Basel III pillar 3
Disclosure to the public

Situation as at 30 September 2021

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.

Contents

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 – (EBA GL/2016/11);
- 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;
- "Guidelines on the information relating to the liquidity coverage ratio, to supplement the information on the management of liquidity risk pursuant to Article 435 of Regulation (EU) no. 575/2013" (EBA/GL/2017/01 – Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013);
- Guidelines on uniform information pursuant to Article 473-bis of Regulation (EU) no 575/2013 regarding transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds" (EBA/GL/2018/01 – Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds);
- 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 June 2020. 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 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 this 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.

Figures are in €'000, unless otherwise specified.

[1] The document "Annual Statement on Corporate Governance and Ownership Structure" is available at www.mediobanca.com

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) No. 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		**Pillar III as at 30/09/21**
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	Qualitative/quantitative
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 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 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 182 bps, one of the lowest levels among EU banks.

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

		a	b
		30/9/2021	30/6/2021
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,507,232	7,689,399
2	Tier 1 capital	7,507,232	7,689,399
3	Total capital	8,674,905	8,919,178
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	47,148,454	47,159,255
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.9225%	16.3052%
6	Tier 1 ratio (%)	15.9225%	16.3052%
7	Total capital ratio (%)	18.3991%	18.9129%
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%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.7031%	0.7031%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.9375%	0.9375%
EU 7d	Total SREP own funds requirements (%)	9.2500%	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 (%)	0.0100%	0.0104%
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%
EU 11a	Overall capital requirements (%)	11.7600%	11.7604%
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
14	Leverage ratio	8.5475%	9.0654%
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
EU 16a	Cash outflows - Total weighted value	7,802,478	7,622,987
EU 16b	Cash inflows - Total weighted value	2,807,188	2,609,975
16	Total net cash outflows (adjusted value)	4,995,290	5,013,012
17	Liquidity coverage ratio (%)	156.0654%	158.6875%
Net Stable Funding Ratio			
18	Total available stable funding	62,404,959	61,490,296
19	Total required stable funding	53,942,377	52,893,174
20	NSFR ratio (%)	115.6882%	116.2537%

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

		c	d	e
		31/3/2021	31/12/2020	30/9/2020
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,670,192	7,872,306	7,630,821
2	Tier 1 capital	7,670,192	7,872,306	7,630,821
3	Total capital	8,967,934	9,240,813	8,843,794
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	47,610,717	48,693,936	47,519,031
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	16.1102%	16.1669%	16.0585%
6	Tier 1 ratio (%)	16.1102%	16.1669%	16.0585%
7	Total capital ratio (%)	18.8360%	18.9773%	18.6111%
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)	0.9375%	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 (%)	0.0148%	0.0070%	0.0069%
EU 9a	Systemic risk buffer (%)	—	—	—
10	Global Systemically Important Institution buffer (%)	—	—	—
EU 10a	Other Systemically Important Institution buffer	—	—	—
11	Combined buffer requirement (%)	2.5148%	2.5070%	2.5069%
EU 11a	Overall capital requirements (%)	11.7648%	11.7570%	11.7572%
12	CET1 available after meeting the total SREP own funds requirements (%)	n.a	n.a	n.a
Leverage ratio				
13	Leverage ratio total exposure measure	85,438,406	83,580,264	83,179,286
14	Leverage ratio	8.9775%	9.4189%	9.1739%
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 (%)	n.a	n.a	n.a
EU 14b	of which: to be made up of CET1 capital (percentage points)	n.a	n.a	n.a
EU 14c	Total SREP leverage ratio requirements (%)	n.a	n.a	n.a
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	n.a	n.a	n.a
EU 14e	Overall leverage ratio requirement (%)	n.a	n.a	n.a
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,874,861	7,169,410	6,576,358
EU 16a	Cash outflows - Total weighted value	7,424,823	7,462,606	7,701,857
EU 16b	Cash inflows - Total weighted value	2,466,104	2,937,923	3,577,851
16	Total net cash outflows (adjusted value)	4,958,719	4,524,682	4,124,007
17	Liquidity coverage ratio (%)	158.8105%	158.6595%	160.2874%
Net Stable Funding Ratio				
18	Total available stable funding	n.a	n.a	n.a
19	Total required stable funding	n.a	n.a	n.a
20	NSFR ratio (%)	n.a	n.a	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)

