



MEDIOBANCA

Basel III pillar 3 Disclosure to the public

Situation as at 31 December 2021



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;
- “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 31/12/19;
- 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. Disclosure of the Leverage ratio is also provided.

Much of the information in the document has been excerpted from the Group's consolidated financial statements for the six months ended 31 December 2021 (a document signed by the Head of Company Financial Reporting as required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 – the Italian Finance Act – and subject to external audit by EY S.p.A.) as well as the consolidated supervisory reporting. Also used in the preparation of this document were items in



common with the capital adequacy process (i.e. the ICAAP and ILAAP reports for FY 2020-21). The contents are also consistent with the "Annual Statement on Corporate Governance and Ownership Structure", and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

Figures are in €'000, unless otherwise specified.

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

References to regulatory disclosure requirements

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

References to information required by CRR II

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 31/12/21
435 – Risk management policies and objectives	Section 1 - General disclosure requirement	Financial statements at 31/12/21: Notes to the accounts - section E: information on risks and related hedging policies
436 – Scope of application	Section 2 - Scope of application	Financial statements at 31/12/21: Notes to the accounts - section A: Accounting policies
437 – Own funds	Section 3 - Composition of regulatory capital	Financial statements at 31/12/21: Notes to the accounts - section F: Information on consolidated capital
438 – Capital requirements	Section 4 - Capital adequacy	Financial statements at 31/12/21: Notes to the accounts - section F: Information on consolidated capital
439 – Exposure to counterparty credit risk	Section 9.1 - Counterparty risk: Standard method	Financial statements at 31/12/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
440 – Countercyclical capital buffers	Section 4 - Capital adequacy	N/A
441 – Indicators of global systemic importance	N/A	N/A
442 – Credit risk adjustments	Section 7.1 - Credit risk: General information	Financial statements at 31/12/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1: Credit risk)
443 – Encumbered assets	Section 8 – Encumbered assets	N/A

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 31/12/21
444 – Use of ECAIS	Section 7.2 - Credit risk: use of ECAIS	N/A
445 – Exposure to market risk	Section 15 - Market risk	Financial statements at 31/12/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
446 – Operational risk	N/A	N/A
447 – Exposures in equities not included in the trading book	Section 11 - Exposures to equities: information on banking book positions	N/A
448 – Exposure to interest rate risk on positions not included in the trading book	Section 13 - Interest rate risk on banking book positions	Financial statements at 31/12/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
449 – Exposure to securitization positions	Section 11 - Securitizations	Financial statements at 31/12/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1, Credit risk)
450 – Remuneration policy	N/A	N/A
451 - Financial leverage	Section 5 - Financial leverage	Financial statements at 31/12/21: Notes to the accounts - section F: Information on consolidated capital
452 – Use of the IRB method for credit risk	Section 7.3 Credit risk: AIRB methodology, risk assets	Financial statements at 31/12/21: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
453 – Use of credit risk mitigation techniques	Section 10 - Risk mitigation techniques	Financial statements at 31/12/21: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
454 – Use of the Advanced Measurement Approaches to operational risk	N/A	N/A



CRR II Article	Reference to Pillar III section	Reference to other statutory information at 31/12/21
455 – Use of Internal Market Risk models	N/A	N/A
471 – Exemption from deduction of equity holdings in insurance companies from Common Equity Tier 1 items	Section 3 – Composition of regulatory capital	Financial statements at 31/12/21: Notes to the accounts - section F: Information on consolidated capital (Section 2: Own funds and supervisory capital requirements for banks)

References to EBA requisites
(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 31/12/21	
Tables	Type of disclosure	Section (qualitative/quantitative disclosure)	Tables (additional quantitative disclosure)
EU OVA* EU OVB* EU OVC*	Qualitative	Section 1 - General disclosure requirement	
EU LI1* EU LI2* EU LI3* EU LIA* EU LIB*	Qualitative/ quantitative	Section 2 - Scope of application	
EU CC1 EU CC2 EU CCA	Qualitative/ quantitative	Section 3 - Composition of regulatory capital	Table 3.1 Table 3.2
EU KM1	Quantitative	Section 4 - Capital adequacy	
IFRS 9-FL	Qualitative/ quantitative		
EU OV1	Quantitative		
EU INS1* EU INS2* (N/A)	Quantitative		
EU CCyB1 EU CCyB2	Quantitative		
EU LR1 EU LR2 EU LR3 EU LRA*	Qualitative/ quantitative	Section 5 - Financial leverage	
EU LIQ1 EU LIQ2 EU LIQA* EU LIQB*	Qualitative/ quantitative	Section 6 – Liquidity risk	

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		Pillar III as at 31/12/21	
Tables	Type of disclosure	Section (qualitative/quantitative disclosure)	Tables (additional quantitative disclosure)
EU CRA* EU CRB* EU CR1 EU CR1-A EU CR2 EU CR2a (N/A)** EU CQ1 EU CQ2 (N/A)** EU CQ3* EU CQ4 EU CQ5 EU CQ6 (N/A)** EU CQ7 EU CQ8 (N/A)** Table 1 Table 2 Table 3 EU CR10 (N/A)	Qualitative/ quantitative	Section 7.1 - Credit risk: General information and credit quality templates	
EU CR4 EU CR5	Quantitative	Section 7.2 - Credit risk: ECAIS	
EU CRC* EU CR6 EU CR6-A* EU CR7 EU CR7-A EU CR8 EU CR9-EU CR9.1* EU CRE*	Qualitative/ quantitative	Section 7.3 – Credit risk: disclosure on portfolios subject to AIRB method	
EU AE1*** EU AE2*** EU AE3*** EU AE4*	Qualitative/ quantitative	Section 8 – Encumbered assets	
EU CCR1 EU CCR2 EU CCR3 EU CCR4 EU CCR5 EU CCR6 EU CCR7 (N/A) EU CCR8 EU CCRA*	Qualitative/ quantitative	Section 9 - Counterparty risk	
EU CR3 EU CRC*	Qualitative/ quantitative	Section 10 - Risk mitigation techniques	



Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		Pillar III as at 31/12/21	
Tables	Type of disclosure	Section (qualitative/quantitative disclosure)	Tables (additional quantitative disclosure)
EU-SEC1 EU-SEC2 EU-SEC3 EU-SEC4 EU-SEC5 (N/A) EU-SECA*	Qualitative/ quantitative	Section 11 - Securizations	
		Section 12 - Exposures to equities: information on banking book positions	Table 12.1 Table 12.2
EU IRRBB1	Qualitative/ quantitative	Section 13 - Interest rate risk on banking book positions	Table 13.1
EU MR1 EU MRA* EU MRB (N/A) EU MR2-A (N/A) EU MR2-B (N/A) EU MR3 (N/A) EU MR4 (N/A) EU PV1	Qualitative/ quantitative	Section 14 - Market risk	Table 14.1 Table 14.2 Table 14.3

* Annual tables.

** Not applicable to the Mediobanca Group as at 31 December 2021 due to NPL ratio < 5%.

*** Annual tables included in Pillar III disclosure as at 31 December 2021.



Section 1 – General disclosure requirement

Qualitative information

1.1 Description of risk governance organization

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

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

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

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, which is responsible for addressing all risks at Group level and for processing all proposals submitted to the Risk Committee and the Board of Directors, and has powers of approval for market risks; Lending and Underwriting committee, with powers of approval for credit, issuer and conduct risk; Group ALM committee for approval of the funding plan, monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models; the Group Non-Financial Risks Committee, which is responsible for addressing, monitoring and



mitigating non-financial risks, including IT, fraud, outsourcing, legal and reputational risks; the Private & Affluent Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments; and the Conduct Committee, which is responsible for addressing, governing and approving matters pertaining to conduct risk for the Group.

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

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

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

methodologies, processes, instruments and reporting for use in internal validation activities, and is responsible for validating the Group's risk measurement systems.

Establishment of risk appetite and process for managing relevant risks

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

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

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

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

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



In addition to identifying and setting risk appetite parameters, Mediobanca also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/revising it, monitoring, and escalating reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Mediobanca Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Group prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Group's objective is to maintain a level of liquidity that enables it to meet the payment obligations, ordinary and extraordinary, which it has taken on while minimizing costs at the same time. The Group's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

Financial leverage risk

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

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

Further information on financial leverage risk is shown in Section 5.



Liquidity risk

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

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

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

Further information on liquidity risk is shown in Section 6.

Credit risk

With reference to the authorization process to use AIRB models in order to calculate the regulatory capital requirements for credit risk, the Group has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for the Mediobanca and Mediobanca International corporate loan books and for the CheBanca! Italian mortgage loan book. As an integral part of this process, in accordance with the regulatory provisions in force on prudential requirements for credit institutions (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 – the "CRR"), the Group has compiled a roll-out plan for the gradual adoption of the internal models for the various credit exposures (the "Roll-Out Plan"). With regard to exposures for which the standardized methodology for calculating regulatory capital is still used, the Group has in any case instituted internal rating models for credit risk used for management purposes.

Further information on credit risk is shown in Section 7.



Asset Encumbrance

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

Further information on asset encumbrance is shown Section 8.

Counterparty risk

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

In order to determine the capital requirement for counterparty risk and the CVA, i.e. adjustment to the intermediate market value of the portfolio of operations with a given counterparty, in order to calculate the Exposure at Default for each individual counterparty, the Group applies the "Standardized Approach for Counterparty Credit Risk" (SA - CCR), provided for in Articles 271ff of CRR II, which came into force on 30 June 2021, and at the same time also applies the exemption from the obligation to calculate the CVA for exposures to corporate counterparties, in accordance with the provisions of Article 382 of the CRR.

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

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



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

Further information on counterparty risk is shown in Section 9.

Operational risk

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

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

Operational risks are managed, in Mediobanca and the main Group companies, by a specific Operational risk management team within the Risk Management unit.

The processes of identifying, assessing, collecting and analysing loss data and mitigating operational risks are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies.

Further information on operational risk is shown in Section 12.

Interest rate risk on the banking book

This is defined as the risk deriving from potential changes to interest rates on the banking book. The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value carried out on a monthly basis. The former quantifies the impact of parallel and simultaneous shocks in the interest rate curve on current earnings. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

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



All the scenarios present a floor set by the Basel Committee guidelines (BCBS) at minus 1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

For both sensitivities, the balance-sheet items have been treated based on their contractual profile, apart from current account deposits for retail clients, which have been treated on the basis of proprietary behavioural models, and consumer credit items and mortgages which reflect the possibility of early repayment). The average behavioural life of the deposits held on retail customers' current accounts is estimated at around 2 years, with a repayment schedule that amortizes completely over a time horizon of ten years.

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

Interest rate risk management is organized centrally at Mediobanca S.p.A., which defines the Group's strategy and the guidelines with which the Group's legal entities must comply. The objective is to manage the Group's interest rate risk centrally, with a view to optimizing the balance sheet's risk/return profile through on-balance sheet (business policy) and off-balance-sheet (derivatives) transactions through the following:

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

Further information on interest rate risk is shown in Section 14.

Market risks

In order to calculate the capital requirement for market risk on the trading book, the Group applies the standard methodology provided by Articles 102-4 of the CRR. This methodology entails the use of a "building block" approach, and the aggregate capital requirement is equal to the sum of the capital requirements of each of the individual risk factors to which the portfolio is exposed, each of which is calculated using specific methodologies provided for by the prudential regulations. The risk factors contemplated are equity risk (divided into a general component for adverse market trends and specific risk component for each individual issuer), credit risk in relation to debt instruments, interest rate risk, gamma risk (curvature) and vega risk (volatility) to capture the price risk in trading in options, the risk for trading in UCITS and exchange rate risk. In calculating the capital requirement



for interest rate risk on the banking book, the Mediobanca Group applies the so-called duration-based approach (pursuant to Article 340 of the CRR), which is more closely aligned to the future regulatory requirements (FRTB) and more in line also with the portfolio management and hedging methods used by operators, because it is based on sensitivities to interest rates.

