



MEDIOBANCA

Basel III pillar 3 Disclosure to the public

Situation as at 31 March 2022



MEDIOBANCA

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



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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, 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”.

Further guidance in the area of Pillar III has been provided by the European Banking Authority (EBA) in several documents:

- Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No (EU) 575/2013);
- Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013) - EBA GL/2016/11), to improve and enhance the consistency and comparability of institutions' disclosures to be provided as part of Pillar III starting from 31 December 2017. These guidelines apply to institutions classifiable as G-SII (Globally Systemically Important Institutions) or O-SII (Other Systemically Important Institutions); the regulatory authority has not required them to be applied in full for other significant institutions (SI); however, this structure voluntarily conforms to part 8 of the CRR;
- EBA Guidelines (EBA/GL/2017/01) on LCR disclosure to complement the disclosure of Guidelines on uniform information pursuant to Article 435 of Regulation (EU) no 575/2013;
- EBA Guidelines (EBA/GL/2018/01) on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds;
- EBA Guidelines (EBA/GL/2018/10) on disclosure of non-performing and forborne exposures, applied for the first time at 31 December 2019;
- EBA Guidelines (EBA/GL/2020/07) on Covid-19 measures, reporting and disclosure following the outbreak of the Covid-19 pandemic, applied for the first time at 30/6/20. The objective of the Guidelines is to ensure an appropriate understanding of institutions' risk profiles. The three templates instituted in these Guidelines have therefore been added to the Group's Disclosure to the Public in the section on “Credit Risk: credit quality”.



With the publication of Regulation (EU) No. 876/2019 (CRR II), the EBA has introduced a series of significant changes to the regulatory framework, applicable from 28 June 2021. These changes, regarding part VIII of the CRR, have the objective of harmonizing the regular disclosure to be provided to the market. To this end, instructions have been provided to market operators in Commission Implementing Regulation (EU) 2021/637 regarding the mapping between the information to be published starting from the reference date of 30 June 2021 and the information contained in the supervisory reporting.

According to the provisions of CRR II, banks are to publish the required information at least annually; the entities themselves are responsible for assessing whether or not the information requested needs to be published more often. The guidelines set out a minimum content consistent with the significance of the reporting entity, with reference in particular to the capital ratios, composition and adequacy of capital, leverage ratio, exposure to risks and the general characteristics of the systems adopted to identify, measure and manage the risks.

The prudential regulation continues to be structured according to three “pillars”:

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

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 the document are consistent with the “Annual Statement on Corporate Governance and Ownership Structure”,¹ and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

¹ The “Annual Statement on Corporate Governance and Ownership Structure” is available on the Bank’s website at www.mediobanca.com.



Figures are in €'000, unless otherwise specified.

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

References to EBA requirements**(Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12)**

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		Pillar III as at 31/3/22
Tables	Type of disclosure	Section (qualitative/quantitative disclosure)
EU KM1 IFRS9-FL EU OV1	Quantitative Qualitative/quantitative Quantitative	Section 1 - Capital adequacy
EU LIQ1 EU LIQB*	Qualitative/quantitative	Section 2 – Liquidity risk
EU CR4 EU CR8	Qualitative/quantitative	Section 3 – Credit risk
EU MR1	Qualitative	Section 4 - Market risk

Section 1 – Capital adequacy

Qualitative information

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

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity 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 Accounting and financial reporting unit 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 just 478 bps, in line with other EU banks and one of the lowest of all Italian banks.

