method	*1,587,765*	*2,394,371*	*1,047,129*
20.	Interest and similar charges	(963,934)	(1,026,491)	(347,012)
30.	**Net interest income**	**992,495**	**1,807,593**	**842,451**
40.	Commission income	440,793	835,972	460,366
50.	Commission expenses	(85,848)	(158,005)	(77,026)
60.	**Net fee and commission**	**354,945**	**677,967**	**383,340**
70.	Dividends and similar income	28,029	78,758	23,397
80.	Net trading income (expense)	37,592	99,411	107,200
90.	Net hedging income (expense)	(2,354)	1,439	5,218
100.	Gain (loss) on disposal/repurchase:	13,754	4,827	6,192
	a) Financial assets measured at amortized cost	*8,652*	*4,427*	*9,973*
	b) Financial assets measured at fair value through other comprehensive income	*4,402*	*(6,739)*	*(8,165)*
	c) Financial liabilities	*700*	*7,139*	*4,384*
110.	Net result from other financial assets and liabilities measured at fair value through profit or loss:	36,821	9,674	(9,281)
	a) financial assets and liabilities designated at fair value	*24,672*	*15,055*	*10,530*
	b) Other financial assets mandatorily measured at fair value	*12,149*	*(5,381)*	*(19,811)*
120.	**Total income**	**1,461,282**	**2,679,669**	**1,358,517**
130.	Net write-offs (write-backs) for credit risk:	(139,794)	(231,373)	(136,434)
	a) Financial assets measured at amortized cost	*(137,789)*	*(232,089)*	*(137,166)*
	b) Financial assets measured at fair value through other comprehensive income	*(2,005)*	*716*	*732*
140.	Gains (losses) from contractual modifications without derecognition	(46)	(617)	(135)
150.	**Net income from financial operations**	**1,321,442**	**2,447,679**	**1,221,948**
160.	Insurance service result	10,978	28,978	16,447
	a) insurance revenue arising from insurance contracts issued	*13,462*	*35,536*	*22,321*
	b) insurance service expenses arising from insurance contracts issued	*(2,484)*	*(6,558)*	*(5,874)*
	c) insurance revenue arising from reinsurance contracts held	-	-	–
	d) insurance service expenses arising from reinsurance contracts held	-	-	–
170.	Balance of financial income and expenses related to insurance operations	(83)	(220)	(34)
	a) net financial expenses/revenue related to insurance contracts issued	*(83)*	*(220)*	*(34)*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	–
180.	**Net income from banking and insurance activities**	**1,332,337**	**2,476,437**	**1,238,361**
190.	Administrative expenses:	(754,816)	(1,487,108)	(716,811)
	a) Personnel costs	*(381,690)*	*(731,643)*	*(362,970)*
	b) Other administrative expenses	*(373,126)*	*(755,465)*	*(353,841)*
200.	Net transfers to provisions:	(2,414)	(35,817)	(11,578)
	a) commitments and financial guarantees	*2,332*	*2,134*	*1,486*
	b) other sums set aside (net)	*(4,746)*	*(37,951)*	*(13,064)*
210.	Net adjustments to tangible assets	(34,440)	(62,144)	(30,461)
220.	Net adjustments to intangible assets	(15,039)	(30,192)	(15,133)
230.	Other operating income (expense)	88,293	173,634	88,752
240.	**Operating costs**	**(718,416)**	**(1,441,627)**	**(685,231)**
250.	Gain (loss) on equity investments	218,615	453,860	195,415
260.	Net result from fair value measurement of tangible and intangible assets	(1,610)	(1,253)	–
270.	Goodwill write-offs	—	(49,536)	–
280.	Gain (loss) on disposal of investments	96	(14,385)	414
290.	**Profit/(Loss) on ordinary activities before tax**	**831,022**	**1,423,496**	**748,959**
300.	Income tax for the year on ordinary activities	(218,029)	(394,476)	(191,358)
310.	**Profit (loss) on ordinary operations after tax**	**612,993**	**1,029,020**	**557,601**
320.	Gain (loss) of discontinued operating assets, after tax	—	—	–
330.	**Net profit (loss) of the year**	**612,993**	**1,029,020**	**557,601**
340.	Profit (loss) for the period attributable to minority interests	(1,814)	(3,034)	(2,080)
350.	**Net profit (loss) for the period attributable to Mediobanca**	**611,179**	**1,025,986**	**555,521**

* The periods of comparison were performed following the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia, which incorporated the introduction of the new principle IFRS17 - insurance contracts. In particular, the reclassification generated an impact on profit at 30 June 2023 and 31 December 2022 respectively negative for 810 and positive for 442.

Statement of Consolidated Comprehensive Income

(€/000)

		31 December 2023	30 June 2023 (*)	31 December 2022 (*)
10.	Profit (Loss) for the period	612,993	1,029,020	557,601
	Other income items net of tax without passing through profit and loss	**11,909**	**59,373**	**92,573**
20.	Equity securities designated at fair value through other comprehensive income	8,007	18,906	20,906
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit risk)	(4,506)	(6,636)	(7,498)
40.	Hedging of equity securities designated at fair value through other comprehensive income	—	—	—
50.	Tangible assets	—	—	—
60.	Intangible assets	—	—	—
70.	Defined benefit plans	(943)	1,012	700
80.	Non-current assets held for sale	—	—	—
90.	Valuation reserves from equity-accounted investments:	9,351	46,091	78,465
100.	**Financial revenue and expenses related to insurance contracts issued**	**—**	**—**	**—**
	Other income items net of tax passing through profit and loss	(189,063)	(367,686)	(1,074,737)
110.	Foreign investments hedges	—	319	(1,310)
120.	Exchange rate differences	128	1,172	(2,360)
130.	Hedging of cash flows	(172,883)	96,448	132,439
140.	Hedging instruments (non-designated components)	—	—	—
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	49,745	(8,210)	(14,877)
160.	Non-current assets held for sale	—	—	—
170.	Valuation reserves from equity-accounted investments:	(66,053)	(457,415)	(1,188,629)
180.	Financial revenue and expenses related to insurance contracts issued	—	—	—
190.	Financial revenue and expenses related to reinsurance contracts held	—	—	—
200.	**Total other income items, after tax**	**(177,154)**	**(308,313)**	**(982,164)**
210.	**Comprehensive income (Heading 10+200)**	**435,839**	**720,707**	**(424,563)**
220.	**Consolidated comprehensive income attributable to minority interests**	**1,694**	**3,628**	**2,577**
230.	**Consolidated comprehensive income attributable to Mediobanca**	**434,145**	**717,079**	**(427,140)**

* The periods of comparison were performed following the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia, which incorporated the introduction of the new principle IFRS17 - insurance contracts. In particular, the reclassification generated an impact on the overall profitability at 30 June 2023 and 31 December 2022 respectively negative for 810 and positive for 442.

Statement of Changes in Consolidated Net Equity

(€/000)

	Total net equity at 30/06/2023	Change of total opening balnce*	Total net equity 01/07/2023	Allocation of profit for previous period		Changes during the year									Total net equity at 31/12/2023	Net equity attributable to the Group at 31/12/2023	Net equity attributable to minority interests at 31/12/2023
						Net equity transactions								Comprehensive income for the year			
				Reserves	Dividends and other allocations	Changes in reserves	New shares issued	Purchase of treasury shares	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivatives	Stock options [1]	Changes in equity investments				
Capital:	460,798	–	460,798	–	–	–	341	–	–	–	–	–	–	–	461,139	444,510	16,629
a) ordinary shares	460,798	–	460,798	–	–	–	341	–	–	–	–	–	–	–	461,139	444,510	16,629
b) other shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share premium reserves	2,197,454	–	2,197,454	–	–	–	–	–	–	–	–	–	–	–	2,197,454	2,195,606	1,848
Reserves:	7,757,912	259	7,758,171	1,029,020	(713,361)	(33,740)	(341)	(11,407)	–	–	–	5,668	–	–	8,034,010	7,957,842	76,168
a) retained earnings	7,913,665	–	7,913,665	1,029,020	(713,361)	(33,750)	(341)	–	–	–	–	–	–	–	8,195,233	8,119,692	75,541
b) other	(155,753)	259	(155,494)	–	–	10	–	(11,407)	–	–	–	5,668	–	–	(161,223)	(161,850)	627
Revaluation reserves	62,130	–	62,130	–	–	(10)	–	–	–	–	–	–	–	(177,154)	(115,034)	(114,917)	(117)
Equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Treasury shares	(78,876)	–	(78,876)	–	–	–	–	(57,568)	–	–	–	–	–	–	(136,444)	(136,444)	–
Profit (loss) for the period	1,029,830	(810)	1,029,020	(1,029,020)	–	–	–	–	–	–	–	–	–	612,993	612,993	611,179	1,814
Total net equity	11,429,248	(551)	11,428,697	–	(713,361)	(33,750)	–	(68,975)	–	–	–	5,668	–	435,839	11,054,118	X	X
Net equity attributable to the Group	11,325,105	(551)	11,324,554	–	(713,361)	(24,255)	–	(68,975)	–	–	–	5,668	–	434,145	X	10,957,776	X
Net equity attributable to minority interests	104,143	–	104,143	–	–	(9,495)	–	–	–	–	–	–	–	1,694	X	X	96,342

* Changes entirely due to the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia which transposed the introduction of the new principle IFRS17 - insurance contracts.

** Represents the performance share effects of ESOP plans.

Statement of Changes in Consolidated Net Equity

(€/000)

	Total net equity 30/06/2022	Change of total opening balnce*	Total net equity 01/07/2023	Allocation of profit (loss) for the previous period		Changes during the year									Total net equity 31/12/2022	Net equity attributable atto the Group at 31/12/2022	Net equity attributable to minority interests at 31/12/2022
						Net equity transactions								Comprehensive income for the year			
				Reserves	Dividends and other allocations	Changes in reserves	New shares issued	Treasury shares acquired	Extraordinary dividend payouts	Changes in equity instruments	Treasury shares derivatives	Stock options[1]	Changes in equity investments				
Capital:	460,269	—	460,269	—	—	—	514	—	—	—	—	—	—	—	460,783	444,154	16,629
a) ordinary shares	460,269	—	460,269	—	—	—	514	—	—	—	—	—	—	—	460,783	444,154	16,629
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserves	2,197,454	—	2,197,454	—	—	—	—	—	—	—	—	—	—	—	2,197,454	2,195,606	1,848
Reserves:	6,989,271	259	6,989,530	910,534	(629,164)	43,727	(514)	(160,455)	—	—	—	4,773	—	—	7,158,690	7,076,256	82,175
a) retained earnings	7,060,452	—	7,060,452	910,534	(629,164)	6,114	(514)	—	—	—	—	—	—	—	7,347,422	7,265,874	81,548
b) other	(71,181)	259	(70,922)	—	—	37,613	—	(160,455)	—	—	—	4,773	—	—	(188,991)	(189,618)	627
Revaluation reserves	433,001	—	433,001	—	—	(37,613)	—	—	—	—	—	—	—	(982,164)	(586,776)	(586,682)	(94)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(240,807)	—	(240,807)	—	—	—	—	160,455 (***)	—	—	—	—	—	—	(80,352)	(80,352)	—
Profit (loss) for the period	909,654	880	910,534	(910,534)	—	—	—	—	—	—	—	—	—	557,601	557,601	555,521	2,080
Total net equity	10,748,842	1,139	10,749,981	—	(629,164)	6,114	—	—	—	—	—	4,773	—	(424,563)	9,707,141	X	X
Net equity attributable to the Group	10,647,271	1,139	10,648,410	—	(629,164)	7,624	—	—	—	—	—	4,773	—	(427,140)	X	9,604,503	X
Net equity attributable to minority interests	101,571	—	101,571	—	—	(1,510)	—	—	—	—	—	—	—	2,577	X	X	102,638

* Changes entirely due to the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia which transposed the introduction of the new principle IFRS17 - insurance contracts.

** Represents the performance share effects of ESOP plans.

***It concerns the cancellation (on 2 September 2022, fair resolution of 28 October 2021) of No. 16,500,000 treasury shares in portfolio without reduction of share capital.

Consolidated Cash Flow Statement Direct Method

(€/000)

	Importo	
	31 December 2023	31 December 2022
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**1,047,219**	**188,710**
- interest income collected (+)	3,714,201	1,053,588
- interest expense paid (-)	(1,878,404)	(318,870)
- dividends and similar income (+)	27,658	21,370
- net fees and commission income (+/-)	248,842	156,917
- personnel costs (-)	(349,329)	(310,474)
- net receipts and paid costs of insurance contracts issued and reinsurance disposals (+/-)	(4,545)	(77,823)
- other costs (-)	(715,687)	(460,214)
- other revenues (+)	122,583	171,383
- income taxes paid (-)	(118,100)	(47,167)
- expenses/income from discontinued asset groups after taxes (+/-)	—	—
2. Cash generated/absorbed by financial assets	**(1,024,819)**	**(2,524,501)**
- financial assets held for trading	(819,341)	1,401,073
- financial assets designated at fair value	(85,078)	20,460
- other financial assets mandatorily measured at fair value	(28,252)	(25,119)
- Financial assets measured at fair value through other comprehensive income	(211,634)	(15,019)
- financial assets measured at amortized cost	(283,245)	(3,151,166)
- other assets	402,731	(754,730)
3. Cash generated/absorbed by financial liabilities	**1,199,415**	**4,811,170**
- financial liabilities measured at amortized cost	1,011,833	4,208,967
- trading liabilities	(420,727)	236,868
- financial liabilities designated at fair value	784,799	430,476
- other liabilities	(176,490)	(65,141)
4. Liquidity generated/absorbed by insurance contracts issued and reinsurance disposals	**13,573**	**17,730**
- issued insurance contracts constituting liabilities/assets (+/-)	13,573	17,730
- reinsurance disposals that constitute assets/liabilities (+/-)	—	—
Net cash flow (outflow) from operating activities	**1,235,388**	**2,493,109**
B. CASH FLOWS FROM INVESTMENT ACTIVITY		
1. Cash generated from:	**104,618**	**554**
- disposal of shareholdings	100,001	—
- dividends received in respect of equity investments	4,617	—
- disposals of tangible assets	—	306
- disposals of intangible assets	—	2
- disposals of subsidiaries or business units	—	246
2. Cash absorbed by:	**(42,175)**	**(44,091)**
- purchases of shareholdings	(3,168)	(7,400)
- purchases of tangible assets	(25,744)	(17,247)
- purchases of intangible assets	(13,208)	(19,444)
- purchases of subsidiaries or business units	(55)	—
Net cash flow (outflow) from investment activity	**62,443**	**(43,537)**
C. CASH FLOWS FROM FUNDING ACTIVITY	**(791,469)**	**(619,491)**
- issue/purchase of treasury shares	(68,975)	—
- issue/ purchase of capital instruments	—	—
- distribution of dividends and other purposes	(722,494)	(619,491)
- sales/acquisition of control by minority interests	—	—
Net cash inflow / outflow from funding activities	**(791,469)**	**(619,491)**
NET CASH FLOW (OUTFLOW) DURING THE PERIOD	**506,362**	**1,830,081**

* The data at 31 December 2022 were repeated following the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia, which transposed the introduction of the new principle IFRS17 - insurance contracts. This change has no impact on the liquidity generated/absorbed during the period.

Reconciliation

(€/000)

Accounting items	Amount	
	31 December 2023	31 December 2022*
Cash and cash equivalents: balance at start of period	4,236,982	8,578,844
Total cash flow (outflow) during the period	506,362	1,830,081
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	4,743,344	10,408,925

* The data at 31 December 2022 were repeated following the entry into force of the 8th edition of Circular 262/2005 Banca d'Italia, which transposed the introduction of the new principle IFRS17 - insurance contracts. This change has no impact on the liquidity generated/absorbed during the period.

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Part A - Accounting Policies

A.1 – General Part

SECTION 1

Statement of Compliance with IAS/IFRS

As required by Italian Legislative Decree No. 38 of 28 February 2005, these half-year abbreviated consolidated financial statements at 30 June 2023 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the respective interpretations issued by the IFRS Interpretations Committee (IFRIC), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation (EC) No. 1606/02 issued by the European Parliament and Council on 19 July 2002. In particular, account was taken of accounting standard IAS 34 on interim financial reports and of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy under Circular No. 262 of 22 December 2005 - eighth update of 17 November 2022,[1] - which define the structure to be used in compiling and preparing the financial statements and the contents of the notes to the accounts.

In reference to balance sheet asset and liability classification, recognition, valuation, and derecognition phases and with regard to revenue and cost recognition methods, the accounting standards adopted for the preparation of these abbreviated half-yearly consolidated financial statements remained unchanged compared to those adopted for the preparation of the 2023 financial statements of the Mediobanca Group, with the exception of new Insurance asset and liability items[2] governed by the new standard IFRS 17, to which reference is made for a complete explanation.

[1] The eighth update published on 17 November 2022 transposed the regulatory changes of IFRS 17 "Insurance Contracts".

[2] See below item "15 – Insurance assets and liabilities".

SECTION 2

General Basis of Preparation

These consolidated financial statements comprise:

- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of other comprehensive income;
- Statement of changes to consolidated net equity;
- Consolidated cash flow statement, drawn up using the direct method;
- Notes to the accounts.

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

With regard to the going-concern assumption, the Directors believe they have a reasonable expectation that the Group will continue to carry out operations in the foreseeable future and, consequently, these abbreviated half-yearly consolidated financial statements were prepared on a going-concern basis. The Directors also would like to specify that they found no symptoms in the Company's capital and financial structure and operational performance that could lead to uncertainties regarding the going-concern assumption.

Lastly, with regard to the discretionary assessment of risks and uncertainties linked to the use of significant accounting estimates that company management are required to make in compliance with IFRS and which may affect the adoption of accounting standards and the amounts of assets, liabilities, costs and revenues recognized in the half-yearly consolidated financial statements, please refer to the contents of the Group's annual financial statements as at 30 June 2023.

* * *

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

- Regulation 2023/2468 of 8 November 2023, published in the Official Journal of the European Union on 9 November 2023, adopted amendments to IAS 12 "Income Taxes". These amendments added a temporary exception to account for deferred taxes resulting from the implementation of OECD Pillar II rules, as well as targeted disclosures for the entities involved.

  In particular, the following are required:

  - temporary exception to the requirement to account for deferred taxes immediately following publication of the amendments by the IASB and retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors; and
  - obligation to disclose the additional information required by the Regulation from the financial statements for years starting on 1 January 2023 or later; it is not necessary to apply additional disclosure provisions to interim financial statements relating to interim periods ending on 31 December 2023 or before.
- Regulation 2023/2579 of 20 November 2023, published in the Official Journal of the European Union on 21 November 2023, adopted amendments to IFRS 16 "Leasing". In particular, such amendments specify how the transferor/lessee should subsequently measure the value of sale and leaseback transactions. Companies should apply these amendments at the latest from the start date of their first financial year starting on 1 January 2024 or later.
- Regulation 2023/2822 of 19 December 2023, published in the Official Journal of the European Union on 20 December 2023, adopted amendments to IAS 1 "Presentation of Financial Statements". These amendments improve the information a company should provide when its right to defer settlement of a liability for at least 12 months is subject to covenants. The required changes should, at the latest, be applied from the start date of the first financial year after 1 January 2024;

Furthermore, it should be remembered that as of 1 July 2023 the Mediobanca Group has been applying Regulation 2022/357 of 2 March 2022, which adopted the amendments to standards IAS 1 and IAS 8. The amendments clarify the differences between accounting principles and accounting estimates in order to ensure a consistent adoption of accounting standards and the comparability of financial statements.

* * *

The measures and statements published by regulatory and supervisory authorities in the past six months regarding the most suitable way to apply accounting standards that supplement the measures contained in the latest financial statements at 30 June 2023 are shown below. Please refer to the above financial statements for more details.

On 25 October 2023, ESMA published the annual statement "European Common Enforcement Priorities for 2023 Annual Financial Reports" outlining the priorities on which listed companies must focus when preparing the annual reports for December 2023. ESMA in particular recommends disclosure to be provided in the IFRS 2023 financial statements relating to any direct or indirect effects of sudden increases in interest rates on the composition of a company's exposures between variable and fixed rates, accompanied by a sensitivity analysis, if any; the effects of the greater volatility brought by the macroeconomic scenario on fair value estimates; any material effects on financial disclosure due to climate change, while ensuring that such disclosure is provided in line with IFRS standards; and the need for clear and consistent use of alternative performance measures (APMs). Finally, in the same document, ESMA also focused on ESEF tagging, in particular on the priority use of mandatory and previously existing elements in the taxonomy; it specified that the company may proceed with the creation of a special element only in the event that a careful analysis has found that there is no suitable tag for a certain numerical "data point".

Transition to the new IFRS 17 standard

Starting from this financial year, the Mediobanca Group will be applying the new standard IFRS 17 "Insurance Contracts", which has replaced the previous standard IFRS 4 for the representation of insurance contracts, providing a single and harmonized method that favours a more immediate comparison between institutions from different countries. IFRS 17 applies to all insurance contracts, including reinsurance contracts and contracts that contain an investment component as part of an insurance contract, including with discretionary profit-sharing features. IFRS 17 defines the principles to be applied for the recognition, measurement, and accounting of all insurance and reinsurance contracts. In particular, this standard has been applied by Compass RE, a company specializing in reinsurance, wholly owned by Compass Banca.

It should be noted that based on the provisions of accounting standard IFRS 17, adoption should be made retrospectively by recalculating the comparative closing balances. As foreseen during the analysis, the entry into force of this standard did not reveal any material impacts. In particular, as at 30 June 2023 the reclassification generated an impact of €-15,189 on total assets, €-14,638 on total liabilities, €-551 on net equity, and €-810 on the Group's net income.

TRM and Global Minimum Tax

Mediobanca submitted the application to join the collaborative compliance system governed by Title III of Legislative Decree No. 128 of 5 August 2015 at the end of the previous financial year after implementing an effective tax risk detection, measurement, management, and control system (referred to as Tax Control Framework).

The purpose of this legal statute is to establish a relationship of trust and mutual reliance between Mediobanca and the financial administration based on constant, prior engagement with the aim of increasing the level of certainty on relevant tax issues.

To this end, the Bank provided for a tax strategy (Principles of Tax Conduct) and prepared the necessary documentation comprising the Tax Compliance Model defining the procedures for the tax risk detection, measurement, treatment, and control process by identifying the tasks and responsibilities of the various positions involved, and the Tax Risk & Control Matrix where activities relating to tax-relevant processes are mapped showing the related risk mitigation measures.

The Tax Control Framework will be extended during this financial year to the other two banks in the Group (Compass Banca and Mediobanca Premier) for the purpose of adhering to the collaborative compliance regime.

At the same time, an internal project was launched following amendments in the field of international taxation, in particular, with reference to the so-called Global Minimum Tax[3], which will be applied starting from financial year 2024/2025.

[3] Please note that Legislative Decree No. 209/2023 was published in the Official Journal of the Italian Republic on 28 December 2023. It implemented a tax reform in the field of international taxation containing, among other things, measures aimed at transposing Directive (EU) 2022/2523 (referred to as Global Minimum Tax) for entities that are part of a multinational group with annual revenues equal to €750m or more, including revenues of excluded entities, shown in the parent entity's consolidated financial statements for at least two of the four financial years immediately prior to the year under review.

SECTION 3

Area and methods of consolidation

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

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

The following events in the half year should be noted:

- the wholly-owned subsidiary MB INVAG S.r.l. merged into Mediobanca S.p.A. in September; such company held 1,628,150 Assicurazioni Generali shares (i.e. 0.106% of its capital) resulting from the demerger of INVAG S.r.l;
- on 2 October, Mediobanca completed the acquisition of the controlling stake in the English company Arma Partners LLP, a leading independent financial consultancy firm in the European Digital Economy sector, which in turn wholly owns Arma Partners Corporate Finance Ltd. (UK) and Arma Deutschland GmbH (Germany). In particular, Mediobanca acquired 100% of Interests A, which give it the right to receive a percentage of Arma's distributable profit, calculated as a fixed percentage of revenues, and ensure sufficient governance rights to enable a full line-by-line consolidation and to maintain control from a legal, regulatory, and accounting standpoint; the current Partners hold Interests B, which entitle them to receive the residual percentage of Arma's distributable profit, as well as certain governance rights having a specific impact on the Partners' economic rights;
- on 16 October, Compass completed the 100% acquisition of HeidiPay Switzerland AG, a Swiss fintech specializing in the Buy-Now-Pay-Later (BNPL) market. This operation strengthened the partnership with HeidiPay AG, a holding company specializing in the development of fintech platforms to support BNPL transactions in e-commerce and for brick-and-mortar stores, of which Compass has held a 19.5% share since August 2022;

- on 24 October, the acquisition by Mediobanca Management Company of the entire stake in RAM Active Investment Europe, previously wholly owned by RAM Active Investments S.A., was completed; the operation did not lead to changes in the consolidation area. However, the relevant streamlining project requires a subsequent merger, which will be completed by the end of the financial year;
- on 31 October, after obtaining the necessary regulatory authorizations, the sale of Revalea was completed with the collection of the agreed price (€100m) by Compass. The company, whose loans will remain in place until June 2027, therefore exited the Group;
- during the half year, the following entities were placed into liquidation and cancelled: the subsidiaries of Polus Capital Management Bybrook Capital LLP and Bybrook Capital Services (UK) Limited (effective as of 9 January 2024), Bybrook Capital LLC and Bybrook Capital LP (with effect from last August), the subsidiary of CMB Monaco, CMB Asset Management (cancelled on 10 January 2024). Furthermore, on 31 October, the subsidiary of Compass, Banca Quarzo CQS, a securitization vehicle pursuant to Law No. 130/99, was placed into liquidation and subsequently delisted from the register of companies on 1 February 2024.

Among the companies valued at net equity, please note MB Speed UP, a jointly controlled company with Founders Factory, based in London, to develop initiatives with high technology content.

1. *Equity Investments in Group Legal Entities*

	Company name	Registered office	Type of relationship[1]	Ownership		Voting rights in %[2]
				Controlling entity	% shareholding	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	Line-by-line method					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	SPAFID S.P.A	Milan	1	A.1.1	100.0	100.0
3.	MEDIOBANCA INNOVATION SERVICES - S.C.P.A.	Milan	1	A.1.1	100.0	100.0
4.	CMB MONACO S.A.M.	Montecarlo	1	A.1.1	100.0	100.0
5.	CMG MONACO S.A.M.	Montecarlo	1	A.1.4	99.92	99.92
6.	CMB ASSET MANAGEMENT S.A.M. (in liquidation)	Montecarlo	1	A.1.4	99.5	99.5
7.	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.0	99.0
			1	A.1.8	1.0	1.0
8.	COMPASS BANCA S.P.A.	Milan	1	A.1.1	100.0	100.0
9.	CHEBANCA! S.P.A.	Milan	1	A.1.1	100.0	100.0
10.	MBCREDIT SOLUTIONS S.P.A.	Milan	1	A.1.8	100.0	100.0
11.	SELMABIPIEMME LEASING S.P.A.	Milan	1	A.1.1	60.0	60.0
12.	MB FUNDING LUXEMBOURG S.A.	Luxembourg	1	A.1.1	100.0	100.0
13.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.0	100.0
14.	MB FACTA S.P.A.	Milan	1	A.1.1	100.0	100.0
15.	QUARZO S.R.L.	Milan	1	A.1.8	90.0	90.0
16.	QUARZO CQS S.R.L. (in liquidation)	Milan	1	A.1.8	90.0	90.0
17.	MEDIOBANCA COVERED BOND S.R.L.	Milan	1	A.1.9	90.0	90.0
18.	COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.8	100.0	100.0
19.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	1	A.1.7	100.0	100.0
20.	POLUS CAPITAL MANAGEMENT GROUP LIMITED	London	1	A.1.1	89.07 (*)	63.7
21.	POLUS CAPITAL MANAGEMENT LIMITED	London	1	A.1.20	100.0	100.0
22.	POLUS CAPITAL MANAGEMENT (US) INC.	Wilmington (USA)	1	A.1.20	100.0	100.0
23.	POLUS CAPITAL MANAGEMENT INVESTMENTS LIMITED (non-operating)	London	1	A.1.20	100.0	100.0
24.	POLUS INVESTMENT MANAGERS LIMITED (non-operating)	London	1	A.1.20	100.0	100.0
25.	Bybrook Capital Management Limited	Grand Cayman	1	A.1.20	100.0	100.0
26.	Bybrook Capital LLP (in liquidation)	Reading	1	A.1.25	100.0	100.0
27.	Bybrook Capital Services (UK) Limited (in liquidation)	Reading	1	A.1.25	100.0	100.0
28.	Bybrook Capital Burton Partnership (GP) Limited	Grand Cayman	1	A.1.25	100.0	100.0
29.	SPAFID FAMILY OFFICE SIM	Milan	1	A.1.2	100.0	100.0
30.	SPAFID TRUST S.R.L.	Milan	1	A.1.2	100.0	100.0
31.	MEDIOBANCA MANAGEMENT COMPANY S.A.	Luxembourg	1	A.1.1	100.0	100.0
32.	MEDIOBANCA SGR S.P.A.	Milan	1	A.1.1	100.0	100.0
33.	RAM ACTIVE INVESTMENTS S.A.	Geneva	1	A.1.1	98.3 (**)	93.0
34.	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Luxembourg	1	A.1.31	100.0	100.0
35.	MESSIER ET ASSOCIES S.A.S.	Paris	1	A.1.1	100.0 (***)	79.6
36.	MESSIER ET ASSOCIES L.L.C.	New York	1	A.1.35	100.0 (***)	50.0
37.	MBCONTACT SOLUTIONS S.R.L.	Milan	1	A.1.10	100.0	100.0
38.	COMPASS RENT S.R.L.	Milan	1	A.1.8	100.0	100.0
39.	COMPASS LINK S.R.L.	Milan	1	A.1.8	100.0	100.0
40.	RAM ACTIVE INVESTMENTS LIMITED (UK) (in liquidation)	London	1	A.1.33	100.0	100.0
41.	CMB REAL ESTATE DEVELOPMENT S.A.M.	Montecarlo	1	A.1.4	60.0	60.0
			1	A.1.1	40.0	40.0
42.	SOISY S.P.A.	Milan	1	A.1.8	100.0	100.0
43.	ARMA PARTNERS LLP	London	1	A.1.1	100.0	100.0
44.	ARMA PARTNERS CORPORATE FINANCE LTD	London	1	A.1.43	100.0	100.0
45.	ARMA DEUTSCHLAND GmbH	Monaco	1	A.1.43	100.0	100.0
46.	HEIDIPAY SWITZERLAND AG	Geneva	1	A.1.8	100.0	100.0

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

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

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

Legend

[1] Type of relationship:
1 = Majority of voting rights in ordinary AGMs.

[2] Effective and potential voting rights in ordinary shareholders' meetings.

2. Considerations and significant assumptions used to determine consolidation area

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

- when the investor has power over the investee, defined as having substantive rights over the investee's relevant activities;
- when the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- when the investor has the ability to exert power over the investee to affect the amount of the variable returns.

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

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

The definition of joint arrangement used is that provided in IFRS 11, which involves the twofold requirement of the existence of a contractual arrangement and that such an arrangement must provide joint control to two or more parties. Also in this case, the valuation method chosen is based on Net Equity, which will be applied to the newly-established company MB Speed UP starting from the financial year under review.

Under the equity method of accounting, any changes in the net equity of the investee company (including gains and losses) since the acquisition date should be included in the book value of the investment (originally recognised at cost). This value is reduced in the event that the investment distributes dividends. The gain or loss generated by the investment is recorded pro rata in the consolidated income statement, including any value impairment or write-ups; while all other changes are recognized directly in net equity.