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

The operating exposure to market risks generated by the positions held as part of the trading book is measured and monitored, and the earnings results from trading are calculated, on a daily basis principally through use of the following indicators:

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

Trading exposures are monitored daily through VaR and sensitivity, to ensure that the operating limits approved to reflect the risk appetite established by the Bank for its trading book, are complied with. In the case of VaR they also serve to assess the model's resilience through back-testing. The expected shortfall on the set of positions subject to VaR calculation is also calculated, by means of historical simulation; this represents the average potential losses over and beyond the level of confidence for the VaR. Stress tests are also carried out daily (on specific positions) and monthly (on the rest of the trading book) on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of extreme changes in market variables.

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



Further information on market risk is shown in Section 14.

Concentration risk

Concentration risk is defined as the risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk).¹ As with capital adequacy, compliance with the concentration limit is also monitored at all times, both at Group level and individually for the separate Group legal entities. In particular, when new transactions are approved, the attention of the approving body is always brought to the impact of the proposed deal on the aggregate regulatory exposure to the group to which the client belongs, ensuring that the concentration limit is met at all times.

Other risks

As part of the process of assessing the current and future capital required for the company to perform regular banking activity (ICAAP), the Group has identified, in addition to the ones described previously (credit and counterparty risk, market risk, interest rate risk, liquidity and operational risk), the following main types of risk as relevant:

- Concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- Strategic risk, i.e. exposure to current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- Risk from equity investments held as part of the "Hold to collect and sell" banking book ("HTC&S"), deriving from the potential reduction in value of the equity investments, listed and unlisted, which

¹ With reference to concentration risk versus individual counterparties or groups of related counterparties, as from 30 June 2021, the new rule introduced by CRR II has reduced the limit to 25% of Tier 1 capital only (previously it was eligible capital, which for the Mediobanca Group is the same as total capital). Net of the Assicurazioni Generali investment, which is deducted for the part exceeding this share, the new limit is in any case comfortably met, even having regard to future expectations for the exposures.



are held as part of the HTCS portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);

- Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;
- Compliance risk, attributable to the possibility of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- Reputational risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and Group audit units) and by specific management committees.

The disclosure on environmental, social and governance risks required by Pillar III will be issued as from 2022, as required by Article 449a of CRR II.

1.2 Main changes in risk measurement adopted by the Bank during the financial year

With reference to the changes that will be introduced to the regulations by the new Basel IV framework,² which comes into force in 2025, preliminary analysis suggests that the impact as far as the Bank is concerned in terms of the credit, counterparty and operational risk requisites is negligible overall. The necessary measures are being assessed to contain the impact on the market risk requirement, for which the impact deriving from application of the FRTB methodology is expected to be more significant.

² Proposal still at the draft stage, to be approved by the European Parliament, Council and Commission.

Section 2 – Scope of application

Qualitative information

The disclosure obligations in connection with this document are the responsibility of Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, registered as a banking group, to which the data contained in this document refer.

Based on the combined provisions of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, and IFRS 12 “Disclosure of interests in other entities”, the Group has consolidated its subsidiaries using the line-by-line method, while its associates and other companies subject to joint arrangements are consolidated using the equity method.

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

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

For purposes of supervisory reporting, equity investments consolidated line-by-line which are not included in the prudential scope of reporting are deducted from regulatory capital; as for the Group's investment in Assicurazioni Generali, which is equity-accounted, following authorization by the ECB, the temporary regime introduced by Article 471 of Regulation (EU) No. 575/2013 as amended (“CRR II”, the effectiveness of which has been extended until 31 December 2024) is applied, which allows own funds instruments issued by insurance companies to be weighted at 370%, rather than deducted from CET equity, while complying with the concentration limit set (otherwise known as the “Danish Compromise”).

Quantitative information
**Template EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)
(1 of 3)**

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



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

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
17	QUARZO CQS S.R.L.	Full consolidation	x					Financial corporations other than credit institutions
18	MEDIOBANCA COVERED BOND S.R.L.	Full consolidation	x					Financial corporations other than credit institutions
19	COMPASS RE (LUXEMBOURG) S.A.	Full consolidation			x			Financial corporations other than credit institutions
20	MEDIOBANCA INTERNATIONAL IMMOBILIARE S. A R.L.	Full consolidation	x					Financial corporations other than credit institutions
21	CAIRN CAPITAL GROUP LIMITED	Full consolidation	x					Financial corporations other than credit institutions
22	CAIRN CAPITAL LIMITED	Full consolidation	x					Financial corporations other than credit institutions
24	CAIRN CAPITAL INVESTMENTS LIMITED (not operational)	Full consolidation	x					Financial corporations other than credit institutions
25	CAIRN CAPITAL INVESTMENT MANAGERS LIMITED (not operational)	Full consolidation	x					Financial corporations other than credit institutions
26	Bybrook Capital Management Limited	Full consolidation	x					Financial corporations other than credit institutions
27	Bybrook Capital Management LLP	Full consolidation	x					Financial corporations other than credit institutions
28	Bybrook Capital Services (UK) Limited	Full consolidation	x					Financial corporations other than credit institutions
29	Bybrook Capital Badminton Fund (GP) Limited	Full consolidation	x					Financial corporations other than credit institutions
30	Bybrook Capital Burton Partnership (GP) Limited	Full consolidation	x					Financial corporations other than credit institutions

**Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)
(3 of 3)**

ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
31	Bybrook Capital Fund (GP) Limited	Full consolidation	x					Financial corporations other than credit institutions
32	Bybrook Capital (GP) LLC	Full consolidation	x					Financial corporations other than credit institutions
33	Bybrook Capital (US) LP	Full consolidation	x					Financial corporations other than credit institutions
34	SPAFID FAMILY OFFICE SIM	Full consolidation	x					Financial corporations other than credit institutions
35	SPAFID TRUST S.R.L.	Full consolidation	x					Financial corporations other than credit institutions
36	MEDIOBANCA MANAGEMENT COMPANY S.A.	Full consolidation	x					Financial corporations other than credit institutions
37	MEDIOBANCA SGR S.P.A.	Full consolidation	x					Financial corporations other than credit institutions
38	RAM ACTIVE INVESTMENTS S.A.	Full consolidation	x					Financial corporations other than credit institutions
39	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Full consolidation	x					Financial corporations other than credit institutions
40	MESSIER ET ASSOCIES S.C.A.	Full consolidation	x					Financial corporations other than credit institutions
41	MESSIER ET ASSOCIES L.L.C.	Full consolidation	x					Financial corporations other than credit institutions
42	MBCONTACT SOLUTIONS S.R.L.	Full consolidation				x		Non-financial corporations
43	COMPASS RENT S.R.L.	Full consolidation				x		Non-financial corporations
44	COMPASS LINK S.R.L.	Full consolidation	x					Financial corporations other than credit institutions

Section 3 – Composition of regulatory capital

Qualitative information

Mediobanca is required to maintain a CET1 ratio on a consolidated basis of 7.94%,³ including the 2.50% capital conservation buffer and an additional Pillar 2 (“P2R”) requirement of 0.9375%, i.e. 75% of the 1.25% required by the Overall Capital Requirement (OCR) which is equal to 11.75%. These requirements continue to be unchanged from last year; in general terms, in view of the pandemic situation, the ECB has chosen to confine itself to qualitative considerations regarding current and future risk profiles, without intervening on the quantitative side.

Starting from 1 March 2022, the “SREP Decision 2021 will come into force, which includes an additional Pillar 2 Requirement which is more than 33 bps higher. Mediobanca must therefore maintain a minimum CET1 ratio on a consolidated basis of 7.90%, 9.70% for Tier 1, and 12.09% for the Total SREP Capital Requirement (“TSCR”).⁴ The increase includes the impact of the calendar provisioning (concentrated on the loan stock outstanding at 31 March 2018), which will continue gradually in accordance with the phase-in regime permitted by the regulations and which might be partially reduced through the sale of non-performing exposures (if market conditions allow).

Based on the new regulatory framework of supervisory and corporate governance rules for banks which consists of Capital Requirements Directive IV (CRD IV), Capital Requirements Regulation (CRR/CRR II) issued by the European Parliament starting from 2013 and enacted in Italy in Bank of Italy circular no. 285 as amended, the Group:

- Has been authorized by the ECB to apply the phase-in regime for its investment in Assicurazioni Generali, under Article 471 of the CRR, as described in the previous section;
- Has chosen to apply the static approach in order to mitigate the effect of first-time adoption of IFRS 9 over the 2019-24 five-year period.⁵

Conversely, the Group has chosen not to avail itself of the Covid-19 measures extending the phase-in regime for higher IFRS-9 related adjustments, namely neutralization of the valuation reserves for sovereign debt securities, and exclusion of certain exposures to central banks for purposes of calculating the leverage ratio.

³ The calculation does not include the countercyclical capital buffer and the P2 Guidance. Furthermore, as the Group has not issued any additional Tier 1 instruments, the 1.5% Additional Tier 1 minimum requisite must also be met from higher quality capital (i.e. CET1).

⁴ SREP CET1 calculated as follows: 4.5% (Pillar 1) + 2.5% (Capital Conservation Buffer) + 0.89% (56.25% of the new P2R requirement of 1.58%) plus 0.01% (countercyclical buffer).

⁵ As provided by Regulation (EU) 2017/2395, “Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds”, which incorporates a new version of Article 473-bis of the CRR, “Introduction of IFRS 9”.



Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reflecting the launch of the new share buyback after the treasury shares already owned were cancelled,⁶ and reserves (including the profit for the period (€525.8m) net of the 70% payout (€368.1m). The share of the reserves attributable to FVOCI financial assets totalled €1,171.2m, €993.9m of which deriving from Assicurazioni Generali being equity-accounted and €20.3m in government securities.

The deductions regard:

- Treasury shares as to €255.8m (accounting for 64 bps of CET1, including the indirect effects), corresponding to the market value at 3 September 2021, and equal to 3% of the company's share capital;
- Intangible assets as to €184.4m,⁷ higher than the reductions recorded at end-June 2021 (€141.0m) due to the acquisition of the Bybrook activities post-application of the Purchase Price Allocation process;
- Goodwill of €615.5m, slightly higher than six months ago (€602.4m), due to the customary adjustments to reflect exchange rate changes plus the addition of Bybrook (€13.1m);
- Prudential changes to the valuation of financial instruments (AVA and DVA) amounting to €80.4m (€80.3m);
- Significant interests in financial companies (banking and insurance firms) as to €2,259.9m, €1,974.6m of which for the investment in Assicurazioni Generali and €138.1m for Group legal entity Compass RE.
- The share of deferred tax assets (€5.3m) exceeding the threshold amount set by Article 48 of the CRR, in view of the increase following the tax relief taken by Compass.

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

Tier 2 capital includes subordinated liabilities, down in the six months from €1,167.3m to €1,038.4m due to amortization for the period (€128.8m). No subordinated tier 2 issue benefits from the grandfathering permitted under Articles 483ff of the CRR. Tier 2 also includes the buffer which derives from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models. The surplus is €93.2m, whereas the value calculated is €67.1m, virtually in line with the balance-sheet date (€66.7m), the amount corresponding to the regulatory limit of 0.6% of the amounts of the risk-weighted exposures calculated using advanced models (cf. Article 159 of the CRR) being eligible for inclusion in full in the calculation.

