Basel III pillar 3
Disclosure to the public

Situation as at 30 September 2022

Some declarations contained in this document constitute estimates and forecasts of future events and are based on information available to the Bank at the reporting date. Such forecasts and estimates take into account all information other than *de facto* information, including, *inter alia*, the future financial position of the Bank, its operating results, the strategy, plans and targets. Forecasts and estimates are subject to risks, uncertainties and other events, including those not under the Bank's control, which may cause actual results to differ, even significantly, from related forecasts. In light of these risks and uncertainties, readers should not rely excessively on future results reflecting these forecasts and estimates. Save in accordance with the applicable regulatory framework, the Bank does not assume any obligation to update forecasts and estimates, when new and updated information, future events and other facts become available.

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MEDIOBANCA

Introduction

The regulations on banking supervision have been revised with the issue of Capital Requirements Directive IV and Capital Requirements Regulation (the "CRD IV/CRR/CRR2 Package") enacted in Italy under Bank of Italy circular no. 285 issued in 2013 as amended, to adapt the national Italian regulations to the changes to the European Union banking supervisory framework (including the Commission Delegated Regulation issued on 10 October 2014, in order to harmonize the diverging interpretations of means for calculating the Leverage Ratio). The body of regulations on prudential supervision and corporate governance for banks has incorporated the changes made by the Basel Committee in its "Global Regulatory Framework for More Resilient Banks and Banking Systems".

With reference to the Pillar III guidance provided by the European Banking Authority (EBA), there have been no material updates or revisions since the balance-sheet date. Please refer to the "Introduction" of the "Basel III Pillar 3 Disclosure to the public" document as at 30 June 2022, published on the Bank's website at www.mediobanca.com for further details.

This document published by the Mediobanca Group (the "Group") has been drawn up by the parent company Mediobanca on a consolidated basis with reference to the prudential area of consolidation, including information regarding capital adequacy, exposure to risks and the general characteristics of the systems instituted in order to identify, measure and manage such risks. The contents of this document are consistent with the reporting used by the senior management and Board of Directors in their risk assessment and management.[1]

Figures are in €'000, unless otherwise specified.

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

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

References to EBA requirements

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

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Section 1 – Capital adequacy

Qualitative information

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

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

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

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

[2] The most recent stress testing exercise confirmed the Group's solidity, with an adverse impact on CET1 fully loaded of 478 bps, aligned with the majority of EU banks and among the lowest among Italian banks.

Quantitative information

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

		a	b
		09/30/2022	06/30/2022
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,772,263	7,894,334
2	Tier 1 capital	7,772,263	7,894,334
3	Total capital	8,700,388	8,874,429
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	51,941,615	50,377,953
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	14.9635 %	15.6702 %
6	Tier 1 ratio (%)	14.9635 %	15.6702 %
7	Total capital ratio (%)	16.7503 %	17.6157 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.5800 %	1.5800 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.8888 %	0.8888 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.1850 %	1.1850 %
EU 7d	Total SREP own funds requirements (%)	9.5800 %	9.5800 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.0143 %	0.0105 %
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.5143 %	2.5105 %
EU 11a	Overall capital requirements (%)	12.0943 %	12.0895 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.1703 %	7.2673%
Leverage ratio			
13	Leverage ratio total exposure measure	94,732,558	94,489,799
14	Leverage ratio	8.2044 %	8.3547 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	-	-
EU 14e	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,675,732	7,321,186
EU 16a	Cash outflows - Total weighted value	8,763,037	8,540,162
EU 16b	Cash inflows - Total weighted value	3,708,220	3,709,129
16	Total net cash outflows (adjusted value)	5,054,816	4,831,033
17	Liquidity coverage ratio (%)	152.0742%	151.8353%
Net Stable Funding Ratio			
18	Total available stable funding	62,533,883	64,024,588
19	Total required stable funding	54,841,752	55,422,760
20	NSFR ratio (%)	114.0260%	115.5204%