The financial statements of the consolidated companies represented in currencies other than the Euro are converted by applying the exchange rate prevailing at the end of the accounting period to the balance sheet items, and the average exchange rates for the same period to the income statement items. All exchange rate differences arising as a result of the translation are recorded in a specific net equity valuation reserve which, as and when the investment is sold, is eliminated and the relevant amount is debited from or credited to the income statement as the case may be. The following Table summarizes the conversion rates into Euros used in the interim statement as at 31 December 2023:

CURRENCY	ITEM CHANGES IN BALANCE SHEET	ITEM CHANGES IN PROFIT AND LOSS ACCOUNT
SWISS FRANC (CHF)	0.9260	0.9579
US DOLLAR (USD)	1.1050	1.0821
BRITISH POUND (GBP)	0.8691	0.8632

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

As required by paragraph 5-A of IFRS 12, the companies included within the area of consolidation, which must be disclosed in this paragraph, also include the equity investments of entities classified as held for sale (or included in a disposal group which is classified as held for sale).

3. *Investments in Group Legal Entities with significant minority interests*

Nothing to report.

Significant restrictions

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

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

4. *Other Information*

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

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

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

SECTION 4

Events subsequent to the reporting date

It should be noted that the merger of Soisy S.p.A. into Compass Banca S.p.A. was completed with effect from 31 January 2024.

SECTION 5

Other aspects

The half-yearly consolidated financial statements are accompanied by the Declaration by Head of company financial reporting pursuant to Article 154-*bis* of the Italian Consolidated Law on Finance and are subject to a limited audit by the independent auditing firm EY S.p.A., according to the criteria recommended by CONSOB under Resolution No. 10867 of 31 July 1997.

A.2 - Significant Accounting Policies

1 - Financial assets measured at fair value through profit or loss

These include financial assets held for trading and other financial assets mandatorily measured at fair value, and assets to which the Fair Value Option is applied.

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

Assets mandatorily measured at fair value include financial assets that are not held for trading but are mandatorily measured at fair value through profit or loss given the fact that they do not meet the requirements to be measured at amortized cost or at fair value through other comprehensive income. In particular, as clarified by the IFRS Interpretation Committee, this category includes units in mutual investment funds[4].

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

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

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

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

This item also includes financial assets designated at fair value upon initial recognition with the aim of eliminating or significantly reducing a valuation inconsistency. This case in particular concerns the related portfolio of assets and

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

liabilities required by applying the business model for managing equity-linked certificates where changes in own credit risk and realizations are recognized through profit or loss to eliminate the accounting mismatch.

2 - Financial assets measured at fair value through other comprehensive income

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

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

– the contractual terms have passed the SPPI test.

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

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

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

The category also includes equities not held for trading which meet the definition provided by IAS 32, and which the Group decided to classify irrevocably in this category at the initial recognition stage. As the instruments

in question are equities, they are not subject to impairment and no gains/losses on equities will be measured through profit or loss, including following the sale of the instrument. Conversely, dividends on the instruments will be measured through profit or loss when the right of collection takes effect.

3 - Financial assets measured at amortized cost

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

– the financial instrument is held and managed according to the hold-to-collect business model, i.e. with the objective of holding it in order to collect the cash flows governed by the contract;

– such contractual cash flows consist entirely of payment of principal amount and interest (and therefore meet the requirements set by the SPPI test).

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

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

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

– risk type and procedure for managing risks taken, including indicators for portfolio rotation;

– means for determining remuneration mechanisms for risk-takers.

The business model is based on expected reasonable scenarios (without considering "worst case" and "stress case" scenarios). In the event of cash flows differing from those estimated at initial recognition, the Group is not bound to change the classification of financial instruments forming part of the portfolio, but uses the information for deciding the classification of new financial instruments[5].

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

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

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

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

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

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

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

– Stage 1: this includes exposures at their initial recognition date for as long as there is no significant impairment to their credit quality; for such instruments, the expected loss should be calculated depending on default events which may occur within twelve months of the reporting date;

– Stage 2: this includes exposures which, while not classified as impaired as such, have nonetheless experienced significant impairment to their credit quality since the initial recognition date; in the transition from Stage 1 to Stage 2, the expected loss will be calculated for the outstanding life of the instrument;

– Stage 3: this category consists of non-performing (impaired) exposures according to the definition provided in the regulations. In the transition to Stage 3, exposures are valued individually, that is, the value adjustment is calculated as the difference between the carrying value at the reference date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate. The expected cash flows consider the anticipated collection times, the probable net realizable value of any guarantees, and the costs which are likely to be incurred for the recovery of the credit exposure from a forward-looking perspective which factors in alternative recovery scenarios and developments in the economic cycle.

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

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

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

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

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

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

4 - Hedging

With reference to hedging transactions, the Group has chosen to adopt the provisions of IFRS 9 and not to make use of the exception granted, i.e. to continue to apply the IAS 39 rules to these transactions, with the exception of the specific cases set forth in IFRS 9 (para. 6.1.3)[6] and not governed by the same.

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

– fair value hedges, which aim to offset the exposure to changes in the fair value of a financial item or homogeneous group of assets in terms of risk profile;
– cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned;
– hedges of foreign investments in currencies other than the Euro: these refer to the hedging of risks in an investment in a non-Italian company denominated in a foreign currency.

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

Hedge derivatives are measured at fair value as follows:

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

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

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

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

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

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

Foreign currency investment hedges

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

– the portion of gain or loss on the hedging instrument that results in an effective hedge is booked into Other Comprehensive Income; and

– the ineffective share is booked through profit or loss.

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

5 - Investments

This heading consists of interests[7] held in jointly-controlled entities and associates. Companies subject to joint control, otherwise known as joint ventures, are defined as entities whose control is contractually stipulated as being shared between the Group and one or more other parties, or when the unanimous consent of all parties which share control of the entity is required for decisions regarding relevant activities.

Companies subject to significant influence, otherwise known as associates, are defined as entities in which the Group holds at least 20% of the voting rights (including "potential" voting rights) or for which – despite holding a lower share of the voting rights – it is entitled to participate in deciding the financial and management policies of the investee company by virtue of its being represented in that company's management bodies, without actually having control over it.

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

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

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

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

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

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

6 - Tangible assets

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

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

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

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

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Bank are recorded separately on the basis of valuations prepared by independent experts.

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

7 - Intangible assets

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

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At each reporting date, goodwill recorded as an asset is tested for impairment.[8] Any reduction in value due to impairment is calculated as the difference between the initial recognition value of goodwill and its realizable value, the latter being equal to the higher of the fair value of the related cash-generating unit after any costs to sell and its value in use, if any. Any adjustments will be recognized in the profit and loss account.

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

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

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

At annual and interim reporting dates, the realizable value of the asset is estimated if there is evidence of impairment.[9] The impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

8 - Non-current assets and asset groups as held for sale (IFRS 5)

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

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

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

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

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

9 - Tax assets and liabilities

Income taxes are recorded through the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. In particular, prepaid and deferred taxes are calculated on the basis of temporary differences – without time limits – between the value attributed to an asset or liability according to (Italian) statutory regulations and the corresponding values used for tax purposes.

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

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

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

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

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

10 - Provisions for risks and charges

These regard risks linked to loan commitments and guarantees issued, and to the Group's operations which could lead to expenses in the future as well as post-retirement plan provisions (cf. below).

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

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

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

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

As permitted by IAS 37, paragraph 92, no precise indication has been given of any contingent liabilities where this could compromise the company in any way.

11 - Financial liabilities measured at amortized cost

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

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount

collected after transaction costs incurred directly in connection with the liability concerned. After initial recognition, liabilities are measured at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which will continue to be stated at the original amount collected.

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

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

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

12 - Trading liabilities

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities for technical overdrafts connected to securities trading activities as well as the negative value of syndicated loan underwriting commitments are also included. All trading liabilities are measured at fair value and changes are taken through the profit and loss account.

13 - Financial liabilities designated at fair value

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

Such liabilities are measured at fair value, accounting for earnings according to the following rules laid down in IFRS 9:

- changes in fair value attributable to changes in one's credit quality must be recognized in the Statement of Other Comprehensive Income (Net Equity);
- other changes in fair value must be recognized through profit or loss;
- amounts stated in other comprehensive income will not flow through profit or loss.

This method cannot be adopted, however, if the recognition of the effects of the issuer's own credit quality in net equity generates or accentuates an accounting mismatch in profit and loss. In such cases, the profits or losses related to the liability, including those caused as the effect of the change in the issuer's credit quality, must be measured through profit or loss. As mentioned above, this case in particular concerns the related portfolio of assets and liabilities concerning the business model for managing the funding of equity-linked certificates aiming to eliminate the accounting mismatch.

In compliance with the provisions of IFRS 9, the correlation between assets and liabilities is monitored on an ongoing basis.

14 - Foreign currency transactions

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

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

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

15 – Insurance assets and liabilities

Insurance assets and liabilities that fall within the scope of IFRS 17 "Insurance Contracts" are classified in this category.

In particular, the asset item "80. Insurance assets" or the liability item "110. Insurance liabilities" include insurance contracts, reinsurance contracts, and investment contracts with issued discretionary profit-sharing features, as defined and regulated by IFRS 17, belonging to portfolios of insurance contracts, based on the net balance of the portfolio to which they belong. Generally, insurance contracts have a negative balance (insurance liabilities), while reinsurance transfer contracts have a positive balance (insurance assets).

At the time of signing the insurance contract[10] with the insured party, a liability is recognized whose amount is given by the algebraic sum of the present value of the expected contractual cash flows (Present value of future cash flow – "PVFCF") which include the so-called Contractual Service Margin – "CSM", i.e. the present value of expected future profits and the Risk adjustment ("RA") to cover non-financial risks. All contracts are grouped together to identify "portfolios" that have similar risks and which can be managed in a unified manner.

There are two measurement models: General Model - applicable in principle to all contracts, and Variable Fee Approach ("VFA") - applicable in particular to direct profit-sharing contracts. An optional simplified model (Premium Allocation Approach - "PAA") is also provided for the purpose of measuring the residual coverage liability for contracts with a coverage period lasting one year or longer and for all contracts in the event that the measurement is not materially different from the one resulting from applying the General Model.

The insurance liability should be updated at each reporting period to verify the consistency of the estimates made with respect to market conditions. The effects of any updates detected will be recognized in the profit and loss account if the changes refer to current or previous events or to a reduction in the Contractual Service Margin if the changes are due to future events.

[10] An insurance contract is defined as a contract under which one party (the issuer) underwrites a "significant insurance risk" from another party (the insured), agreeing to indemnify the insured in the event that the same suffers damage resulting from a specific uncertain future event (the insured event).

With regard to financial assumptions, the principle provides for the option of representing the effects of changes in the profit and loss account or in shareholders' equity (referred to as Other Comprehensive Income Option - OCI).

Lastly, IFRS 17 provides that the insurance contract should be derecognized when, and only when, the contract is extinguished, i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled.

16 – Other Information

Financial liabilities recognized at present value of redemption amount

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

Derecognition of assets

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

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

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

When a financial asset measured at amortized cost is renegotiated, the Group derecognizes it only if the renegotiation entails a change of such magnitude that the initial instrument effectively becomes a new one. In such cases, the difference between the original instrument's carrying value and the fair value of the new instrument is measured through profit or loss, taking due account of any previous write-downs. The new instrument is classified as Stage 1 for the purpose of calculating the expected loss (save in cases where the new instrument is classified as a POCI).

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

Leases (IFRS 16)

An agreement is classified as a lease[11] (or contains a lease) based on the substance of the agreement at the execution date. An agreement is, or contains, a lease if its performance depends on the use of a specific good (or goods) and confers the right to use such good (goods) – the "Right of Use" (RoU) – for an agreed period of time and in return for payment of a fee (Lease liabilities). This definition of leasing therefore also includes long-term rentals or hires.

Right-of-use assets are recognized among "Tangible assets", and calculated as the sum of the current value of future payments (which corresponds to the current value of the recognized liability), the initial direct costs, any instalments

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

received in advance or on the effective date of the lease (down payment), any incentives received from the lessor, and estimates of any costs for removing or restoring the asset underlying the lease.

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

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

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

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

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

Provisions for statutory end-of-service payment qualify as a defined-contribution retirement plan for units accruing from 1 January 2007 (the date on which the reform of supplemental retirement plans came into force under Legislative Decree No. 252 of 5 December 2005), for cases where the employee

opts into a supplemental retirement plan, and also for cases where contributions are paid into the treasury fund held with Istituto Nazionale di Previdenza Sociale (INPS, Italian national social security institution). For such payments, the amount accounted for under labour costs is determined on the basis of the contributions due without using actuarial calculation methods.

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

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

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

Stock Options, Performance Shares and Long-Term Incentives

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

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

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

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

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

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

Treasury shares

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

Fees and commissions receivable in respect of services

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

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

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

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

Dividends

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

Recognition of costs

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

Related parties

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

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

a) shareholders with stakes of 3% or more in the Bank's share capital;[12]

c) legal entities controlled by the Bank;

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

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

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

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

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

A.3 - Information on transfers between financial asset portfolios

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

There is no data to report at 31 December 2023.

A.3.2 Reclassification of financial assets: changes to the business model, Fair Value and effects on other comprehensive income

There is no data to report at 31 December 2023.

A.3.3 Reclassification of financial assets: changes to the business model and effective interest rate

There is no data to report at 31 December 2023.

A.4 – Information on Fair Value

QUALITATIVE INFORMATION

Fair Value

In line with the international accounting standards, the Fair Value of financial instruments stated in the financial statements is the so-called 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 measurement date under current market conditions, regardless of whether such price is directly observable or estimated using another valuation technique (IFRS 13, §24).

Fair value, therefore, is "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".

The Fair Value hierarchy of an instrument is a direct consequence of the Fair Value estimation approach: in principle, a financial instrument is considered to be listed on an active market if its price represents its current exchange value in normal, effective and regular market operations.

If the market is not active, the Fair Value of the instrument being estimated is measured by using market prices for similar instruments on active markets (comparable approach) or, in the absence of similar instruments, using a valuation technique that uses market and non-observable information (observable/ unobservable inputs).

The Group has laid down precise guidelines regarding three key aspects: independent calculation of Fair Value, conducted by the Group's 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 income statement, the Group 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 13[13] and CRR art 105[14]) and corroborated by a benchmarking test; the main activities for calculating the exit price of the financial instruments in the portfolio are shown below.[15]

[13] 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 the need to classify financial instruments according to the level of objectivity in the computation of fair value (FVH).

[14] The guiding principles of the IPV and PVA processes are defined in the CRR Directive, Article 105.

[15] 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), which focuses on the validation of the quantitative methods used.

Independent Price Verification (IPV)

Independent Price Verification (IPV) is the process through which prices and market data, used to calculate Fair Value and to measure prudent value, are subject to a verification process according to specific accuracy standards defined internally by the Group. The Independent Price Verification Policy and Directive meet the requirements laid down in Article 105, para. 8 of Regulation (EU) 575/2013, which requires institutions to perform independent price verification in addition to daily marking-to-market or marking-to-model practices and establish and maintain sufficient procedures for providing valuation estimates.

Independent Price Verification has the following objectives: formalisation 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 performs data analysis in order to ensure consistency with a comparison source to ensure a correct evaluation of the Bank's and of individual Desks' risk positions of the main profit and loss drivers. Any changes to the data will have an impact not only on the balance sheet but also on the Profit and Loss reporting process of the portfolio concerned. Furthermore, the decision to change the source of valuation of any market data during the Independent Price Verification process, as well as the verification method itself, may generate a different classification of the instrument being analysed with respect to the Fair Value Hierarchy.

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 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.

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 is given to the adoption of bid and ask prices in order to obtain a more precise fair value measurement particularly aligned 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 of the counterparty's credit risk and the Group's credit quality. CVA 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 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) is based on the estimated value of expected recovery in the event of the counterparty's default, as defined by specific analyses conducted by the Group, or 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 inputs

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 replacement method), which reflects the amount that would currently be required to replace an asset's service capacity;
- income approach, which converts future amounts (e.g. cash flows or 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 a dealer is willing to buy and the price at which a 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, para. 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 it is the price to be used preferentially to measure financial assets and liabilities held in the portfolio. 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) Implied volatility.
(iii) Credit spread.

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 setting the levels and observability of inputs. In the first stage, a level is assigned to each input used in the instrument valuation model. Thereafter, in the second stage, the relevance of the various inputs used to determine the materiality of unobservable inputs is verified, thus influencing the overall valuation of the instrument. It should be noted that for some categories of instruments, such as private equity or infrastructure alternative investment funds, a more rigorous classification (fair value level) is automatically applied, since the relevant underlying is not listed on the market. However, for some types of instruments there is an illiquidity discount in the NAV valuation in order to bring the valuation to the exit price.

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.

Starting from the financial year under review, a new fair value hierarchy framework has come into force. It provides for automatic classification into levels based on the significance and liquidity of inputs used in the valuations; in particular, the weight that unobservable inputs have compared to observable inputs will determine their classification, potentially increasing re-classifications based on available market data at the reference date.[16]

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 prudential valuation[17] 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 by aggregating nine AVAs:

– Market Price Uncertainty (MPU): this is the valuation uncertainty based on market prices, calculated at the level of the exposure being measured;
– Close-out Costs (CoC): these consist in the uncertainty of the exit price, calculated at the level of the exposure being measured;
– Close-out Costs (CoC): these consist 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 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;

[16] The adoption of this framework for positions in place at 30 June may have resulted in a reclassification of approximately €40m to level 2.

[17] Prudential valuation is understood as an exit price with a 90% level of certainty.

- 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 standards;
- Concentrated Positions (CP): these refer to 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 expected lifetime 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 terminations 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 measured 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 positions available for sale (FVOCI) to the extent that valuation changes are subject to prudential filtering, perfectly matching opposite positions (back-to-back) and positions subject to hedging transactions (hedge accounting).

A.4.1 Valuation processes and sensitivity analysis

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

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

Non-observable inputs	Quantification of parameter uncertainty	MtM +/- delta (€'000) 31/12/23	MtM +/- delta (€'000) 30/6/23
Implied volatility	For each point on the volatility surface, this is defined as a standard deviation from consensus provided by the data provider Markit. For non-contributed underlyings, a proxy is derived from the contributed underlyings.	(0.8)	(4.4)
Equity-equity correlation	For each expiry along the correlation curve, this is defined as a standard deviation from the consensus provided by the data provider Markit. For non-contributed underlyings, a proxy is derived from the contributed underlyings.	(20.2)	(16.3)

Measurement techniques - Equity - receivables and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value* Assets 31/12/23 (€m)	Fair value* Liabilities 31/12/23 (€m)	Fair value* Assets 30/6/23 (€m)	Fair value* Liabilities 30/6/23 (€m)
OTC bond option	Black-Scholes model	Implied volatility [1]	—	(2.46)	11.70	(5.68)
OTC equity basket options, best of/ worst of, equity autocallable multi-asset options	Black-Scholes model, local volatility model	Implied volatility Equity-equity correlation [2]	20.14	(7.02)	7.45	(11.56)
CDS on Single Names with Recovery Rate 0	*Arbitrage Free Credit Spread Model*	*Recovery Rate*	0.09	—	0.37	—
Put options securing the financial yield of retirement plans	*Black-Scholes model*	*Projection of future premium flows and mortality rates of policyholders* [3]	—	(34.40)	0.01	(29.25)

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

[1] Volatility in a financial context is a measurement of how much the price of an underlying instrument may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general, long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implied volatility area may be obtained from the price of the call and put options, as they have regulated markets. The uncertainty of this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typical of long maturities or moneyness far from the At-The-Money spot), concentration effects and non-observable market data (again when maturities are considered too long or moneyness far from the At-The-Money spot).

[2] Equity-equity correlation is a measurement of the correlation between two equity-based underlying instruments. Variations in the correlation levels may impact an instrument's fair value positively or negatively, depending on the correlation type. Equity-equity correlations are less observable than volatility, because no correlation products are quoted on any regulated markets. For this reason, correlations are more subject to data uncertainties.

[3] The contractual form has been structured as a put option with an original term of between 10 and 30 years, the valuation of which is subject to uncertainty regarding both the estimate of future premiums and the NAV level of the underlying pension funds.

The main factors contributing to transitions between fair value levels include changes in market conditions and refinements in the measurement models and/ or the non-observable inputs.

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

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

A.4.4 Other information

The Group uses the exception provided under IFRS 13, paragraph 48 from measuring fair value of financial assets and liabilities on a net basis by offsetting market and counterparty credit risks.

QUANTITATIVE INFORMATION

A.4.5 Fair Value hierarchy

A.4.5.1 Assets and liabilities measured at Fair Value on a recurring basis, breakdown by Fair Value hierarchy

(€/000)

Financial assets/liabilities measured at fair value	31 December 2023			30 June 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	8,347,643	3,151,300	913,696	6,871,089	2,883,005	900,305
a) financial assets held for trading	8,054,456	2,584,723	492,838	6,714,689	2,343,281	488,242
b) financial assets designated at fair value	113,022	564,688	—	—	538,590	—
c) other financial assets mandatorily measured at fair value	180,165	1,889	420,858	156,400	1,134	412,063
2. Financial assets measured at fair value through other comprehensive income	5,709,293	355,905	276,475	5,680,235	51,050	310,834
3. Hedging derivatives	—	688,283	—	—	1,321,883	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	14,056,936	4,195,488	1,190,171	12,551,324	4,255,938	1,211,139
1. Financial liabilities held for trading	4,988,388	3,925,304	435,290	4,968,008	4,166,238	302,426
2. Financial liabilities designated at fair value	—	3,155,018	229,305	—	1,540,419	40,537
3. Hedging derivatives	—	1,391,260	—	—	2,069,542	—
Total	4,988,388	8,471,582	664,595	4,968,008	7,776,199	342,963

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

Level 3 assets [18] held for trading remained steady (from €487.4m to €492.8m) and mainly consisted of exposures in securitized items (€221.7m) and exposures in convertible unlisted preference shares (€174.1m) counterbalanced by the forward sale of the same underlying and classified at Level 2.

[18] After the market value of sold options, i.e. €0.8m at 30 June 2023, the values of which are stated in assets and liabilities for the same amount.

Level 3 liabilities [19] held for trading mainly concerned autocallable certificates in Euro area stock index baskets, which increased from €301.6m to €435.2m following the new fair value hierarchy framework referred to above and which led to the reclassification of certificates in stock index basket by €162.5m (mainly issued between 2021 and 2022), whose vega became unobservable during the half-year due to market transactions [20] without leading to an actual increase in the risk of the portfolio position; ordinary transactions concerned new issues of €59.4m, redemptions of €98.1m, and negative Fair Value adjustments of €9.8m.

Financial liabilities measured at Fair Value mainly consisted of autocallable certificates with underlying equity under a fair value option and increased from €40.5m to €229.3m mainly after new issues of €133m and entries of €55.3m from other levels relating to a delta-one certificate.

Financial assets mandatorily measured at Fair Value remained essentially steady at €420.9m and consisted of investments in funds (including €128.5m in Polus funds).

Financial assets measured at Fair Value through other comprehensive income (bonds, shares and SFPs) decreased from €310.9m to €276.5m with sales and redemptions of €39.9m; changes in Fair Value were positive by €5.5m.

[19] After the market value of sold options, i.e. €0.8m at 30 June 2023, the values of which are stated in assets and liabilities for the same amount.

[20] At inception, these instruments may have been classified at level 2 even with the adoption of the new framework.

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

(€/000)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening amount	899,507	487,443	—	412,064	310,834	—	—	—
2. Increases	176,083	116,488	—	59,596	6,495	—	—	—
2.1 Purchases	123,537	70,947	—	52,590	870	—	—	—
2.2 Gains recognized in:	27,867	20,862	—	7,005	5,626	—	—	—
2.2.1 Income statement	27,867	20,862	—	7,005	1,383	—	—	—
- of which, capital gains	*16,630*	*16,630*	—			—	—	—
2.2.2 Net equity	—	—	—		4,243	—	—	—
2.3 Transfers from other levels	24,506	24,506	—	—	—	—	—	—
2.4 Other increases	173	173	—	—		—	—	—
3. Decreases	161,849	111,093	—	50,802	40,855	—	—	—
3.1 Disposals	138,647	93,497	—	45,150	14,106	—	—	—
3.2 Redemptions	5,354	5,354	—	—	26,696	—	—	—
3.3 Losses recognized in:	6,681	1,030	—	5,653	—	—	—	—
3.3.1 Income statement	6,681	1,030	—	5,653	—	—	—	—
- of which, capital losses	*1,018*	*1,018*	—	—	—	—	—	—
3.3.2 Net equity	—	—	—	—	—	—	—	—
3.4 Transfers to other levels	—	—	—	—	—	—	—	—
3.5 Other decreases	11,212	11,212	—	—	53	—	—	—
4. Closing amount	913,696	492,838	—	420,858	276,475	—	—	—

A.4.5.3 Annual changes in liabilities measured at Fair Value on a recurring basis (Level 3)

(€/000)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening amount	301,627	40,537	—
2. Increases	234,882	188,901	—
2.1 Issues	59,374	133,077	—
2.2 Losses recognized in:	10,512	554	—
2.2.1 Income statement	10,512	554	—
- of which, capital losses	*10,512*	—	—
2.2.2 Net equity	—	—	—
2.3 Transfers from other levels	162,544	55,269	—
2.4 Other increases	2,452	—	—
3. Decreases	101,219	132	—
3.1 Redemptions	98,058	—	—
3.2 Buybacks	—	—	—
3.3 Gains recognized in:	3,161	132	—
3.3.1 Income statement	3,161	132	—
- of which, capital gains	*3,161*	—	—
3.3.2 Net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other decreases	—	—	—
4. Closing amount	435,290	229,305	—

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

(€/000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31 December 2023				30 June 2023			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortized cost	63,607,667	3,986,123	18,323,343	40,224,418	62,555,709	3,963,714	16,948,503	39,522,590
2. Tangible assets held for investment purposes	48,746	—	—	119,165	50,486	—	—	125,440
3. Non-current assets and disposal groups classified as held for sale	—	—	—	—	251,987	—	—	—
Total	63,656,413	3,986,123	18,323,343	40,343,583	62,858,182	3,963,714	16,948,503	39,648,030
1. Financial liabilities measured at amortized cost	67,559,615	946,595	66,573,795	35,304	64,903,066	1,038,611	63,352,460	261,493
2. Liabilities associated with assets classified as held for sale	—	—	—	—	8,134	—	—	—
Total	67,559,615	946,595	66,573,795	35,304	64,911,200	1,038,611	63,352,460	261,493

A.5 - "Day-One Profit/Loss" Disclosure

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 half year under review, the day-one profit method was used for two types of transaction:

– CLO financial guarantee: transactions in which the Bank purchased specific hedging on CLOs in its portfolio to neutralize the credit risk for which no observable, liquid market parameters were available compared to standard CDS. As at 31 December 2023, there were 8 transactions in progress for a nominal value of approximately €171m, for which profits of €7.7m were suspended and would be released pro rata temporis taking into account a certain stability of the uncertain input;

– certificates: as at 31 December 2023, profits of approximately €3.2m were suspended (almost entirely on autocallable equity) relating to an equivalent value of €231.3m, including former autocallable equity of €214.4m.

Part B – Notes to the Consolidated Balance Sheet*

Assets

SECTION 2

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

2.1 Financial assets held for trading: product breakdown

Items/Values	Total 31/12/2023			Total 30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	6,012,250	415,724	291,125	4,993,088	188,834	296,172
1.1 Structured securities	8,328	11,881	50,157	1,310	10,625	47,821
1.2 Other debt securities	6,003,922	403,843	240,968	4,991,778	178,209	248,351
2. Equity securities[1]	1,761,926	—	174,428	1,020,812	—	163,498
3. UCIT units	980	—	3,357	25	—	3,258
4. Loans	4,119	—	—	4,085	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	4,119	—	—	4,085	—	—
Total (A)	7,779,275	415,724	468,910	6,018,010	188,834	462,928
B. Derivative instruments						
1. Financial derivatives	275,181	1,929,888	20,724	696,678	2,001,019	19,964
1.1 trading[2]	275,181	1,929,888	20,724	696,678	2,001,019	19,964
1.2 related to the fa*ir value option*	—	—	—	—	—	—
1.3 Other	—	—	—	—	—	—
2. Credit derivatives	—	239,111	3,204	—	153,428	5,350
2.1 trading	—	239,111	3,204	—	153,428	5,350
2.2 related to the fair value option	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
Total (B)	275,181	2,168,999	23,928	696,678	2,154,447	25,314
Total (A+B)	8,054,456	2,584,723	492,838	6,714,688	2,343,281	488,242

[1] Equities include shares committed in securities lending transactions totalling €403,299 at 31/12/23 and €399,599 at 30/6/23.

[2] This includes €53 (€798 in June 2023) relating to brokered options, whose contra-item was recorded among trading liabilities.

* Figures in €'000.

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

2.3 Financial assets designated at Fair value**: product breakdown*

Items/Values	Total 31/12/2023			Total 30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	113,022	—	—	—	—	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	113,022	—	—	—	—	—
2. Loans	—	564,688	—	—	538,590	—
2.1 Structured	—	—	—	—	—	—
2.2 Other[1]	—	564,688	—	—	538,590	—
Total	113,022	564,688	—	—	538,590	—

[1] This item refers to a loan matched on the liability side by the issue of a certificate.

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

2.5 Other financial assets mandatorily measured at Fair value**: product breakdown*

Items/Values	31/12/2023			30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	325	452	412	—	451
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	325	452	412	—	451
2. Equity securities	—	—	8,196	—	—	7,474
3. UCIT units	180,165	—	403,335	155,988	—	399,449
4. Loans	—	1,564	8,875	—	1,134	4,689
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	—	1,564	8,875	—	1,134	4,689
Total	180,165	1,889	420,858	156,400	1,134	412,063

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

SECTION 3

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

3.1 Financial assets measured at Fair value *through other comprehensive income: product breakdown**

Items/Values	31/12/2023			30/06/2023		
	Level 1	Level 2	Level 3[1]	Level 1	Level 2	Level 3[1]
1. Debt securities	5,584,038	355,905	146,765	5,563,499	51,050	186,571
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	5,584,038	355,905	146,765	5,563,499	51,050	186,571
2. Equity securities	125,255	—	129,710	116,736	—	124,263
3. Loans	—	—	—	—	—	—
Total	5,709,293	355,905	276,475	5,680,235	51,050	310,834

[1] Levels 3 include equity-like instruments (Burgo €66.2m and Tirreno Power €15.4m, unchanged compared to 30 June 2023).