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

	a	b
	03/31/2022	12/31/2021
Available own funds (amounts)		
1 Common Equity Tier 1 (CET1) capital	7,525,655	7,352,372
2 Tier 1 capital	7,525,655	7,352,372
3 Total capital	8,569,605	8,457,911
Risk-weighted exposure (amounts)		
4 Total risk-weighted exposure amount	49,624,684	47,842,189
Capital ratios (as a percentage of risk-weighted exposure amount)		
5 Common Equity Tier 1 ratio (%)	15.1651 %	15.3680 %
6 Tier 1 ratio (%)	15.1651 %	15.3680 %
7 Total capital ratio (%)	17.2688 %	17.6788 %
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 %
EU 7b of which: to be made up of CET1 capital (percentage points)	0.8888 %	0.7031 %
EU 7c of which: to be made up of Tier 1 capital (percentage points)	1.1850 %	0.9375 %
EU 7d Total SREP own funds requirements (%)	9.5800 %	9.2500 %
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 (%)	0.0091 %	0.0094 %
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 %
EU 11a Overall capital requirements (%)	12.0891 %	11.7594 %
12 CET1 available after meeting the total SREP own funds requirements (%)	7.2673%	7.6554 %
Leverage ratio		
13 Leverage ratio total exposure measure	89,759,946	89,138,495
14 Leverage ratio	8.3842 %	8.2483 %
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)	7,220,701	7,630,084
EU 16a Cash outflows - Total weighted value	8,198,835	8,067,987
EU 16b Cash inflows - Total weighted value	3,471,268	3,104,536
16 Total net cash outflows (adjusted value)	4,727,567	4,963,451
17 Liquidity coverage ratio (%)	153.1799%	154.0314%
Net Stable Funding Ratio		
18 Total available stable funding	62,705,795	61,997,597
19 Total required stable funding	56,454,021	56,529,805
20 NSFR ratio (%)	111.0741%	109.6724%

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

	c	d	e
	09/30/2021	06/30/2021	03/31/2021
Available own funds (amounts)			
1 Common Equity Tier 1 (CET1) capital	7,507,232	7,689,399	7,670,192
2 Tier 1 capital	7,507,232	7,689,399	7,670,192
3 Total capital	8,674,905	8,919,178	8,967,934
Risk-weighted exposure (amounts)			
4 Total risk-weighted exposure amount	47,148,454	47,159,255	47,610,717
Capital ratios (as a percentage of risk-weighted exposure amount)			
5 Common Equity Tier 1 ratio (%)	15.9225 %	16.3052 %	16.1102 %
6 Tier 1 ratio (%)	15.9225 %	16.3052 %	16.1102 %
7 Total capital ratio (%)	18.3991 %	18.9129 %	18.8360 %
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 (%)	1.2500 %	1.2500 %	1.2500 %
EU 7b of which: to be made up of CET1 capital (percentage points)	0.7031 %	0.7031 %	0.9375 %
EU 7c of which: to be made up of Tier 1 capital (percentage points)	0.9375 %	0.9375 %	0.9375 %
EU 7d Total SREP own funds requirements (%)	9.2500 %	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 (%)	0.0100 %	0.0104 %	0.0148 %
EU 9a Systemic risk buffer (%)	-	-	-
10 Global Systemically Important Institution buffer (%)	-	-	-
EU 10a Other Systemically Important Institution buffer	-	-	-
11 Combined buffer requirement (%)	2.5100 %	2.5104 %	2.5148 %
EU 11a Overall capital requirements (%)	11.7600 %	11.7604 %	11.7648 %
12 CET1 available after meeting the total SREP own funds requirements (%)	8.2095 %	8.5917 %	-
Leverage ratio			
13 Leverage ratio total exposure measure	87,829,183	84,821,871	85,438,406
14 Leverage ratio	8.5475 %	9.0654 %	8.9775 %
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)	7,789,733	7,947,418	7,874,861
EU 16a Cash outflows - Total weighted value	7,802,478	7,622,987	7,424,823
EU 16b Cash inflows - Total weighted value	2,807,188	2,609,975	2,466,104
16 Total net cash outflows (adjusted value)	4,995,290	5,013,012	4,958,719
17 Liquidity coverage ratio (%)	156.0654%	158.6875%	158.8105%
Net Stable Funding Ratio			
18 Total available stable funding	62,404,959	61,490,296	n.a.
19 Total required stable funding	53,942,377	52,893,174	n.a.
20 NSFR ratio (%)	115.6882%	116.2537%	n.a.