⁶ The new buyback scheme involves up to 3% of the share capital (€256m), and was launched after the 22,581,461 proprietary shares held were cancelled.

⁷ As from 31 December 2021, the irrevocable commitment to pay €3.7m by way of contribution to the Single Resolution Fund (SRF), paid in 2016 but thus far booked as collateral, is no longer deducted from CET1 after the cost was charged to profit and loss account..

Quantitative information
Template EU CC1 - Composition of regulatory own funds (1/7)

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	2,639,246	160. Share premium accounts 170. Share Capital	2,639,246	160. Share premium accounts 170. Share Capital
	of which: ordinary shares	2,639,246		2,639,246	
2	Retained earnings	6,889,832	150. Reserves	6,901,877	150. Reserves
3	Accumulated other comprehensive income (and other reserves)	960,152	120. Valuation Reserves	931,230	120. Valuation Reserves
EU-3a	Funds for general banking risk	—		—	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—		—	
5	Minority interests (amount allowed in consolidated CET1)	43,919	190. Minority shareholders' equity (+/-)	35,433	190. Minority shareholders' equity (+/-)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	157,933	200. Profit (Loss) for the period (+/-)	240,035	200. Profit (Loss) for the period (+/-)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,691,083		10,747,822	



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

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(65,768)		(60,372)	
8	Intangible assets (net of related tax liability) (negative amount)	(800,247)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)	(743,320)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(664)	110. Tax Assets	—	110. Tax Assets
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	23,650		32,346	
12	Negative amounts resulting from the calculation of expected loss amounts	—		—	
13	Any increase in equity that results from securitised assets (negative amount)	—		—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—		—	
15	Defined-benefit pension fund assets (negative amount)	—		—	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	255,762	180. Treasury Shares (-)	(267,111)	180. Treasury Shares (-)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	

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

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: regulatory adjustments					
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(3,206,748)	70. Equity Investments	(3,089,354)	70. Equity Investments
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—		—	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	—		—	
EU-20c	of which: securitisation positions (negative amount)	—		—	
EU-20d	of which: free deliveries (negative amount)	—		—	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	110. Tax Assets	—	110. Tax Assets
22	Amount exceeding the 17,65% threshold (negative amount)	(204,444)		(102,415)	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(173,354)	70. Equity Investments	(92,122)	70. Equity Investments
25	of which: deferred tax assets arising from temporary differences	(31,090)	110. Tax Assets	(10,293)	110. Tax Assets
EU-25a	Losses for the current financial year (negative amount)	—	200. Profit (Loss) for the period (+/-)	—	200. Profit (Loss) for the period (+/-)
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—		—	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—		—	
27a	Other regulatory adjustments	1,171,271		1,171,804	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(3,338,711)		(3,058,422)	
29	Common Equity Tier 1 (CET1) capital	7,352,372		7,689,399	



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

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	—	—	—	—
31	<i>of which: classified as equity under applicable accounting standards</i>	—	—	—	—
32	<i>of which: classified as liabilities under applicable accounting standards</i>	—	—	—	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	—	—	—	—
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	—	—	—	—
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	—	—	—	—
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	—	—	—	—
36	Additional Tier 1 (AT1) capital before regulatory adjustments	—	—	—	—
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—	—	—	—
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—	—	—
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	—	—
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—	—	—
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—	—	—	—
42a	Other regulatory adjustments to AT1 capital	—	—	—	—
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—	—	—	—
44	Additional Tier 1 (AT1) capital	—	—	—	—
45	Tier 1 capital (T1 = CET1 + AT1)	7,352,372		7,689,399	

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

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	1,038,447	10. Financial liabilities at amortised cost	1,167,258	10. Financial liabilities at amortised cost
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	—		—	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—		—	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—		—	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		190. Minority shareholders' equity (+/-)		190. Minority shareholders' equity (+/-)
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	—		—	
50	Credit risk adjustments	67,092		66,688	
51	Tier 2 (T2) capital before regulatory adjustments	1,105,539		1,233,946	
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—		—	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—		(4,167)	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—		—	
EU-56b	Other regulatory adjustments to T2 capital	—		—	
57	Total regulatory adjustments to Tier 2 (T2) capital	—		(4,167)	
58	Tier 2 (T2) capital	1,105,539		1,229,779	
59	Total capital (TC = T1 + T2)	8,457,911		8,919,178	
60	Total risk exposure amount	47,842,189		47,159,255	

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

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.3680%		16.3052%	
62	Tier 1 (as a percentage of total risk exposure amount)	15.3680%		16.3052%	
63	Total capital (as a percentage of total risk exposure amount)	17.6788%		18.9129%	
64	Institution CET1 overall capital requirements	7.7126%		7.7136%	
65	<i>of which: capital conservation buffer requirement</i>	2.5000%		2.5000%	
66	<i>of which: countercyclical buffer requirement</i>	0.0094%		0.0104%	
67	<i>of which: systemic risk buffer requirement</i>	—		—	
67	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	—		—	
EU-67a	<i>of which: additional own funds requirements to address the risks other than the risk of excessive leverage</i>	0.7031%		0.7031%	
EU-67b					
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	7.6554%		8.5917%	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	654,106		655,231	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	(191,779)		(156,183)	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	166,502		108,261	



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

		31/12/2021		30/06/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	512,564		475,994	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	370,533		368,696	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	93,186		106,770	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	67,092		66,688	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	—		—	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—		—	
82	Current cap on AT1 instruments subject to phase out arrangements	—		—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—		—	
84	Current cap on T2 instruments subject to phase out arrangements	—		—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—		—	