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

SECTION 4

Heading 40: Financial assets measured at amortized cost

4.1 Financial assets measured at amortized cost: product breakdown of amounts due from banks

Transaction Type/Values	Total 31/12/2023						Total 30/06/2023					
	Book value			Fair value*			Book value			Fair value*		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	418,092	—	—	—	418,092	—	520,930	—	—	—	520,930	—
1. Term deposits	100,017	—	—	X	X	X	200,003	—	—	X	X	X
2. Compulsory reserves	318,075	—	—	X	X	X	320,927	—	—	X	X	X
3. Reverse Repos	—	—	—	X	X	X	—	—	—	X	X	X
4. Other	—	—	—	X	X	X	—	—	—	X	X	X
B. Due from banks	5,135,717	—	—	169,320	4,583,572	400,158	3,957,714	—	—	190,356	3,774,273	19,427
1. Loans	4,962,805	—	—	—	4,583,558	400,158	3,760,248	—	—	—	3,774,262	19,427
1.1 Current accounts	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Term deposits	134,479	—	—	X	X	X	38,557	—	—	X	X	X
1.3 Other Loans:	4,828,326	—	—	X	X	X	3,721,691	—	—	X	X	X
- Reverse repos	2,101,668	—	—	X	X	X	1,796,987	—	—	X	X	X
- Finance leases	223	—	—	X	X	X	284	—	—	X	X	X
- Other	2,726,435	—	—	X	X	X	1,924,420	—	—	X	X	X
2. Debt securities	172,912	—	—	169,320	14	—	197,467	—	—	190,356	11	—
2.1 Structured securities	—	—	—	—	—	—	—	—	—	—	—	—
2.2 Other debt securities	172,912	—	—	169,320	14	—	197,467	—	—	190,356	11	—
Total	5,553,809	—	—	169,320	5,001,664	400,158	4,478,644	—	—	190,356	4,295,203	19,427

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

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

Transaction Type/Values	Total 31/12/2023						Total 30/06/2023					
	Book value			Fair value*			Book value			Fair value*		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
1. Loans	53,176,735	391,971	—	—	13,121,797	39,403,928	53,235,519	369,701	—	—	12,634,270	38,908,792
1.1 Current accounts	2,744,652	64	—	X	X	X	2,744,448	138	—	X	X	X
1.2 Reverse Repos attivi	3,074,534	—	—	X	X	X	1,652,332	—	—	X	X	X
1.3 Mortgages	27,396,124	96,627	—	X	X	X	28,627,106	96,614	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	9,370,626	185,813	—	X	X	X	9,293,671	170,706	—	X	X	X
1.5 Finance leases	1,258,421	24,794	—	X	X	X	1,343,227	32,333	—	X	X	X
1.6 Factoring	2,647,880	2,821	—	X	X	X	2,401,346	2,084	—	X	X	X
1.7 Other Loans	6,684,498	81,852	—	X	X	X	7,173,389	67,826	—	X	X	X
2. Debt securities	4,485,152	—	—	3,816,803	199,882	420,332	4,471,845	—	—	3,773,358	19,030	594,371
2.1 Structured securities	—	—	—	—	—	—	—	—	—	—	—	—
2.2 Other debt securities	4,485,152	—	—	3,816,803	199,882	420,332	4,471,845	—	—	3,773,358	19,030	594,371
Total	57,661,887	391,971	—	3,816,803	13,321,679	39,824,260	57,707,364	369,701	—	3,773,358	12,653,300	39,503,163

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

4.4 Financial assets measured at amortized cost: gross value and overall value adjustments

	Gross value					Overall value adjustments				Overall partial write-offs
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets	
Debt securities	4,655,589	736,392	11,159	—	—	4,006	4,678	—	—	—
Loans	56,130,772	889,449	3,160,518	1,283,737	—	315,488	418,170	891,766	—	950
Total 31/12/2023	60,786,361	1,625,891	3,171,677	1,283,737	—	319,494	422,848	891,766	—	950
Total 30/06/2023	60,007,953	614,918	2,892,045	1,328,389	—	329,646	384,344	958,688	—	3,667

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	Fair value 31/12/2023			Notional value 31/12/2023	Fair value 30/06/2023			Notional value 30/06/2023
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives								
1. Fair value	—	526,907	—	28,378,160	—	890,007	—	30,279,394
2. Cash flows	—	161,377	—	9,581,000	—	431,877	—	8,556,000
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	688,284	—	37,959,160	—	1,321,884	—	38,835,394

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedge	Fair value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and stock indexes	Currencies and Gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	35,730	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	401,041	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	436,771	—	—	—	—	—	—	—	—	—
1. Financial liabilities	90,136	X	—	—	—	—	X	161,377	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	90,136	—	—	—	—	—	—	161,377	—	
1. Expected transactions	X	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 7

Heading 70: Equity investments

7.1 Equity investments: disclosure on relationships

Company name	Head Office	Operating office	Control type	Ownership		Ownership
				Controlling entity	% shareholding	
A. Entities under significant influence						
1. Assicurazioni Generali S.p.A.	Trieste	Trieste	2	Mediobanca S.p.A.	13.10	13.25
2. Istituto Europeo di Oncologia S.r.l.	Milan	Milan	2	Mediobanca S.p.A.	25.37	25.37
3. CLI Holdings II Ltd	London	London	2	Mediobanca S.p.A.	26.76	26.76
4. Finanziaria Gruppo Bisazza S.r.l.	Montecchio Maggiore (VI)	Montecchio Maggiore (VI)	2	Mediobanca S.p.A.	22.67	22.67
5. HeidiPay AG	Ginevra	Ginevra	2	Compass Banca S.p.A.	19.45	19.45
6. MB Speedup	London	London	1	Mediobanca S.p.A.	50.00	50.00

Legend:

1 Joint control.

2 Subject to significant influence.

3 Exclusively controlled and not consolidated.

Table 7.1 provides the following information for each affiliated company: business name; registered office; investment; shareholding calculated as a percentage of the share capital issued by the affiliate or joint venture; and availability of votes calculated as a percentage of the actual voting shares, i.e. not including the affiliate's treasury shares in the denominator. The latter is the percentage used for the purposes of consolidation by the Net Equity method.

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

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

All the equity investments have been measured using the Net Equity method, as required by the reference accounting standard (IAS 28 and IFRS 11), which includes treasury shares owned in the calculation, plus the value of any shares in Mediobanca owned by the investee company. Dividends collected are not taken through the income statement but are deducted from the investee company's book value.

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

Company name	Book value	Fair Value*	Dividend received**
A. Entities under significant influence			
1. Assicurazioni Generali S.p.A.	3,599,523	3,956,054	—
2. Istituto Europeo di Oncologia S.r.l.	38,788	n.a.	n.a.
3. CLI Holdings II Ltd	38,357	n.a.	4,005
4. Finanziaria Gruppo Bisazza S.r.l.	6,900	n.a.	612
5. HeidiPay AG	7,135	n.a.	n.a.
6. MB Speedup	1,750		
Total[1]	3,692,453	3,956,054	4,617

[1] The amount stated here differs from that represented in the balance sheet for other investments, which are minor in terms of both percentage share owned and amount (€159,000).

* Available only for listed Companies.

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

At 31 December 2023, the book value of the item "Equity investments" amounted to €3,692.5m.

The half-year under review witnessed a new investment in MB Speedup (50%, with a value of €1.8m), joint venture based in London established together with Founders Factory. It will facilitate the creation and investment in 35 fintech companies over the next 5 years.

The investment in Assicurazioni Generali remained steady at 13.10% even taking into account the handling of the Company's treasury shares (13.25% if calculated on outstanding shares). During the half-year under review, the book value increased from €3,472.2m to €3,599.5m after profits of €215.1m and negative equity changes of €87.8m.

Regarding other equity investments: IEO (25.37%) had a book value of €38.8m, a slight decrease compared to 30 June (€39.1m); Finanziaria Gruppo Bisazza S.r.l. (22.67%) had a book value of €6.9m (€7.1m), CLI Holdings II Limited was booked at €38.4m (€38.6m) after the collection of dividends (€4m) and profits for the period (€3.8m).

International accounting standards (IAS 28, IAS 36, IFRS 10, and IFRS 11) require the value of investments to be tested for impairment at least once a year or more frequently in the presence of events that may suggest that a reduction in value has occurred. The "Group's Impairment Policy", in accordance with IAS 36, requires verifying the performance of the stock market price, of the rating, and of the current and/or forward-looking operating income.

Since no potential indicators capable of revealing evidence of impairment as defined by IAS 36 were found in the half-yearly report, it was not deemed necessary to test the value of the investments for impairment.

For further information on impairment testing of investments, please refer to the Consolidated Financial Statements as at 30 June 2023.

SECTION 9

Heading 90: Property, plant and equipment

9.1 Core tangible assets: breakdown of assets stated at cost

Assets/Values	Stated at cost		Assets held for investment purposes		Inventories pursuant to IAS 2	
	31/12/2023	30/06/2023	31/12/2023	30/06/2023	31/12/2023	30/06/2023
1. Property assets	241,202	232,425	48,746	50,486	7,568	5,373
a) land	100,240	100,240	25,253	25,253	313	313
b) buildings	69,444	70,358	23,493	25,233	7,255	5,060
c) furniture	32,172	28,405	—	—	—	—
d) electronic systems	7,658	6,490	—	—	—	—
e) other	31,688	26,932	—	—	—	—
2. Right of use acquired through lease	244,004	242,458	—	—	X	X
a) land	—	—	—	—	X	X
b) buildings	230,167	230,702	—	—	X	X
c) furniture	—	—	—	—	X	X
d) electronic systems	—	—	—	—	X	X
e) other	13,837	11,756	—	—	X	X
Total	485,206	474,883	48,746	50,486	7,568	5,373

SECTION 10

Heading 100: Intangible assets

Intangible assets with indefinite duration consist of Goodwill, Brands and Contracts acquired as part of business combinations, whereas those with definite duration are the client lists similarly acquired and software. For details on the methods by which Intangible Assets are valued, reference is made to Part A – Accounting Policies.

10.1 Intangible assets: breakdown by asset type

Assets/Values	Total 31/12/2023		Total 30/06/2023	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	882,608	X	574,550
A.1.1 attributable to the group	X	882,608	X	574,550
A.1.2 attributable to minority interests	X	—	X	—
A.2 Other intangible assets	66,358	155,745	67,996	154,154
of which: software	*50,141*	—	*50,319*	—
A.2.1 Assets measured at cost:	66,358	155,745	67,996	154,154
a) Intangible assets generated internally	—	—	—	—
b) Other assets	66,358	155,745	67,996	154,154
A.2.2 Assets measured at fair value:	—	—	—	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	—	—	—	—
Total	66,358	1,038,353	67,996	728,704

Information on intangible assets and goodwill

The item increased from €796.7m to €1,104.7m as a result of new acquisitions finalized in October with the resulting recognition of goodwill while waiting for Purchase Price Allocation (PPA) activities to be completed, probably by the end of the financial year. The overall amount of €308.2m mainly concerns the entry of the English company Arma Partners (€294.2m, current value £255.7m), which, in addition to the spot transfer price, includes an estimate of the potential price (€41.1m, current equivalent of £35.7m); the remaining portion (€14m) is connected to HeidiPay Switzerland AG, also in this case, in addition to the spot price paid (€3.2m, corresponding to CHF 3m), the amount takes into account an estimated deferred component.

For an examination of the evidence and main characteristics of acquisitions in recent years, please refer to the Financial Statements as at 30 June 2023.

* * *

The following table shows the summary of goodwill recognized in the financial statements broken down by Cash Generating Unit.

Summary of Cash Generating Units

CGU	31/12/2023	30/06/2023
Consumer	386,417	372,378
- Of which Soisy	*6,444*	*6,444*
- Of which Compass-Linea	*365,934*	*365,934*
- Of which HeidiPay Switzerland	*14,039*	—
Polus Capital Management[1]	56,722	56,916
MB Mid corporate	22,650	22,650
MB Private Banking	29,453	29,453
Messier et Associés	93,153	93,153
Arma Partners	294,213	—
Total goodwill	**882,608**	**574,550**

[1] Increase entirely attributable to the currency exchange effect.

Information on impairment indicators

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

The Group has adopted an Impairment Policy that regulates the impairment process and has also taken into account the recent ESMA Recommendations and, as required, has carried out the necessary analyses of impairment indicators.

The cost of capital was redetermined as set out in the Group Policy and taking into account the recent market performance. The parameters that were most impacted by market changes in the half-year under review are the risk-free

rates, which recorded a decline compared to June values, and the beta of the MB Mid Corporate and Messier & Associés CGUs. The following table shows the differences compared to June 30 last:

Table 5: Cost of equity parameters per CGU

CGU/Impairment indicators	Risk-free rate R[1]		Beta - ß	
	dec-23	jun-23	dec-23	jun-23
Consumer	3.79	4.08	1.13	1.13
Polus Capital Management	3.76	4.31	1.17	1.15
MB Private Banking + AM	3.79	4.08	1.06	1.04
MB Mid Corporate	3.79	4.08	1.09	0.97
RAM Active Investments	0.66	0.92	1.17	1.15
Messier & Associés	2.64	2.92	1.09	0.97

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

However, the other parameters (Risk Premium and Alpha) remained unchanged. The cost of capital for all CGUs was therefore lower than 30 June last, with the exception of the MB Mid Corporate and Messier & Associés CGUs which underwent an increase due to the aforementioned increase in beta. This increase was not such as to jeopardize the stability of values of portfolio intangibles.

All other triggers set out in the Group Policy were also verified without finding evidence of impairment for any intangible assets. During the second half of the year, the situation will be carefully monitored in anticipation of the annual impairment test.

For further information on the Impairment Test of intangible assets and goodwill, please refer to the Consolidated Financial Statements as at 30 June 2023.

SECTION 11

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

11.1 Advanced tax assets: breakdown

	Total 31/12/2023	Total 30/06/2023
- Against Profit and Loss	368,160	493,245
- Against Net Equity	41,916	31,136
Total	410,076	524,381

Advance taxes qualifying as eligible, i.e., convertible into tax credits, amounted to €232.9m (€342.6m in June 2023). Of the residual amount (€177.2m), only €1.2m concerned prior year losses, while the most significant portion concerned temporary differences.

All advance taxes not qualifying as eligible were subjected to a “probability test”, i.e. an annual assessment as to their probability of recovery, broken down by IRES (corporate income tax) and IRAP (regional tax on production activities), and whether or not they fall within the scope of the National Tax Consolidation. For more information, please refer to the financial statements as at 30 June 2023.

	31/12/2023	30/06/2023
A - Gross advance tax assets	410,076	524,381
Loan loss provisions*	222,335	341,798
Provisions for sundry risks and charges	17,858	20,531
Goodwill and other intangible assets**	97,961	106,198
Financial instruments recognized at FVOCI	44,939	30,935
Tax losses	1,232	582
Other	25,751	24,337
B - Offset by deferred tax liabilities	—	—
C - Net advance tax assets	410,076	524,381

* Among other figures, this item includes: i) prepaid taxes recognized on write-downs and losses on loans to customers, which will be absorbed by 30 June 2029 according to the plan pursuant to Article 16 of Law-Decree No. 83/2015, as amended; ii) prepaid taxes recognized on the components allocated to the provision for expected credit losses upon IFRS 9 FTA, which will be absorbed in tenths by 30 June 2029.

** This figure mainly includes goodwill redemptions on the Compass / Linea merger transaction (€93.3m), of which €15.3m pursuant to Article 176 of Presidential Decree No. 917/1986 and €78m in implementation of the provisions of Article 110 of Law-Decree No. 104/2020 with an amortization period of 18 years.

11.2 Deferred tax liabilities: breakdown

	Total 31/12/2023	Total 30/06/2023 (*)
- Against Profit and Loss	278,551	286,890
- Against Net Equity	110,041	163,533
Total	388,592	450,423

*The values as at 30 June 2023 were newly processed following the entry into force of IFRS 17.

SECTION 12

Assets heading 120 and Liability heading 70: Non-current assets and asset groups held for sale and related liabilities

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

	31/12/2023	30/06/2023
A. Assets held for sale		
A.1 Financial assets	—	242,164
A.2 Equity investments	—	—
A.3 Tangible assets	—	105
of which: obtained by the enforcement of collateral	—	—
A.4 Intangible assets	—	195
A.5 Other non-current assets	—	9,523
Total (A)	—	251,987
of which carried at cost	—	*251,987*
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—
C. Liabilities associated with assets held for sale		
C.1 Debts	—	2,149
C.2 Securities	—	—
C.3 Other liabilities	—	5,985
Total (C)	—	8,134
of which carried at cost	—	*8,134*
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—

The value of this item was measured as at 30 June 2023 as it contained the assets and liabilities of the subsidiary Revalea S.p.A., the sale of which was concluded in October 2023 and with which financing positions expiring in 2027 were kept in progress.

Liabilities

SECTION 1

Heading 10: Financial liabilities measured at amortized cost

1.1 Financial liabilities measured at amortized cost: product breakdown of amounts due to banks

Transaction Type/Values	Total 31/12/2023				Total 30/06/2023			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	3,364,246	X	X	X	5,634,137	X	X	X
2. Due to banks	9,229,130	X	X	X	7,640,952	X	X	X
2.1 Current accounts and demand deposits	218,038	X	X	X	268,655	X	X	X
2.2 Term deposits	68,895	X	X	X	68,864	X	X	X
2.3 Loans	8,632,631	X	X	X	7,125,681	X	X	X
2.3.1 Repos	4,838,429	X	X	X	3,467,320	X	X	X
2.3.2 Other	3,794,202	X	X	X	3,658,361	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Lease liabilities	778	X	X	X	228	X	X	X
2.6 Other liabilities	308,788	X	X	X	177,524	X	X	X
Total	12,593,376	—	12,593,376	—	13,275,089	—	13,275,089	—

1.2 Financial liabilities measured at amortized cost: product breakdown of amounts due to customers

Transaction Type/Values	Total 31/12/2023				Total 30/06/2023			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and on demand deposits	16,596,873	X	X	X	17,795,987	X	X	X
2. Term deposits	11,710,639	X	X	X	11,712,096	X	X	X
3. Loans	4,011,568	X	X	X	649,255	X	X	X
3.1 Repos	3,999,090	X	X	X	614,310	X	X	X
3.2 Other	12,478	X	X	X	34,945	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities	214,585	X	X	X	216,381	X	X	X
6. Other liabilities[1]	447,038	X	X	X	376,883	X	X	X
Total	32,980,703	—	32,980,703	—	30,750,602	—	30,750,602	—

[1] The item included liabilities related to the purchase of MBFACTA's unfunded loans.

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

Type of security/Amounts	31/12/2023				30/06/2023			
	Book value	Fair value*			Book value	Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	20,977,730	946,595	20,027,670	—	19,875,779	1,038,611	18,586,665	—
1.1 structured	2,925,867	—	2,944,581	—	2,999,458	—	3,005,730	—
1.2 other	18,051,863	946,595	17,083,089	—	16,876,321	1,038,611	15,580,935	—
2. other securities	1,007,806	—	972,047	35,304	1,001,596	—	740,103	261,493
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	1,007,806	—	972,047	35,304	1,001,596	—	740,103	261,493
Total	21,985,536	946,595	20,999,717	35,304	20,877,375	1,038,611	19,326,768	261,493

* Fair value amounts are shown after deducting issuer risk, which at 31 December 2023 suggested a capital gain of €155.1m.

Bonds increased from €19.9bn to €21bn after new issues of €1.8bn covered by redemptions and repurchases of €1.1bn (realizing gains of €0.2m), to which other increases of €0.4bn (exchange rate adjustment, amortized cost and effect of hedges) should be added.

The bonds in issue include €2bn (of which, €1.9bn issued by the subsidiary Mediobanca International and guaranteed by the parent company) related to arbitrage strategies leveraging derivative basis indexes (skew) mainly linked to credit derivatives and commodity derivatives and, to a lesser extent, to interest rate arbitrage, inflation, and equity risk (underlying transaction). All these issues involve payment of interest in the form of a coupon (including a premium – extra yield) and full repayment of capital at maturity. In case of the subscriber opting for early repayment, the issuer has the faculty, at its discretion, to choose a repayment price that takes into account the current fair value including that of the underlying transactions. As required by para. 4.3.3 of IFRS 9, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

SECTION 2

Heading 20: Trading financial liabilities

2.1 Trading financial liabilities: product breakdown

Transaction Type/Values	31/12/2023					30/06/2023				
	Nominal or notional value	Fair value			Fair value*	Nominal or notional value	Fair value			Fair value*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	1,699,712	1,689,447	17,272	—	1,706,719	42,854	34,173	10,552	—	44,725
2. Due to customers	2,987,676	2,955,969	7,461	—	2,963,430	4,160,964	4,085,164	205	—	4,085,369
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total (A)	4,687,388	4,645,416	24,733	—	4,670,149	4,203,818	4,119,337	10,757	—	4,130,094
B. Derivative instruments										
1. Financial derivatives[1]	—	342,971	3,459,727	434,694	—	—	848,671	3,739,098	302,426	—
1.1 Trading	X	342,971	3,459,727	434,694	X	X	848,671	3,739,040	302,426	X
1.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	—	—	X	X	—	58	—	X
2. Credit derivatives	—	—	440,844	596	—	—	—	416,383	—	—
2.1 Trading	X	—	440,844	596	X	X	—	416,383	—	X
2.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	342,971	3,900,571	435,290	X	X	848,671	4,155,481	302,426	X
Total (A+B)	X	4,988,387	3,925,304	435,290	4,670,149	4,203,818	4,968,008	4,166,238	302,426	4,103,094

* Fair value computed by excluding variations due to changes in the issuer's credit score following the date of emission.

[1] This includes €53,000 (€798,000 in June 2023) for options traded, matching the amount recorded among assets held for trading.

SECTION 3

Heading 30: Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: product breakdown

Transaction Type/Values	Total 31/12/2023					Total 30/06/2023				
	Nominal value	Fair value			Fair value*	Nominal value	Fair value			Fair value*
		Level 1	Level 2	Level 3[2]			Level 1	Level 2	Level 3	
1. Due to banks	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	—	X	—	—	—	—	X
1.2 Other	—	—	—	—	X	—	—	—	—	X
of which:										
- loan commitments	—	X	X	X	X	X	X	X	X	X
- financial guarantees issued	—	X	X	X	X	X	X	X	X	X
2. Due to customers	879,661	—	879,661	—	879,661	—	—	—	—	—
2.1 Structured	879,661	—	879,661	—	X	—	—	—	—	X
2.2 Other	—	—	—	—	X	—	—	—	—	X
of which:					—					—
- loan commitments	—	X	X	X	X	X	X	X	X	X
- financial guarantees issued	—	X	X	X	X	X	X	X	X	X
3. Debt securities	2,547,282	—	2,275,357	229,305	2,504,662	1,679,786	—	1,540,419	40,537	1,580,905
3.1 Structured	2,495,501	—	2,224,215	229,305	X	1,679,786	—	1,540,419	40,537	X
3.2 Other	51,781	—	51,142	—	X	—	—	—	—	X
Total	3,426,943	—	3,155,018	229,305	3,384,323	1,679,786	—	1,540,419	40,537	1,580,905

* Fair value computed by excluding variations due to changes in the issuer's credit score following the date of emission.

[1] Last year recorded under item 40 and now reclassified.

[2] Which includes €140m in autocallable equity certificates.

The total amount of debt securities mainly included certificates, which stood at €1,665m (€883m last June), €956m of which credit-linked and €709m equity-based (€607m and €272m, respectively, as at 30 June last). Delta-one products (without Mediobanca risk) already in place last year for €627.8m, in addition to €212.2m in bond issues (which include €177m structured bonds), should be added to these operations.

SECTION 4

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by hedge type and level

	31/12/2023				30/06/2023			
	Fair value			Nominal Value	Fair value			Nominal Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	1,391,260	—	46,858,913	—	2,069,542	—	49,729,652
1) Fair value	—	1,390,440	—	46,828,913	—	2,068,723	—	49,699,652
2) Cash flow	—	820	—	30,000	—	819	—	30,000
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,391,260	—	46,858,913	—	2,069,542	—	49,729,652

4.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedge	Fair value						Cash flows		Foreign invest
	Specific				Other	Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and stock indexes	credit	commodities					
1. Financial assets measured at fair value through other comprehensive income	37,667	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	19,978	X	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	X	—	X	—
Total assets	57,645	—	—	—	—	—	—	—	—
1. Financial liabilities	1,332,795	X	—	—	—	X	820	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,332,795	—	—	—	—	—	820	—	—
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

SECTION 6

Heading 60: Tax liabilities

Please see asset section 11.

SECTION 7

Heading 70: Liabilities associated to assets held for sale

Please see asset section 12.

SECTION 10

Heading 100: Provisions for risks and charges

10.1 Provisions for risks and charges: breakdown

Items/Components	31/12/2023	30/06/2023
1. Provisions for credit risk related to commitments and financial guarantees issued	19,239	21,581
2. Provision to other commitments and other guarantees issued	585	585
3. Company retirement plans	—	—
4. Other provisions for risks and charges	136,679	138,961
4.1 legal and tax disputes	16,905	—
4.2 personnel expenses	25,662	28,235
4.3 other	94,113	110,726
Total	156,504	161,127

IAS 37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

As at 31 December, the item "Provisions for risks and charges" amounted to €156.5m (down compared to €161.1m in the previous year) with the component of commitments and guarantees issued being down (from €21.6m to €19.9m). The drop in "Other provisions for risks and charges" is attributable to the personnel component due to the use of provisions set aside last year to encourage turnover (from €28.2m to €25.7m), while the component covering ongoing legal and tax disputes essentially remained steady (€111m). The stock at the end of the half year under review was divided as follows: Mediobanca €64.3m (€67.3m), Compass €27.6m (€29m), Mediobanca Premier €33.2m (€32m), SelmaBPM €7m (€6.1m), CMB Monaco €2.2m (€2.2m), and other Group companies €2.2m (€2.3m).

With reference to the main legal proceedings, the following should be noted:

- regarding the effects of the so-called "Lexitor" ruling of the Court of Justice of the European Union, Law No. 136/2023 was published in the Official Journal on 9 October 2023 after the Constitutional Court, by ruling dated 22 December 2022, declared the partial unconstitutionality of Article 11-*octies*, paragraph 2, of the "*Sostegni Bis*" Decree, thus enacting, with amendments, Law-Decree No. 104 of 10 August 2023 (referred to as "Asset Decree"), whose Article 27 added a new regulation of early repayment under consumer credit contracts concluded before 25 July 2021 (date of entry into force of Law No. 106 of 23 July 2021, thus amending the "*Sostegni Bis*" Decree which, in turn, had amended Article 125-*sexies* of the Italian Consolidated Banking Act). As a result of such regulation, consumers will be entitled to a proportional reduction of all costs incurred in relation to consumer credit contracts, including if they were concluded before 25 July 2021, without prejudice to the statute of limitations under the law (10 years). After amounts withdrawn for the period, this provision amounted to €11.7m.

With regard to disputes pending with the Italian Tax Authorities, the following should be noted:

- with reference to the alleged failure to apply tax rules according to transparency, as required by legislation on Controlled Foreign Companies (CFC), to income earned by CMB Monaco and CMG Monaco in the three years 2013, 2014, and 2015 (for a total of €53.7m in disputed taxes, plus penalties and interest), it should be noted that Mediobanca won the cases in the first and second instance of judgement, while expecting the case to be heard before the Court of Cassation in regard of the first year;
- with reference to the dispute over Mediobanca's failure to apply withholding taxes on interest paid as part of a secured financing transaction between financial years 2014/2015 and 2017/2018 (for a total of €8.1m in disputed taxes, plus penalties and interest), for the first two years after the adverse judgements in the first instance, a favourable judgement in the second instance was given for the second disputed year, while publication of the judgement for the first year is still pending; in the meantime, a favourable first instance ruling was published for the third year;

- three minor disputes regarding leasing activities (for a value just under €3m), for which appeals from the Revenue Agency are pending;
- a dispute pending in the Court of Cassation concerning Mediobanca SGR, sued in its capacity as manager of a real estate fund in relation to alleged failure to pay substitute taxes of €746,000 (to be borne by the fund). On 25 September, applications for a facilitated settlement of pending tax disputes were filed with the Italian Revenue Agency and the tax was eventually paid. The documentation was later lodged with the Court of Cassation in order to request the discontinuation of the case;
- five disputes involving direct and indirect taxes for minor amounts and at different stages of the ruling process, involving a total assessed tax amount of €1m.

The provisions for risks and charges set aside in the financial statements adequately cover the amount mentioned above.

SECTION 13

Heading 120, 130, 140, 150, 160, 170 and 180: Group net equity

13.1 "Capital" and "Treasury Shares": composition

For the breakdown of the Bank's capital, please see part F of the notes to the accounts.

13.2 Capital – Number of parent company shares: changes for the year

Items/Values	Ordinary
A. Shares in issue at the start of the period	840,802,545
- fully paid up	840,802,545
- partially paid up	—
A.1 Treasury shares (-)	(8,454,929)
A.2 Shares in issue: opening balance	849,257,474
B. Increases	1,841,073
B.1 New shares issuance as a result of:	680,426
- for consideration	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- other	—
- free of charge:	680,426
- to employees	680,426
- to directors	—
- other	—
B.2 Disposals of treasury shares	1,160,647
B.3 Other changes	—
C. Decreases	6,171,724
C.1 Cancellation	—
C.2 Treasury shares' buybacks	6,171,724
C.3 Disposal of business	—
C.4 Other changes	—
D. Shares in issue: closing balance	836,471,894
D.1 Treasury shares (+)	(13,466,006)
D.2 Shares in issue at the end of the period	849,937,900
- fully paid up	849,937,900
- partially paid up	—

A new buyback program was launched on 13 November: purchases in the half year under review amounted to 6,171,724 shares. As part of the performance share plans, 1,841,073 shares were allocated during the year, 1,160,647 of which through treasury shares and 680,426 by capital increase. Therefore, the shares held in the Bank's portfolio amounted to 13,466,006 in total as at 31 December.

The changes in the Reserve for treasury shares during the year were as follows:

Items/Values	Number of shares	Value (€/000)
Reserve for treasury shares: opening amount at 30 June 2022	8,454,929	78,876
Increases	6,171,724	68,975
- Newly issued shares	—	—
- Treasury shares' buybacks	6,171,724	68,975
- Other changes	—	—
Decreases	1,160,647	11,407
- Cancellation	—	—
- Treasury shares' disposal	1,160,647	11,407
- Other changes	—	—
Reserve for treasury shares: closing amount at 30 June 2023	13,466,006	136,444

Other Information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees issued				Total 31/12/2023	Total 30/06/2023
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
1. Loan commitments[1]	18,249,628	113,003	834	—	18,363,465	15,531,400
a) Central Banks	—	—	—	—	—	2,901
b) Public administrations	4,268,731	—	—	—	4,268,731	3,158,946
c) Banks	24,521	—	—	—	24,521	30,050
d) Other financial companies	2,689,491	43,836	—	—	2,733,327	1,544,259
e) Non-financial companies	8,369,712	28,365	93	—	8,398,170	7,784,394
f) Households	2,897,173	40,802	741	—	2,938,716	3,010,850
2. Financial guarantees issued	485,357	4,510	—	—	489,867	507,739
a) Central Banks	—	—	—	—	—	—
b) Public administrations	—	—	—	—	—	—
c) Banks	12,337	—	—	—	12,337	500
d) Other financial companies	115,401	—	—	—	115,401	13,288
e) Non-financial companies	347,901	4,510	—	—	352,411	470,560
f) Households	9,718	—	—	—	9,718	23,391

[1] As of the current financial year, the item includes syndicated underwriting commitments (€1,104,601 as at 31 December 2023 relating to 3 transactions)

2. Other commitments and guarantees issued

	Nominal Value 31/12/2023	Nominal Value 30/06/2023
1. Other guarantees issued	148,509	159,776
of which: non-performing exposures	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	478	478
d) Other financial companies	47,539	47,839
e) Non-financial companies	29,039	25,782
f) Households	71,453	85,677
2. Other commitments	120,958	132,587
of which: non-performing exposures	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	37,707	32,016
d) Other financial companies	38,193	60,774
e) Non-financial companies	45,058	39,797
f) Households	—	—

Part C – Notes to the Consolidated Profit and Loss Account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Instrument type	Debt securities	Loans	Other transactions	First half of the year 2023/2024	First half of the year 2022/2023
1. Financial assets measured at fair value through profit or loss:	45,255	10,392	—	55,647	43,432
1.1 Financial assets held for trading	43,537	128	—	43,665	33,062
1.2 Financial assets designated at fair value	1,698	10,264	—	11,962	10,314
1.3 Other financial assets mandatorily measured at fair value	20	—	—	20	56
2. Financial assets measured at fair value through other comprehensive income	110,517	—	X	110,517	48,591
3. Financial assets measured at amortized cost:	58,897	1,726,242	—	1,785,139	1,091,187
3.1 Due from banks	2,158	174,380	X	176,538	50,111
3.2 Due from customers	56,739	1,551,862	X	1,608,601	1,041,076
4. Hedging derivatives	X	X	—	—	—
5. Other assets	X	X	5,126	5,126	2,618
6. Financial liabilities[1]	X	X	X	—	3,635
Total	214,669	1,736,634	5,126	1,956,429	1,189,463
of which: interest income on impaired assets	*4,277*	*18,329*	—	*22,606*	*25,957*
of which: interest income from finance leases	*X*	*42,028*	*X*	*42,028*	*25,004*

[1] Item 6 "Financial liabilities" includes interest expense as the result of negative interest rates.