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)

	03/31/2022	12/31/2021	09/30/2021	06/30/2021	03/31/2021
Available capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	7,525,655	7,352,372	7,507,232	7,689,399	7,670,192
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,472,048	7,298,272	7,453,131	7,613,541	7,594,284
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	7,525,655	7,352,372	7,507,232	7,689,399	7,670,192
3 Tier 1 capital	7,525,655	7,352,372	7,507,232	7,689,399	7,670,192
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,472,048	7,298,272	7,453,131	7,613,541	7,594,284
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	7,525,655	7,352,372	7,507,232	7,689,399	7,670,192
5 Total capital	8,569,605	8,457,911	8,674,905	8,919,178	8,967,934
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,515,997	8,403,810	8,620,804	8,843,320	8,892,027
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	8,569,605	8,457,911	8,674,905	8,919,178	8,967,934
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	49,624,684	47,842,189	47,148,454	47,159,255	47,610,717
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	49,575,098	47,790,779	47,097,040	47,086,846	47,538,123
Capital ratios					
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	15.1651 %	15.3680 %	15.9225 %	16.3052 %	16.1102 %
10 Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.0722 %	15.2713 %	15.8251 %	16.1691 %	15.9751 %

*The figures as at 30 September and 31 March have been calculated excluding the profit generated for the respective periods.

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)

		03/31/2022	12/31/2021	09/30/2021	06/30/2021	03/31/2021
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	15.1651 %	15.3680 %	15.9225 %	16.3052 %	16.1102 %
11	Tier 1 (as a percentage of risk exposure amount)	15.1651 %	15.3680 %	15.9225 %	16.3052 %	16.1102 %
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.0722 %	15.2713 %	15.8251 %	16.1691 %	15.9751 %
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.1651 %	15.3680 %	15.9225 %	16.3052 %	16.1102 %
13	Total capital (as a percentage of risk exposure amount)	17.2688 %	17.6788 %	18.3991 %	18.9129 %	18.8360 %
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.1780 %	17.5846 %	18.3043 %	18.7809 %	18.7050 %
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.2688 %	17.6788 %	18.3991 %	18.9129 %	18.8360 %
Leverage ratio						
15	Leverage ratio total exposure measure	89,759,946	89,138,495	87,829,183	84,821,871	85,438,406
16	Leverage ratio	8.3842 %	8.2483 %	8.5475 %	9.0654 %	8.9775 %
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.3245 %	8.1876 %	8.4860 %	8.9759 %	8.8886 %
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	8.3842 %	8.2483 %	8.5475 %	9.0654 %	8.9775 %

As at 31 March 2022, the Common Equity Ratio, calculated as Common equity tier 1 capital as a percentage of total risk-weighted assets, amounted to 15.17% (calculated without including the net profit generated during the quarter net of the 70% payout ratio); the reduction compared to the ratio as at 31 December 2021 (15.37%) is attributable to the higher deductions for the Assicurazioni Generali investment (which accounted for 15 bps) and organic growth (10 bps).



The total capital ratio decreased from 17.68% to 17.27%, due to the prudential amortization of the tier 2 instruments.

The ratios, fully-loaded and without application of the Danish Compromise (also calculated without including the net profit generated during the quarter net of the 70% payout ratio), , i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €1,360.0m, including indirect effects), and with full application of the IFRS 9 effect (which accounted for €53.6m), came in at 13.9% (CET1 ratio) and 16.2% (total capital ratio) respectively.

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

		RWA		Capital requirements
		a	b	c
		03/31/2022	12/31/2021	03/31/2022
1	Credit risk (excluding CCR)	40,843,433	39,213,918	3,267,475
2	of which the standardised approach	29,676,256	28,397,035	2,374,100
3	of which the foundation IRB (FIRB) approach	-	-	-
4	of which: slotting approach	-	-	-
EU 4a	of which: equities under the simple riskweighted approach	-	-	-
5	of which the advanced IRB (AIRB) approach	11,167,177	10,816,883	895,723
6	Counterparty credit risk - CCR	1,909,703	1,871,853	152,776
7	of which the standardised approach	694,634	723,915	55,571
8	of which internal model method (IMM)	-	-	-
EU 8a	of which exposures to a CCP	15,781	7,479	1,263
EU 8b	of which credit valuation adjustment - CVA	298,536	258,426	23,883
9	of which other CCR	900,751	882,033	72,060
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	264,600	283,079	21,168
17	of which SEC-IRBA approach	-	-	-
18	of which SEC-ERBA (including IAA)	33,216	24,033	2,657
19	of which SEC-SA approach	231,385	259,046	18,511
EU 19a	of which 1250%/ deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	2,483,992	2,350,382	198,719
21	of which the standardised approach	2,483,992	2,350,382	198,719
22	of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	4,122,956	4,122,956	329,836
EU 23a	of which basic indicator approach	4,122,956	4,122,956	329,836
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)	1,335,773	2,750,395	106,862
29	Total	49,624,684	47,842,189	3,969,975