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

	31/12/2021		
	a	b	c
	Balance Sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at the period end	As at the period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
10. Cash and cash equivalents	4,332	4,269	
20. Financial assets at fair value through profit or loss	13,435	13,435	
30. Financial assets at fair value through other comprehensive income	5,006	5,006	
40. Financial assets at amortised cost	59,407	59,180	
50. Hedging derivatives	226	226	
60. Change in value of macro-hedged financial assets	—	—	
70. Equity investments	3,801	3,996	19,23
80. Reinsurers' share of technical reserves	-	-	
90. Property, plant and equipment	501	500	
100. Intangible assets	837	837	8
of which:			
goodwill	615	615	
110. Tax assets	724	724	10,21,25
120. Non-current assets and disposal groups classified as held for sale	4	4	
130. Other assets	824	807	
Total assets	89,096	88,985	



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

	31/12/2021		
	a	b	c
	Balance Sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at the period end	As at the period end	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
10. Financial liabilities at amortised cost	65,851	65,904	46
20. Financial liabilities held for trading	9,338	9,338	
30. Financial liabilities designated at fair value	780	780	
40. Hedging derivatives	436	436	
50. Change in value of macro-hedged financial liabilities	—	—	
60. Tax liabilities	497	458	8
70. Liabilities included in disposal groups classified as held for sale	—	—	
80. Other liabilities	822	821	
90. Provision for employee severance pay	26	26	
100. Provisions for risks and charges	138	138	
110. Technical reserves	124	—	
120. Valuation reserves	960	960	3
130. Redeemable shares	—	—	
140. Equity	—	—	
150. Reserves	6,890	6,890	2
160. Share premium accounts	2,196	2,196	1
170. Share capital	444	444	1
180. Treasury shares (-)	(29)	(29)	16
190. Minority shareholders' equity (+/-)	98	98	5,34,48
200. Profit (Loss) for the period	526	526	5a,25a
Total liabilities and shareholders' equity	89,096	88,985	

Table 3.1 Prudential treatment of investments in insurance companies

The table below shows the prudential treatment of the Assicurazioni Generali investment based on Article 471 of the CRR, which allows investments in insurance companies that do not exceed 15% of the investee company's share capital to be weighted at 370% (rather than deducted from CET1), provided there are adequate risk controls. The authorization received from the ECB to apply Article 471 is subject to compliance with the concentration limit,⁸ i.e. the 370% weighting applies only to that share of the investment which, when added to the rest of the exposure to the insurance group, does not exceed the concentration limit set by the authority. The remainder of the investment is deducted from regulatory capital as required by Articles 36 and 48 of the CRR, with the share falling below the threshold exemptions provided by Article 48 weighted at 250%.

	31/12/2021		30/06/2021	
	Exposure	RWA	Exposure	RWA
Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment	3,761,881		3,747,719	
of which deducted from own funds	1,974,558		1,897,462	
of which not deducted from own funds	1,787,323	5,639,700	1,850,257	5,821,765
of which 370%	976,161	3,611,796	996,768	3,688,041
of which 250%	811,162	2,027,905	853,490	2,133,724

⁸ CRR II has introduced a stricter limit as of 30 June 2021, equal to 25% of CET1 capital rather than eligible capital, which for the Mediobanca Group was the same as total capital.

**Table 3.2 – List of subordinated issues included in the regulatory capital**

Security Issued	ISIN	Currency	31/12/2021		30/06/2021	
			Nominal Value	Calculated Value	Nominal Value	Calculated Value
MB Subordinato Mar 29	XS1579416741	EUR	50,000	48,505	50,000	48,502
Mediobanca Mc Nv30 Sub Tier2 Call Eur	XS2262077675	EUR	249,150	241,432	249,250	241,327
MB OPERA 3.75 2026	IT0005188351	EUR	299,667	259,969	299,031	289,440
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	EUR	500,001	361,713	499,271	411,280
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	EUR	499,960	126,828	499,909	176,708
Total subordinated debt securities			1,598,778	1,038,447	1,597,461	1,167,257



Section 4 – Capital adequacy

Qualitative information

The Group pays particular attention to monitoring its own capital adequacy ratios, to ensure that its capital is commensurate with its risk 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.⁹

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.

⁹ 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
	31/12/2021	30/09/2021
Available own funds (amounts)		
1 Common Equity Tier 1 (CET1) capital	7,352,372	7,507,232
2 Tier 1 capital	7,352,372	7,507,232
3 Total capital	8,457,911	8,674,905
Risk-weighted exposure (amounts)		
4 Total risk-weighted exposure amount	47,842,189	47,148,454
Capital ratios (as a percentage of risk-weighted exposure amount)		
5 Common Equity Tier 1 ratio (%)	15.3680%	15.9225%
6 Tier 1 ratio (%)	15.3680%	15.9225%
7 Total capital ratio (%)	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 (%)	1.2500%	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 (%)	0.0094%	0.0100%
EU 9a Systemic risk buffer (%)	—	—
10 Global Systemically Important Institution buffer (%)	—	—
EU 10a Other Systemically Important Institution buffer	—	—
11 Combined buffer requirement (%)	2.5094%	2.5100%
EU 11a Overall capital requirements (%)	11.7594%	11.7600%
12 CET1 available after meeting the total SREP own funds requirements (%)	7.6554%	8.2095%
Leverage ratio		
13 Leverage ratio total exposure measure	89,138,495	87,829,183
14 Leverage ratio	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%
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)	7,630,084	7,789,733
EU 16a Cash outflows - Total weighted value	8,067,987	7,802,478
EU 16b Cash inflows - Total weighted value	3,104,536	2,807,188
16 Total net cash outflows (adjusted value)	4,963,451	4,995,290
17 Liquidity coverage ratio (%)	154.0314%	156.0654%
Net Stable Funding Ratio		
18 Total available stable funding	61,997,597	62,404,959
19 Total required stable funding	56,529,805	53,942,377
20 NSFR ratio (%)	109.6724%	115.6882%