1.3 Interest expenses and similar charges: breakdown

Items/Instrument type	Debts	Securities	Other transactions	First half of the year 2023/2024	First half of the year 2022/2023
1. Financial liabilities measured at amortized cost	516,882	(322,312)	—	(839,194)	(299,989)
1.1 Due to central banks	(66,965)	X	X	(66,965)	(543)
1.2 Due to banks	(187,077)	X	X	(198,486)	(70,809)
1.3 Due to customers	(262,840)	X	X	(251,431)	(53,370)
1.4 Securities in issue	X	(322,312)	X	(322,312)	(175,267)
2. Trading financial liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	(1,235)	(12,764)	—	(13,999)	(10,637)
4. Other liabilities and funds	X	X	—	—	—
5. Hedging derivatives	X	X	(110,741)	(110,741)	(34,169)
6. Financial assets[1]	X	X	X	—	(2,217)
Total	(518,117)	(335,076)	(110,741)	(963,934)	(347,012)
of which: interest expense relating to lease liabilities	*(2,205)*	*X*	*X*	*(2,205)*	*(1,066)*

[1] Item 6 "Financial assets" includes interest expense as the result of negative interest rates.

SECTION 2

Heading 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown

Type of service/Amounts	First half of the year 2023/2024	First half of the year 2022/2023
a) Financial instruments	134,965	126,133
1. Placement of securities	79,249	89,726
1.1 Underwriting commitment and/or based on an irrevocable commitment	—	—
1.2 Without an irrevocable commitment	79,249	89,726
2. Receipt and sending of orders and execution of orders on behalf of clients	15,376	10,780
2.1 Receipt and sending of orders for one or more financial instruments	15,376	10,780
2.2 Execution of orders on behalf of customers	—	—
3. Other commissions associated with activities linked to financial instruments	39,341	25,627
of which: trading on own account	*28,733*	*7,596*
of which: management of individual portfolio	*27,734*	*18,032*
b) Corporate Finance	79,850	100,190
1. Advice on mergers and acquisitions	79,850	100,190
2. Treasury services	—	—
3. Other commissions connected with corporate finance services	—	—
c) Advice on investments	6,100	2,466
d) Netting and settlement	—	—
e) Collective portfolio management	55,049	64,763
f) Custody and administration	13,817	11,173
1. Depository bank	—	—
2. Other fees associated with custody and administration	13,817	11,173
g) Central administrative services for collective portfolio management	—	—
h) Fiduciary activities	3,049	3,148
i) Payment services	23,570	22,441
1. Current accounts	9,312	8,759
2. Credit cards	8,221	7,869
3. Debit cards and other payment cards	4,252	3,981
4. Wire transfers and payment orders	299	254
5. Other fees linked to payment services	1,486	1,578
j) Distribution of third-party services	48,422	50,240
1. Collective portfolio management	3,007	2,167
2. Insurance products	39,370	41,885
3. Other products	5,046	6,188
of which: individual portfolio management	*5,046*	*6,129*
k) Structured finance	—	—
l) Securitization servicing	194	213
m) Loan commitments	36,454	48,249
n) Financial guarantees issued	3,237	3,428
of which: credit derivatives	—	—
o) Lending transactions	15,457	9,260
of which: factoring services	*14,425*	*8,130*
p) Currency trading	55	69
q) Commodities	—	—
r) Other commission income	21,573	18,593
of which: for the management of multilateral trading facilities	—	—
of which: for the management of organized trading systems	—	—
Total	440,793	460,366

The table includes the contribution of the company Arma Partners in the amount of €23.9m, which joined the Group in the second half of the year, mainly in the item "b.1. Advice on mergers and acquisitions".

2.2 Fee and commission expenses: breakdown

Services/Amounts	First half of the year 2023/2024	First half of the year 2022/2023
a) Financial instruments	(4,840)	(4,605)
of which: securities trading	*(3,491)*	*(4,078)*
of which: financial instruments placement	*(1,349)*	*(527)*
of which: management of individual portfolios	—	—
- Own assets	—	—
- Under mandate to third parties	—	—
b) Netting and settlement	—	—
c) Collective portfolio management	(3,352)	(4,398)
1. Own instruments	—	—
2. Delegated to third parties	(3,352)	(4,398)
d) Custody and administration	(2,293)	(2,362)
e) Collection and payment services	(10,541)	(8,598)
of which: credit cards, debit cards and other payment cards	*(5,213)*	*(4,431)*
f) Securitization servicing	—	—
g) Borrowing commitments	—	—
h) Financial guarantees received	(40)	(71)
of which: credit derivatives	—	—
i) Off-site distribution of financial instruments, products, and services	(7,341)	(8,304)
j) Currency trading	—	—
k) Other commission expense	(57,441)	(48,688)
Total	(85,848)	(77,026)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: breakdown

Item/Income	First half of the year 2023/2024		First half of the year 2022/2023	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	17,010	3	17,605	1
B. Other financial assets mandatorily measured at fair value	—	10,540	—	5,208
C. Financial assets measured at fair value through other comprehensive income	290	—	583	—
D. Equity investments	186	—	—	—
Total	17,486	10,543	18,188	5,209

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading loss (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	238,048	167,169	(116,132)	(150,098)	138,987
1.1 Debt securities	117,262	106,029	(84,120)	(85,204)	53,967
1.2 Equity securities	120,772	60,110	(31,892)	(64,329)	84,661
1.3 UCIT units	5	1,030	(120)	(565)	350
1.4 Loans	9	—	—	—	9
1.5 Other	—	—	—	—	—
2. Trading financial liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Liabilities	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities: currency exchange gains/losses	X	X	X	X	5,225
4. Derivative instruments	1,179,734	1,522,199	(1,553,700)	(1,253,316)	(106,620)
4.1 Financial derivatives:	840,387	1,287,330	(1,259,383)	(1,042,594)	(175,797)
- on debt securities and interest rates[1]	547,669	811,706	(707,394)	(684,052)	(32,071)
- on equity securities and stock indexes	275,986	459,921	(536,677)	(347,482)	(148,252)
- on currencies and gold	X	X	X	X	(1,537)
- Others	16,732	15,703	(15,312)	(11,060)	6,063
4.2 Credit derivatives	339,347	234,869	(294,317)	(210,722)	69,177
of which: natural hedges related to the fair value option	*X*	*X*	*X*	*X*	—
Total	1,417,782	1,689,368	(1,669,832)	(1,403,414)	37,592

[1] Of which €10,053 in negative margins on interest rate derivatives (a negative €6,634 at 30 June 2023).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income components/Amounts	First half of the year 2023/2024	First half of the year 2022/2023
A. Income from:		
A.1 Fair value hedging instruments	1,000,899	523,532
A.2 Hedged asset items (fair value)	547,265	20,173
A.3 Hedged liability items (fair value)	10,871	704,159
A.4 Cash flow hedging derivatives	—	3
A.5 Assets and liabilities denominated in foreign currency	—	—
Total gains on hedging activities (A)	1,559,035	1,247,867
B. Losses on:		
B.1 Fair value hedging instruments	(752,085)	(873,514)
B.2 Hedged asset items (fair value)	(97,182)	(356,913)
B.3 Hedged liability items (fair value)	(712,122)	(12,222)
B.4 Cash flow hedging derivatives	—	—
B.5 Assets and liabilities denominated in foreign currency	—	—
Total losses on hedging activities (B)	(1,561,389)	(1,242,649)
C. Net income from hedging activities (A-B)	(2,354)	5,218
of which: income from hedges on net positions	—	—

SECTION 6

Heading 100: Gain (loss) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: breakdown

Items/Income components	First half of the year 2023/2024			First half of the year 2022/2023		
	Gains	Losses	Net income	Gains	Losses	Net income
A. Financial assets						
1. Financial assets measured at amortized cost	12,303	(3,651)	8,652	34,829	(24,856)	9,973
1.1 Due from banks	93	(174)	(81)	—	(38)	(38)
1.2 Due from customers	12,210	(3,477)	8,733	34,829	(24,818)	10,011
2. Financial assets measured at fair value through other comprehensive income	9,217	(4,815)	4,402	4,577	(12,742)	(8,165)
2.1 Debt securities	9,217	(4,815)	4,402	4,577	(12,742)	(8,165)
2.2 Loans	—	—	—	—	—	—
Total assets (A)	21,521	(8,466)	13,055	39,406	(37,598)	1,808
B. Financial liabilities measured at amortized cost						
1.Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Securities in issue	1,885	(1,185)	700	4,716	(332)	4,384
Total liabilities (B)	1,885	(1,185)	700	4,716	(332)	4,384

SECTION 7

Heading 110: Net result of other financial assets and liabilities measured at fair value through profit or loss

7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	40,418	6	—	(33)	40,391
1.1 Debt securities	4,124	6	—	(33)	4,097
1.2 Loans	36,294	—	—	—	36,294
2. Financial liabilities	184,939	4	(171,427)	(30,485)	(16,969)
2.1 Debt securities in issue[1]	14,478	4	(91,882)	(30,485)	(107,885)
2.2 Due to banks	—	—	—	—	—
2.3 Due to customers[2]	170,461	—	(79,545)	—	90,916
3. Foreign-currency denominated financial assets and liabilities: currency exchange gains/ losses	X	X	X	X	1,250
Total	225,357	10	(171,427)	(30,518)	24,672

[1] Valuation that includes any certificates issued.

[2] Relating to collateral exchange options.

Both cases are covered by derivatives and other financial instruments whose value is measured under heading 80.

7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	22,447	351	(9,950)	(56)	12,792
1.1 Debt securities	4	—	(90)	—	(86)
1.2 Equity securities	739	—	—	—	739
1.3 UCIT units	17,530	351	(9,860)	(56)	7,965
1.4 Loans	4,174	—	—	—	4,174
2. Financial assets: currency exchange gains/losses	X	X	X	X	(643)
Total	22,447	351	(9,950)	(56)	12,149

SECTION 8

Heading 130: Net value adjustments (write-backs) for credit risk

*8.1 Net value adjustments for credit risk related to financial assets measured at amortized cost: breakdown**

Transactions/ Income components	Value adjustments[1]						Write-backs[2]				First half of the year 2023/2024	First half of the year 2022/2023
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
			Write-off	Other	Write-off	Other						
A. Due from banks	(469)	—	—	—	—	—	100	—	—	—	(369)	445
- Loans	(425)	—	—	—	—	—	44	—	—	—	(381)	317
- Debt securities	(44)	—	—	—	—	—	56	—	—	—	12	128
B. Due from customers	(110,640)	(176,096)	(2,695)	(167,587)	(7,412)	(125)	162,467	73,500	78,591	12,577	(137,420)	(232,534)
- Loans	(109,590)	(176,096)	(2,695)	(167,587)	(7,412)	(125)	161,884	73,354	78,591	12,577	(137,099)	(228,098)
- Debt securities	(1,050)	—	—	—	—	—	583	146	—	—	(321)	(4,436)
Total	(111,109)	(176,096)	(2,695)	(167,587)	(7,412)	(125)	162,567	73,500	78,591	12,577	(137,789)	(232,089)

* The amounts in the table contain the contribution of the company Revalea, sold in October for approximately €5m mainly under heading "B. Due from customers - Loans".

8.2 Net value adjustments for credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income components	Value adjustments[1]						Write-backs[2]				First half of the year 2023/2024	First half of the year 2022/2023
	Stage 1	Stage 2	Stage 3	Stage 1	Purchased or originated credit impaired assets	Other	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
			Write-off	Other	Write-off	Other						
A. Debt securities	(2,112)	—	—	—	—	—	—	107	—	—	(2,005)	732
B. Loans	—	—	—	—	—	—	—	—	—	—	—	—
- To customers	—	—	—	—	—	—	—	—	—	—	—	—
- To banks	—	—	—	—	—	—	—	—	—	—	—	—
Total	(2,112)	—	—	—	—	—	—	107	—	—	(2,005)	732

SECTION 12

Heading 190: Administrative expenses

*12.1 Personnel cost: breakdown**

Type of expense/Sectors	First half of the year 2023/2024	First half of the year 2022/2023
1) Employees:	(368.779)	(353.178)
a) wages and salaries	(272.361)	(262.426)
b) social security contributions	(58.272)	(55.145)
c) end-of-service payments	(2.334)	(1.664)
d) social security costs	—	—
e) provision for statutory end-of-service payments	(9.574)	(8.434)
f) provision for retirement plans and similar provisions:	93	107
- defined-contribution	—	—
- defined-benefit[1]	93	107
g) payments to external supplemental pension funds:	(8.898)	(8.185)
- defined-contribution	(8.898)	(8.185)
- defined-benefit	—	—
h) expenses resulting from share-based payments	(6.095)	(6.289)
i) other employees' benefits	(11.338)	(11.142)
2) Other staff in service	(4.228)	(3.206)
3) Directors and Statutory Auditors	(8.141)	(6.586)
4) Early retirement costs	(542)	—
Total	(381.690)	(362.970)

[1] This figure refers to the benefit deriving from the "curtailment cost" and the "Plan amendments" decided by Caisse Baloise.

* These amounts include the contribution of the company Revalea, sold in October, for €0.6m mainly in the item "a) wages and salaries"; these amounts also contain the contribution of Arma Partners, which in the second quarter contributed €6.6m mainly under the heading "a) wages and salaries".

*12.5 Other administrative expenses: breakdown**

Items/Instrument type	First half of the year 2023/2024	First half of the year 2022/2023
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(34.057)	(28.415)
- loan recovery activity	(31.873)	(39.973)
- marketing and communications	(23.984)	(22.763)
- real property	(12.315)	(11.030)
- data processing	(83.824)	(76.927)
- info-providers	(29.869)	(26.393)
- bank charges, collection and payment fees	(15.626)	(16.380)
- operating expenses	(33.261)	(32.960)
- other staff expenses	(8.064)	(8.519)
- other[1]	(39.188)	(35.890)
- indirect and other taxes	(61.065)	(54.589)
Total other administrative expenses	(373.126)	(353.839)

[1] This item includes contributions to the various resolution funds in the amount of €23.8m, against €25m in the previous year.

* The amounts in the table include the contribution of the company Revalea, sold in late October, for €9.6m mainly in the item "loan recovery activities"; these amounts also contain the contribution of Arma Partners, which in the second quarter contributed €2.2m mainly under the headings "legal, tax and professional services" and "real property expenses".

SECTION 13

Heading 200: Net transfers to provisions for risks and charges

13.1 Net transfers for credit risk related to loan commitments and financial guarantees issued: breakdown

	First half of the year 2023/2024			First half of the year 2022/2023
	Provisions	Reallocation of surplus	Total	Total
Loan commitments	(7.318)	9.521	2.203	1.060
Financial guarantees issued	(350)	479	129	714
Total	(7.668)	10.000	2.332	1.774

13.2 Net transfers related to other commitments and guarantees issued

	First half of the year 2023/2024			First half of the year 2022/2023		
	Provisions	Reallocation of surplus	Total	Provisions	Reallocation of surplus	Total
Other commitments	—	—	—	—	—	—
Other guarantees issued	—	—	—	(288)	—	(288)
Total	—	—	—	(288)	—	(288)

13.3 Net transfers to other provisions for risks and charges: breakdown

	First half of the year 2023/2024			First half of the year 2022/2023
	Provisions	Reallocation of surplus	Total	
1. Other provisions				
1.1 Legal disputes	—	—	—	—
1.2 Personnel expenses	—	—	—	—
1.3 Other	(6.049)	1.303	(4.746)	(13.064)
Total	(6.049)	1.303	(4.746)	(13.064)

SECTION 16

Heading 230: Other operating income (expense)

16.1 Other operating expenses: breakdown

Items/Instrument type	First half of the year 2023/2024	First half of the year 2022/2023
a) Leasing activity	(4.229)	(4.339)
b) Sundry costs and expenses[1 2]	(16.278)	(9.476)
Total other operating expenses	(20.507)	(13.815)

[1] As at 31 December 2022, this item included the provision of €2m for the portion of ordinary and extraordinary dividends pertaining to minority interests of Messier et Associés. The extraordinary dividend component was calculated on the basis of the company's 2022 net calendar year profits.

[2] This item includes the provision of €8.5m for the Interest B portion pertaining to the minority partners of Arma Partners, which joined the Group in October.

16.2 Other operating income: breakdown

Items/Instrument type	First half of the year 2023/2024	First half of the year 2022/2023
a) Amounts recovered from customers	52.720	48.988
b) Leasing activity	4.310	4.085
c) Other income	51.770	49.494
Total other operating income	108.800	102.567

SECTION 17

Heading 250: Gain (loss) on equity investments

17.1 Gain (loss) on equity investments: breakdown

Income components/Sectors	First half of the year 2023/2024	First half of the year 2022/2023
1) Joint venture		
A. Income	—	—
1. Write-ups	—	—
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	—	—
1. Write-downs	—	—
2. Impairment losses	—	—
3. Losses on disposal[1]	—	—
4. Other expenses	—	—
Net gain (loss)	—	—
2) Companies subject to significant influence		
A. Income	219,127	196,471
1. Write-ups	219,127	196,471
2. Gains on disposal	—	—
3. Write-backs	—	—
4. Other gains	—	—
B. Expenses	(512)	(1,056)
1. Write-downs	(512)	(1,056)
2. Impairment losses	—	—
3. Losses on disposal[1]	—	—
4. Other expenses	—	—
Net gain (loss)	218,615	195,415
Total	218,615	195,415

SECTION 25

Earnings per share

25.1 Average number of ordinary shares on a diluted basis

	First half of the year 2023/2024	First half of the year 2022/2023
Net profit	611,179	555,079
Average number of shares in issue[1]	836,430,591	840,571,486
Average number of potentially diluted shares	4,123,599	4,386,469
Average number of diluted shares	840,554,190	844,957,955
Earnings per share	0.73	0.66
Earnings per share, diluted	0.73	0.66

[1] The number of shares in issue at 31 December 2023 takes into account the shares repurchased under the buyback plan.

Part E – Information on risks and related hedging policies

INTRODUCTION

As part of the Group's risks governance process, a key role is played by the Risk Management unit, which identifies, measures and monitors all the risks to which the Banking Group (or, the "Group") is exposed, and manages and mitigates them in co-ordination with the various business areas. The unit's main duties and responsibilities are described below, along with its characteristics in terms of independence, plus an indication of the role of the other company units in risk management.

For the qualitative disclosure, please refer to Section 2 - Consolidated prudential risks.

Section 1 – Consolidated accounting risks

The accounting consolidation area includes the line-by-line consolidation of the subsidiary Compass RE (insurance companies), of the subsidiaries excluded from the Banking Group as per the Register of Banking Groups of the Bank of Italy (Compass Rent, MBContact Solutions, and RAM UK), and minor subsidiaries (Quarzo S.r.l., MBUSA, MB Covered, MB Immobiliere, MB Funding LUX, Spafid SIM, Spafid Trust, MA USA, Compass Link, and Soisy), which due to immateriality, as provided for in Article 19 of the CRR, are, instead, consolidated with the equity method within the prudential scope of application.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing exposures: amounts, value adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolio/quality	Bad loans	Unlikely to pay	Overdue non-performing exposures	Overdue performing exposures	Other performing exposures*	Total
1. Financial assets measured at amortized cost	32,992	220,174	138,805	205,233	63,010,463	63,607,667
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	6,086,708	6,086,708
3. Financial assets designated at fair value	—	—	—	—	677,710	677,710
4. Other financial assets mandatorily measured at fair value	—	8,875	—	—	2,341	11,216
5. Financial assets held for sale	—	—	—	—	—	—
Total 31 December 2023	32,992	229,049	138,805	205,233	69,777,222	70,383,301
Total 30 June 2023	279,711	216,091	117,421	244,388	68,283,327	69,140,938

* The amount as at 30 June 2023 includes the NPLs acquired by Revalea in an amount of €238.8m, €238.5m of which bad loans (net values).

Overdue performing loans concern overdue performing loans and mainly refer to factoring (€93.7m, 0.1% of total performing loans of the segment) and mortgage loans (€62.3m, i.e. 0.1%).The item also includes net exposures being renegotiated under the terms of collective agreements amounting to €97.3m, consisting primarily of mortgage loans totalling €95.1m. Of the overdue performing loans, the instalments actually unpaid stood at 40% (gross value of €102.2m).

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Portfolio/quality	Non-performing				Performing			Total (Net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortized cost	1,283,737	(891,766)	391,971	945	63,958,037	(742,341)	63,215,696	63,607,667
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	6,095,879	(9,171)	6,086,708	6,086,708
3. Financial assets designated at fair value	—	—	—	—	X	X	677,710	677,710
4. Other financial assets mandatorily measured at fair value	15,511	(6,636)	8,875	—	X	X	2,341	11,216
5. Financial assets held for sale	—	—	—	—	—	—	—	—
Total 31 December 2023	1,299,248	(898,402)	400,846	945	70,053,916	(751,512)	69,982,455	70,383,301
Total 30 June 2023	1,582,068	(968,845)	613,223	3,662	68,709,039	(721,911)	68,527,715	69,140,938

Portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	9.350.595
2. Hedging derivatives	—	—	526.381
Total 31 December 2023	—	—	9.876.976
Total 30 June 2023	—	—	9.672.011

Net non-performing assets as at 30 June 2023 include €238.8m in the portfolio of Revalea sold at the end of October.

Information on sovereign debt exposures

*A.1.2a Exposures to sovereign debt securities by state and portfolio**

Portfolio/quality	Non performing loans				Performing			Total net exposure[1]
	Gross exposure	Individual adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(110,313)	(110,313)
Italy	—	—	—	—	X	X	881,488	881,488
Germany	—	—	—	—	X	X	(334,669)	(334,669)
France	—	—	—	—	X	X	(432,549)	(432,549)
United States	—	—	—	—	X	X	6,571	6,571
Others	—	—	—	—	X	X	(231,154)	(231,154)
2. Financial assets designated at fair value through other comprehensive income	—	—	—	—	4,962,480	—	4,962,480	4,962,480
Italy	—	—	—	—	3,289,385	—	3,289,385	3,289,385
Germany	—	—	—	—	865,721	—	865,721	865,721
France	—	—	—	—	496,120	—	496,120	496,120
United States					103,601		103,601	103,601
Others	—	—	—	—	207,653	—	207,653	207,653
3. Financial assets at amortized cost	—	—	—	—	3,453,843	—	3,453,843	3,453,843
Italy					1,898,586	—	1,898,586	1,898,586
Germany					399,933		399,933	399,933
France					502,130		502,130	502,130
United States					621,151		621,151	621,151
Others					32,043	—	32,043	32,043
Total 31/12/23	—	—	—	—	8,416,323	—	8,306,010	8,306,010

* This does not include financial or credit derivatives.

[1] The net exposure includes positions in securities (long and short) measured at fair value (including the outstanding accrual) except for assets held to maturity which are measured at amortized cost, whose implied fair value is €-43m.

A.1.2b Exposures to sovereign debt securities by portfolio

Portfolio/quality	Trading Book[1]			Banking Book[2]			
	Nominal value	Book Value	Duration	Nominal value	Book Value	Fair Value	Duration
Italy	801,594	881,488	3.74	5,282,512	5,187,970	5,165,036	3.54
United States	(336,354)	(334,669)	0.84	1,275,000	1,265,654	1,262,095	0.45
Germany	(433,385)	(432,549)	0.99	1,010,400	998,250	989,197	0.69
France	6,335	6,571	2.29	746,606	724,753	718,630	1.53
Others	(217,132)	(231,154)	—	240,400	239,696	238,648	—
Total 31/12/2023	(178,942)	(110,313)		8,554,918	8,416,323	8,373,606	

* This figure does not include forward sales with a notional amount of €190m.

[1] This item does not include sales on the Bund/Bobl/Schatz future (Germany) for €463m (with a positive fair value of €1.6m) and sales on the BTP future (Italy) for €297m (with a negative fair value of €6.4m); moreover, net hedging purchases of €499m, €187m of which attributable to France country risk and €300m of which to Germany country risk, were not counted.

[2] This item does not include the instrument linked to the appreciation of Greek GDP (referred to as "GDP Linkers Securities") with a notional value of €127m (fair value of €0.3m).

Information on structured entities

In accordance with the provisions of IFRS 12, the Group treats the entities it sets up in order to achieve a limited and well-defined objective regulated by contractual agreements that often impose narrow restrictions on the decision-making powers of its governing bodies as structured entities (i.e. special purpose vehicles, SPV, or special purpose entities, SPE). Such entities are structured to ensure that the voting rights (or similar) are not the main factor in establishing who controls them (the relevant activities are often governed by contractual agreements agreed when the entity itself is structured and are therefore difficult to change).

B.1 Consolidated structured entities

As stated in Part A – Section 3 of the Notes to the Accounts, the securitization SPVs instituted pursuant to Italian law 130/99, namely Quarzo S.r.l., Quarzo CQS S.r.l. and MB Funding Lux S.A., a company incorporated under Luxembourg law and 100%-owned by Mediobanca S.p.A., are included in the Group's area of consolidation.

B.2 Structured entities not consolidated in accounting terms

The Group holds no other interests in the capital of structured entities, with the exception of investments mainly in UCITS units referring to its activities as sponsor and investor in funds of Mediobanca S.p.A. and of the Group companies, including Seed Capital activities on behalf of funds managed by the Group companies. In particular, it should be noted that:

- With regard to RAM Active Investments SA funds, the Parent Company subscribed to investments for a NAV of €158.6m (€149.4m as at 30 June last), namely RAM Global Sustainable Income Equities (€15.1m), RAM Stable Climate Global Equities (€32.2m), RAM Global Multi-Asset (€37.3m), RAM Asia Bond Total Return (€16.4m), Palladium FCP - RAM Mediobanca Strata UCITS Credit (€57.5m); all of the above investments are UCITS established under Luxembourg law with a NAV calculated daily, to which direct investments of €3m should be added.
- With regard to Polus Capital Management, the Group subscribed to investments for a NAV of €181.6m (€163.3m as at 30 June); specifically, the Parent Company invested €95m in the credit fund Polus European Loan Fund and €49.5m in the CLO vehicles called CLI Holdings I (€11.2m) and CLI Holdings II (€38.4m), while Mediobanca International Luxembourg paid €33.5m into the new closed alternative fund under Luxembourg law Polus Special Situations Fund[1]; lastly, there were direct investments of the company for €3.6m.
- With regard to funds managed by Mediobanca SGR and Mediobanca Management Company, the Group subscribed to investments for a total NAV of €23.1m (€36.9m as at 30 June last), €13.4m of which subscribed by the Parent Company in the funds Mediobanca Fondo per le Imprese II (€1.5m), Mediobanca Euro High Yield (€4.4m) and Mediobanca Social Impact (€8m); to these €9.2m subscribed by Mediobanca Premier as part of the distribution business and relating to Mediobanca Global Multimanager 15 (€1.3m), Mediobanca Morgan Stanley Step ES (€2.6m), and Mediobanca Fidelity World (€5.3m) should be added.
- CMB Monaco placed six segments of CMB Global Lux (a company authorized under Luxembourg law) with its clients; the SICAV is managed by CMB Monaco itself, while the management and custody of the funds is the responsibility respectively of its subsidiary CMG Monaco and CACEIS Luxembourg. As at 31 December 2023, the Parent Company held no investment in the segments referred to above.
- Mediobanca also invests in the Negentropy RAIF fund, an alternative investment fund incorporated under Luxembourg law managed by

[1] With regard to the PSSF structure, investments are made through three Feeder funds (*société en commandite spéciale*) denominated in various currencies (USD, EUR, GBP) and flow into a Master fund (also *société en commandite spéciale*) denominated in Euros which implements the investment strategy. The General Partner of the fund is Polus Special Situations Fund (GP) S.A.R.L, which is responsible for the operation of the fund, but does not make investments and has no economic interest in it. Polus Capital Management Limited is the Portfolio Manager of PSSF.

Negentropy Capital Partners Limited, with an investment of €61.3m (€64.1m as at 30 June last).

– The process of delegating and sub-delegating investment activities, along with the broad powers of discretion afforded to delegates and the temporary nature of the investments mean that the ability to impact on returns stipulated by IFRS 10 as a precondition for establishing control of SICAVs does not apply in these cases; hence Mediobanca does not have direct control.

B.2.1 Structured entities consolidated prudentially

As at 31 December 2023 there was no disclosure to be made as no instances of this type of interest apply.

B.2.2 Other structured entities

As at 31 December 2023 there was no disclosure to be made as no instances of this type of interest apply.

The process of delegating and sub-delegating investment activities, along with the broad powers of discretion afforded to delegates and the temporary nature of the investments mean that the ability to impact on returns stipulated by IFRS 10 as a precondition for establishing control of SICAVs does not apply in these cases; hence Mediobanca does not have direct control.

Asset-Backed SPEs

The entities in this case have been set up to acquire, build or manage physical or financial assets, for which the prospect of recovering the credit concerned depends largely on the cash flows to be generated by the assets.

As part of its ordinary lending operations, the Group finances asset-backed SPEs but without holding any form of direct equity stake or interest in them, hence this does not qualify as acting as sponsor.

Hold to Collect lending transactions, recorded under asset Heading 40, "Financial assets measured at amortized cost – due from customers: composition", in which the Group is the sole lender, involve an amount of €619m.

B.2 Leveraged finance transactions

The scope of Leveraged Transactions, according to the ECB definition, concerned exposures to counterparties with sub-investment grade ratings and:

- whose ratio between the total committed gross debt and EBITDA, at the time of disbursement, was 4 times higher (if it is 6 times higher, the transactions would be classified as "Highly Leveraged Transactions"), or;
- Group Legal Entities (with more than 50% of the share capital) owned or possessed by a financial sponsor.

As at 31 December 2023, the overall exposure of Leveraged Transactions amounted to €3,445m,[2] a decrease of 22% compared to €4,443m last June[3].

The overall exposure of Leveraged Finance represents 22% of the overall loan portfolio, i.e. approximately 6% of the Group's RWAs.

The portion of "Highly Leveraged Transactions" (HLT) amounted to €1,176m (with an incidence on CET1 of 18%), down compared to June 2023 (€1,845m); of these only €125m were "Pure LBOs" compared to an NPL share which was significantly reduced from €112m to €12m

The leveraged exposure was mainly related to the Corporate (62%) and Holding (24%) categories.

During the half year under review, overall new loans of €34m were recorded, against terminations of €664m, and net repayments on revolving lines of €177m. Furthermore, €190m were no longer within scope in connection with an improvement in the classification parameters.

[2] Plus off-balance-sheet exposures (commitments and derivatives) totalling €1,132m (+9% compared to 30 June).

[3] Reclassified figure which includes Holding and Margin Loans, transactions which have been within scope as of 1 July 2023 amounting to approximately €841m at the end of December, down 15% compared to last June (€989m).

Section 2 – Consolidated prudential risks*

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Although risk management is the responsibility of each individual business unit, the Risk Management Unit presides over the functioning of the Group's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements and the Group's own operating choices identified in the RAF[4], 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 directly reports to the Chief Executive Officer, under the direction of the Group Chief Risk Officer, comprises the following organizational units: i) Risk Integration, which manages relations with the Supervisory Authorities and carries out the Group's integrated processes (ICAAP, RAF, Recovery Plan); ii) Risk Transformation, in charge of developing, coordinating, streamlining, and harmonizing IT evolutions within Risk Management; iii) CIB Credit Risk Management, responsible for defining and monitoring lending strategies and quantitative methodologies for measuring and managing credit risk; iv) Credit Risk Management, which is responsible for carrying out credit risk analysis, assigning the internal rating to counterparties and the loss-given default indicator in the event of insolvency; v) Retail Credit Risk Management, for the supervision of subsidiaries operating in the retail credit market; vi)

* The companies Compass RE, Compass Rent, MBContact Solutions, RAM UK, Quarzo S.r.l., MBUSA, MB Covered, MB Immobiliere, MB Funding LUX, Spafid SIM, Spafid Trust, MA USA, Compass Link, and Soisy are not included in the prudential consolidation scope. Please see Section 1 - Consolidated Accounting Risks in this Part E.