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

		c	d	e
		03/31/2022	12/31/2021	09/30/2021
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,525,655	7,352,372	7,507,232
2	Tier 1 capital	7,525,655	7,352,372	7,507,232
3	Total capital	8,569,605	8,457,911	8,674,905
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	49,624,684	47,842,189	47,148,454
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15.1651 %	15.3680 %	15.9225 %
6	Tier 1 ratio (%)	15.1651 %	15.3680 %	15.9225 %
7	Total capital ratio (%)	17.2688 %	17.6788 %	18.3991 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.5800 %	1.2500 %	1.2500 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.8888 %	0.7031 %	0.7031 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.1850 %	0.9375 %	0.9375 %
EU 7d	Total SREP own funds requirements (%)	9.5800 %	9.2500 %	9.2500 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5000 %	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.0091 %	0.0094 %	0.0100 %
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.5091 %	2.5094 %	2.5100 %
EU 11a	Overall capital requirements (%)	12.0891 %	11.7594 %	11.7600 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.2673%	7.6554%	8.2095%
Leverage ratio				
13	Leverage ratio total exposure measure	89,759,946	89,138,495	87,829,183
14	Leverage ratio	8.3842 %	8.2483 %	8.5475 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %	3.0000 %
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,220,701	7,630,084	7,789,733
EU 16a	Cash outflows - Total weighted value	8,198,835	8,067,987	7,802,478
EU 16b	Cash inflows - Total weighted value	3,471,268	3,104,536	2,807,188
16	Total net cash outflows (adjusted value)	4,727,567	4,963,451	4,995,290
17	Liquidity coverage ratio (%)	153.1799%	154.0314%	156.0654%
Net Stable Funding Ratio				
18	Total available stable funding	62,705,795	61,997,597	62,404,959
19	Total required stable funding	56,454,021	56,529,805	53,942,377
20	NSFR ratio (%)	111.0741%	109.6724%	115.6882%

Temp. EU IFRS9 – FL – Comparison of institutions' own funds and capital and leverage ratios* with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (1/2)

		09/30/2022	06/30/2022	03/31/2022	12/31/2021	09/30/2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,772,263	7,894,334	7,525,655	7,352,372	7,507,232
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,745,460	7,840,726	7,472,048	7,298,272	7,453,131
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	7,772,263	7,894,334	7,525,655	7,352,372	7,507,232
3	Tier 1 capital	7,772,263	7,894,334	7,525,655	7,352,372	7,507,232
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,745,460	7,840,726	7,472,048	7,298,272	7,453,131
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,772,263	7,894,334	7,525,655	7,352,372	7,507,232
5	Total capital	8,700,388	8,874,429	8,569,605	8,457,911	8,674,905
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,673,585	8,820,822	8,515,997	8,403,810	8,620,804
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,700,388	8,874,429	8,569,605	8,457,911	8,674,905
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	51,941,615	50,377,953	49,624,684	47,842,189	47,148,454
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	51,916,825	50,328,366	49,575,098	47,790,779	47,097,040
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.9635 %	15.6702 %	15.1651 %	15.3680 %	15.9225 %
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.9190 %	15.5791 %	15.0722 %	15.2713 %	15.8251 %

* Calculated as at 30 September and 31 March excluding the profits generated for the period.

Temp. EU IFRS9 – FL – Comparison of institutions' own funds and capital and leverage ratios* with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (2/2)