		30/9/2021	30/6/2021	31/3/2021	31/12/2020	30/9/2020
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,507,232	7,689,399	7,670,192	7,872,306	7,630,821
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,453,131	7,613,541	7,594,284	7,796,308	7,554,803
2a	CET1 capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	7,507,232	7,689,399	7,670,192	7,872,306	7,630,821
3	Tier 1 capital	7,507,232	7,689,399	7,670,192	7,872,306	7,630,821
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,453,131	7,613,541	7,594,284	7,796,308	7,554,803
4a	Tier 1 capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,507,232	7,689,399	7,670,192	7,872,306	7,630,821
5	Total capital	8,674,905	8,919,178	8,967,934	9,240,813	8,843,794
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,620,804	8,843,320	8,892,027	9,164,815	8,767,776
6a	Total capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,674,905	8,919,178	8,967,934	9,240,813	8,843,794
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	47,148,454	47,159,255	47,610,717	48,693,936	47,519,031
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,097,040	47,086,846	47,538,123	48,621,009	47,446,030
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.9225%	16.3052%	16.1102%	16.1669%	16.0585%
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	15.8251%	16.1691%	15.9751%	16.0349%	15.9229%

***** 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)

		30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
	Capital ratios					
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.9225%	16.3052%	16.1102%	16.1669%	16.0585%
11	Tier 1 (as a percentage of risk exposure amount)	15.9225%	16.3052%	16.1102%	16.1669%	16.0585%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.8251%	16.1691%	15.9751%	16.0349%	15.9229%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.9225%	16.3052%	16.1102%	16.1669%	16.0585%
13	Total capital (as a percentage of risk exposure amount)	18.3991%	18.9129%	18.8360%	18.9773%	18.6111%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.3043%	18.7809%	18.7050%	18.8495%	18.4795%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.3991%	18.9129%	18.8360%	18.9773%	18.6111%
	Leverage ratio					
15	Leverage ratio total exposure measure	87,829,183	84,821,871	85,438,406	83,580,264	83,179,286
16	Leverage ratio	8.5475%	9.0654%	8.9775%	9.4189%	9.1739%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.4860%	8.9759%	8.8886%	9.3279%	9.0826%
17a	Leverage ratio as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8.5475%	9.0654%	8.9775%	9.4189%	9.1739%

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

As at 30 September 2021 the Common Equity Ratio – CET1 as a percentage of total risk-weighted assets – amounted to 15.92% (calculated without including the profit earned during the period net of the 70% payout ratio); the reduction compared to balance-sheet date (16.31%) is due to the higher deductions for the Assicurazioni Generali investment (which accounted for 20 bps), organic growth (which accounted for 12 bps), and the closing of the Bybrook acquisition (10 bps).

The Total Capital Ratio declined from 18.9% to 18.4%, 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 €1,072.4m, including the indirect effects) with full application of the IFRS 9 effect (accounting for €54.1m), were 14.7% (CET1 ratio) and 17.4% (total capital ratio) respectively.

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

		RWA		Capital requirements
		a	b	c
		30/9/2021	30/6/2021	30/9/2021
1	Credit risk (excluding CCR)	38,523,910	38,781,074	3,081,913
2	of which the standardized approach	27,624,315	28,013,634	2,209,945
3	of which the foundation IRB (FIRB) approach	—	—	—
4	of which: slotting approach	—	—	—
EU 4a	of which: equities under the simple risk-weighted approach	—	—	—
5	of which the advanced IRB (AIRB) approach	10,899,595	10,767,439	871,968
6	Counterparty credit risk - CCR	2,146,858	2,070,838	171,749
7	of which the standardized approach	385,686	360,067	30,855
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	3,174	4,759	254
EU 8b	of which credit valuation adjustment - CVA	245,852	236,733	19,668
9	of which other CCR	1,512,146	1,469,279	120,972
15	Settlement risk	—	—	—
16	Securitization exposures in the non-trading book (after the cap)	103,550	113,153	8,284
17	of which SEC-IRBA approach	—	—	—
18	of which SEC-ERBA (including IAA)	26,319	27,376	2,106
19	of which SEC-SA approach	77,231	85,777	6,178
EU 19a	of which 1250%/ deduction	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,251,180	2,071,236	180,094
21	of which the standardized approach	2,251,180	2,071,236	180,094
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 standardized approach	—	—	—
EU 23c	of which advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2,667,601	2,693,017	213,408
29	**Total**	**47,148,454**	**47,159,255**	**3,771,876**