[4] On 27 June 2023, the Board of Directors approved the Policy update on the definition of Risk Appetite and calibration of the risk appetite statement (RAS). In this Framework, based on the strategic plan and the maximum tolerable risk, the Group defines the level and type of risks which the Bank intends to assume, plus any objectives, tolerance thresholds and operating limits to be complied with under normal operating and stress conditions.

Financial Risk Management, which is in charge of monitoring market and counterparty risks, asset and liability management, monitoring of liquidity risks and validation of fair value methodologies; vii) Non-Financial Risk Management, responsible for overseeing Operational Risks, fraud risk, and risks associated with the distribution of investment products and services to customers, IT and security risks, in addition to outsourcing risks; viii) Internal & Validation Control, which defines the methodologies, processes, tools and reporting used in internal validation activities, carries out the validation of the Group's risk measurement systems, and defines and carries out control activities concerning the Parent Company's main credit processes.

2. Credit risk management policies

2.1 Organizational aspects

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

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

The Risk Committee assists the Board of Directors in performing monitoring and investigation duties in respect of internal controls, risk management, and accounting infrastructure. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system, assessing the effectiveness of the structures and units involved in the process and coordinating them.

As part of the Parent Company's risk governance system, the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: Group Risk Management Committee, responsible for issuing guidance at the Group level in respect of all risks (not including the risk of conduct); Credit and Market Committee, with decision-making powers over credit, counterparty and market risks; New Operations Committee, for the preventive evaluation of new activities and approval of the entry into new sectors, new products and related pricing models.

2.2 Management, measurement and control systems

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

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

In the process of defining its Risk Appetite, the Parent Company:

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

To define the RAF, based on the strategic positioning and risk profile set by the Group as its objective, the Risk Appetite statement is structured into metrics and risk thresholds, to be identified with reference to the following framework risk pillars, in line with best international practice: capital adequacy, liquidity and funding adequacy, profitability, bank-specific factors and non-financial risks. The Board of Directors has a proactive role in defining the RAF, guaranteeing that the expected risk profile is consistent with the Strategic Plan, budget, ICAAP and Recovery Plan, and structured into adequate and effective metrics and limits. For each pillar analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the Group's general attitude towards risk, as defined in accordance with the strategic planning, the internal capital adequacy assessment process (ICAAP) and risk management processes.

In addition to identifying and setting the risk appetite parameters, the Bank also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/reviewing, monitoring, and reporting to the Committees and Corporate Bodies. Based on its operations and the markets in which it operates, the Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process)[5], appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario.

[5] In line with the provisions of the Bank of Italy contained in Circular No. 285 "Supervisory instructions for banks" of 17 December 2013 and subsequent updates.

2.3 Methods for measuring expected losses

Under IFRS 9 "Financial Instruments", assets not measured at fair value on a regular basis (i.e. financial assets and liabilities measured at amortized cost and off-balance sheet exposures) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for determining the risk parameters to be used in calculating expected losses, subject to the regulatory indicators being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g. in some cases reconverting the data to reflect a "point-in-time" approach). Under IFRS 9, expected losses are calculated as the product of the PD, LGD and EAD metrics. This calculation takes place on the basis of the residual life of instruments that have undergone a significant deterioration in risk (referred to as "Stage 2") or which show objective signs of deterioration ("Stage 3") and over a 12-month horizon for instruments that do not fall within the previous categories ("Stage 1"). For off-balance sheet exposures, credit conversion factors arising from internal models are used to calculate expected losses; if there are no specific models, the factors associated with the standard EAD calculation are used.

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

Consistent with the options granted by IFRS 9, a change in forward-looking PD is used as the benchmark quantitative metric for measuring the Significant Increase in Credit Risk (SICR) for the purpose of identifying positions to be classified as Stage 2. During 2022, the Supervisory Authority conducted a specific assessment of the Parent Company's Corporate portfolio by analysing, among other things, the SICR valuation. The Group is therefore transitioning to a method that involves the comparison of lifetime PDs between reference and origination dates, abandoning the use of twelve-month PDs. In particular, Compass will be applying this methodological innovation as of this interim report. The change in lifetime PD selected to determine the reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

Provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months or based on a lifetime approach[6] depending on the relevant Stage), discounted at the effective interest rate. The expected credit loss is the result of a joint assessment of three scenarios, a baseline scenario and two alternative scenarios defined on a statistical basis. The scenarios, drawn up at Group level, are revised at least once every six months. In particular, the Group defines the forecasts of scenarios by processing the economic variables by customizing an external macroeconomic model.

Within the IFRS 9 framework, the Mediobanca Group adopts a combination of three macroeconomic scenarios, as follows: a baseline scenario approved by the Board and shared during managerial (e.g. annual/multi-year planning) and regulatory activities (e.g. ICAAP) and two alternative scenarios, obtained as an interval on the baseline path based on appropriately modelled past volatility. For more information on macroeconomic scenarios, please refer to paragraph 6.

The weights of the scenarios used in calculating ECL were set at 50% for the baseline scenario and 25% for the alternative ones; these values were established consistent with past distribution percentiles for the definition of the alternative scenarios.

In light of the main assumptions characterizing the base case scenario relating to a level of inflation that will remain steadily very high, and in consideration of the fact that the impact will be distributed in a different way across the various product categories, the Mediobanca Group, confirming the decision taken in the previous financial year, decided to adopt additional provisions ("overlays"). Continuing the process followed until last June, overlays were applied in the Corporate division (including Factoring and Leasing) concerning sectors particularly exposed to inflationary pressure in order to measure any risk peaks in specific industrial sectors that the quantitative methodology captures only on an average basis. Overlays were maintained for retail positions (Consumer Banking and mortgage loans) against uncertainties of the macroeconomic framework, in continuity with previous quarters; with reference to the Consumer Banking sector, the slight reduction is linked to the absorption of ECLs as per the model for the rise of PD towards structural levels.

[6] The lifetime approach considers the contractual expiry of the exposure where possible. For products which do not have a contractual expiry date (e.g. credit cards, bill repayment plans, cancellable credit lines, current accounts or overdrafts on current account), the calculation is made over a 12-month time horizon.

With regard to the calculation of ECLs, sensitivity analyses were also carried out with respect to possible alternative macroeconomic scenarios in order to assess how the forward-looking factors could affect expected losses in different scenarios based on consistent forecasts during the evolution of the various macroeconomic factors. The number of possible interrelations between the individual macroeconomic factors is so high that a sensitivity analysis of expected losses based on one factor alone is practically meaningless. In particular, the impact, in terms of ECLs, resulting from applying the risk parameters obtained respectively through the adoption of a baseline scenario and two alternative scenarios, mild-positive and mild-negative, was estimated on a historical-statistical basis.

The analysis covered the exposures of the Group's main portfolios: Wholesale portfolio of Mediobanca S.p.A. and Mediobanca International, Mediobanca Private Banking portfolio, Mediobanca Premier mortgages, Compass consumer credit, MBFACTA factoring, and Selma leases.

ECLs calculated upon the realization of the mild-negative, baseline, mild-positive scenarios correspond to a variation of respectively +6.1%, +0.6% and -4.0% compared to the budget ECLs.

Assuming that each of the mild-negative, baseline and mild-positive scenarios is carried out with certainty, the change in the incidence of the Stage2 exposure on the total performing exposure, gross carrying amount including both on-balance and off-balance, is equal respectively to +0.67%, -0.03% and -0.14% regarding what accounted.

2.4 Credit risk mitigation techniques

The Group has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requirements for eligibility of collateral and guarantees are set out in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the "CRR"). The Group has also compiled specific criteria by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

The use of financial instruments or of moveable and immoveable assets as collateral and of personal guarantees is widespread in lending activity. In particular:

- mortgage guarantees: when mortgages are taken out, valuations are required from independent experts; specific procedures are also in place to calculate the fair value of the asset and monitor it at regular intervals, based on market indicators furnished by external information providers; further valuations are also required in cases where significant departures are noted from the most recent valuation available;
- pledges: pledges are valued according to the market value for listed financial instruments, or on the basis of their expected realizable value; prudential haircuts are then applied to the values thus calculated which differ according to the financial instruments over which the pledge has been made.

The Group also adopts risk mitigation policies by entering into netting and collateral agreements, verifying whether the agreements are legally valid and meet the regulatory criteria to be recognized for prudential purposes.

Credit Risk Mitigation activities are governed by specific Directives adopted by the Group companies concerned. The specific nature of the products originated by the individual businesses and the forms of collateral securing them, as well as the different organizational models necessarily adopted by the various Group Legal Entities, means that different CRM processes must coexist within the Group as a whole. In particular, the phases of obtaining the collateral, checking, reporting and assessing its eligibility may be performed by different units. However, the role of Risk Management unit in setting eligibility criteria for regulatory and management purposes remains central, and the Group Risk Management unit is responsible for supervising overall consistency in this area. Controls of the mitigation instruments are included in the general risk control and management framework.

In Private Banking in particular, the situations most at risk have been identified, and for "Lombard" credit in particular work has begun quickly on restoring the collateral margins typically associated with this form of credit. The overall exposure reflects both portfolio diversification for the collateral and the haircuts required when the lending value is determined.

3. Non-performing credit exposures

The Group is distinguished by its prudent approach to risk, which is reflected in the fact that its overdue exposure levels (Non-performing loan - NPL) are among the lowest seen in the Italian national panorama. The Group's management of non-performing loans also helps to keep their level low on the books, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement, and negotiation of restructuring agreements.

The Group uses a single, like-for-like definition for the concepts of "default" as defined by the regulations on regulatory capital requirements, "non-performing", used for supervisory reporting statistics, and Stage 3 assets, or "credit-impaired" assets, as defined by the accounting standards in force. In this regard, the Group has implemented the EBA Guidelines on the adoption of the definition of default (EBA/GL/2016/07), Delegated Regulation (EU) 2018/171 of the Commission of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018. In line with these principles, instances of assets which qualify as "non-performing" include:

– exposures identified using the 90 days past due principle, based on which the regulations referred to above have standardized the calculation criteria in use at EU level (in particular with reference to the applicable materiality thresholds, and the irrelevance of which instalment in particular is established as being past due for calculation purposes);

– cases in which the credit obligation has been sold, leading to material losses in relation to the credit risk;

– debt restructuring which entails a cost, i.e. restructuring the debt of a borrower who is in or is about to encounter difficulties in meeting their own financial obligations, which may imply a significantly reduced financial obligation;

– cases of insolvency or other systems of protection covering all creditors or all unsecured creditors, the terms and conditions of which have been approved by a judge in a court of law or another competent institution;

– instances identified through other indicators of a borrower being unlikely to pay, such as the enforcement of guarantees, breach of given financial leverage ratios, negative evidence in information systems such as central credit databases, or the borrower's sources of income suddenly becoming unavailable.

This approach is adopted differently within the individual Group companies, which, depending on the specific monitoring processes they have implemented, may choose to detect non-performing positions before the 90 days past due status by running individual analyses or applying automatic algorithms. Equally, the accounting measurement of non-performing exposures may reflect either the analysis of individual positions, or be based on identifying clusters of similar positions, depending on the specific nature of the Group company's business.

At the monitoring stage, the write-off for credit losses on financial assets is also assessed, i.e. when in part or in whole. Those write-offs are possible even before completion of the legal action to recover the asset, and this does not necessarily entail waiving the legal right to recover the amount.

In order to adequately monitor the management of NPL portfolios, in recent years, several measures have been issued by the Regulator for the purpose of directing the financial sector towards minimizing their stocks of non-performing portfolios and speeding up recovery. On 26 April 2019, the European Parliament published an amendment to Regulation (EU) 575/2013 (CRR) in the Official Journal with the inclusion of rules to be applied for the coverage of NPLs (referred to as Calendar Provisioning) deriving from loans granted starting from the date of issue of the amended Regulation. For supervisory reporting purposes, Calendar Provisioning requires the full hedging of non-performing loans once they have been held in the portfolio for a defined period.

4. Financial assets subject to commercial renegotiations and forbearance measures

Financial assets may be subject to contractual amendments based primarily on two different needs: maintaining a mutually satisfactory commercial relationship with clients, or re-establishing/improving the credit position of customers who are facing, or about to face, difficulties in complying with the commitments they have entered into.

The former case, defined as commercial renegotiation, recurs when the client might want to end the relationship, as a result of its credit quality and of favourable market conditions. In a situation such as this, changes can be made at the client's initiative or on a preventative basis in order to maintain the

relationship with the client by improving the commercial terms offered, without prejudice to a satisfactory return on the risk and in compliance with the general strategic objectives (e.g. in terms of target customers).

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

For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancing operations or waivers to covenants) occur as a result of a situation of financial difficulty which can be traced to the accumulation, actual or potential (if concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, whereas certain predefined conditions apply in the case of consumer credit activities (for example, observation of deferrals granted) and real estate loans (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

Both non-performing exposures and exposures whose difficulties are still compatible with their being treated as performing may be classified as forborne. However, as described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage 1. For this reason, based on the regulations on supervisory statistical reporting, there is a minimum period of time during which an exposure can be classified as "forborne" and this is reflected in the prudential transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of Stage 2 exposures, these exposures cannot return to Stage 1 in less than two years, in line with the minimum duration requirement of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot return to Stage 1 in less than three years, in line with the one-year duration requirement for "forborne non-performing exposure" status, followed (unless the non-performing status needs to be prolonged) by the two-year minimum duration requirement for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply. Accordingly, monitoring activities over transitions to Stages 2 or 3 are the same as monitoring activities over exposures which have not moved from Stage 1. However, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, providing that if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure will immediately return to Stage 3 for prudential purposes.

5. Details by business segment

Corporate activity

The Bank's internal system for managing, evaluating and controlling its credit risk exposure reflects its traditional policy based on prudence and a highly selective approach: risk assumption is based on an analytical approach grounded on an extensive knowledge of the entrepreneurial, asset and management operations of each financed company, as well as of the economic framework in which it operates. During the analysis, all the necessary documentation was acquired in order to carry out an adequate assessment of the borrower's credit quality and define the correct remuneration of the risk assumed; the analysis included assessments of the duration and amount of credit lines, monitoring of suitable collateral and use of contractual commitments (covenants) aimed at preventing the deterioration of the counterparty's credit quality.

With reference to the correct adoption of Credit Risk Mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures. In particular, during the half year under review, these activities focused on valuing financial guarantees and on insurance coverage of Factoring exposures.

To determine credit risk, all counterparties are analysed and an internal rating is assigned by the Risk Management unit on the basis of internal models which take into account the specific quantitative and qualitative characteristics of the counterparty. The proposed transactions are also subject to the application of LGD models where appropriate.

Loans originated by the business divisions are appropriately assessed by the Risk Management unit and regulated in accordance with the powers for approval and management of the most significant transactions, through screening at different operating levels.

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

Expected credit losses is calculated individually for non-performing items and based on PD and LGD indicators of the performing portfolio. For individual provisioning, valuations based on discounted cash flows and ratio analysis balance sheet are applied to businesses under the going-concern assumption, while an asset valuation is used in case of liquidation. With regard to performing loans, the PD parameters are obtained according to the through-the-cycle rating approach used to develop the internal rating model which is then converted to the point-in-time approach. LGDs are calculated according to the modelling used for regulatory calculation, stripped of elements that are more closely attributable to the requirements for internal models, including, in particular, the 45% floor, the downturn effect, and indirect costs. The parameters used to quantify the expected credit loss (as well as the regulatory parameters) are in any case subject to regular evaluation by corporate units. The forward-looking component of the models is the result of the risk indicators applied to the macroeconomic scenarios defined internally.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning system to identify a list of counterparties (known as the "watch list") requiring in-depth analysis on account of their potential or obvious weaknesses. The exposures identified are then classified by level of alert (Amber or Red for performing accounts, Black for non-performing items) and are reviewed regularly to identify the most appropriate mitigation actions to be taken. The watch list is used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as "Amber" or "Red". Furthermore, all forborne positions are subject to specific monitoring and revisions can be applied to single-name classifications based on internal decisions supported by individual analyses.

Leases

Risk evaluation is in general based on individual investigations that are conducted using similar methods to those required for Corporate Banking. Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of company).

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

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

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

In terms of criteria for the transition of leasing transactions to Stage 2, in addition to the positions identified using the PD increase quantitative method, with regard to forborne performing positions, i.e. positions 30 days past due, the evidence deriving from the Parent Company's watch list for Corporate customers is used (counterparties classified as "Amber" or "Red" will be included in Stage 2).

Consumer credit

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

From the first instance of non-payment, the loan management process requires using the entire range of recovery procedures (postal and telephone reminders, external recovery agents, or legal recovery action). After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been established, accounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of PD, LGD and CCF metrics which are estimated using internal models. To estimate PD and LGD parameters for the purpose of calculating lifetime losses, through-the-cycle transition matrices calculated separately by product type were used in line with internal operating processes (revolving / balance payment credit cards, special-purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed loans to public servants, private individuals or retirees). Once the parameters not conditioned by recent historical evidence have been obtained, the forward-looking component is factored in by conditioning PDs, the transition matrices related thereto, and LGDs with specific macroeconomic models based on the Group's internal scenarios and on recent trends in internal default and loss rates.

In consumer credit, in addition to the quantitative criterion based on changes in PDs on a lifetime basis, specific quality indicators are used to

classify exposures as Stage 2, such as the existence of suspension measures or the existence of other defaulting accounts for the same borrower.

Factoring

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

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

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

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. Credit risk exposure takes various forms, such as cash loans (by granting credit on a bank account or through short-, medium-

or long-term loans), authorizing overdrafts on a current account, endorsements, mortgages, and credit limits on credit cards.

Loans are normally secured risks, i.e. they are secured by collateral or guarantees (pledges over the client's financial instruments in case of managed or administered assets, mortgages over properties, or guarantees issued by other credit institutions).

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

Provisioning for all non-performing contracts is calculated on an individual basis, and takes into account the value of the collateral. Instead, provisioning for the performing contracts is made based on the estimated PD and LGD values, supplied by an external provider, distinguished by counterparty and whether or not there are guarantees. The evidence obtained from the Parent Company's watch list for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "Amber" or "Red".

Mortgage lending

Mortgage lending is provided primarily by Mediobanca Premier, whose loan risk investigation and approval process is entirely performed centrally at the headquarters. The applications are approved, using an internal rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. A constant monitoring of the portfolio, carried out on a monthly basis, ensures control over the risks assumed.

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

Accounts (both performing and non-performing) are monitored through a reporting system which allows operators to monitor the trend in the asset quality and, with the help of the appropriate indicators, to enter positions at risk, also to ensure that the necessary corrective actions to credit policies can be taken.

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

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

ECLs are quantified analytically for bad loans and based on clusters of similar positions for unlikely to pay, other overdue and performing accounts. With regard to the analytical portion for bad loans, account is taken of expert valuations of the assets (prudentially deflated), as well as the timing and costs of the recovery process. To define the PD parameters, through-the-cycle transition matrices for the management models based on internal data are used, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally to the PD estimates. The LGD calculation is based on modelling aimed at regulatory calculation, with respect to which the downturn effect is removed; the inclusion of forward-looking elements is based on satellite models applied to macroeconomic scenarios defined internally.

For the purposes of the Stage 2 classification of real estate mortgage loans, a qualitative identification element is used, consisting in assigning the position to the worst internal rating class before default.

NPL business

The Group is no longer active in this business after the subsidiary Revalea was sold in October. The latter operated on the NPL market through the non-recourse acquisition of non-performing loans at a price significantly lower than the nominal value.

The business had already been included among assets being discontinued pursuant to IFRS 5 in the financial statements as at 30 June 2023.

6. Macroeconomic scenarios and impacts

The reference baseline scenario for the half-yearly report of December 2023, on which the two mild scenarios were later based, is characterized by the following assumptions regarding the two main macroeconomic variables, namely GDP and inflation rate.

With regard to GDP and in particular its growth rate, the projections are based on a dramatic slowdown in the second half of 2023 in all major economies compared to the values observed in 2022. The growth rate for the Eurozone expected for the second half of the current year is very limited, especially for Germany, which appears to be the only country - among those of greatest interest - to report negative growth. Over the projection period, GDP growth tends to return to its average values observed before the Covid-19 pandemic. With regard to the United States geography, a period of recession is assumed in 2023 Q4 – 2024 Q1 with cautious growth in 2024, whereas, more sustained growth is expected from 2025 Q1 onwards. Spain is the European country with the best GDP growth rate forecasts for the first two years of the scenario, and will later remain at growth levels in line with the Eurozone.

Forecasts regarding the evolution of inflation show that it will be particularly high in 2023 again, albeit slightly decreasing compared to the values observed during the year 2022. Headline inflation[7] shows a drastic decrease in 2023 due to a strong base effect,[8] a drop in energy costs, and modest demand for goods.

In Italy, inflation will be slowing down from an annual growth rate of 5.9% in 2023 Q3 to 1.5% in 2023 Q4. Thereafter, the inflation growth rate is expected to range between 3.3% and 1.6%. Core inflation[9] in Italy will be steadily going down from 3.1% to 2% in 2026 Q2. For the Eurozone, headline and core inflation growth rates are expected to decrease from 5.1% and 5.4% respectively to 1.9% in 2023 Q3 and 2.2% in 2026 Q2.

Table 1: "Sluggish growth" baseline macro-economic scenario parameters as at 31/12/2023[10]

GDP growth (YoY%)	**2023**	**2024**	**2025**	**2026**
Italy	0.61%	0.50%	1.14%	1.00%
EU	0.43%	1.02%	2.15%	1.95%
US	2.12%	0.53%	1.53%	1.98%
Unemployment rate	**2023**	**2024**	**2025**	**2026**
Italy	8.17%	8.32%	8.36%	8.18%
EU	6.16%	6.09%	5.92%	5.85%
US	3.90%	4.94%	4.50%	4.45%
Government bond yield (10y)	**2023**	**2024**	**2025**	**2026**
Italy	4.70%	4.67%	4.65%	4.66%
Germany	2.74%	2.65%	2.65%	2.66%
US	4.25%	3.95%	3.90%	3.90%

Table 2: Macroeconomic mild-positive scenario parameters as at 31/12/23

GDP growth (YoY%)	**2023**	**2024**	**2025**	**2026**
Italy	0.97%	2.37%	2.65%	2.27%
EU	0.99%	3.91%	4.58%	3.97%
US	2.56%	2.78%	2.95%	3.34%
Unemployment rate	**2023**	**2024**	**2025**	**2026**
Italy	7.94%	7.55%	7.23%	6.77%
EU	5.94%	5.31%	4.83%	4.58%
US	3.61%	4.20%	3.54%	3.32%
Government bond yield (10y)	**2023**	**2024**	**2025**	**2026**
Italy	4.87%	5.35%	5.65%	5.91%
Germany	2.98%	3.58%	4.05%	4.47%
US	4.51%	5.02%	5.61%	6.18%

[7] Headline inflation refers to total inflation, i.e. the general variation in the price of goods and services in the reference basket.

[8] Base effect is the impact of the initial price index value on the percentage change range. Assuming the same absolute change in the index, the percentage variation is smaller the higher the initial index level is (and vice versa).

[9] Core inflation is a particular measure of inflation that leaves out food and energy prices from the reference basket. Excluding them entails a less volatile price index dynamic and therefore an index closer to the underlying inflation than headline inflation.

[10] Please note that the Group defines the forecasts of its baseline scenario and alternative scenarios by processing macroeconomic variables using an external macroeconomic model which factors in the above-mentioned expectations.

Table 3: Macroeconomic mild-negative scenario parameters as at 31/12/23

GDP growth (YoY%)	2023	2024	2025	2026
Italy	0.24%	-1.40%	-0.47%	-0.39%
EU	-0.13%	-1.82%	-0.30%	-0.12%
US	1.67%	-1.76%	0.02%	0.18%
Unemployment rate	**2023**	**2024**	**2025**	**2026**
Italy	8.39%	9.11%	9.53%	9.63%
EU	6.38%	6.88%	7.04%	7.17%
US	4.20%	5.70%	5.53%	5.79%
Government bond yield (10y)	**2023**	**2024**	**2025**	**2026**
Italy	4.52%	4.02%	3.86%	3.86%
Germany	2.49%	1.75%	1.43%	1.29%
US	3.99%	2.89%	2.46%	2.42%

The Group maintained the additional provisions (referred to as overlays) with the aim of including the uncertainties of the evolution of the macroeconomic context in hedging levels. Continuing the process followed until last June, overlays were applied in the Corporate division (including Factoring and Leasing) concerning sectors particularly exposed to inflationary pressure in order to measure any risk peaks in specific industrial sectors that the quantitative methodology captures only on an average basis. Lastly, overlays on Consumer Banking positions and mortgage loans were allocated against the uncertainties of the macroeconomic scenario, as done in June last year.

Overall, such overlays amounted to €242.6m, split between Consumer Banking (€187.2m), Corporate (€31.9m, which includes €19.8m in Wholesale, €12.1m in Factoring), Leasing (€8.7m) and Wealth Management (€14.9m, entirely attributable to Mediobanca Premier mortgage loans).

The overlays applied increased the level of provisioning, which now stands at €708.1m, i.e. 1.36% (1.34% in June last year), for performing loans.

Table 4 – Overlay Stock

	Overlay stock at	
	31/12/2023	**30/6/2023**
Corporate and Investment Banking	31.9	39.9
Consumer Banking	187.2	208.6
Wealth Management	14.9	11.3
Leasing (Holding Functions)	8.7	8.7
Total	**242.6**	**268.5**

Consumer Credit kept a high level of provisioning (with a performing coverage rate of 3.74%, in line with last June's data) and reported a reduction in overlays from €208.6m to €187.2m, linked to the new absorption of ECLs as per the model for the rise of PD towards structural levels, in line with expectations in the planning phase. In particular, the continuation of this level of conservatism is consistent with the gradual rise in default rates observed in the half year under review towards structural levels and with uncertainties regarding the persistence of inflationary effects over time, which, although in the process of shrinking, could still produce volatility despite the disbursement policies having been restrictive over the last few months.

With reference to Corporate and Investment Banking, overlays of €31.9m were set aside (€19.8m of which in the Large Corporate segment and €12.1m in Factoring) and allocated to sectors especially exposed to inflationary pressures. Large Corporate / Factoring overlays were reduced at the end of December (down €8m) compared to last June due to the classification of some sectors from High / Medium impact to Low impact due to inflation risk as a result of the good quality of the portfolio, normalization of energy prices, and the proven ability to contain inflationary pressure. Overlays in Leasing amounted to €8.7m and include a small portion to cover the possible request for a moratorium by customers residing in areas affected by environmental events.

With reference to mortgage loans, overlays amounted to €14.9m, a slight increase compared to last June (€11.3m) to offset the effects of the new rating model update. In general, overlays were applied to all performing exposures with a higher level of conservativeness on the portion of portfolio identified as risky following monitoring by the Monitoring and Credit Recovery Unit.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing exposures: amounts, value adjustments, trends and segmentation by earnings

A.1.4 Prudential consolidation - On-and off-balance sheet exposures to banks: gross and net values

Type of exposure/ amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A.1 ON DEMAND	4,603,821	4,603,821	—	—	—	334	334	—	—	—	4,603,487	—
a) Non performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	4,603,821	4,603,821	—	X	—	334	334	—	X	—	4,603,487	—
A.2 OTHERS	7,692,474	6,042,444	518	—	—	4,715	4,715	—	—	—	7,687,759	—
a) Bad exposures	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	X	—	—	—	—	X	—	—	—	—	—
b) Unlikely to pay	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	X	—	—	—	—	X	—	—	—	—	—
c) Non performing past due	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	X	—	—	—	—	X	—	—	—	—	—
d) Performing past due exposures	1	—	1	X	—	—	—	—	X	—	1	—
- of which: forborne exposures	—	—	—	X	—	—	—	—	X	—	—	—
e) Other performing exposures	7,692,473	6,042,444	517	X	—	4,715	4,715	—	X	—	7,687,758	—
- of which: forborne exposures	—	—	—	X	—	—	—	—	X	—	—	—
TOTAL (A)	12,296,295	10,646,265	518	—	—	5,049	5,049	—	—	—	12,291,246	—
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	14,338,338	26,134	—	X	—	—	—	—	X	—	14,338,338	—
TOTAL (B)	14,338,338	26,134	—	—	—	—	—	—	—	—	14,338,338	—
TOTAL (A+B)	26,634,633	10,672,399	518	—	—	5,049	5,049	—	—	—	26,629,584	—

A.1.5 Prudential consolidation - On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/ amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
a) Bad exposures	356,437	X	—	349,801	—	323,445	X	—	316,809	—	32,992	910
- of which: forborne exposures	*102,072*	*X*	—	*95,436*	—	*100,822*	*X*	—	*94,186*	—	*1,250*	—
b) Unlikely to pay	634,160	X	—	625,286	—	405,111	X	—	405,111	—	229,049	35
- of which: forborne exposures	*286,292*	*X*	—	*277,417*	—	*174,730*	*X*	—	*174,730*	—	*111,562*	*35*
c) Non performing past due	308,651	X	—	308,651	—	169,845	X	—	169,845	—	138,806	—
- of which: forborne exposures	*65,404*	*X*	—	*65,404*	—	*46,136*	*X*	—	*46,136*	—	*19,268*	—
d) Performing past due exposures	256,127	93,981	160,756	X	—	50,895	609	50,286	X	—	205,232	—
- of which: forborne exposures	*13,079*	—	*13,079*	*X*	—	*3,895*	—	*3,895*	*X*	—	*9,184*	—
e) Other performing exposures	69,205,770	60,410,650	3,042,527	X	—	695,776	322,022	373,754	X	—	68,509,994	5
- of which: forborne exposures	674,952	—	674,952	X	—	93,265	—	93,265	X	—	581,687	—
TOTAL (A)	70,761,145	60,504,631	3,203,283	1,283,738	—	1,645,072	322,631	424,040	891,765	—	69,116,073	950
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	834	X	—	834	—	150	X	—	150	—	684	—
b) Performing	27,554,568	18,814,172	117,616	X	—	19,674	15,895	3,779	X	—	27,534,894	—
TOTAL (B)	27,555,402	18,814,172	117,616	834	—	19,824	15,895	3,779	150	—	27,535,570	—
TOTAL (A+B)	98,316,547	79,318,803	3,320,899	1,284,572	—	1,664,896	338,526	427,819	891,915	—	96,651,651	950

* As at 30 June 2023, they included the NPL loans acquired from Revalea sold during the half year under review.

As at 31 December 2023, gross non-performing assets decreased from €1,582.1m to €1,299.2m due to the sale of NPLs managed by Revalea (€242.3m in June 2023) during the first half of the year; therefore, the impact stood at 2.4% of cash credit exposures to customers (2.9% in June 2023), the lowest level of the last decade. The coverage ratio increased (69.1% against 61.2%), thus leading to a reduction in net non-performing loans (from €613.2m to €400.1m). Please be reminded that as at 30 June 2023, gross non-performing assets stood at €1,339.7m, without including the former Revalea NPLs, with an impact of 2.5% on loans; the coverage ratio was 72.1%.

Finrep Gross NPL Ratio[11]

(€m)

	31/12/2023	30/6/2023
Loans	52,168.4	52,642.2
NPLs	1,299.2	1,339.7
Loans and advances to customers	53,467.6	53,981.9
NPLs purchased	—	242.4
Treasury financial assets *	12,278.9	10,229.0
Total Loans and Receivables (FINREP)	65,746.5	64,453.3
Gross NPL ratio Finrep %	2.0%	2.5%

* In line with the instructions of the EBA Risk Dashboard, this item does not include cash but it includes untied deposits held with Central Banks.