		09/30/2022	06/30/2022	03/31/2022	12/31/2021	09/30/2021
	Capital ratios					
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.9635 %	15.6702 %	15.1651 %	15.3680 %	15.9225 %
11	Tier 1 (as a percentage of risk exposure amount)	14.9635 %	15.6702 %	15.1651 %	15.3680 %	15.9225 %
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.9190 %	15.5791 %	15.0722 %	15.2713 %	15.8251 %
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.9635 %	15.6702 %	15.1651 %	15.3680 %	15.9225 %
13	Total capital (as a percentage of risk exposure amount)	16.7503 %	17.6157 %	17.2688 %	17.6788 %	18.3991 %
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.7067 %	17.5265 %	17.1780 %	17.5846 %	18.3043 %
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16.7503 %	17.6157 %	17.2688 %	17.6788 %	18.3991 %
	Leverage ratio					
15	Leverage ratio total exposure measure	94,732,558	94,489,799	89,759,946	89,138,495	87,829,183
16	Leverage ratio	8.2044 %	8.3547 %	8.3842 %	8.2483 %	8.5475 %
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.1761 %	8.2980 %	8.3245 %	8.1876 %	8.4860 %
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8.2044 %	8.3547 %	8.3842 %	8.2483 %	8.5475 %

***** Calculated as at 30 September and 31 March excluding the profits generated for the period.

As at 30 September 2022, the Common Equity Ratio – CET1 as a percentage of total risk-weighted assets – amounted to 14.96% (calculated without including the profit earned during the period net of the 70% payout ratio); the approx. 70bps reduction compared to balance-sheet date (15.67%) is due to profitable growth in assets (which accounted for approx. 15 bps) and the higher regulatory burden as a result of the Internal Model Investigation (IMI) for the Large Corporate LGD parameter (RWAs approx. €1.5bn higher, equal to 45 bps of CET1, due to be reversed with the introduction of Basel IV by January 2025), plus the higher deductions for the Assicurazioni Generali investment (approx. 15 bps). The reduction in the reserve for bonds held for sale (down 6 bps) was offset by the benefit for the acquired NPLs (which gave an advantage of 5 bps, due to the reduction in weighting from 150% to 100%).

The Total Capital Ratio declined from 17.62% to 16.75% due to the prudential amortization of Tier 2 instruments.

The ratios fully loaded without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €1,338.3m including the indirect effects) with full application of the IFRS 9 effect (accounting for €20.1m), were 13.83% (CET1 ratio) and 15.83% (total capital ratio) respectively.

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

		RWA		Capital requirements
		a	b	c
		09/30/2022	06/30/2022	09/30/2022
1	Credit risk (excluding CCR)	43,104,622	41,925,277	3,448,370
2	of which the standardised approach	29,944,244	30,788,013	2,395,540
3	of which the foundation IRB (FIRB) approach	-	-	-
4	of which: slotting approach	-	-	-
EU 4a	of which: equities under the simple riskweighted approach	-	-	-
5	of which the advanced IRB (AIRB) approach	13,160,378	11,137,263	1,052,830
6	Counterparty credit risk - CCR	2,186,037	1,649,014	174,883
7	of which the standardised approach	860,995	658,037	68,880
8	of which internal model method (IMM)	-	-	-
EU 8a	of which exposures to a CCP	10,849	4,623	868
EU 8b	of which credit valuation adjustment - CVA	380,459	373,402	30,437
9	of which other CCR	933,734	612,952	74,699
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	99,969	103,507	7,998
17	of which SEC-IRBA approach	-	-	-
18	of which SEC-ERBA (including IAA)	26,727	31,440	2,138
19	of which SEC-SA approach	73,242	72,067	5,859
EU 19a	of which 1250%	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	2,281,800	2,430,969	182,544
21	of which the standardised approach	2,281,800	2,430,969	182,544
22	of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	4,269,186	4,269,186	341,535
EU 23a	of which basic indicator approach	4,269,186	4,269,186	341,535
EU 23b	of which standardised approach	-	-	-
EU 23c	of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	1,096,572	1,207,374	87,726
29	**Total**	**51,941,615**	**50,377,953**	**4,155,329**