Section 2 – Liquidity risk

The LCR reading at 31 March 2022 was 155%. The ratio reflected an average reading for the three months of around 152%, slightly higher than the six-monthly average reading recorded at end-December 2021 (151%). The numerical evidence is in line with the target reading set by management for the new year. In a scenario of high liquidity levels, Group Treasury governed highly liquid assets by seeking to combine commercial strategies with the need to have a risk mitigation instrument available which is adequate in both quantitative and qualitative terms. In order to strengthen its liquidity position and carry on its own funding strategies, the Group has been quick to leverage the positive market conditions that have arisen, successfully completing a series of bond issues. Furthermore, during the period under review funding opportunities have been taken by exploiting all channels available (in addition to bonds, also short- and medium-/long-term securities, interbank loans, and corporate and Wealth Management deposits). All these initiatives have helped to improve the Group's funding and liquidity positions.

The trend in HQLAs is impacted by the amount of Level 1 assets (Article 10 of Commission Delegated Regulation (EU) No. 2015/61), which are used by Group Treasury as its principal risk control and mitigation instrument. For the same reason, for both inflows and outflows, the cash movements linked to secured operations always have a significant and variable impact over time. Furthermore, the main items impacting the outflows are the retail and wholesale deposits, and the potential cash outflows linked to the irrevocable credit lines.

Among the inflows, the most influential components are the amounts collected from corporate and financial clients.

The table below 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 (Regulation (EU) No. 2021/637).

Template EU LIQ1 : Quantitative information for LCR (1/2)

Data in millions of euros		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	03/31/2022	12/31/2021	09/30/2021	06/30/2021
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:	20,132	19,780	19,451	18,966
3	Stable deposits	12,335	12,213	12,047	11,824
4	Less stable deposits	7,767	7,538	7,372	7,107
5	Unsecured wholesale funding	6,212	5,853	5,465	5,394
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	5,938	5,614	5,160	5,050
8	Unsecured debt	273	240	305	344
9	Secured wholesale funding				
10	Additional requirements	8,715	8,375	8,037	7,604
11	Outflows related to derivative exposures and other collateral requirements	354	363	378	397
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	8,361	8,011	7,659	7,207
14	Other contractual funding	2,293	2,467	2,389	1,983
15	Other contingent funding obligations	4,204	4,011	3,747	3,486
16	TOTAL CASH OUTFLOWS				
CASH – INFLOWS					
17	Secured lending (e.g. reverse repos)	3,522	3,523	3,309	2,928
18	Inflows from fully performing exposures	1,830	1,714	1,634	1,586
19	Other cash inflows	1,777	1,618	1,525	1,392
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	7,129	6,855	6,468	5,906
EU-20a	Fully exempt inflows	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—
EU-20c	Inflows subject to 75% cap	7,078	6,836	6,449	5,887
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

Template EU LIQ1 : Quantitative information for LCR (2/2)

Data in millions of euros		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	03/31/2022	12/31/2021	09/30/2021	06/30/2021
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)	7,221	7,630	7,790	7,947
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	1,623	1,588	1,554	1,504
3	Stable deposits	617	611	602	591
4	Less stable deposits	1,007	977	952	913
5	Unsecured wholesale funding	3,368	3,228	3,083	3,112
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	3,095	2,988	2,778	2,768
8	Unsecured debt	273	240	305	344
9	Secured wholesale funding	562	557	506	476
10	Additional requirements	1,856	1,904	1,917	1,884
11	Outflows related to derivative exposures and other collateral requirements	287	291	302	314
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	1,569	1,613	1,615	1,570
14	Other contractual funding	470	454	385	272
15	Other contingent funding obligations	319	337	358	375
16	TOTAL CASH OUTFLOWS	8,199	8,068	7,802	7,623
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	1,197	1,055	883	807
18	Inflows from fully performing exposures	1,342	1,244	1,194	1,185
19	Other cash inflows	933	805	730	617
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	3,471	3,105	2,807	2,610
EU-20a	Fully exempt inflows	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—
EU-20c	Inflows subject to 75% cap	3,471	3,105	2,807	2,610
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	7,221	7,630	7,790	7,947
22	TOTAL NET CASH OUTFLOWS	4,728	4,963	4,995	5,013
23	LIQUIDITY COVERAGE RATIO (%)	153.1799%	154.0314%	156.0654%	158.6875%