As at 31 December 2023, the Mediobanca Group reported a Finrep Gross NPL ratio of 2%, an improvement on last June (2.5%) largely connected to the disposal of Revalea.

B.4a Credit risk indicators

	31/12/23	30/6/23
a) Gross bad loans/total loans	0.57%	1.08%
b) NPLs/cash exposures	1.88%	2.33%
c) Net bad loans/regulatory capital[1]	0.39%	3.03%

[1] As at 30 June 2023, net bad loans included the NPL portfolios of €238.8m acquired from Revalea, disposed of during the half year under review.

B.4b Large exposures

	31/12/23	30/6/23
a) Book value	12,528,782	9,360,267
b) Weighted value	9,750,425	7,115,015
c) No. of exposures	11	8

As at 31 December 2023, exposures (including market risk and equity investments) exceeding 10% of CET 1 concerned eleven customer groups (three more than in the previous financial year) for a gross exposure of €12.5bn (€9.8bn taking into account guarantees and weightings), an increase compared to June 2023 (€9.4bn and €7.1bn, respectively). In detail, the eleven positions concerned an industrial group, two insurance companies, and eight banking groups.

[11] In the EBA Risk Dashboard, gross NPL ratio is defined as the gross book value of NPLs (loans and advances) as a percentage of total loans and advances. Source: EBA Risk Dashboard, Risk Indicators in the Statistical Annex (AQT_3.2).

C. Securitization

QUALITATIVE INFORMATION

The Group holds a portfolio of securities arising from securitizations by other issuers totalling €946.4m (€1,053m as at 30 June last), €702.4m of which as part of the banking book and €244m as part of the trading book (respectively, €788.8m and €264.3m).

In the last part of 2023, in line with the credit market, European ABS were well supported on the primary and on the secondary markets, with significantly narrowing spreads across the entire capital structure. The compression of spreads was more evident for peripheral Europe ABS compared to Northern and Central Europe, where initial levels were tighter.

Auto ABS and UK RMBS dominated placements, which approximately represented 50% of total ABS issuance (excluding CLOs) during 2023. The issuance of Eur RMBS, however, was limited and in line with 2022.

Most of the books appeared oversubscribed, in line with the bullish demand of the secondary market and denoting a solid and growing investor base.

Exposures in the banking book decreased from €788.8m to €702.4m, still mainly concentrated in senior securities with underlying NPLs (€404.3m, down by €82m) and CLOs (€260.1m). Positions on mezzanine tranches (€3.5m) and junior tranches (€0.5m) remained limited and essentially unchanged. The difference between book value (amortized cost) and fair value (taken from market platforms) closed at €18.1m.

The trading book dropped from €264.3m to €244.0m: the senior portion amounted to €129.1m (down €20m approximately), €100m of which in the Transferable Custody Receipt transaction;[12] €11.8m in performing consumer loans and €16.5m in CLOs. The mezzanine portion was confirmed at €114.9m, €69.4m of which in the "negative basis" strategy and €35.4m in CLOs. There were no junior exposures.

[12] The Bank signed a note issued by the custodian bank in which three CLO positions (with underlying European corporate loans) purchased by Mediobanca and some financial guarantees on the same CLOs with which the Bank purchased hedging had been contributed in the form of a trust; TCR pays out principal and interest of the underlying CLOs after the premium of financial guarantees.

Mediobanca also has exposures to:

- CLI Holdings I and CLI Holdings II,[13] SPVs under English law, which respectively subscribed to the capital of Cairn Loan Investments and Cairn Loan Investments II, independent managers of Polus-branded CLOs, which invested in the junior tranches of the CLOs they manage in order to comply with prudential regulations (Article 405 of Regulation [EU] 585/2013). As at 31 December, CLI H I and CLI H II were posted in the financial statements in the amounts of €11.2m and €38.4m, respectively; it should be noted that during the year a hedging transaction was negotiated through Financial Guarantee of €25m with a leading insurance company;
- Italian Recovery Fund is a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A. with NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €29m;
- Negentropy RAIF – Debt Select Fund, an alternative investment fund under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca has acted as advisor; the fund has an aggregate NAV of €118.4m, including €61.3m held by Mediobanca.

QUANTITATIVE INFORMATION

Quarzo S.r.l. (Compass Banca)

This SPV currently has six securitizations in place with performing loans granted by Compass Banca as the underlying instrument (Compass has subscribed for the entire number of junior securities), which are ceded on a revolving basis for a period of between 6 and 66 months, at the end of which the amortization phase of the securitization may begin. In some of the deals the Parent Company and/or other Group's companies have subscribed to the senior notes.

[13] CLI H I is reported in the disclosure on structured entities not consolidated for accounting purposes, while CLI H II is an investment consolidated using the equity method pursuant to IAS 28.

The six deals in place are summarized in the table below:

Eemission date	Senior		Junior	Credits transferred during the year	Reimbursement starting date
	A1	A2			
15 February 2017	—	1,215	285	—	15 November 2022
25 November 2017	600	183	117	—	15 July 2020
17 April 2020	—	1,760	240	—	15 December 2021
06 April 2022	528	—	72	—	15 May 2023
11 May 2023	450	155	95	108	17 June 2024
31 October 2023	—	2,538	362	3,082	15 January 2026

Legend:
A1: issued on the market
A2: subscribed to by the Parent Company and/or Group companies

On 31 October last, this special purpose vehicle completed the Quarzo 13 retained securitization through the sale of a portfolio of performing loans worth €2,900m, with an additional revolving period of 24 months. The transaction, issued at a fixed rate of 4.5% and with an indicative WAL of 3.5y, was planned in order to generate collateral eligible for Group Treasury.

Quarzo CQS S.r.l. (Compass Banca, formerly Futuro)

Last September, the last deal of the vehicle - issued in 2018 - was fully reimbursed by exercising the clean-up call.

Subsequently, as per resolution of the Board of Directors of 19 December, the company Quarzo CQS S.r.l., now without any transactions, was placed into liquidation and then cancelled from the register of companies in January 2024.

MB Funding Lux S.A. (Mediobanca)

This SPV was set up by Mediobanca S.p.A. in order to execute secured transactions with a corporate syndicated loan originated by Mediobanca International (Luxembourg) SA or Mediobanca S.p.A. as the underlying instrument, of which it retains the credit risk. The notes, which form part of the Parent Company's "Medium-Term Note" programme of issuance, have been subscribed for entirely by other Group legal entities and used as collateral for transactions on the interbank market.

The transactions in place as at 31 December 2023 are listed in the table below; there are no changes compared to 30 June 2023.

Denomination	ISIN	Notional	Emission date	Reimbursement date
BBVA - MB FINANCE LUX 2020	XS2270559367	100.000.000	11/12/20	11/06/26
BBVA - MB FUNDING LUX SERIES 2019-01	XS1937712112	200.000.000	13/10/21	15/10/26
BNP - MB FINANCE LUX SERIES 2017 - 01	XS1616696016	800.000.000	22/05/17	23/12/30
Total		1.100.000.000		

* * *

Transactions between the originators and the SPVs during the year under review were as follows:

Vehicle	Credit transferred	Revenue	Servicing fees	Junior interest	Additional return maturata
Quarzo CQS S.r.l. Quarzo 2018	—	7.2	—	0.2	3.6
Quarzo S.r.l.	3,190.3	1,179.7	3.9	33.1	160.7
MB Funding Lux	131,330.7	76,527.8	—	—	1.4

D. Covered bond transactions

Mediobanca Covered Bond S.r.l., an SPV incorporated under Article 7-bis of Italian Law 130/99, is owned as to 90% by Mediobanca Premier and as to 10% by SPV Holding.

At a Board meeting held in December 2020,[14] the Bank's Directors approved a resolution to renew the Programme of Covered Bond issuance for a further ten years compared to the original expiry date (December 2021) for a total amount of €10bn.

The deal entails the involvement of:

– Mediobanca, as the issuer of the covered bonds;

– Mediobanca Premier as the seller (including on a revolving basis) of assets eligible for sale under the regulations in force, up to the limits on Mediobanca's regulatory capital ratios, and servicer for the transaction;

– Mediobanca Covered Bond S.r.l. (SPV) as non-recourse transferee of the assets and guarantor of the covered bonds.

Fitch assigned an AA rating to the issues of this programme; after the Italian sovereign rating was raised, the issues of Mediobanca S.p.A.'s covered bonds also obtained an upgrade (previous rating AA-).

The programme includes 6 transactions in place for a value of €4.500m placed with institutional investors and secured by assets sold by Mediobanca Premier to Mediobanca Covered Bond for €7,091.1m, broken down as follows:

Emission date	Nominal amount	Interest rate	Expiration date
November 15	750	Fix: 1.375%	November 25
November 17	750	Fix: 1.25%	November 29
July 18	750	Fix: 1.125%	August 24
July 19	750	Fix: 0.5%	October 26
January 21	750	Fix: 0.01%	February 31
June 22*	750	Fix: 2.375%	June 27
Total	4,500		

* The issue was finalized on 10/8/2022, with an increase of €250m drawn from the €500m issue carried out in June.

During the half year under review, assets were sold by Mediobanca Premier to the special purpose vehicle Mediobanca Covered Bond in the amount of €328.6m, with the simultaneous repurchase of assets for €8.8m.

Last October, an issue of €750m expired and was replaced on 15 January by a new Covered Bond with a nominal value of €750m and maturity of 5 years at a rate of 3.25%.

[14] In September 2023, the Board of Directors resolved to adapt the Covered Bond programme to the provisions of the 42nd update of Circular 285 of the Bank of Italy.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

QUALITATIVE INFORMATION

The bank's operating exposure to market risks in the trading portfolio is monitored daily and economic results are measured by using the following indicators:

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

VaR and sensitivity indicators are monitored to ensure compliance with operating limits, managing the risk appetite established by the Bank for its trading book and, in case of VaR, also to evaluate the robustness of the model through back-testing. The expected shortfall is also calculated daily in a historical simulation for all positions subject to VaR calculation. This measurement shows the average potential losses that are beyond the VaR confidence level. Stress tests are also carried out daily (on specific positions) and monthly (on the entire portfolio) concerning the main risk factors in order to show the impact which more substantial movements in the main market variables might have (e.g. share prices and interest or exchange rates) calibrated on the basis of extreme changes in such variables.

Lastly, other more specific complementary risk metrics are used to better evaluate risks not fully measured by the VaR and the sensitivities of some trading positions. The weight of products which require such metrics to be used is in any case extremely limited compared to the overall size of Mediobanca's trading portfolio.

The half year under review was marked by fluctuations in government and interbank interest rates in two phases: the first one (July-October) marked by a general increase, led by the latest increases in discount rates (+25 bps) on the part of the FED and ECB. During this period, ten-year Euro Area and US government bond yields grew by over 100 bps. The second phase began in November, when decreasing inflation data and a less restrictive attitude on the part of the monetary policy authorities pushed market operators to modify their expectations, directing them towards cuts in refinancing rates starting from mid-2024. This led government bond yields to completely retrace back to levels slightly lower than those recorded in late June last year. The stock market changed accordingly: the June-October period recorded cumulative losses of up to 7% for the main stock indexes (Eurostoxx 50 and S&P), which were completely absorbed in the following two months, reaching a final half-year return of +5% for the Eurostoxx 50 and + 7% for the S&P. The FTSE MIB outperformed the other indexes, thanks to the banking sector's performance, reaching a return of +8% at the end of the half year under review.

The Value-at-Risk of the Trading aggregate fluctuated during the period between a minimum amount of €3.2m in October and a maximum amount of €8.9m recorded in mid-December. The average figure (€6.2m) was 25% lower than the average of the previous year (€8.4m). After the peak, the VaR figure progressively decreased until it reached €5.4m, well below the average for the half year.

The risk factors that explain the VaR trend are mainly as follows: (i) yields of Italian and core Euro Area government bonds; (ii) implied volatility of the stock market. The contribution of other risk factors, such as share prices or exchange rates, was marginal. With respect to these, the Bank's position was conservative or neutral on average.

The Expected shortfall - which measures a further stress scenario on the same VaR historical series - showed a figure in line with the previous period (€12.8m).

Table 1: Value-at-risk and Expected Shortfall in the trading portfolio (Figures in €000)

Risk factors	**H1 2023 - 2024**				**FY 2022-2023**
	29/12/2023	**Min**	**Max**	**Avg**	**Avg**
Interest rates	4.389	1.373	7.124	4.188	7.071
Credit	1.508	925	2.531	1.591	2.548
Shares	3.502	1.078	9.026	2.886	3.609
Exchange rates	792	632	1.394	837	904
Inflation	470	32	644	205	365
Volatility	4.004	2.575	6.068	3.947	6.254
*Diversification effect **	*(9.121)*	*(20.303)*	*(4.930)*	*(7.552)*	*(12.369)*
Total VaR	5.544	3.249	8.894	6.179	8.382
Total Expected Shortfall	**12.210**	**6.090**	**22.144**	**12.254**	**12.846**

* Associated with a less-than-perfect correlation between risk factors.

Apart from the general VaR limit on Trading positions, a system reflecting a greater degree of granularity for the individual trading desks is also in place.

Furthermore, each desk has sensitivity limits to changes in the various risk factors, which are monitored on a daily basis. In comparison with the previous year, there was a decrease in the average exposure on all risk categories, with the exception of an increase of around 30% on equity vega during a phase of minimum implied volatilities.

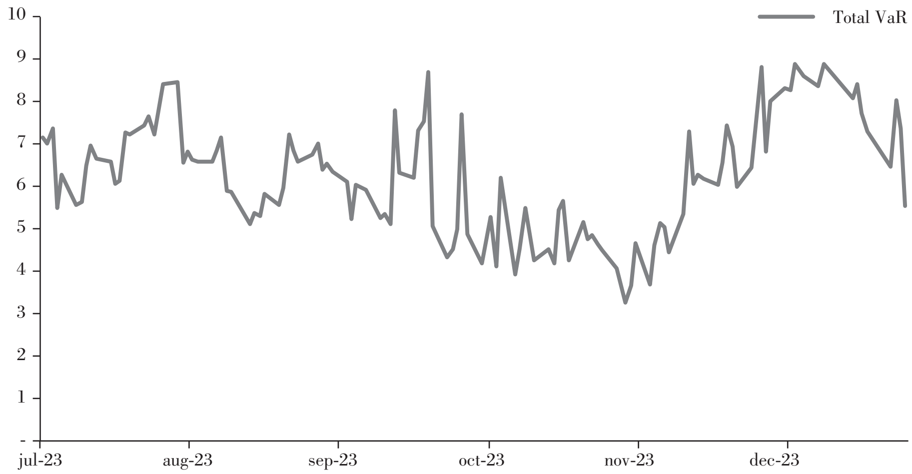
Table 2: Summary of the trend in the main trading portfolio sensitivities

(Figures in €000)

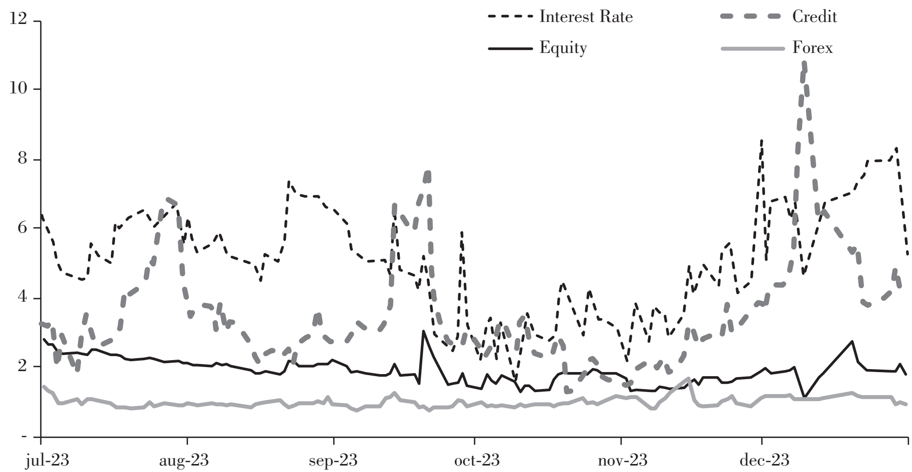
Risk factors	**H1 2023 - 2024**				**2023-2022**
	29/12/2023	**Min**	**Max**	**Avg**	**Avg**
Equity delta (+1%)	351.526	(320.561)	1.586.972	569.798	418.680
Equity vega (+1%)	(2.280.908)	(3.404.151)	436.629	(596.713)	757.496
Interest rate delta (+1 bp)	242.806	(369.992)	464.568	172.517	218.649
Inflation delta (+1 bp)	(59.302)	(59.302)	55.080	1.484	13.079
Exchange rate delta (+1%)*	(44.261)	(379.701)	1.533.009	17.479	142.539
Credit delta (+1 bp)	324.529	(298.435)	611.376	291.512	421.632

* This refers to the Euro gaining versus other foreign currencies.

Trends in VaR of trading portfolio



Trends in VaR constituents (Trading)



1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The sensitivity of the net interest income quantifies the impact on current earnings in the worst-case scenario among those outlined in the guidelines of the Basel Committee (BCBS) implemented in the document published by the EBA in October 2022 (EBA/GL/2022/14). In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst-case scenario of those contemplated in the Basel Committee guidelines (BCBS).

All the scenarios present a floor set by the EBA guidelines at minus 1.5% on the demand maturity with linear progression up to 0% at the fifty-year maturity. In the current market environment, this floor has a very limited impact on sensitivity metrics.

For both sensitivities, balance sheet items have been treated based on their contractual profile, except for the items related to current account deposits for retail clients (which have been treated on the basis of proprietary behavioural models) and consumer credit items and mortgages (which reflect the possibility of early repayment).

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

With reference to the Group's banking book positions at 31 December, in the event of a parallel decrease in the curve ("parallel down"), the expected interest income would undergo a negative change of €122m, which is in line with the end-June value (€-142m).

With reference to the analysis of the present value of future cash flows in the Group's banking book, the shock that may cause the worst change would occur in the event of a flattening of the interest rate curve ("Flattener").

The change would in fact be negative by €68m, mainly due to the impact of Mediobanca (€-19m) and Compass (€-36m).In June 2023, the maximum variation was €76m in the "Flattener" scenario.

(€m)

Data at 31/12/2023	Banking Book					
	Maximum level scenario	**Group**	**Mediobanca S.p.A.**	**Mediobanca Premier**	**Compass**	**Other**
Net interest income sensitivity	*Parallel Down*	(122)	(49)	(24)	(30)	(20)
Sensitivity of discounted value of expected cash flows	*Flattner*	(68)	(19)	2	(36)	(14)

As of 1 July, the system of limits was revised, both by reviewing the risk indicator relating to interest income (sensitivity of the Group's Interest Margin/ TIER 1) and by recalibrating the thresholds of both sensitivities.

At Group level, the values obtained for the net interest income sensitivity are lower than the Group RAF limit of 4.5% (Group net interest income/TIER 1), while the economic value sensitivity was lower than the Group RAF limit by 6% (Economic Value sensitivity/TIER 1).

The SOT regulatory indicator is 1.6% (net interest income/Tier 1 Capital sensitivity) and well below the 5% regulatory threshold.

In addition to the scenarios envisaged from a regulatory standpoint, other scenarios were analysed:

- Steepening-Up is a scenario where the curve grows but more pronounced on the long part of the curve;
- Flattening-Up is a scenario in which the curve grows but more pronounced in the short part of the curve;
- +50 bps is a scenario where the curve moves in parallel upwards by 50 basis points (in June 2023, sensitivity was €36m approximately).

(€m)

Data at 31/12/2023	Banking Book	
	Group	Mediobanca S.p.A.
Steepening-Up	(58)	(24)
Flattening-Up	88	43
+50 bps	33	15

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of certain financial risk factors (interest rate, exchange rate, credit or some other risk parameter) through the gains that may be realized on a hedging instrument that is capable of offsetting changes in fair value or cash flows of the hedged instrument. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[15]

A. Fair value hedging

Fair value hedges are used to neutralize exposure to interest rate or price risk for specific asset or liability positions, via derivative contracts entered into with leading market counterparties with high credit rating. In particular, with regard to interest rate risk, the Group applies specific hedges to individual items or clusters of like-for-like assets and liabilities in terms of interest rate risk. The objective of these hedges is to reduce the interest rate risk through swaps that convert fixed-rate into floating rate assets and/or liabilities. The items being mainly hedged are fixed-rate or structured liabilities issued by Mediobanca, investments in fixed-rate securities under assets held in the HTC and HTCS portfolio, the portfolio of fixed-rate mortgage loans, the floors implicit in the floating-rate loans of the Lending division and floating-rate mortgage loans granted by Mediobanca Premier and the deposits of Mediobanca Premier for which the new behavioural model is being taken into account with a benefit on the effective maturity.

[15] This target is maintained even in the presence of hedging contracts with market counterparties with which netting agreements and CSAs (collateralized standard agreements) have been entered into and whose valuation is carried out at Ester interest rates.

Some structured bond issues remain in the portfolio without causing any risks correlated to the main risk, broken down into the interest rate component (hedged) and other risks which are represented in the trading book and are usually covered by external positions of the opposite sign; for structured bonds issued during the year, mostly interest rate, the Bank applied the fair value option in the initial recognition phase of the liability and the related risks were hedged with derivatives measured at Fair Value Through Profit or Loss in order to deal with the impacts on the P&L account.

Fair value hedges are also used by the Parent Company to mitigate the price risk of an equity investment recorded within the portfolio of assets measured at fair value through other comprehensive income.

The Mediobanca Premier mortgage loan book is hedged via amortizing swaps, the notional and maturity profile of which follows the mortgage repayment plan and the expected prepayment rate for the loan book based on the model developed by Risk Management and subject to internal approval, considering a prudential margin on prepayments.

At the beginning of the year under review, a new behavioural model relating to Mediobanca Premier deposits was newly calibrated in order to make the coverage of these balance sheet items more efficient, further reducing the Group's exposure to interest rate risk, thus benefiting, in terms of margins, from the change in maturity dates.

Finally, it should be noted that the transition to SOFR (for USD) of all hedge-accounting items, and associated hedging instruments related thereto, was completed without recording significant changes in the effectiveness of the hedges, as expected.

B. Cash flow hedging

This form of hedging is mainly used in the context of some Group companies' operations (in particular with reference to consumer credit and leasing), where provisions at a floating rate are set aside for a significant amount against a large number of transactions for a negligible amount, generally at a fixed rate. The hedge is made in order to transform these positions into fixed-rate positions, correlating the relevant cash flows with investments. Normally, the Group uses derivatives to fix the expected cost of deposits over the reference period to cover floating-rate loans in place and future transactions linked to systematic renewals of such loans upon expiry.

C. Foreign investment hedging activities

This involves hedging an exposure to a controlling interest in a company and the goodwill associated with it (including any intangibles identified as a result of the Purchase Price Allocation process) in currencies other than the Euro. The exposure may be hedged via derivatives or other financial instruments in different currencies, such as bond issues. The exchange rate effect of the hedge is taken through the net equity reserve to cover the effects of the hedged instrument.

D. Hedging instruments

E. Hedged items

As for hedged items and hedging instruments, they have been exhaustively described in the previous paragraphs and throughout the document.

Counterparty risk

Counterparty risk generated by market transactions with institutional customers or counterparties is measured in terms of expected potential future exposure. With regard to derivatives and short-term loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% likelihood) at various points in

time up to 30 years. The scope of application regards all groups of counterparties which have relations with the Bank, taking into account the presence of netting (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), if any. Exposures deriving from transactions on the interbank market should be added to these. For these three types of transactions, different exposure limits are granted to each counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivative transactions, as required by IFRS 13, fair value incorporates the effects of the counterparty's credit risk (referred to as Credit Valuation Adjustments, CVA) and Mediobanca's credit risk (referred to as Debit Valuation Adjustment, DVA) based on the future exposure profile of all contracts in place.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of exchange rate risk

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown on page 320is an effective representation of changes in the risks taken on the forex market, because exposure to exchange rate risk is managed globally.

QUANTITATIVE INFORMATION

2. Internal models and other methodologies used for sensitivity analysis

During the half year under review, the Euro-dollar rate moved around the average value of 1.08, with a minimum of 1.04 and a maximum of 1.12, to close at 1.10, i.e. a 2 cent drop with respect the values recorded at the beginning of the period. The overall Forex VaR remained relatively steady at 840,000 with short-lived peaks at 1m during phases of maximum fluctuation of the EUR/USD exchange rate.

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of liquidity risk

Banks are naturally exposed to the liquidity risk inherent in the maturity transformation process that is typical of banking operations.

Liquidity risk is distinguished according to its timing profile:

- the current or potential risk of the bank not being able to manage its own liquidity needs in the short term ("liquidity risk");
- the risk of the bank not having stable funding sources in the medium or long term, resulting in its inability to meet its financial obligations without incurring an excessive increase in the cost of financing ("funding risk").

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. The liquidity and funding risk management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position in the short and long term which is adequate to cope with a period of prolonged stress (combining Bank-specific and systemic stress factors).

The Group Liquidity Risk Management Policy (the "Policy") approved by the Parent company's Board of Directors defines the target amount in terms of highly liquid assets in order to hedge the anticipated cash flows to be maintained in the short and medium/long term.

The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics used, the guidelines for carrying out the stress testing process, the funds transfer pricing system and the Contingency Funding Plan.

To ensure that liquidity risk is managed according to an integrated and consistent approach within the Group as a whole, strategic decisions are taken by the Parent Company's Board of Directors, to which the Policy assigns several important duties, including: definition and approval of the guidelines and strategic direction, responsibility for ensuring that the risk governance system is fully reliable, and monitoring of trends in the Group's liquidity and funding risk and Risk Appetite Framework.

Moreover, the Group's ALM Committee discusses the most significant liquidity risk issues, defining the asset and liability structure and the related acceptance of the risk of mismatches between assets and liabilities and managing them in line with the commercial and financial objectives set out in the budget and in the Group's Risk Appetite Framework.

In application of Article 86 of Directive 2013/36/EU, the Mediobanca Group identifies, measures, manages and monitors liquidity risk as part of its internal liquidity adequacy assessment process (ILAAP). In this process, which constitutes an integral part of the Supervisory Authority's activities (Supervisory Review and Evaluation Process, or SREP), the Mediobanca Group performs a self-assessment of the adequacy of its overall framework for liquidity risk management and measurement from a qualitative and a quantitative perspective. The findings of the risk profile adequacy assessment and overall self-assessment are presented to the Governing Bodies annually.

The Mediobanca Group's liquidity governance process is centralized at the Parent Company level by setting the strategy and guidelines for Group Legal Entities, thereby ensuring that the liquidity position is managed and controlled at the consolidated level.

The Parent Company's units that are responsible for ensuring that the Policy is applied correctly are:

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

The Group Audit Unit is responsible for evaluating the functioning and reliability of the control system for liquidity risk management and for reviewing its adequacy and compliance with the requirements laid down in the regulations. The findings of such reviews are submitted to the Governing Bodies at least once a year.

The Group's objective is to maintain a level of liquidity that will enable it to meet its ordinary and extraordinary payment obligations at the established expiry dates, while at the same time keeping costs to a minimum and hence without incurring losses. The Mediobanca Group's short-term liquidity policy aims to verify whether the mismatch between expected or unexpected cash inflows and outflows remains sustainable in the short term, including within an intra-day time horizon.

The Group, through its Group Treasury Unit, manages its own liquidity position actively, with the objective of being able to meet its own clearing obligations within the time frame required.

Intra-day liquidity risk is the risk of a mismatch in terms of timing within a single day between payments made by Mediobanca and those received from other market counterparties. Management of this risk requires careful and ongoing monitoring of cash flows exchanged, and, more importantly, adequate liquidity reserves. To mitigate this risk, the Group has implemented a system of indicators and monitoring to check the availability of reserves at the start of the day and their capacity to meet possible situations of stress that could involve other market counterparties or the value of the assets used in the risk mitigation.

The monitoring metric adopted over time horizons longer than intra-day is the net liquidity position, obtained from the sum of the counterbalancing capacity (defined as the cash, bonds traded on the market, receivables eligible for refinancing with the ECB available post-haircut) and cumulative net cash flows.

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months, a 1-month systemic stress and a combined stress scenario of 45 days, thus effectively functioning as an early warning system if the limit is approached in normal conditions.

The short-term and intra-day liquidity monitoring is supplemented by stress testing which assumes three scenarios:

- Systemic Scenario: this scenario represents a pandemic crisis inspired by the events observed during the spread of the SARS-CoV-2 virus, influenced by a deep economic recession over a twelve-month time horizon which leads to effects such as the deterioration of the loan portfolio and related contraction in volumes (mainly for the consumer loan component), increase in perceived risk with impacts on the values of liquidity reserves and increase in netting requests, reduction in the supply of capital on the financial markets for the Group but also for customers who have been granted credit lines, which they will consequently be forced to use.
- Idiosyncratic Scenario: this scenario starts with a specific cyber-attack event that affects the Group's internal systems with a resulting limitation in operations on the market. On the one hand, this leads to an operational loss, on the other, to reputation damage. The latter component causes retail and wholesale customers to withdraw their deposits. In this context, the rating agencies initiate a downgrade of the issuer Mediobanca compromising even more its ability to access financial markets thus causing an increase in the cost of funding and impacts on liquidity reserves with regard to self-retained assets, having an impact on initial margins and outflows from triggers linked to downgrade events.
- Combined: a combined scenario between Systemic and Idiosyncratic Scenario.

In addition to the above, the Group prepares a report on its liquidity position on a weekly basis, as required by the Bank of Italy; the Maturity Ladder report, compiled according to the instructions of the Supervisory Authority, in addition to highlighting the main transactions maturing within the three months following the reference date, is supplemented by a summary of the Group's assets that can be allocated to the Central Bank. Furthermore, on a weekly basis the Group prepares the SSM reporting, a set of metrics whose preparation is required by the European Central Bank, with the aim of monitoring the Group's exposure to liquidity risk and of incorporating additional information that allows it to understand other phenomena which may affect the Group's financial balance; in addition to the Maturity Ladder report, detailed information is provided on the evolution of funding sources, collateral and a qualitative assessment of the bank's liquidity position.

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that on average the cumulative inflows cover the cumulative outflows for maturities of more than one, three and five years.

Throughout the half year under review, both indicators, short- and long-term, showed that the Group maintained an adequate level of liquidity at all times.

The Group complied with the minimum requirement in terms of Net Stable Funding Ratio (NSFR)[16] and short-term Liquidity Coverage Ratio (LCR).[17] In line with the Group Risk Appetite Framework, they remained above internal and regulatory limits at all times.

In detail, the LCR figure as at 31 December stood at 155.9% (compared to 179.5% last June), including the prudential estimate of the "additional outflows for other products and services" in compliance with Article 23 of Delegated Regulation (EU) 2015/61. The indicator showed a limited variability around its average value of 171% during the half year under review. The latter rose compared to the average figure recorded in the entire previous financial year (161%). This annual average increase allowed Group Treasury to keep the Group's funding and liquidity positions steady, making it possible to repay approximately €2.2bn TLTROs during the half year under review. In a still uncertain context, threatened by geopolitical risk and by rising interest rates, Group Treasury managed highly liquid assets by trying to combine commercial strategies with the need to always have an adequate instrument, in terms of quantity and quality.

The NSFR indicator, calculated according to Regulation (EU) 2019/876, stood at 119.55%, confirming the figure for end-June last year (119.33%). On the liability side, the indicator decreased due to TLTRO repayments; loans decreased more than proportionally due to the reduction in the Wholesale Lending area.

[16] Directive (EU) 2019/878 (referred to as CRD V) and Regulation (EU) 2019/876 (referred to as CRR2)

[17] Commission Delegated Regulation (EU) 2015/61, as supplemented and amended.