Section 2 – Liquidity risk

Quantitative information

As at 30 September 2022, eligible reserves held at the European Central Bank totalled €14bn, €7.2bn of which in securities exchangeable for cash by the ECB; the balance of the collateral established at the European Central Bank amounted to approx. €13.4bn, approx. €4.6bn of which available in cash but not used. In the three months, the overall amount of the counterbalancing capacity has remained largely stable. The composition of the CBC has also remained mostly unchanged. It should be noted that there has been a slight reduction in the CBC, following the gradual withdrawal of the support measures introduced by the ECB to address the Covid-19 emergency, which has triggered a deterioration in the haircuts leading to a reduction in the value of assets.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	09/30/2022	06/30/2022
TOTAL GROUP LIQUIDITY RESERVES	**14,017**	**14,698**
Total high-quality liquid assets (HQLA)	**8,963**	**9,027**
Cash and deposits held with central banks (HQLA)	7,194	7,316
Highly liquid securities (HQLA)	1,769	1,711
of which:		
Level 1	*1,752*	*1,711*
Level 2	*17*	*-*
Other eligible reserves	**5,055**	**5,670**

During the three months under review, all the earnings indicators have shown that the Group continues to maintain an adequate level of liquidity on a stable basis. As for the regulatory indicators, the European Union introduced a minimum short-term requirement, known as the Liquidity Coverage Ratio (LCR) under Commission Delegated Regulation (EU) No 2015/61 as amended and supplemented, of 100% as from 1 January 2018). The following table shows the quantitative information for the Group's Liquidity Coverage Ratio (LCR), measured in accordance with the EU regulations (in particular the CRR and CRD IV) reported monthly to the competent national supervisory authority (the indicator includes the prudential estimate of "additional liquidity outflows for other products and services" in compliance with Article 23 of Commission Delegated Regulation

(EU) No. 2015/61). The data shown have been calculated as the simple average of month-end readings recorded in the twelve months prior to the end of each quarter.

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

Currency and units (XXX million)		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	09/30/2022	06/30/2022	03/31/2022	12/31/2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**				
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	20,697	20,488	20,132	19,780
3	*Stable deposits*	*12,392*	*12,402*	*12,335*	*12,213*
4	*Less stable deposits*	*8,239*	*8,064*	*7,767*	*7,538*
5	Unsecured wholesale funding	7,195	6,715	6,212	5,853
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*6,709*	*6,347*	*5,938*	*5,614*
8	Unsecured debt	*486*	*368*	*273*	*240*
9	Secured wholesale funding				
10	Additional requirements	9,337	8,979	8,715	8,375
11	Outflows related to derivative exposures and other collateral requirements	*348*	*335*	*354*	*363*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*8,989*	*8,644*	*8,361*	*8,011*
14	Other contractual funding	1,927	2,192	2,293	2,467
15	Other contingent funding obligations	4,563	4,424	4,204	4,011
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	3,197	3,487	3,522	3,523
18	Inflows from fully performing exposures	1,949	1,921	1,830	1,714
19	Other cash inflows	2,050	1,902	1,777	1,618
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**7,196**	**7,310**	**7,129**	**6,855**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*7,101*	*7,251*	*7,078*	*6,836*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

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

Currency and units (XXX million)		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	09/30/2022	06/30/2022	03/31/2022	12/31/2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**	**7,676**	**7,321**	**7,221**	**7,630**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,679	1,663	1,623	1,588
3	*Stable deposits*	*620*	*620*	*617*	*611*
4	*Less stable deposits*	*1,059*	*1,043*	*1,007*	*977*
5	Unsecured wholesale funding	3,810	3,574	3,368	3,228
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*3,324*	*3,206*	*3,095*	*2,988*
8	Unsecured debt	*486*	*368*	*273*	*240*
9	Secured wholesale funding	*644*	*617*	*562*	*557*
10	Additional requirements	1,836	1,813	1,856	1,904
11	Outflows related to derivative exposures and other collateral requirements	*316*	*285*	*287*	*291*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*1,520*	*1,528*	*1,569*	*1,613*
14	Other contractual funding	452	542	470	454
15	Other contingent funding obligations	343	332	319	337
16	**TOTAL CASH OUTFLOWS**	**8,763**	**8,540**	**8,199**	**8,068**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	1,174	1,286	1,197	1,055
18	Inflows from fully performing exposures	1,460	1,418	1,342	1,244
19	Other cash inflows	1,074	1,005	933	805
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—
20	**TOTAL CASH INFLOWS**	**3,708**	**3,709**	**3,471**	**3,105**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*3,708*	*3,709*	*3,471*	*3,105*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	7,676	7,321	7,221	7,630
22	TOTAL NET CASH OUTFLOWS	5,055	4,831	4,728	4,963
23	LIQUIDITY COVERAGE RATIO (%)	152.0742%	151.8353%	153.1799%	154.0314%