Other information on liquidity risk

Misalignment of currencies in calculating the Liquidity Coverage Ratio

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 31 March 2022, the Mediobanca Group had two such "significant" currencies at consolidated level, namely the Euro (EUR) and the US Dollar (USD). Monitoring of possible currency misalignments between liquid assets and net cash outflows shows that the Group is easily capable of managing any such imbalances, partly through holding HQLA in USD, and in part as a result of its ability to tap the FX market easily in order to transform excess liquidity in EURO into USD.

Exposures in derivatives and potential requests for collateral

The Mediobanca Group executes derivative contracts (both with central counterparties and OTC) sensitive to different risk factors. Changes in market conditions, influencing potential future exposures to such derivative contracts, could introduce commitments in terms of liquidity which would require collateral to be paid in cash or other financial instruments in the event of adverse market movements occurring. The Historical Look Back Approach is adopted in order to quantify any increases in the collateral required. The amounts thus determined are included in the additional outflows for the LCR indicator, and so also in the minimum Liquidity Buffer. The risk of incurring such outflows is thus mitigated by holding highly liquid assets to cover them.

Concentration of liquidity and funding sources

The adequacy of the structure and cost of funding is assured through ongoing diversification. Monitoring is carried out through preparing reports on lending concentration by product and counterparty. 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.

Description of liquidity reserves

Liquidity reserves are the most effective mitigation instrument against the negative effects of liquidity risk, which is precisely why the Group monitors its available liquidity reserves on an ongoing basis.



As at 31 March 2022, the counterbalancing capacity totalled €10.5bn, and was made up as follows: €1.6bn in level 1 tradable assets, €4.5bn in central bank reserves and bank notes, €3.3bn in ECB eligible receivables, and €1.2bn in non-HQLA assets. The figure is higher than at end-December 2021 (€9.2bn). The abundant liquidity which the Group has enjoyed in the three months was generated primarily from the repayment of credit commitments towards the end of 2021. The amount of securities eligible for refinancing with the ECB in order to obtain immediate liquidity amounts to €6bn. The balance of collateral held with the ECB is €12.8bn, approx. €4.4bn of which is immediately available as cash but not used, hence is included in the counterbalancing capacity (as at end-December 2021 the figures were €12.7bn and €4.2bn respectively). The contribution from non-marketable assets to the CBC has increased, with more guarantees being deposited in the form of eligible credit claims.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
	03/31/2022	12/31/2021
Currency and units (million Euro)		
TOTAL GROUP LIQUIDITY RESERVES	10,542	9,165
Total high-quality liquid assets (HQLA)	6,063	4,794
Cash and deposits held with central banks (HQLA)	4,511	3,275
Highly liquid securities (HQLA)	1,551	1,519
<i>of which:</i>		
Level 1	1,551	1,511
Level 2	-	8
Other eligible reserves	4,479	4,371

Other items of relevance for liquidity risk not included in EU LIQ1

The Group monitors intraday liquidity risk carefully using the monitoring instruments introduced by the Basel Committee on Banking Supervision (BCBS).

As an intraday liquidity risk mitigation instrument, Group Treasury must maintain a minimum quantity of highly liquid reserves to meet any unexpected payments that may arise in the course of the day.