As the above indicators are included in Group Risk Appetite Framework, their sustainability is also analysed in preparing the Group Funding Plan, through future analysis over a time horizon of at least three years, with monitoring and half-yearly updates. A multi-risk stress test is also run as part of the same framework based on the scenario analysis. A stress scenario is defined which may involve the Group, and its simultaneous impacts are assessed, taking into account the inter-relations between risks and the capability to adapt the business strategies defined in the budget to the changed scenario.

In addition to the risk measurement system described above, an event governance model has been devised, known as the Contingency Funding Plan (described in the Policy), to be implemented in the event of a crisis by following a procedure approved by the Board of Directors.

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

In order to identify a "contingency" state in a timely manner, a system of early warning indicators (EWIs) has been prepared to monitor situations that could lead to deterioration in the Group's liquidity position deriving from external factors and/or situations which are specific to the Group itself.

The foregoing sections show how stress testing is a fundamental instrument in managing liquidity risk. Liquidity risk materializes less frequently but it may have a significant impact. Instruments are needed to diagnose the Group's vulnerabilities over different time horizons. The findings of the stress tests are therefore used principally in order to:

– define the funding strategies for the Funding Plan and planning activities more generally (liquidity profile of assets and liabilities);
– assess the adequacy of the system of limits, and establish significant events for the purpose of the regular process of revising the limits themselves

– provide support in assigning the actions to be taken in managing states of operating crisis or stress.

The liquidity risk mitigation factors adopted by the Mediobanca Group are as follows:

– an adequate level of high-quality, highly liquid assets to address any liquidity imbalances, even prolonged over time;
– accurate short-term and long-term liquidity planning, alongside careful forecasting and monitoring activities;
– a robust and constantly updated stress testing framework;
– an efficient Contingency Funding Plan to identify crisis states and the actions to be taken in such circumstances, through a reliable early warning indicator system.

As at 31 December, the counterbalancing capacity was equal to €17.8bn, an increase compared to last June (€16.6bn); the increase is connected to the aforementioned TLTRO repayments, which freed up credit assets falling within the Counterbalancing Capacity, and to the issue of a new retained consumer ABS, which was contributed to an ECB pool. The amount of available securities eligible for spot refinancing with the ECB to immediately obtain liquidity stood at €13.2bn (€12.5bn). The balance of collateral allocated to the Central Bank amounted to €12.8bn (€12bn). Out of the collateral allocated to the Central Bank, approximately €9.5bn were free and immediately available (€6.4bn) and were, therefore, included in the Group's counterbalancing capacity.

QUANTITATIVE INFORMATION

1.5 OPERATIONAL RISK

Definition

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

Capital requirement

Mediobanca has adopted the Basic Indicator Approach ("BIA") to calculate its capital requirement for operational risk by applying the regulatory coefficient of 15% of the three-year average of the relevant indicator. Based on this calculation method, the capital requirement as at 31 December 2023 was €374.7m (unchanged over 30 June 2023).

Risk mitigation

The Group's Non-Financial Risks Committee, with the task of guiding, monitoring and mitigating non-financial risks (including IT & Cyber risk, fraud risk, third-party/outsourcing risk, reputation risk) and the Conduct Committee, with the task of guiding, supervising and making decisions on the Group's conduct risks, operate within the scope of risk management.

Operational risks are supervised, at the level of Parent Company and main subsidiary companies, by a specific Operational Risk Management team within the Non-Financial Risk Management unit.

As set out in the Group's operational risk management policy and in line with the principle of proportionality, the processes for identifying operational risks, including through the collection and analysis of data concerning operational risk loss, assessment and estimation, and the processes for identifying and initiating the related mitigation actions, are defined and implemented within the Parent Company and main subsidiaries. Actions to mitigate the most relevant operational risks were proposed, implemented and monitored according to the evidence obtained.

The operating losses recorded in the half year under review were very low and only had a marginal impact on the net banking income (0.27%).

With regard to the different classes of operational risk, the Group's percentage composition of the various Basel II event types is shown below.

Event Type	% of Total Loss
Clients, products and business practices	39%
External fraud	26%
Execution, delivery and process management	17%
Employment practices and workplace safety	10%
Other	7%

The very limited operating losses for the half year under review arose from known and monitored risk cases. The category "Clients, products and business practices" includes provisions and costs for the management of claims or disputes with Consumer Banking and Premier customers concerning financial conditions or interest rates applied to loan products.

External Fraud mainly refers to a series of burglaries suffered by Compass branches, which were stopped by implementing tighter security measures; the related damage (breakage and theft) were mitigated by activating the appropriate insurance coverage.

Execution, delivery and process management includes litigation provisions and expenses with other banks and losses due to process failures.

In terms of Business Lines, losses from operational risks were greater in Consumer Banking. The Wealth Management business line was the second-ranking line in terms of volume of losses recorded; CIB and Holding Function reported very limited losses.

In terms of potential risks, the business lines Wealth Management and CIB were exposed to low-frequency and high-severity events as they are characterized by non-standard transactions of a high amount.

Given the acknowledged increase in the relevance of some classes of operational risk, and in particular IT & Cyber Risk, Third-Party/ Outsourcing Risk, and Fraud Risk, a Non-Financial Risk Management project is underway aimed at further developing specific analysis, monitoring and mitigation frameworks for each type of risk, while maintaining an overall view of the issue.

In particular, IT & Cyber risk, characterized by rapidly evolving components, are potentially relevant in the medium term.

In this regard, in compliance with the requirements of the 40th update to Circular No. 285, a new second-level unit, "ICT & Security Risk", was set up within the Non-Financial Risks Unit, which is part of the Group Risk Management Unit. The Unit is responsible for monitoring and controlling IT and security risks, as well as verifying compliance of IT operations with the IT and security risk management system.

Security risk (including cyber risk) is understood as the risk of incurring financial, reputation and market share losses due to:

- any unauthorized access or attempted access to the Group's IT system or to the data and digital information contained therein;
- any (malicious or involuntary) event fostered or caused by the use of, or connected to, technology that has or could have an adverse impact on the integrity, availability, confidentiality and/or authenticity of company data and information, or on the continuity of corporate processes;
- improper use and/or dissemination of data and information, including if not directly produced and managed by the Group.

IT or technological risk is understood as the risk of incurring financial loss, reputation damage and market share loss in relation to the use of the company's information system and in connection with hardware, software and network malfunctions. It is therefore a risk that arises from inadequate IT system management processes, or from incorrect transformation / updating processes of technology assets or from risks resulting from the adoption of new technologies.

While not inherently new risks, it is reasonable to expect significant potential exposure due to the enterprises' growing dependence on IT systems and consequent increase in the number of users of virtual channels and interconnected devices, to the growth in the amount and quality of managed data that must be protected and to a greater use of IT services offered by third parties.

Over the last few years, the Group has constantly strengthened its ICT and security risk management strategy, providing for specific risk management oversight in line with regulatory indications. This has made it possible to enlarge and evolve the system principles and rules for the purpose of identifying

and measuring the ICT & security risks to which company assets are exposed, assessing the safeguards in place and identifying the appropriate methods to handle such risks.

Continuous security checks and ICT & security risk analysis activities are carried out for the purpose of ensuring adequate control, organizational and technological safeguards, across the entire Group.

* * *

Other risks

As part of the process of assessing the current and future capital required to perform its internal capital adequacy assessment process (ICAAP), the Group has identified the following main types of risk as relevant, in addition to the risks described above (credit and counterparty, market, interest rate, liquidity and operational risk):

- concentration risk, understood as the risk deriving from the concentration of exposures with single counterparties or groups of connected counterparties (referred to as "single names") and with counterparties belonging to the same business sector or who carry out the same activity or belonging to the same geographical area (geo-sectoral concentration risk);
- strategic risk, i.e. exposure to current and future changes in profitability compared to the volatility in volumes or changes in customer behaviour (business risk), and current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, making wrong management decisions or inadequately executing decisions taken (pure strategic risk);
- risk from equity investments held as part of the "Hold to collect and sell" banking book ("HTC&S"), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTC&S portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);
- sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;

– compliance risk, attributable to the possibility of incurring penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of laws and regulations or internal self-imposed regulations;
– reputation risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and Group audit units) and by specific management committees.

ESG and Climate Change

The effective management of ESG risks is a crucial aspect for maintaining a medium/long-term economic, social, and environmental balance. These risks, which include negative impacts on the environment, people, and communities, are integrated into our overall Risk Management framework. This includes assessing not only the impact of such risks on the Bank's organization, but also the consequences on our stakeholders and on the environment as a result of our operations. In our approach, ESG risks are not viewed as isolated elements, but as factors that interact with traditional risk categories, such as credit, market, operational and liquidity risks.

Among ESG risks, climate risk is of particular importance, i.e. the financial risk deriving from exposure to physical[18] and transition[19] risk associated with climate change. The risks and opportunities related to climate change are identified and analysed in a coordinated manner by the various company units with the aim of integrating them into the Group's risk identification, assessment and monitoring processes, as well as into its credit strategies and commercial offer.

[18] Physical risks consist in an adverse financial impact deriving from climate change, including more frequent extreme weather events and gradual climate change, in addition to environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss and deforestation.

[19] Transition risks consist in adverse financial impacts that a company may, directly or indirectly, incur as a result of the process of adaptation to a low-carbon and more environmentally sustainable economy.

The integration of ESG risks and, in particular, climate risk, into the Group's risk management framework is divided into:

– Materiality Assessment, which aims to identify and evaluate the relevance of climate risk factors with respect to various portfolios and risk families;
– definition of specific safeguards included in the Risk Appetite Framework (RAF);
– scenario analyses aimed at assessing the impacts of these risks in the short, medium and long term;
– structuring of ESG risk management in the various risk families, using appropriate tools:
– Credit risk: this integrate ESG assessments into the loan approval process and in loan pricing by monitoring customer creditworthiness and tracking ESG risks with tools such as the "Heatmap".
– Market risk: this uses the "Heatmap" and volatility analysis. In the latter case, in order to monitor transition and physical risks, carbon-intensive sector indexes and government bond yields are compared with market benchmarks.
– Operational risk: this includes integrating climate risk into business continuity processes, incident tracking, and stress testing framework.

Special attention was paid to materiality analysis, a structured process to evaluate the impact of climate and environmental risks on the Group. The materiality assessment in the risk driver identification phase made it possible to find physical and transition risk drivers potentially relevant for the Group. Subsequently, in the exposure identification phase, the transmission channels through which ESG factors may cause financial impacts and the Group's risk profile were found and, consequently, key risk indicators (KRIs) were identified to measure such impacts. Lastly, the definition of materiality thresholds made it possible to assess the materiality of each risk factor and to identify initiatives aimed at managing these identified materiality areas.

The Mediobanca Group has therefore accepted the challenges that climate change and ESG risk factors pose and actively manages them, seizing the inherent opportunities. As part of the 2023-2026 "One Brand - One Culture" Strategic Plan, the Mediobanca Group asserted its commitment to Climate and Environmental issues, setting itself the objective of supporting customers in their ESG transition strategies with ad-hoc advisory activities and allocating capital with an ESG focus. The new strategic plan contains specific targets relating to environmental issues. The intention to achieve carbon neutrality by 2050 has been confirmed (with approximately a 35% reduction in the carbon intensity of loans by 2030 (-18% by 2026).

These commitments are consistent with the Group's Sustainability and ESG Policies, which transpose detailed business sector guidelines by introducing restrictions on operators with a negative impact on the climate.[20] The achievement of the above strategic objectives will also be ensured by the inclusion of ESG metrics in the Group's Risk Appetite Framework, aiming to promote responsible business activities, while maintaining a low profile in terms of exposure to climate risk. The path undertaken provides for greater and continuous integration, which, to date, includes the implementation of new metrics in the Group's Risk Appetite Framework, the offering of ESG products and the adoption of ESG policies, including exclusion rules.

The number of sectors in which to formalize the goals of reducing greenhouse gas emissions is expanding after joining the NZBA, the initiative promoted by the United Nations with the aim of accelerating the sustainable transition of the international banking sector and with the adhesion to the Principles for Responsible Banking (PRB), promoted by the United Nations Environment Programme Finance Initiative (UNEP FI).

In addition, Mediobanca has decided to integrate, in its capital planning process (including the Internal Capital Adequacy Assessment Process, ICAAP), the potential impacts deriving from exposure to climate risk factors arising from specific climate scenarios on its capital adequacy.

[20] For further information, please refer to the Group's ESG Policy published on the corporate website https://www.mediobanca.com/static/upload_new/pol/politica-esg.pdf.

With reference to asset management, the PAI calculation at the legal entity level was implemented and disclosed on the website as per regulatory request. During the year, the review of the product lines continued in order to transpose the RTS provisions for financial products classified as ESG under Arts. 8/9 with the definition of minimum thresholds for sustainable investments. In relation to consultancy activities, the adequacy model and product governance processes were updated to implement the provisions laid down in legislation.

It should be noted that the Group has no significant exposures to counterparties with high climate and environmental risk. The exposure to high-risk counterparties (including Services, Energy, and Metals) for the Wholesale Banking credit and investment portfolio was less than 1% (data as at 30 September 2023), as shown by the analysis conducted in the recalibrated ESG heatmap.

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

QUANTITATIVE INFORMATION

*B.1 Consolidated net equity: breakdown by type of company**

Net equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total	of which: Third parties
1. Share capital	461,139	—	—	—	461,139	16,629
2. Share premium	2,197,454	—	—	—	2,197,454	1,848
3. Reserves	8,034,010	—	—	—	8,034,010	76,168
4. Equity instruments	—	—	—	—	—	—
5. (Treasury shares)	(136,444)	—	—	—	(136,444)	—
6. Valuation reserves:	(115,040)	—	6	—	(115,034)	(117)
- Equity instruments measured at fair value through other comprehensive income	128,114	—	—	—	128,114	—
- Hedging of equity instruments measured at fair value through other comprehensive income	—	—	—	—	—	—
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	745	—	—	—	745	—
- Tangible assets	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Hedging of foreign investments	(15,947)	—	—	—	(15,947)	—
- Hedging of cash flows	99,633	—	—	—	99,633	18
- Hedging instruments [not designated instruments]	—	—	—	—	—	—
- Currency exchange gains/losses	10,315	—	6	—	10,321	—
- Non-current assets and asset groups being sold	—	—	—	—	—	—
- Financial liabilities designated at fair value through profit or loss (change in own credit risk)	(10,312)	—	—	—	(10,312)	—
- Actuarial gains (losses) on defined benefits pension schemes	(2,739)	—	—	—	(2,739)	(135)
- Portion of valuation reserves of equity-accounted interests	(334,481)	—	—	—	(334,481)	—
- Extraordinary revaluation laws	9,632	—	—	—	9,632	—
7. Profit (loss) for the period (+/-) attributable to the Group and to minority interests	612,993	—	—	—	612,993	1,814
Total	11,054,112	—	6	—	11,054,118	96,342

* The following companies are excluded from the prudential consolidation area: Compass RE, Compass Rent, MBContact Solutions and RAM UK, Quarzo Srl, MBUSA, MB Covered, MB Immobiliere, MB Funding LUX, Spafid SIM, Spafid Trust, MA USA, Compass Link, and Soisy. See the contents of Section 1 - Consolidated Accounting Risks in this Part E.

** The item Reserves includes €226m as unavailable portion established pursuant to Article 26 of Legislative Decree No. 104/2023 replacing payment of the extraordinary tax on "extra profits".

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SECTION 2

Own funds and supervisory capital requirements for banks

The Mediobanca Group confirmed its strong capital soundness with ratios well above the regulatory thresholds, as evidenced by the Group's results in stress tests conducted by the Supervisor in recent years, by the large margin found in the Internal Capital Adequacy Assessment Process (ICAAP) and by the SREP assessment process performed by the Supervisor.

Starting on 1 January 2024, the additional 1.82% Pillar 2 requirement came into force (2023 SREP Decision); therefore, the Mediobanca Group will be required to have a CET1 ratio of 8.15%[1] on a consolidated basis, including a 2.50% capital conservation buffer, 0.125% O-SII buffer,[2] and 1.0% additional Pillar 2 requirement ("P2R"), i.e. 56.25% of the total. The Overall Capital Requirement (OCR) is equal to 12.45% while it will be equal to 9.99% on Tier 1.[3]

QUANTITATIVE INFORMATION

The Common Equity Ratio (phase-in) – ratio between Common Equity Tier 1 and total weighted assets adopting the Danish Compromise[4] – stood at 15.3%, down by approximately 60 bps compared to last June (15.9 %) due to extraordinary transactions closed in the first half of the year for a total of 100 bps (Arma goodwill -60 bps, buyback -45 bps, Revalea sale +10 bps, and other minor transactions -5 bps) and due to the adoption and review of advanced models for the Consumer and Retail portfolios, respectively (-35 bps overall). This decline was largely offset by self-financing during the half-year under review (+35 bps after the 70% payout) and by lower RWAs (+80 bps, taking into account the greater use of risk mitigation techniques and a selection of assets with lower capital absorption), while deductions of the investment in Assicurazioni Generali (-45 bps, destined to reduce as soon as the dividend is collected) and other prudential deductions (-5 bps relating to completion of the IFRS 9 phase-in) were partly offset by the recovery of the FVOCI reserve (+10 bps).

[1] Cet1 ratio al 31 dicembre 2023 pari al 15,3%, pertanto rispetto al requisito MDA il buffer è pari a circa 500bps.

[2] Following the inclusion of Mediobanca among systemically important banks, the requirement will be 0.25%, starting from 2025 when fully in force.

[3] The requirements do not include the countercyclical capital buffer, which as at 30 September 2023 amounted to 0.13%.

[4] Benefit of ~100 bps

The Total Capital Ratio (phase-in) with the adoption of the Danish Compromise dropped from 17.9% to 17.4%, due to the prudential amortization of Tier 2 instruments, partly offset by a greater difference between book value adjustments compared to prudential expected losses calculated with advanced models (referred to as “buffer”) included in own funds for €126.4m (€72.7m as at 30 June) following the adoption of advanced models for the Consumer portfolio.

OWN FUNDS

	31/12/2023	30/6/2023
A. Common equity tier 1 (CET1) prior to application of prudential filters	10,434,407	10,653,459
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(102,240)	(290,846)
C. CET1 before items to be deducted and effects of phase-in regime (A +/- B)	10,332,166	10,362,612
D. Items to be deducted from CET1	(4,114,870)	(3,551,325)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime *	1,314,958	1,366,352
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	7,532,255	8,177,639
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to phase-in regime	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L. Total Additional Tier 1 (AT1) (G-H+/-I)	—	—
M. Tier 2 (T2) before items to be deducted and effects of phase-in regime	1,014,016	1,039,389
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	—	—
O. Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	—	—
P. Total T2 Capital (M-N+/-O)	1,014,016	1,039,389
Q. Total own funds (F+L+P)	8,546,270	9,217,028

* The items to be deducted from CET1 include €20.6m relating to the Calendar Provisioning framework, both with reference to the Pillar 1 component and to the Pillar 2 optional deduction.

Risk-weighted assets and requirements

Categories/Amounts	Unweighted amounts[7]		Weighted amounts/requirements	
	31/12/2023	30/6/2023	31/12/2023	30/6/2023
A. RISK ASSETS				
A.1 Credit and counterpart risk	82,789,946	81,616,495	42,072,356	44,254,236
1. Standard methodology	38,267,369	50,437,658	20,900,016	32,028,909
2. Internal rating methodology	44,218,189	30,824,323	21,074,864	12,123,625
2.1 Basic	—	—	—	—
2.2 Advanced	44,218,189	30,824,323	21,074,864	12,123,625
3. Securitization	304,388	354,514	97,476	101,702
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,365,789	3,540,339
B.2 Credit valuation adjustment risk			34,129	32,028
B.3 Settlement risk			—	—
B.4 Market risk			152,420	167,426
1. Standard methodology			152,420	167,426
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			374,731	374,731
1. Basic method			374,731	374,731
2. Standard method			—	—
3. Advanced method			—	—
B.6 Other calculation items			—	—
B.7 Total prudential requirements			3,927,069	4,114,524
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			49,088,358	51,431,549
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			15.34%	15.90%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			15.34%	15.90%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			17.41%	17.92%

[7] For the standardized methodology, the "unweighted amounts" as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the AIRB ratings methodology, the "unweighted amounts" correspond to the "exposure at default" (EAD). For guarantees issued and loan commitments, credit conversion factors are also included in the EAD calculation.

For more details on the disclosure concerning own funds and capital adequacy, please refer to the Basel 3 Third Pillar file at 31 December 2023, published on the Bank's website in the section "Capital adequacy".

Part G – Combinations Involving Group Companies or Business Units

SECTION 1

Transactions completed during the period

Two important extraordinary transactions announced at the end of the previous year were concluded during the half-year under review, namely:

- on 2 October, Mediobanca completed the acquisition of the controlling stake in the English company Arma Partners LLP, a leading independent financial consultancy firm in the European Digital Economy sector. The Purchase Price Allocation process that started in the previous quarter will end by next 30 June;
- on 16 October, Compass completed the acquisition of 100% of HeidiPay Switzerland AG, a Swiss fintech specializing in the Buy-Now-Pay-Later (BNPL) market. This transaction strengthened the partnership with the affiliate HeidiPay AG, in which Compass already held a 19.5% stake as of August 2022. The company is fully consolidated on a line-by-line basis; the transaction reported goodwill that will be subject to Purchase Price Allocation during the next quarter.

Furthermore, two transactions that fall within the definition of business combination between entities under common control without changing the consolidation area should be noted:

- the merger into Mediobanca by acquisition of the wholly-owned subsidiary MB INVAG S.r.l. took place in September,
- the acquisition by Mediobanca Management Company of the 100% stake in RAM Active Investment Europe, previously wholly owned by RAM Active Investments S.A., was completed on 24 October.

For more details, please refer to “Section 3 – Area and methods of consolidation” in Part A - Accounting Policies and “Section 10 - Intangible assets” in part B - Assets of the Notes to the Accounts.

SECTION 2

Transactions completed after the reporting date

It should be noted that the merger of Soisy S.p.A. into Compass Banca S.p.A. was completed with effect from 31 January 2024.

SECTION 3

Retrospective adjustments

No adjustments have been made to the accounts in connection with previous business combinations for the year under review.

Part H – Related-Party Transactions

1. *Information on remuneration for key management personnel*

With regard to the disclosure on compensation paid to key management personnel, reference should be made to the "Report on remuneration and compensation paid" or the relevant section of the Mediobanca website at www.mediobanca.com, where the following are disclosed (with reference to the Mediobanca Group):

– the analytical detail of compensation paid to members of Governing and Supervisory Bodies and other Key Management Personnel;

– the detail and the evolution of Performance Shares schemes awarded to members of the Board of Directors, other Key Management Personnel and Long-Term Incentive Schemes.

Group compensation includes amounts paid to managers of Group Legal Entities not listed in the Table published in the Review of Operations (for a total of €0.9m in the half-year under review).

2. *Disclosure on related-party transactions*

The Regulation on Related-Party Transactions, implementing CONSOB Regulation No. 17221 of 12 March 2010, as most recently amended by Resolution No. 21264 of 10 December 2020, was introduced in 2011 aiming to ensure the transparency and substantial correctness of transactions with related parties carried out directly or through subsidiary companies. Having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, the Board of Directors incorporated the Bank of Italy's most recent instructions on this subject, which introduce prudential limits for risk activities with Related Parties; this Regulation came into force during December 2012, and was updated most recently in June 2021. The full document is available on the Bank's website at www.mediobanca.com.

For the definition of related parties adopted, please see Part A Accounting Policies of the Notes to the Accounts.

Transactions with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of the compensation paid to Directors and key management personnel are provided in a footnote to the table.

2.1 Regular financial disclosure: Most significant transactions

There are no transactions to report during the half-year under review.

2.2 Quantitative information

During the half-year under review, the Arma Group and the company HeidiPay Switzerland AG entered the scope of related parties following the respective acquisitions of 100% of their share capital, completed by Mediobanca S.p.A and Compass Banca S.p.A during the period under review.

The overall exposure to related parties remained low, decreasing slightly.

Situation as at 31 December 2023

(€ m)

	Directors and key management personnel	Associates	Others related parties	Total
Assets	3.1	—	87.2	90.3
of which: other assets	—	—	*73.9*	*73.9*
loans and advances	*3.1*	—	*13.3*	*16.4*
Liabilities	20.1	—	282.0 [3]	302.1
Guarantees and commitments	—	—	140.0 [3]	140.0
Interest income	—	—	1.2	1.2
Interest expense	(0.1)	—	(0.4)	(0.5)
Net fee income	—	0.4	23.0	23.4
Other income (costs)	(24.4) [1]	0.1	(32.9) [2]	(57.2)

[1] Of which: short-term benefits amounting to -€20.1m and performance shares worth -€4.3m. This figure includes resources considered Key Management Personnel during the period under review. Please note that a Board member waived the emolument approved.

[2] This item also includes the valuation of derivative contracts, including bond forwards with underlying government securities

[3] Starting from the half-year under review, the collateral exchange transaction with the AG Group will no longer be represented by its nominal value (€250m among commitments) but using equity effects (liabilities covering the forward purchase of government securities).

Statement as at 30 June 2023

(€ m)

	Directors and key management personnel	Associates	Others related parties	Total
Assets	3.1	12.0	129.4	144.5
of which: other assets	—	—	*109.2*	*109.2*
loans and advances	*3.1*	*12.0*	*20.2*	*35.3*
Liabilities	20.6	—	31.1	51.7
Guarantees and commitments	—	—	390.0	390.0
Interest income	—	3.0	1.6	1.9
Interest expense	(0.1)	—	(0.6)	(0.7)
Net fee and commission	—	1.0	50.7	51.7
Other income (costs)	(51.4) [1]	(0.1)	(26.7) [2]	(78.2)

[1] Of which: short-term benefits amounting to (€42.4m) and performance shares worth (€8.8m). This figure includes resources considered Key Management Personnel during the period under review.

[2] This item also includes the valuation of derivative contracts, including bond forwards with underlying government securities

Part I – Share-based payment schemes

A. QUALITATIVE INFORMATION

1. Summary of share-based payment schemes approved by the Shareholders' Meeting

In the area of equity instruments used for the remuneration of its personnel, Mediobanca decided to adopt a performance shares scheme, with the two-fold aim of:

- adapting to banking regulations that require a portion of variable remuneration to be paid out in the form of equity instruments over a time horizon of several years, subject to performance conditions and hence consistent with positive results sustainable over time;
- aligning the interests of Mediobanca's management with those of its shareholders in order to create value over the medium / long term.

The Group therefore offered performance share plans that, under certain conditions, provided for the free assignment of Mediobanca shares at the end of a vesting and/or holding period and long-term incentive plans (LTI) linked to the achievement of the strategic plan's objectives.

The plans currently in effect are as follows:

- performance share plan approved by the Shareholders' Meeting of 28 October 2015 (and updated by the Shareholders' Meeting of 28 October 2019), valid for variable remuneration for financial years 2018 - 2020 paid out to Group personnel in a maximum number of 20,000,000 Mediobanca shares to be attributed by capital increase or alternatively with the use of treasury shares in the Bank's portfolio;
- long-term incentive plan (LTI) for the CEO and General Manager of Mediobanca, as well as for the CEO of Compass and CheBanca!, linked to the achievement of the targets set in the 2019/2023 plan by assigning them Mediobanca shares by capital increase pursuant to the Plan as mentioned in the preceding paragraph;
- performance share plan approved by the Shareholders' Meeting of 28 October 2020, valid for variable remuneration for financial years 2021 - 2025 paid out to Group personnel in a maximum number of 20,000,000

Mediobanca shares to be attributed by capital increase or alternatively with the use of treasury shares in the Bank's portfolio;

– performance share plan approved by the Shareholders' Meeting of 28 October 2021 (partially revoking the previous Plan in order to transition to a system of resolutions to be taken annually), valid for variable remuneration for financial year 2021-2022 paid out to Group personnel by attributing a maximum number of 4,000,000 Mediobanca shares through the use of treasury shares in the Bank's portfolio;

– performance share plan approved by the Shareholders' Meeting of 28 October 2022, valid for variable remuneration for financial year 2022-2023 paid out to Group personnel by attributing a maximum number of 3,000,000 Mediobanca shares through the use of treasury shares in the Bank's portfolio.

As at 31 December 2023, the number of performance shares assigned in relation to the above plans amounted to 4,123,599.

It should be noted that the Shareholders' Meeting held on 28 October last also approved:

– a performance share plan valid for variable remuneration for financial year 2023-2024. The maximum number of shares that can be assigned to Group personnel under the approved plan is 3,000,000 shares. Treasury shares will be used in connection with the plan;

– a new long-term incentive plan for the period 2023-2026 ("2023 -2026 LTI Plan") linked to the underlying 2023-2026 Strategic Plan approved in May. Through an individual scorecard, upon achievement of financial and non-financial targets relating to growth of the Group's EPS and ROTE, CET1 soundness, positioning relating to the performance of the Mediobanca stock (rTSR), and focus on some ESG KPIs, the amount of bonus awarded to the CEO and to the GM will be included in a range of 65% and 100% of the gross annual fixed remuneration value for each year of the Plan (i.e. between 195% and 300% on a cumulative basis over the Plan time period). For the other beneficiaries, the Group's top and strategic resources, the bonus will be included between a minimum annually discounted / cumulative percentage (over the three-year period of the LTI Plan) and the maximum annually discounted / cumulative percentage of gross annual fixed remuneration according to the salary/ pay mix range established for each position or group of positions. The final amount at the end of the Plan, in proportion to the

overall performance achieved, will be determined by evaluating each of the targets in the scorecard, depending on their weight. The 2023 - 2026 LTI will be paid out according to the terms, conditions, and methods set out in the Plan and in the Remuneration Policy. For the purpose of the initiative, the Shareholders' Meeting of 28 October 2023 approved the issue of a maximum number of 3,000,000 new Mediobanca shares with dividend rights by capital increase. Alternatively, freely available treasury shares in the Bank's portfolio not allocated for other purposes may also be used for the plan's purposes;

- a widespread share ownership and co-investment plan ("2023 -2026 ESOP") for the Group's personnel within the 2023-26 Strategic Plan's period. This provides investment opportunities in Mediobanca shares on a voluntary basis at favourable conditions (10% discount). Achievement of the Plan targets by 2026 will ensure an additional bonus to participants in the ESOP Plan, consisting in an additional package of shares assigned free of charge by the Mediobanca Group to supplement the initial investment made by the employee. The maximum number of shares (referred to as matching) that can be assigned by the plan is 1,000,000 shares to be issued by capital increase. Alternatively, freely available treasury shares in the Bank's portfolio not allocated for other purposes may also be used for the plan's purposes; The plan was implemented during the month of December and recorded a participation of 28% of personnel within scope (415,600 shares subscribed), a success compared to similar plans recently launched in the financial sector.

In addition, other Group companies have equipped themselves with incentive plans based on equity instruments:

- Messier et Associés approved a plan of free-of-charge shares for up to 10% of the share capital to be attributed to employees (at the time of promotions and/or for retention purposes) which, after the vesting period (not exceeding 2 years) and a further holding period of one year, are resold to the Parent Company which settles the price with Mediobanca shares. As at 31 December last, 31,925 shares had been assigned as part of seven plans. Of these 7,050 were recovered, 6,000 were repossessed by the Parent Company through an exchange with Mediobanca shares, 6,250 shares are subject to a holding period, and the remaining 12,625 shares in the vesting period;
- Polus Capital Management Group has an investment plan in place for employees (for retention purposes), which allows them to purchase special

shares of the company (C shares) which, after a vesting period (maximum 3 years) and the achievement of certain results (hurdle), they can sell to the Parent Company which will liquidate them through Mediobanca shares. As at 31 December, 35,633 C shares had been assigned

QUANTITATIVE INFORMATION

Changes in performance share schemes during the year

As part of the variable remuneration for financial year 2023, 1,403,351 performance shares, drawn from the Plan approved in the October 2022 Shareholders' Meeting, were awarded on 27 September 2023. The shares, the award of which is conditional upon performance targets being met over a five-year period or less, will be made available in tranches in November 2024 (up to 619,191), November 2025 (up to 211,397), November 2026 (up to 329,932), November 2027 (up to 122,465), and November 2028 (up to 120,366).