Section 2 – Liquidity risk

Quantitative information

As at 30 September 2021, eligible reserves held at the European Central Bank totalled €11.3bn, virtually unchanged since end-June 2021, €7.7bn of which in securities exchangeable for cash by the ECB (€9bn); the balance of the collateral established at the European Central Bank amounted to approx. €12bn (€11.6bn), approx. €4.2bn (€4.1bn) of which available in cash but not used. In the three months, the total amount of the counterbalancing capacity has remained largely unchanged. However, there is a difference in the CBC's composition resulting from the drawdown of the T-LTRO facility made at end-September. The funds drawn have been deposited with the European Central Bank ahead of the expected outflows.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	30/6/21	30/9/21
TOTAL GROUP LIQUIDITY RESERVES	**11,246**	**11,296**
Total high-quality liquid assets (HQLA)	**6,767**	**7,436**
Cash and deposits held with central banks (HQLA)	2,247	3,567
Highly liquid securities (HQLA)	4,520	3,869
of which:		
Level 1	*4,515*	*3,867*
Level 2	*5*	*2*
Other eligible reserves	**4,479**	**3,861**

As at 30 September 2021, the LCR was 152%, while the NSFR was 116%. In both cases the regulatory minimum is 100%.

The LCR has shown an average value of approx. 156% in the last twelve months, varying up to 5% above or below this level. The annual average result is in line with the target internal value and risk appetite expressed by the governing bodies. This stability has been achieved through careful management by Group Treasury. 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), which, as described in the previous section, 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. The stress scenarios 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 too a consequence of the Group's business model.

The table that follows 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	30/9/2021	30/6/2021	31/3/2021	31/12/2020
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:	19,451	18,966	18,562	18,036
3	*Stable deposits*	*12,047*	*11,824*	*11,598*	*11,339*
4	*Less stable deposits*	*7,372*	*7,107*	*6,932*	*6,670*
5	Unsecured wholesale funding	5,465	5,394	5,225	5,175
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*5,160*	*5,050*	*4,869*	*4,737*
8	Unsecured debt	*305*	*344*	*357*	*438*
9	Secured wholesale funding				
10	Additional requirements	8,037	7,604	7,089	6,834
11	Outflows related to derivative exposures and other collateral requirements	*378*	*397*	*404*	*414*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*7,659*	*7,207*	*6,685*	*6,420*
14	Other contractual funding	2,389	1,983	1,772	1,759
15	Other contingent funding obligations	3,747	3,486	3,205	2,972
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	3,309	2,928	2,720	2,842
18	Inflows from fully performing exposures	1,634	1,586	1,563	1,543
19	Other cash inflows	1,525	1,392	1,359	1,715
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 Specialized credit institution)				
20	**TOTAL CASH INFLOWS**	**6,468**	**5,906**	**5,642**	**6,100**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*6,449*	*5,887*	*5,562*	*6,019*
	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	30/9/2021	30/6/2021	31/3/2021	31/12/2020
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)**	**7,790**	**7,947**	**7,875**	**7,169**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,554	1,504	1,468	1,420
3	*Stable deposits*	*602*	*591*	*580*	*567*
4	*Less stable deposits*	*952*	*913*	*888*	*853*
5	Unsecured wholesale funding	3,083	3,112	3,057	3,100
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*2,778*	*2,768*	*2,700*	*2,662*
8	Unsecured debt	*305*	*344*	*357*	*438*
9	Secured wholesale funding	*506*	*476*	*455*	*546*
10	Additional requirements	1,917	1,884	1,775	1,703
11	Outflows related to derivative exposures and other collateral requirements	*302*	*314*	*320*	*327*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*1,615*	*1,570*	*1,455*	*1,376*
14	Other contractual funding	385	272	337	393
15	Other contingent funding obligations	358	375	332	301
16	**TOTAL CASH OUTFLOWS**	**7,802**	**7,623**	**7,425**	**7,463**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	883	807	676	789
18	Inflows from fully performing exposures	1,194	1,185	1,178	1,158
19	Other cash inflows	730	617	612	992
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 Specialized credit institution)	—	—	—	—
20	**TOTAL CASH INFLOWS**	**2,807**	**2,610**	**2,466**	**2,938**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*2,807*	*2,610*	*2,466*	*2,938*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	7,790	7,947	7,875	7,169
22	TOTAL NET CASH OUTFLOWS	4,995	5,013	4,959	4,525
23	LIQUIDITY COVERAGE RATIO (%)	156.0654%	158.6875%	158.8105%	158.6595%

Other information on liquidity indicators

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 30 September 2021, 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 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. 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.