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

	c	d	e
	30/06/2021	31/03/2021	31/12/2020
Available own funds (amounts)			
1 Common Equity Tier 1 (CET1) capital	7,689,399	7,670,192	7,872,306
2 Tier 1 capital	7,689,399	7,670,192	7,872,306
3 Total capital	8,919,178	8,967,934	9,240,813
Risk-weighted exposure (amounts)			
4 Total risk-weighted exposure amount	47,159,255	47,610,717	48,693,936
Capital ratios (as a percentage of risk-weighted exposure amount)			
5 Common Equity Tier 1 ratio (%)	16.3052%	16.1102%	16.1669%
6 Tier 1 ratio (%)	16.3052%	16.1102%	16.1669%
7 Total capital ratio (%)	18.9129%	18.8360%	18.9773%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
EU7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.2500%	1.2500%	1.2500%
EU7b of which: to be made up of CET1 capital (percentage points)	0.7031%	0.9375%	0.7031%
EU7c of which: to be made up of Tier 1 capital (percentage points)	0.9375%	0.9375%	0.9375%
EU7d 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%
EU8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—	—
9 Institution specific countercyclical capital buffer (%)	0.0104%	0.0148%	0.0070%
EU9a Systemic risk buffer (%)	—	—	—
10 Global Systemically Important Institution buffer (%)	—	—	—
EU10a Other Systemically Important Institution buffer	—	—	—
11 Combined buffer requirement (%)	2.5104%	2.5148%	2.5070%
EU11a Overall capital requirements (%)	11.7604%	11.7648%	11.7570%
12 CET1 available after meeting the total SREP own funds requirements (%)	8.5917%	—	—
Leverage Ratio			
13 Leverage ratio total exposure measure	84,821,871	85,438,406	83,580,264
14 Leverage ratio	9.0654%	8.9775%	9.4189%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU14a Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—
EU14b of which: to be made up of CET1 capital (percentage points)	—	—	—
EU14c Total SREP leverage ratio requirements (%)	3.0000%	—	—
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU14d Leverage ratio buffer requirement (%)	—	—	—
EU14e Overall leverage ratio requirement (%)	3.0000%	—	—
Liquidity Coverage Ratio			
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	7,947,418	7,874,861	7,169,410
EU16a Cash outflows - Total weighted value	7,622,987	7,424,823	7,462,606
EU16b Cash inflows - Total weighted value	2,609,975	2,466,104	2,937,923
16 Total net cash outflows (adjusted value)	5,013,012	4,958,719	4,524,682
17 Liquidity coverage ratio (%)	158.6875%	158.8105%	158.6595%
Net Stable Funding Ratio			
18 Total available stable funding	61,490,296	n.a.	n.a.
19 Total required stable funding	52,893,174	n.a.	n.a.
20 NSFR ratio (%)	116.2537%	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)

	31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
Available capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	7,352,372	7,507,232	7,689,399	7,670,192	7,872,306
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,298,272	7,453,131	7,613,541	7,594,284	7,796,308
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	7,352,372	7,507,232	7,689,399	7,670,192	7,872,306
3 Tier 1 capital	7,352,372	7,507,232	7,689,399	7,670,192	7,872,306
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,298,272	7,453,131	7,613,541	7,594,284	7,796,308
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	7,352,372	7,507,232	7,689,399	7,670,192	7,872,306
5 Total capital	8,457,911	8,674,905	8,919,178	8,967,934	9,240,813
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,403,810	8,620,804	8,843,320	8,892,027	9,164,815
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	8,457,911	8,674,905	8,919,178	8,967,934	9,240,813
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	47,842,189	47,148,454	47,159,255	47,610,717	48,693,936
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,790,779	47,097,040	47,086,846	47,538,123	48,621,009
Coefficienti patrimoniali					
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	15.3680%	15.9225%	16.3052%	16.1102%	16.1669%
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	15.2713%	15.8251%	16.1691%	15.9751%	16.0349%



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)

	31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020	
Capital Ratio						
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	15.3680%	15.9225%	16.3052%	16.1102%	16.1669%
11	Tier 1 (as a percentage of risk exposure amount)	15.3680%	15.9225%	16.3052%	16.1102%	16.1669%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.2713%	15.8251%	16.1691%	15.9751%	16.0349%
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	15.3680%	15.9225%	16.3052%	16.1102%	16.1669%
13	Total capital (as a percentage of risk exposure amount)	17.6788%	18.3991%	18.9129%	18.8360%	18.9773%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.5846%	18.3043%	18.7809%	18.7050%	18.8495%
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	17.6788%	18.3991%	18.9129%	18.8360%	18.9773%
Leverage Ratio						
15	Leverage ratio total exposure measure	89,138,495	87,829,183	84,821,871	85,438,406	83,580,264
16	Leverage ratio	8.2483%	8.5475%	9.0654%	8.9775%	9.4189%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.1876%	8.4860%	8.9759%	8.8856%	9.3279%
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	8.2483%	8.5475%	9.0654%	8.9775%	9.4189%

As at 31 December 2021, the Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 15.37%, in down approx. 100 bps on the figure reported at end-June 2021 (16.31%), due to provision for the dividend accrual (which accounted for 78 bps, on



a payout ratio of 70%), and launch of the new share buyback scheme¹⁰ (64 bps), plus the strong organic asset growth (32 bps) and closing of the Bybrook deal (11 bps). Retained earnings for the six months (which added 33 bps) was mostly offset by the higher deductions for the Assicurazioni Generali investment (accounting for 20 bps).

The material growth in RWAs (from €47.2bn to €47.8bn) is due to higher volumes in factoring business (up €700m) and Consumer Finance (up €300m); while the reduction in RWAs in PI (down €300m) was due to the higher deductions for the Assicurazioni Generali investment.

The total capital ratio decreased from 18.9% to 17.7%: the reduction, which was higher than that for the CET1 ratio, is attributable to the prudential amortization of the Tier 2 instruments.

Fully-loaded and without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for 120 bps,¹¹ or €1,132.1m,) and with full application of the IFRS 9 effect (which accounted for 10 bps, or €54.1m), the CET1 ratio came in at 14.1% and the total capital ratio at 16.6%, in both cases lower than at 30 June 2021 (15.1% and 17.9% respectively).