The factors driving the LCR trend may be split into the following categories: drivers with significant influence on the amount of HQLAs, cash outflows and cash inflows. The trend in HQLAs is impacted by the amount of Level 1 assets (Article 10 of Commission Delegated Regulation (EU) No. 2015/61), the most important aggregate among which is made up of the free reserves held with the European Central Bank, to which temporary payments of excess liquidity have been made. Among the inflows/outflows, cash movements linked to secured operations always have a material and variable impact over time, which is due to the fact that operations of this kind are used as the main risk mitigation and control instrument by Group Treasury. The stress scenario contemplated by Commission Delegated Regulation (EU) No. 2015/61 and the Group's business model, which also takes great care to diversify the forms of funding equally between retail and institutional, reflect a higher impact on outflows from wholesale funding, which is considered to be less stable than retail funding in this operating scenario. Also significant in this respect is the outflow from credit lines, this The LCR has remained stable at an average value of approx. 152% in the past twelve months, in line with the regulatory limits, target value and risk appetite expressed by the governing bodies. This stability has been achieved through careful management by Group Treasury of a portfolio consisting of reserves held with the ECB and high-quality debt securities and equities. Such active and centralized management of this portfolio from a forward-looking perspective is intended to optimize the resources available to the Bank with the objective of insuring that the indicator remains within the target levels set.

Although the portfolio of highly liquid assets is the main instrument used to control and stabilize the ratio, Group Treasury also has other tools at its disposal, which it uses for this purposes. These include diversifying funding sources and liquidity reserves, both of which are fundamental. the Group Liquidity Risk Management Policy (the "Policy") approved by the Board of Directors of Mediobanca S.p.A. defines the target in terms of the level of liquidity reserves (high-quality liquid assets, and highly liquid assets) to be maintained in order to cover the cash flows anticipated in the short and medium/long term, and also provides for regular monitoring of concentration analysis both for funding (by counterparty/product/duration/currency) and liquidity reserves (by issuer/counterparty).

The adequacy of the structure and cost of funding, which is defined from a forward-looking perspective through the Funding Plan, is assured through ongoing diversification. The Group's main sources of funding are: (i) deposits from the domestic retail market, (ii) funding from institutional clients, split between collateralized (secured financing transactions, covered bonds and ABS) and non-collateralized (debt securities, CD/CP, and deposits from institutional clients); and (iii) refinancing operations with the Eurosystem. As for the liquidity reserves, as already mentioned, the effectiveness deriving from maintaining them at an adequate level. The average level of high quality liquid assets (Level 1) immediately available to the Group amounted to €7.3bn, for the three months, and consists

primarily of the available liquid reserves held with the European Central Bank and of holdings in government securities, which together represent on average approx. 95% of the HQLAs.

The amount of HQLA held includes:

- A share held to cover potential outflows that could result from the exposures in derivatives and potential capital calls deriving from them. The Group executes derivative contracts (both with central counterparties and OTC) sensitive to different risk factors. Changes in market conditions, influencing potential future exposures to such derivative contracts, could introduce commitments in terms of liquidity which would require collateral to be paid in cash or other financial instruments in the event of adverse market movements occurring. The Historical Look Back Approach is adopted in order to quantify any increases in the collateral required.;
- A share held in USD to cover potential currency conversion risks. To manage and monitor the misalignment of currencies, the Group carries out regular checks to ascertain if the liabilities held in a given currency are equal to or higher than 5% of its total liabilities. If this limit, set by Regulation (EU) 575/2013, is breached for a given currency, it means that the currency concerned qualifies as "significant" and that the LCR must be calculated in that currency. As at 30 September 2022, the "significant" currencies for the Mediobanca Group were the Euro (EUR) and the US Dollar (USD). Monitoring of possible currency misalignments between liquid assets and net cash outflows shows that the Group is able to manage any such imbalances, partly through holding HQLA in USD, and partly because of ability to tap the FX market easily in order to transform excess liquidity in EURO into USD.