Section 3 – Credit risk

3.1 ECAIs

Qualitative information

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

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	10,164,896	-	10,657,935	10,753	18,024	0.1689 %
2 Regional governments or local authorities	360	-	360	-	72	19.9998 %
3 Public sector entities	96,704	9	96,704	2	68,229	70.5532 %
4 Multilateral development banks	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	2,462,944	2,197,255	1,836,573	297,083	825,283	38.6793 %
7 Corporates	8,360,088	2,230,267	6,071,604	727,249	6,264,078	92.1343 %
8 Retail	14,618,024	2,381,075	14,211,135	338,882	10,153,592	69.7841 %
9 Secured by mortgages on immovable property	1,239,573	55,521	1,223,788	27,277	464,278	37.1106 %
10 Exposures in default	686,661	2,154	672,823	1,073	897,611	133.1973 %
11 Higher-risk categories	2,758	108,610	2,758	108,610	167,052	150.0000 %
12 Covered bonds	77,125	-	77,125	-	7,713	10.0000 %
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 collective investments undertakings	695,135	1,173	695,135	1,173	1,214,380	174.4027 %
15 Equity	2,602,899	-	2,594,232	-	7,913,288	305.0340 %
16 Other items	1,787,697	-	1,787,697	-	1,682,657	94.1243 %
17 Total as at 03/31/2022	42,794,863	6,976,064	39,927,869	1,512,101	29,676,256	71.6126 %
Total as at 06/30/2021	39,886,847	7,037,135	37,306,491	1,523,134	28,013,632	72.1450 %

3.2 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

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

The table below shows the change in RWAs calculated with application of the IRB in the three months from end-December 2021 to end-March 2022, with details of the reasons for such change.

In the three months there was a slight increase in RWAs, principally due to an increase in the exposure for the “Other companies” segment, as a result of new positions being included. The mortgages segment showed an improvement in terms of credit quality, while the exposure was slightly higher.

There were no material changes due to the exchange rate effect.

	a	b
	RWA	Capital requirements
1 Risk weighted exposure amount as at the end of the previous reporting period (12/31/2021)	10,816,883	865,351
2 Asset size	329,793	26,383
3 Asset quality	2,533	203
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	18,177	1,454
8 Other	-	-
9 Risk weighted exposure amount as at the end of the reporting period (03/31/2022)	11,167,386	893,391

Section 4 – Market risk

Quantitative information

4.1 Market risk with managerial methodology

The aggregate value-at-risk on the trading book in the three months ranged from a low of €3.7m to a high of €10.5m, with an average reading of approx. €5.6m, lower than the average reading recorded in 2Q FY 2021-22 (€6.3m). Nonetheless, a sharp rise was recorded in the risk metrics in the last part of the quarter, due to the higher volatility levels on markets as a result of the Russia-Ukraine conflict.

The point-in-time VaR reading at 31 March 2022 was €7.9m, higher than the figure recorded at end-December 2021 (€5m); the highest risk factors are short-term USD interest rates linked to positions in Eurodollar futures, Italian government security rates, and also equity risk, the latter in connection with positions held in equity-linked certificates.

The expected shortfall shows an average figure of €7.5m for the three months, lower than the figure recorded for 2Q FY 2021-22 (€8.6m), consistent with the VaR data.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) show three departures from VaR in the three months, due to the high volatility levels reported on the stock market and on the government securities and interbank markets during the month of March 2022.

Template EU MR1 - Market risk (standardized approach)

	03/31/2022	12/31/2021
	a	a
	RWEAs	RWEAs
Outright products		
1 Interest rate risk (general and specific)	1,377,037	1,343,439
2 Equity risk (general and specific)	110,193	347,918
3 Foreign exchange risk	-	-
4 Commodity risk	-	-
Options		
5 Simplified approach	-	-
6 Delta-plus approach	924,366	589,900
7 Scenario approach	-	-
8 Securitisation (specific risk)	72,397	69,125
9 Total	2,483,992	2,350,382



The risk-weighted assets for market risk, calculated according to the standard methodology, reflect an increase for the three months of approx. €180m.

It should be noted that during the last financial year, the new duration-based methodology was adopted for generic interest rate risk, which allows the exposure to interest rate risk to be picked up more accurately.

In the three months under review, the related capital absorption increased by approx. €60m in RWAs, due to the portfolio's increased exposure to interest rate sensitivity.

The other main changes during the three months under review were as follows:

- An increase of €80m in the credit risk for debt instruments due to DVA risk management optimization in relation to the issue of certificates classified as part of the trading book;
- An increase of approx. €40m in the RWAs for the delta exposure to equity risk.

The capital absorption for positions in funds and for the gamma and vega risk in options remained stable, while the limited position in exchange rate risk remained below the regulatory threshold permitted and so does not trigger any capital requirement.



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, 18 May 2022

Head of
Company Financial Reporting

Emanuele Flappini