As part of the performance share plans, 1,841,073 shares were attributed on 24 November 2023, 1,160,647 of which through treasury shares and 680,426 by capital increase.

Items/Performance shares	31/12/2023		30/6/2023	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Opening balance	4,561,321	6.32	4.131.090	7.03
B. Increases	1,403,351		2.238.659	
B.1 New issues	1,403,351	8.69	2.238.659	6.08
B.2 Other changes	—	—	—	—
C. Decreases	1,841,073		1.808.428	
C.1 Performance shares cancelled	—	—	—	—
C.2 Performance shares made available	1,841,073	6.75	1.786.374	7.62
C.3 Performance shares expired	—	—	—	—
C.4 Other changes	—	—	22.054	7.76
D. Closing balance	4,123,599	6.93	4.561.321	6.32

Part L – Segment Reporting

INTRODUCTION

Under IFRS 8, an entity must disclose information to enable users of its financial statements to evaluate the nature and financial effects of the different business activities in which it engages and the different economic environments in which it operates.

Disclosure is therefore required regarding the contribution of the different "operating segments" to the formation of the Mediobanca Group's earnings.

The aggregation of the "operating segments" illustrated in this section is consistent with the means adopted by the Group's management to take business decisions, and is based on the internal reporting used in order to allocate resources to the various segments, and to analyse their respective performances as described in the Review of Operations, to which reference is made for detailed and exhaustive analysis of the individual business lines' earnings and financial performances.

A. PRIMARY SEGMENT REPORTING

At Group level the following business lines have been identified:

– *Wealth Management (WM)*: this division brings together all wealth management services offered to the various client segments, plus asset management. It includes CheBanca!,[5] which targets the Premier client brackets; the MBPB and CMB Monaco private banking networks, and the asset management companies (Polus Capital, Mediobanca SGR, Mediobanca Management Company, and RAM Active Investments), plus Spafid;

– *Corporate and Investment Banking (CIB)*: this includes services for corporate customers in the Wholesale Banking areas (loans, Capital Market activities, Advisory, Client and proprietary trading carried out by Mediobanca, Mediobanca International, Mediobanca Securities, Messier et

[5] It changed its business name to Mediobanca Premier on 15 January last.

Associés and Arma Partners) and Specialty Finance or Factoring carried out by MBFACTA, and Credit Management referring only to the management on behalf of third parties carried out by MBCredit Solutions and MBContact Solutions.

- *Consumer Finance (CF)*: this provides retail customers with a complete range of consumer credit products: personal loans, special purpose loans, salary-backed loans, credit cards, in addition to the new and innovative Buy Now Pay Later solution called "Pagolight", which grew during the year also thanks to the investments in the two fintechs HeidiPay and Soisy. The division also includes Compass RE, (which provides reinsurance against risks linked to insurance policies sold to clients), Compass Rent, (which operates in the second-hand vehicle and car hire market), and Compass Link (which distributes Compass products and services via third-party collaborators).
- *Insurance - Principal Investing (PI)*: this division includes the Group's portfolio of equity investments and shares, in particular the stake in Assicurazioni Generali. The latter investment has been this division's main constituent for many years, and is distinguished for its sound management, consistency of results, high profitability and contributions in terms of diversification and stabilization of the Mediobanca Group's revenues. Investments in funds and vehicles promoted and managed by the Group's asset management companies (referred to as seed capital) also contribute to the division, with a view to combining medium-term profitability for the Group and a synergistic approach between the divisions, as well as investment activities in private equity funds managed by third parties.

Holding Functions comprise SelmaBPM Leasing, MIS and other minor companies, Group Treasury and ALM[6] (with the aim of minimizing the cost of funding and optimizing liquidity management on a consolidated basis, including the securities held as part of the banking book), all costs relating to central Group departments, including Operations, support units (such as Chief Financial Officer, Corporate Affairs, Investor Relations, etc.), senior management and control units (Risk Management, Internal Audit and Compliance Unit) for the part that cannot be allocated to the business lines.

[6] Group Treasury finances the individual business areas by applying funds transfer prices (based on the FTP curve) with different spreads depending on the expiry dates of the funds' usage.

A.1 Profit-and-loss figures by business segment

A list of the main points requiring attention with regard to the allocation of earnings results is provided below:

- Net interest income[7] is obtained by applying the internal funds transfer pricing (FTP) rates consistent with the financial characteristics of the products concerned. Notional interest is allocated using a centralized FTP model which assigns volumes, costs and revenues of liquidity based on durations, without distinction between lending and funding (referred to as "bid-ask" difference) with the same maturity;
- The 855 resources of the Holding Functions (840 last year) are divided as follows: 93 in Selma BPM (95 last year), 44 in the Group treasury and ALM units (36), 374 in service-providing units (362), 147 of which in MIS (147), 172 in support units (168), 166 in control units (151), in addition to 6 in Senior Management (company management and assistants, steady y/y); the service-providing units and a part of the support and control units for a total of 428 FTE (399) were accurately charged back by the Corporate Centre (Holding Functions division) to the operating segments that use the services (243 to CIB, 140 to WM, 43 to CF, and 2 to Insurance). Following the reallocation process of €64m in total (through newly issued invoices or notional costs), €93.8m were still borne by the Holding Functions, €56m of which relating to central costs;
- Intercompany items are netted out only if they involve companies belonging to the same segment; items involving different segments are cross-checked and recorded as adjustments, along with the consolidation entries regarding companies belonging to different segments.

[7] The Mediobanca Group only reports net interest income based on the requirements of IFRS 8, which specifies that an institution must record interest income and interest expense separately for each reporting segment, unless the majority of the revenue generated by that segment derives from interest and unless management base their evaluations primarily on net interest income in order to assess the segment's results and take decisions regarding the resources to be allocated to the segment. In this case, an institution may refer to the segment's interest revenue net of interest expense, provided it specifies this [IFRS 8.23].

A.1 Profit-and-loss figures by business segment

(€ m)

Profit-and-loss figures	Wealth Management	Consumer Finance	Corporate and Investment Banking	Principal Investing	Holding Functions	Writeoffs[1]	Group
Net interest income	213.0	512.7	153.1	(3.6)	103.1	18.2	996.5
Net trading income	4.4	0.4	55.8	7.8	23.1	1.9	93.4
Net fee and commission income	240.4	70.9	133.4	—	8.0	(30.6)	422.1
Share in profits earned by equity-accounted companies	—	(0.2)	—	218.8	—	—	218.6
Total income	**457.8**	**583.8**	**342.3**	**223.0**	**134.2**	**(10.5)**	**1,730.6**
Personnel costs	(159.4)	(57.6)	(94.4)	(2.0)	(68.6)	(0.2)	(382.2)
Administrative expenses	(142.2)	(117.0)	(77.1)	(0.6)	(25.2)	8.9	(353.2)
Operating costs	**(301.6)**	**(174.6)**	**(171.5)**	**(2.6)**	**(93.8)**	**8.7**	**(735.4)**
Gains (losses) from equity investments sale	—	—	—	—	—	—	—
Loan loss provisions	(6.3)	(121.3)	0.4	—	(5.7)	—	(132.9)
Provisions for other financial assets	0.7	(0.1)	(2.9)	9.2	(1.8)	—	5.1
Other income (losses)	(2.9)	0.1	1.0	—	(23.7)	0.3	(25.2)
Profit before tax	**147.7**	**287.9**	**169.3**	**229.6**	**9.2**	**(1.5)**	**842.2**
Income tax for the period	(47.0)	(93.8)	(52.5)	(6.2)	(20.9)	(0.3)	(220.7)
Minority interest	(0.5)	—	(8.5)	—	(1.3)	—	(10.3)
Net profit	**100.2**	**194.1**	**108.3**	**223.4**	**(13.0)**	**(1.8)**	**611.2**
Cost/income ratio (%)	65.9	29.9	50.1	n.m.	n.m.	n.m.	42.5

[1] The adjustments column includes intercompany eliminations within individual business lines (zero-sum) and consolidation adjustments / differences equal to €1.8m during the half-year under review.

A.2 Balance-sheet data by business segment

The balance-sheet items shown below represent each business area's contribution to the consolidated balance sheet, hence no adjustments have been made between the sum of the components and the Group total.

(€ m)

Balance-sheet data	Wealth Management	Consumer Finance	Corporate & Investment Banking	Principal Investing	Holding Functions	Adjustment	Group
Total assets	**18,320.0**	**15,621.5**	**34,508.6**	**4,421.4**	**21,158.0**	**882.6**	**94,912.1**
Banking book debt securities	723.5	288.6	781.4	—	9,065.1	—	10,858.6
customer loans	16,867.6	14,701.5	18,939.6	—	1,318.6	—	51,827.3
Financial liabilities held for trading	27,697.5	3,530.6	—	—	29,395.9	—	60,624.0

[1] Goodwill was not included in the total assets of business areas and was entirely attributed to the Group.

ANNEXES

Consolidated financial statements

Comparison between the restated Balance Sheet and the template contained in Bank of Italy Circular No. 262/2005, eighth update

Regarding Assets, the balance sheet shown in the consolidated Review of Operations reflects the following restatements:

- the closing amount of "Treasury financial assets" includes "Cash and cash equivalents" (heading 10); receivables in respect of current accounts and untied deposits, reverse repos and other deposits in connection with securities lending operations and derivatives recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b, respectively), plus certain items booked as "Other assets" (heading 130);
- the amount of "Banking book debt securities" includes the debt securities of the following items: "Financial assets measured at fair value through other comprehensive income" (heading 30), "Financial assets measured at amortized cost" (heading 40c) and "Financial assets measured at fair value through profit or loss", either designated at fair value or mandatorily classified at fair value (headings 20b and 20c);
- the amount of "Equity investments" includes equities recognized as "Financial assets measured at fair value through other comprehensive income" (heading 30), "Equity investments" (heading 70), and funds mandatorily classified as "Financial assets measured at fair value through profit or loss" under heading 20c;
- the closing amount of "Loans to customers" includes loans and receivables recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b, respectively), including those recognized mandatorily at fair value through profit or loss booked under heading 20c) after any "Adjustments of hedging financial assets" (heading 60) relating to loans and receivables;
- the amount of "Other assets" includes the headings 130 "Other assets", 110 "Tax assets" and 50 "Hedging derivatives", and sundry debtor items recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b) and Non-current assets and asset groups held for sale, if any.

Regarding Liabilities:

- The closing amount of “Funding” includes amounts due to banks, amounts due to customers and securities in issue recognized under “Financial liabilities measured at amortized cost” (under headings 10a), 10b) and 10c), respectively), other than amounts recognized under “Treasury funding” and under “Other liabilities”, in addition to “Financial liabilities designated at fair value” (heading 30);
- the amount of “Treasury deposits” includes amounts payable in respect of current accounts and untied deposits, repos and other deposits in connection with securities lending operations and derivatives recognized as “Financial liabilities measured at amortized cost – a) Due to banks” and “b) Due to customers” (headings 10a) and 10b), respectively);
- the amount of “Other liabilities” includes the headings 40 “Hedging derivatives”, 60 “Tax liabilities”, and 110 “Insurance reserves”, plus sundry creditor items recognized as “Financial liabilities measured at amortized cost”.

Balance sheet as at 31 December 2023 — Assets

(€ m)

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Asset items	Financial assets held for trading	Treasury financial assets and cash	Banking book debt securities	Loans to customers	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	4,743.3	—	—	—	—	—	**4,743.3**
20. Financial assets measured at fair value through profit or loss	11,132.0	—	113.8	575.1	591.7	—	—	**12,412.6**
a) financial assets held for trading	*11,132.0*	—	—	—	—	—	—	***11,132.0***
b) financial assets designated at fair value	—	—	*113.0*	*564.7*	—	—	—	***677.7***
c) other financial assets mandatorily measured at fair value	—	—	*0.8*	*10.4*	*591.7*	—	—	***602.9***
30. Financial assets measured at fair value through other comprehensive income	—	—	6,086.7	—	255.0	—	—	**6,341.7**
40. Financial assets measured at amortized cost	—	7,697.5	4,658.1	51,252.2	—	—	—	**63,607.8**
50. Hedging derivatives	—	—	—	—	—	—	688.3	**688.3**
60. Value adjustment to generic hedging financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3,692.6	—	—	**3,692.6**
80. Insurance assets	—	—	—	—	—	—	—	**—**
a) insurance contracts issued that are assets	—	—	—	—	—	—	—	**—**
b) reinsurance contracts held that are assets	—	—	—	—	—	—	—	**—**
90. Tangible assets	—	—	—	—	—	541.5	—	**541.5**
100. Intangible assets	—	—	—	—	—	1,104.7	—	**1,104.7**
110. Tax assets	—	—	—	—	—	—	557.9	**557.9**
120. Non-current assets and asset groups held for sale	—	—	—	—	—	—	—	**—**
130. Other assets	—	—	—	—	—	—	1,219.9	**1,219.9**
Total assets	**11,132.0**	**12,440.8**	**10,858.6**	**51,827.3**	**4,539.3**	**1,646.2**	**2,466.1**	**94,910.3**

Balance sheet as at 31 December 2023 — Liabilities

(€ m)

RECLASSIFIED STATEMENTS

TEMPLATE UNDER BANK OF ITALY CIRCULAR NO. 262/2005 8TH UPDATE

	Liabilities and net equity	Funding	Treasury funding	Trading financial liabilities	Other liabilities	Provisions	Own funds	Total liabilities and net equity
10.	Financial liabilities measured at amortized cost	57,239.7	9,657.7	—	662.2	—	—	**67,559.6**
	a) due to banks	*7,602.9*	*4,988.6*	—	*1.8*	—	—	***12,593.3***
	b) due to customers	*27,651.5*	*4,669.1*	—	*660.2*	—	—	***32,980.8***
	c) securities in issue	*21,985.3*	—	—	*0.2*	—	—	***21,985.5***
20.	Trading financial liabilities	—	—	9,349.0	—	—	—	**9,349.0**
30.	Financial liabilities designated at fair value	3,384.3	—	—	—	—	—	**3,384.3**
40.	Hedging derivatives	—	—	—	1,391.3	—	—	**1,391.3**
50.	Value adjustment to generic hedging financial liabilities	—	—	—	—	—	—	**—**
60.	Tax liabilities	—	—	—	551.7	—	—	**551.7**
70.	Liabilities associated with assets held for sale	—	—	—	—	—	—	**—**
80.	Other liabilities	—	—	—	1,348.5	—	—	**1,348.5**
90.	Provision for statutory end-of-service payments	—	—	—	—	21.3	—	**21.3**
100.	Provisions for risks and charges	—	—	—	—	156.5	—	**156.5**
110.	Insurance reserves	—	—	—	94.0	—	—	**94.0**
	a) insurance contracts issued that are liabilities	—	—	—	*94.0*	—	—	***94.0***
	b) reinsurance contracts held that are liabilities	—	—	—	—	—	—	**—**
120.	Revaluation reserves	—	—	—	—	—	(114.9)	***(114.9)***
130.	Redeemable shares	—	—	—	—	—	—	**—**
140.	Equity instruments	—	—	—	—	—	—	**—**
145.	Advances on dividends	—	—	—	—	—	—	**—**
150.	Reserves	—	—	—	—	—	8,023.6	**8,023.6**
160.	Share premium	—	—	—	—	—	2,128.4	**2,128.4**
170.	Capital	—	—	—	—	—	445.9	**445.9**
180.	Treasury shares (-)	—	—	—	—	—	(136.4)	**(136.4)**
190.	Equity attributable to minority interests (+/-)	—	—	—	—	—	96.3	**96.3**
200.	Profit/(loss) for the period	—	—	—	—	—	611.2	**611.2**
	Total liabilities and net equity	**60,624.0**	**9,657.7**	**9,349.0**	**4,047.7**	**177.8**	**11,054.1**	**94,910.3**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/2005, eighth update

The profit and loss account shown in the Review of Operations reflects the following restatements:

- "Net interest income" includes the items stated under headings 10 "Interest and similar income", 20 "Interest and similar expense", Financial Guarantee Fees, gains/losses on derivatives trading stated under heading 80 "Net trading income", and the net gains or losses on hedges of customer loans and funding stated under heading 90 "Net hedging income". The portion of interest relating to securities lending collateral (€0.7m) was reclassified in "Treasury income";

- "Net treasury income" contains the amounts stated under heading 70 "Dividends and similar income", heading 80 "Net trading income" (except for amounts recognized as Net interest income), Banking Book result under heading 100 "Net gains (losses) on disposals/repurchases", the share of securities lending transactions stated under headings 40 "Fee and commission income", 50 "Fee and commission expense" and respective collaterals (€3.3m), and lastly, the portion stated under heading 110 "Net result from other financial assets and liabilities measured at fair value through profit or loss" related to securities under the fair value option;

- the heading "Net fee and commission income and other net income (expense)" contains the amounts stated under heading 60 "Net fee and commission income", the operating income stated under heading 230 "Other operating income (expense)", the write-backs due to collections on NPLs acquired (in reference to four months accruing to Revalea) stated under heading 130 "Net write-offs / write-backs for credit risk" and the "Net income from insurance activities" of headings 160 and 170;

- the heading "Net write-offs / write-backs on loans to customers" contains the amounts relating to loans stated under headings 130 "Net write-offs / write-backs for credit risk" (after write-backs of €6.3m on NPLs), 100 "Net gains (losses) on disposals/repurchases" (€4.1m), 110 "Net income from other financial assets and liabilities measured at fair value through profit or loss" (€4.1m), 140 "Gains (losses) from contractual amendments without derecognition", and 200 "Net provisions for risks and charges" relating to commitments and sureties (€2.3m);

- the heading “Provisions for other financial assets” includes the valuations of securities and provisions recognized under item 110 “Net result from financial assets and liabilities mandatorily measured at fair value through profit or loss” and adjustments and write-backs for credit risk relating to assets measured at fair value through OCI and other financial assets stated under item 130 (€-2.7m);

- the heading “Overhead costs” includes amounts stated under heading 190 “Administrative expenses” (after the item reclassified under Net write-offs / write-backs on loans to customers), net transfers to provisions stated under heading 200 (after the amounts stated under the heading Net write-offs / write-backs on loans to customers, €2.3m, and Other gains and losses), Net adjustments to tangible and intangible assets stated under headings 210 and 220 and Other operating income or charges stated under heading 230 “Other operating income / charges”, after recoveries stated under Net fee and commission income;

- the item “Other gains/losses” includes the non-recurring costs stated under heading 190 “Administrative expenses”, in particular contributions to the deposit protection funds (€23.8m), any non-recurring charges, and €-1.4m relating to other items (including increases in risk provisions, adjustments to financial assets, and acquisition costs);

- the positive effect of the release of a SelmaBPM’s extraordinary component from item 230 “Other operating expenses/income” also flowed into the item “Income taxes”;

- the item “Income attributable to third parties” also includes the Interest B portion attributable to Arma’s minority partners under heading 230 “Other operating expenses/income”.

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/2005, eighth update

Profit and loss account as at 31 December 2023

(€ m)

RECLASSIFIED STATEMENTS

TEMPLATE UNDER BANK OF ITALY CIRCULAR NO. 262/2005 8TH UPDATE

Profit-and-loss account	Net interest income	Treasury income	Net fee and commission income	Share in profits earned by equity-accounted companies	Overheads	Net (Value adjustments to) write-backs of loans to customers	Net (Value adjustments to) write-backs of other financial assets	Other gains (losses)	Income taxes	Profit (loss) attributable to minority interests	Profit (loss) for the period
10. Interest and similar income	1,943.4	13.0	—	—	—	—	—	—	—	—	1,956.4
20. Interest and similar charges	(951.6)	(12.3)	—	—	—	—	—	—	—	—	(963.9)
30. Net interest income	**991.8**	**0.7**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**992.5**
40. Commission income	1.0	2.8	437.0	—	—	—	—	—	—	—	440.8
50. Commission expenses	(4.0)	(0.1)	(81.7)	—	—	—	—	—	—	—	(85.8)
60. Net fee and commission	**(3.0)**	**2.7**	**355.3**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**355.0**
70. Dividends and similar income	—	28.0	—	—	—	—	—	—	—	—	28.0
80. Net trading income (expense)	10.1	27.5	—	—	—	—	—	—	—	—	37.6
90. Net hedging income (expense)	(2.4)	—	—	—	—	—	—	—	—	—	-2.4
100. Gains (losses) on disposal/repurchase	—	9.6	—	—	—	4.1	—	—	—	—	13.7
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	—	24.9	—	—	—	4.1	7.8	—	—	—	36.8
120. Total revenues	**996.5**	**93.4**	**355.3**	**—**	**—**	**8.2**	**7.8**	**—**	**—**	**—**	**1,461.2**
130. Net value adjustments (write-backs) for credit risk	—	—	6.3	—	—	(143.4)	(2.7)	—	—	—	(139.8)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	—	—	—	—	—
150. Net income from financial operations	**996.5**	**93.4**	**361.6**	**—**	**—**	**(135.2)**	**5.1**	**—**	**—**	**—**	**1,321.4**
160. Net premiums	—	—	11.0	—	—	—	—	—	—	—	11.0
170. Other income / charges from insurance activities	—	—	—	—	—	—	—	—	—	—	—
180. Net profit from financial and insurance activities	**996.5**	**93.4**	**372.6**	**—**	**—**	**(135.2)**	**5.1**	**—**	**—**	**—**	**1,332.4**
190. Administrative expenses	—	—	—	—	(731.5)	—	—	(23.3)	—	—	(754.8)
200. Net transfers to provisions for risks and charges	—	—	—	—	(3.7)	2.3	—	(1.0)	—	—	(2.4)
210. Net value adjustments to tangible assets	—	—	—	—	(34.4)	—	—	—	—	—	(34.4)
220. Net value adjustments to intangible assets	—	—	—	—	(15.0)	—	—	—	—	—	(15.0)
230. Other operating income (expense)	—	—	49.5	—	49.2	—	—	0.6	(2.7)	(8.5)	88.1
240. Operating costs	**—**	**—**	**49.5**	**—**	**(735.4)**	**2.3**	**—**	**(23.7)**	**(2.7)**	**(8.5)**	**(718.5)**
250. Gains (losses) on equity investments	—	—	—	218.6	—	—	—	—	—	—	218.6
260. Net income from fair value measurement of tangible and intangible assets	—	—	—	—	—	—	—	(1.6)	—	—	(1.6)
270. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—
280. Gains (losses) on disposal of investments	—	—	—	—	—	—	—	0.1	—	—	0.1
290. Profit (loss) on ordinary activity before tax	**996.5**	**93.4**	**422.1**	**218.6**	**(735.4)**	**(132.9)**	**5.1**	**(25.2)**	**(2.7)**	**(8.5)**	**831.0**
300. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	(218.0)	—	(218.0)
310. Profit (loss) on ordinary activities after tax	**996.5**	**93.4**	**422.1**	**218.6**	**(735.4)**	**(132.9)**	**5.1**	**(25.2)**	**(220.7)**	**(8.5)**	**613.0**
320. Gains (losses) of ceded operating assets, after tax	—	—	—	—	—	—	—	—	—	—	—
330. Profit (loss) for the period	**996.5**	**93.4**	**422.1**	**218.6**	**(735.4)**	**(132.9)**	**5.1**	**(25.2)**	**(220.7)**	**(8.5)**	**613.0**
340. Profit (loss) for the period attributable to minority interests	—	—	—	—	—	—	—	—	—	(1.8)	(1.8)
350. Profit (loss) for the period attributable to the Parent Company	**996.5**	**93.4**	**422.1**	**218.6**	**(735.4)**	**(132.9)**	**5.1**	**(25.2)**	**(220.7)**	**(10.3)**	**611.2**

Individual Financial Statements

Comparison between the restated Balance Sheet and the template contained in Bank of Italy Circular No. 262/2005, eighth update

Balance sheet as at 31 December 2023 – Assets (€ m)

TEMPLATE UNDER BANK OF ITALY CIRCULAR NO. 262/2005 8TH UPDATE

	RECLASSIFIED STATEMENTS							
Asset items	**Financial assets held for trading**	**Treasury financial assets and cash**	**Banking book debt securities**	**Loans to customers**	**Equity Investments**	**Tangible and intangible assets**	**Other assets**	**Total assets**
10. Cash and cash equivalents	—	4.002,9	—	1.096,6	—	—	—	**5.099,5**
20. Financial assets measured at fair value through profit or loss	11.280,2	—	113,8	564,7	540,9	—	—	**12.499,6**
a) financial assets held for trading	*11.280,2*	—	—	—	—	—	—	***11.280,2***
b) financial assets designated at fair value	—	—	*113,0*	*564,7*	—	—	—	***677,7***
c) other financial assets mandatorily measured at fair value	—	—	*0,8*	—	*540,9*	—	—	***541,7***
30. Financial assets measured at fair value through other comprehensive income	—	—	6.086,7	—	502,5	—	—	**6.589,2**
40. Financial assets measured at amortized cost	—	10.642,6	4.913,9	38.270,5	—	—	—	**53.827,0**
50. Hedging derivatives	—	—	—	—	—	—	548,5	**548,5**
60. Value adjustment to generic hedging of financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3.804,0	—	—	**3.804,0**
80. Tangible assets	—	—	—	—	—	140,1	—	**140,1**
90. Intangible assets	—	—	—	—	—	29,4	—	**29,4**
100. Tax assets	—	—	—	—	—	—	188,1	**188,1**
110. Non-current assets and asset groups held for sale	—	—	—	—	—	—	—	—
120. Other assets	—	—	—	—	—	—	428,5	**428,5**
Total assets	**11.280,2**	**14.645,5**	**11.114,4**	**39.931,8**	**4.847,4**	**169,5**	**1.165,1**	**83.153,9**

Balance sheet as at 31 December 2023 – Liabilities

(€ m)

RECLASSIFIED STATEMENTS

TEMPLATE UNDER BANK OF ITALY CIRCULAR NO. 262/2005 8TH UPDATE

Liabilities and net equity	Funding	Treasury funding	Trading financial liabilities	Other liabilities	Provisions	Own funds	Total liabilities and net equity
10. Financial liabilities measured at amortized cost	52,201.2	10,799.5	—	24.4	—	—	**63,025.1**
a) due to banks	*27,141.5*	*6,131.1*	—	—	—	—	***33,272.6***
b) due to customers	*6,498.6*	*4,668.4*	—	*24.2*	—	—	***11,191.2***
c) securities in issue	*18,561.1*	—	—	*0.2*	—	—	***18,561.3***
20. Trading financial liabilities	—	—	9,582.7	—	—	—	**9,582.7**
30. Financial liabilities designated at fair value	3,286.3	—	—	—	—	—	**3,286.3**
40. Hedging derivatives	—	—	—	1,430.6	—	—	**1,430.6**
50. Value adjustment to generic hedging financial liabilities	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	327.7	—	—	**327.7**
70. Liabilities associated with assets held for sale	—	—	—	—	—	—	**—**
80. Other liabilities	—	—	—	534.4	—	—	**534.4**
90. Provision for statutory end-of-service payments	—	—	—	—	5.2	—	**5.2**
100. Provisions for risks and charges	—	—	—	—	87.0	—	**87.0**
110. Revaluation reserves	—	—	—	—	—	115.3	**115.3**
120. Redeemable shares	—	—	—	—	—	—	**—**
130. Equity instruments	—	—	—	—	—	—	**—**
140. Reserves	—	—	—	—	—	1,715.7	**1,715.7**
150. Share premium	—	—	—	—	—	2,195.6	**2,195.6**
160. Capital	—	—	—	—	—	444.5	**444.5**
170. Treasury shares (-)	—	—	—	—	—	(136.4)	**(136.4)**
180. Profit/(loss) for the period	—	—	—	—	—	540.2	**540.2**
Total liabilities and net equity	**55,487.5**	**10,799.5**	**9,582.7**	**2,317.1**	**92.2**	**4,874.9**	**83,153.9**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/2005, eighth update

Profit and loss account as at 31 December 2023

(€ m)

RECLASSIFIED STATEMENTS

TEMPLATE UNDER BANK OF ITALY CIRCULAR NO. 262/2005 8TH UPDATE

Profit and loss account	Net interest income	Treasury income	Net fee and commission income	Dividends on investments	Overheads	Net (Value adjustments to) write-backs of loans to customers	Net (Value adjustments to) write-backs of other financial assets	Impairment on investments	Other gains (losses)	Income taxes	Profit (loss) for the period
10. Interest and similar income	1,358.6	13.0	—	—	—	—	—	—	—	—	1,371.6
20. Interest and similar charges	(1,154.8)	(12.3)	—	—	—	—	—	—	—	—	(1,167.1)
30. Net interest income	**203.8**	**0.7**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**204.5**
40. Commission income	3.3	2.8	166.0	—	—	—	—	—	—	—	172.1
50. Commission expenses	(5.3)	(1.6)	(26.3)	—	—	—	—	—	—	—	(33.2)
60. Net fee and commission	**(2.0)**	**1.2**	**139.7**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**138.9**
70. Dividends and similar income	—	40.6	—	419.4	—	—	—	—	—	—	460.0
80. Net trading income (expense)	11.6	20.5	—	—	—	—	—	—	—	—	32.1
90. Net hedging income (expense)	(2.7)	—	—	—	—	—	—	—	—	—	-2.7
100. Gains (losses) on disposal or repurchase	—	8.7	—	—	—	—	—	—	—	—	8.7
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	—	25.8	—	—	—	—	6.8	—	—	—	32.6
120. Total revenues	**210.7**	**97.5**	**139.7**	**419.4**	**—**	**—**	**6.8**	**—**	**—**	**—**	**874.1**
130. Net value adjustments (write-backs) for credit risk	—	—	—	—	—	(10.5)	(2.4)	—	—	—	(12.9)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	0.0	0.0	—	—	—
150. Net income from financial operations	**210.7**	**97.5**	**139.7**	**419.4**	**—**	**(10.5)**	**4.4**	**—**	**—**	**—**	**861.2**
160. Administrative expenses	—	—	—	—	(260.5)	—	—	—	(0.6)	—	(261.1)
170. Net transfers to provisions for risks and charges	—	—	—	—	—	7.1	—	—	—	—	7.1
180. Net value adjustments to/write-backs of tangible assets	—	—	—	—	(4.8)	—	—	—	—	—	(4.8)
190. Net adjustments to/write-backs of intangible assets	—	—	—	—	(0.4)	—	—	—	—	—	(0.4)
200. Other operating income (expense)	—	—	11.2	—	11.9	—	—	—	0.1	—	23.2
210. Operating costs	**—**	**—**	**11.2**	**—**	**(253.8)**	**7.1**	**—**	**—**	**(0.5)**	**—**	**(236.0)**
220. Gains (losses) on equity investments	—	—	—	—	—	—	—	—	—	—	—
230. Net income from fair value measurement of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
240. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—
250. Gains (losses) on disposal of investments	—	—	—	—	—	—	—	—	—	—	—
260. Profit/(Loss) on ordinary operations before tax	**210.7**	**97.5**	**150.9**	**419.4**	**(253.8)**	**(3.4)**	**4.4**	**—**	**(0.5)**	**—**	**625.2**
270. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	—	(85.0)	(85.0)
280. Profit (loss) on ordinary operations after tax	**210.7**	**97.5**	**150.9**	**419.4**	**(253.8)**	**(3.4)**	**4.4**	**—**	**(0.5)**	**(85.0)**	**540.2**
290. Gains (losses) of ceded operating assets, after tax	—	—	—	—	—	—	—	—	—	—	—
300. Profit (loss) for the period	**210.7**	**97.5**	**150.9**	**419.4**	**(253.8)**	**(3.4)**	**4.4**	**—**	**(0.5)**	**(85.0)**	**540.2**

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