The LCR is not the only regulatory short-term indicator used, as it is unable to measure the intraday liquidity risk that is manifested when a bank does not have sufficient funds available to meet its payment and settlement obligations falling due in the course of the same trading day. The Bank therefore monitors this risk using the instruments specified by the Basel Committee on Banking Supervision (BCBS – "Monitoring tools for intraday liquidity management", April 2013). Apart from through ongoing monitoring, to cover this risk the Policy provides for a minimum level of liquidity reserves to be available at the start of the day, and requires that these reserves' composition must be such as to ensure they can be used in the final hours of the business day as well.

Section 3 – Credit risk

3.1 ECAI

Qualitative information

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

— Moody's Investors Service;

— Standard & Poor's Rating Services;

— Fitch Ratings.

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

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

[3] External Credit Assessment Institution.

Quantitative information

Template EU CR4 – Standardized approach: credit risk exposure and CRM effects

	Exposures class	Exposures before CCF and CRM		Exposures before CCF and CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	13,822,429	-	14,885,666	6,761	28,936	0.1943 %
2	Regional governments or local authorities	232	-	232	-	46	19.9994 %
3	Public sector entities	298,950	-	298,950	-	132,388	44.2843 %
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	2,641,164	1,841,318	2,120,688	57,606	825,569	37.8998 %
7	Corporates	9,118,042	1,952,218	6,564,080	708,174	6,267,975	86.1903 %
8	Retail	15,018,196	2,428,712	14,596,613	347,352	10,445,986	69.9010 %
9	Secured by mortgages on immovable property	1,348,320	103,711	1,330,954	51,856	509,437	36.8407 %
10	Exposures in default	597,526	975	594,215	771	619,467	104.1145 %
11	Higher-risk categories	2,618	115,263	2,618	115,263	176,822	150.0000 %
12	Covered bonds	54,586	-	54,586	-	5,459	10.0000 %
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	collective investments undertakings	647,487	1,074	647,487	1,074	1,141,853	176.0596 %
15	Equity	2,632,442	-	2,630,210	-	8,084,767	307.3810 %
16	Other items	2,026,357	-	2,026,357	-	1,705,541	84.1679 %
17	**Total as at 30 September 2022**	**48,208,348**	**6,443,272**	**45,752,653**	**1,288,856**	**29,944,244**	**63.6549 %**
	Total as at 30 June 2022	**48,037,763**	**7,506,088**	**46,016,270**	**1,796,307**	**30,788,013**	**64.3931 %**

3.2 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

3.2.1 Scope of application of IRB model

As part of the process of progressively extending the use of AIRB models in order to calculate the regulatory capital requirements for credit risk (the "Roll Out Plan"), the Group has been authorized to use internal models for reporting purposes for the Mediobanca and Mediobanca International corporate lending portfolios and for the CheBanca! Italian loan book.[4]

As at 30 September 2022, the following companies are using internal models:

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

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

- In September 2022, the new PD and LGD AIRB models for the Mediobanca Large Corporate portfolio came into force, authorized by the ECB following an application for the approval of material model changes. The authorization is subject to a limitation that has been set in the form of a floor to be applied to the LGD equal to the value of the LGD foundation, after certain deficiencies in the LGD model were identified. Adoption of the new models has entailed an increase of approx. €1.5bn in RWAs, due entirely to the LGD floor set, which should reduce with the launch of Basel IV in 2025. The Group is currently considering the possibility of submitting a new application for authorization for the revised LGD model addressing the deficiencies identified in the short term (i.e. before the end of the 2022-23 financial year);
- At end-September 2022, an Internal Model Investigation commenced for approval of a material change with impact on the LGD model for the CheBanca! Italian mortgage loan segment.