The Group uses various metrics to identify and calculate the liquidity reserves:

- LCR Liquidity Buffer: this is the reserve for the Liquidity Coverage Ratio, calculated as the sum of the market value/nominal value of the Bank's High Quality Liquid Assets (HQLA).
- ECB eligible assets: these are assets accepted by the ECB in market refinancing operations.
- Other liquid assets: assets which the Group identifies as liquid and available to cover net outflows in the short/medium term, both in the normal course of business and in stress situations.

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 effects

	Exposures class	Exposures before CCF and CRM		Exposures post 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	a	b
1	Central governments or central banks	9,352,112	-	9,915,227	10,568	24,038	0.2422%
2	Regional governments or local authorities	1,886	-	1,886	-	377	19.9999%
3	Public sector entities	155,108	-	155,108	-	40,205	25.9204%
4	Multilateral development banks	-	-	-	-	-	0,0000%
5	International organizations	-	-	-	-	-	0,0000%
6	Institutions	2,589,061	2,493,565	1,999,455	343,878	957,472	40.8594%
7	Corporates	7,911,475	2,017,001	5,787,459	604,802	5,876,082	91.9249%
8	Retail	14,207,104	2,207,395	13,824,620	279,272	9,831,243	69.7059%
9	Secured by mortgages on immovable property	1,187,122	63,420	1,173,468	31,710	447,415	37.1244%
10	Exposures in default	797,987	1,038	795,058	824	1,057,435	132.8632%
11	Higher-risk categories	2,806	134,605	2,806	134,605	206,116	150.0000%
12	Covered bonds	76,220	-	76,220	-	7,622	10.0000%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0,0000%
14	collective investments undertakings	673,413	988	673,413	988	1,211,732	179.6751%
15	Equity	2,323,285	-	2,323,285	-	6,408,775	275.8497%
16	Other items	1,857,250	50,665	1,857,250	10,133	1,555,804	83.3146%
17	**Total as at 30 September 2021**	**41,134,830**	**6,968,678**	**38,585,255**	**1,416,780**	**27,624,315**	**69.0573%**
	Total as at 30 June 2020	**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: 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 2021, plus a breakdown by the reasons for such changes.

There was a slight increase in RWAs, mainly attributable to an increase in the exposure for the "Other companies" segment, due to the addition of new, while at the same time there was also a slight improvement in this portfolio. In the mortgages segment there was an improvement in the credit quality, while the exposure was virtually unchanged.

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 (30/6/2021)**	**10,767,439**	**861,395**
2	Asset size	229,923	18,394
3	Asset quality	(113,353)	(9,068)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	15,585	1,247
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (30/9/2021)**	**10,899,595**	**871,968**

Section 4 – Market risk

Quantitative information

4.1 Market risk with managerial methodology

The aggregate value-at-risk on the trading book ranged from a low of €3.9m to a high of €6.2m, with an average reading of around €5.5m, higher than the average reading recorded in FY 2020-21 (€4.2m).

The point-in-time reading for VaR at 30 September 2021 was €4.8m, basically at line with the reading at 30 June 2021; the main risk factors were interest rate risk, linked to the positions in futures on Italian government securities, and equity risk, linked to positions in equity-linked certificates held by the Markets Division and the short positions in US equities held as part of the Holding Functions' trading book.

The expected shortfall showed an average reading for the three months of €7.3m (€5.5m).

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 (standardized approach)

		30/9/2021	30/6/2021
		a	a
		RWAs	RWAs
	Outright products		
1	Interest rate risk (general and specific)	1,300,153	1,162,489
2	Equity risk (general and specific)	286,101	242,351
3	Foreign exchange risk	—	—
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	634,314	636,393
7	Scenario approach	—	—
8	Securitization (specific risk)	30,613	30,003
9	**Total**	**2,251,180**	**2,071,236**

The risk-weighted assets for market risk, calculated according to the standard methodology as shown in Section 1.1, reflect an increase of approx. €180m in the three months.

It should be noted that in FY 2020-21 the new duration-based methodology for generic interest rate risk was applied, which allows the exposure to interest rate risk to be captured more accurately.

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

The other changes during the twelve months involved:

– An increase in the credit risk of debt instruments (of €80m) due to optimization of DVA risk management in relation to the issue of certificates held as part of the trading book;

– An increase of approx. €40m in RWAs for the delta exposure to equity.

The capital absorbed by positions in funds and for gamma and vega risk in options remain stable, while the limited exchange rate risk position, which is below the regulatory threshold permitted, generates no 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, 1 December 2021

Head of
Company Financial Reporting

Emanuele Flappini