4 An Internal Model Investigation began in May 2022 for the internal models for Compass's consumer credit and credit card operations. The inspection process ended in early August, and the Group is waiting to receive the conclusive Draft Report. Based on the information currently available, the transition to the new AIRB models should take place during the 2022-23 financial year.

3.2.2 Corporate rating system structure

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

The model consists of:

— A quantitative module, which provides a score obtained on the basis of the individual borrower's balance-sheet data;

— A qualitative module which provides a score obtained on the basis of qualitative information resulting from structured and indepth analysis performed by the credit analysts.

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

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

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

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

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

Under the model adopted for the non-performing exposures, coverage is used as the Expected Loss Best Estimate and to quantify the Unexpected component based on the variability between the

coverage value recorded each month and the final LGD, taking into account the amount of time the position has been in default status (vintage positions).

3.2.3 Structure of the mortgage rating system

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

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

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

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

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

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

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

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

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

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

With reference to "Rating system uses" and "Control and review of the internal models", there have been no changes relative to the situation for FY 2021-22. Please refer to the "Introduction" of the "Basel III Pillar 3 Disclosure to the public" document as at 30 June 2022, published on the Bank's website at www.mediobanca.com for further details.

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

The table below shows the changes in RWAs calculated with application of the IRB in the three months ended 30 September 2022, plus a breakdown by the reasons for such changes.

There was a significant increase in RWAs, mainly attributable to the new AIRB LGD model coming into operation for the "Other companies" segment, for which a floor has been set equal to the LGD Foundation value, following the inspection carried out as part of the authorization process. The impact of introducing the LGD model with the limitation set has entailed an approx. €1.6bn increase in RWAs, while the impact of introducing the new PD model does not appear to be significant di (generating an approx. €75m saving). Overall, the introduction of the new models drove an increase in RWAs of approx. €1.5bn. There was also a slight increase in exposures for the "Other companies" segment; while there were no material changes for the "Mortgage loans" segment.

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (30 June 2022)**	**11,137,263**	**890,981**
2	Asset size	582,846	46,628
3	Asset quality	(180,186)	(14,415)
4	Model updates	1,555,884	124,471
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	60,406	4,832
8	Other	-	-
9	**Risk weighted exposure amount as at the end of the reporting period (30 September 2022)**	**13,156,213**	**1,052,497**

Section 4 – Market risk

Quantitative information

4.1 Market risk with management methodology

The aggregate value-at-risk on the trading book ranged from a low of €4.5m to a high of €9.5m, with an average reading of around €6.8m, higher than the average reading recorded in FY 2021-22 (€6.1m).

The point-in-time reading for VaR at 30 September 2022 was €5.8m, lower than the figure recorded at 30 June 2022 (€8.7m); the main risk factors were interest rate risk volatility, linked to option strategies with short-term USD and EUR interest rates as the underlying instrument, and equity risk, linked to positions in equity-linked certificates held by the Markets Division and the outright positions held in the aggregate proprietary account.

The expected shortfall showed an average reading for the three months of €8.8m.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed no departures from the VaR in the first three months of the new financial year.

Template EU MR1 - Market risk (standardised approach)

		09/30/2022	06/30/2022
		a	a
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	1,668,609	1,450,353
2	Equity risk (general and specific)	148,517	132,095
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus approach	399,801	772,504
7	Scenario approach	-	-
8	Securitisation (specific risk)	64,873	76,016
9	**Total**	**2,281,800**	**2,430,969**

The risk-weighted assets for market risk, calculated according to the standard methodology, show a reduction for the three months of approximately €150m, due to the gamma risk and vega risk for options, only in part offset by the increase in the specific interest rate risk due to hedging the DVA implicit in the certificates.

Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Milan, 28 November 2022

Head of
Company Financial Reporting

Emanuele Flappini