¹⁰ The new share buyback scheme involves up to 3% of the share capital (€256m) and was launched after the 22,581,461 treasury shares already held by the Bank were cancelled.

¹¹ The impact, which is temporarily above the customary figure of 110 bps, does not factor in the Assicurazioni Generali dividend payable for the 2021 financial year, and includes approx. 10 bps of higher deductions for other significant investments and DTAs.



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

		RWA		Capital Requirements
		a	b	c
		31/12/2021	30/09/2021	31/12/2021
1	Credit risk (excluding CCR)	39,213,918	38,523,910	3,137,113
2	Of which the standardised approach	28,397,035	27,624,315	2,271,763
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	10,816,883	10,899,595	865,351
6	Counterparty credit risk - CCR	1,871,853	2,146,858	149,748
7	Of which the standardised approach	723,915	718,883	57,913
8	Of which internal model method (IMM)	—	—	—
EU 8a	Of which exposures to a CCP	7,479	16,685	598
EU 8b	Of which credit valuation adjustment - CVA	258,426	245,852	20,674
9	Of which other CCR	882,033	1,165,438	70,563
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	283,079	103,550	22,646
17	Of which SEC-IRBA approach	—	—	—
18	Of which SEC-ERBA (including IAA)	24,033	26,319	1,923
19	Of which SEC-SA approach	259,046	77,231	20,724
EU 19a	Of which 1250%/ deduction	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,350,382	2,251,180	188,031
21	Of which the standardised approach	2,350,382	2,251,180	188,031
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)	2,750,395	2,667,601	220,032
29	Total	47,842,189	47,148,454	3,827,375

* The information shown in this row is for information purposes only, as the amount stated here is also included in row 1 of this table, in which entities are required to state data on credit risk.



Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as at 31 December 2021 (1/2)

	a	b	c	d	e	f
	Exposures in the banking book		Exposures in the trading book		Exposures in Securitisation	Total exposure value
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions	Exposure value under internal models		
Italy	23,957,936	20,092,803	285,730	—	1,162,288	45,498,757
Abu Dhabi	7,641	—	—	—	—	7,641
Australia	11,162	—	—	—	—	11,162
Austria	3,429	50,348	392	—	—	54,170
Belgium	23,067	67,511	1,462	—	—	92,039
Bulgaria	123	—	—	—	—	123
Canada	10,517	69,224	4,084	—	—	83,826
China	8,344	—	—	—	—	8,344
Denmark	10,769	15,750	657	—	—	27,175
Ethiopia	0	—	—	—	—	0
Finland	646	28,904	15,104	—	—	44,654
France	451,556	2,053,888	238,603	—	—	2,744,047
Germany	545,352	914,348	104,616	—	—	1,564,317
Japan	642	—	—	—	—	642
Greece	73	—	—	—	—	73
Hong Kong	8,819	53,485	—	—	—	62,304
Ireland	222,043	122,882	1,085,921	—	—	1,430,846
Iceland	—	27,500	—	—	—	27,500
Cayman Islands	898	—	5,120	—	—	6,018
Virgin Islands, British	58,699	66,233	—	—	—	124,932
Liechtenstein	10,247	140,363	—	—	—	150,609
Luxembourg	405,414	633,626	218,513	—	—	1,257,552
Mexico	104,837	18,773	6,095	—	—	129,706
Monaco	798,407	72,822	11	—	—	871,240
Norway	322	—	248	—	—	570
Netherlands	15,263	1,040,263	50,085	—	—	1,105,610
Portugal	4,861	170,135	—	—	—	174,995
United Kingdom	2,234,420	704,800	101,886	—	—	3,041,106
Romania	70,063	—	—	—	—	70,063
Russian Federation	27,223	—	—	—	—	27,223
Singapore	2	16,584	—	—	—	16,585
Spain	360,766	1,357,342	325,838	—	—	2,043,946
Sweden	3,557	76,936	324	—	—	80,816
Switzerland	59,983	97,386	46,274	—	—	203,643
Turkey	32,845	14,848	—	—	—	47,693
United States	336,389	1,666,853	613,055	—	—	2,616,297
Czech Republic	3,569	79,205	—	—	—	82,774
Slovakia	6,005	—	—	—	—	6,005
Other Countries	275,007	86,554	4,430	—	—	365,991
Total	30,070,893	29,739,364	3,108,449	—	1,162,288	64,080,994

Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as at 31 December 2021 (2/2)

	g	h	i	j	k	l	m
	Own Funds Requirement				Risk-weighted exposure amounts	Weighting factors of own fund requirement	Countercyclical coefficient (%)
	of which: generic credit exposures	of which: credit exposures of the trading book	of which: securitisation positions in the banking book	Total			
Italy	2,353,708	22,630	22,646	2,398,984	29,987,303	71.8525%	0.0000%
Abu Dhabi	611	—	—	611	7,641	0.0183%	0.0000%
Australia	761	—	—	761	9,511	0.0228%	0.0000%
Austria	794	31	—	825	10,314	0.0247%	0.0000%
Belgium	5,269	117	—	5,386	67,326	0.1613%	0.0000%
Bulgaria	8	—	—	8	104	0.0003%	0.5000%
Canada	5,093	327	—	5,419	67,744	0.1623%	0.0000%
China	668	—	—	668	8,344	0.0200%	0.0000%
Denmark	1,319	53	—	1,372	17,148	0.0411%	0.0000%
Ethiopia	0	—	—	0	0	0.0000%	0.0000%
Finland	1,086	1,208	—	2,294	28,678	0.0687%	0.0000%
France	110,154	14,232	—	124,386	1,554,820	3.7255%	0.0000%
Germany	77,685	7,270	—	84,955	1,061,939	2.5445%	0.0000%
Japan	51	—	—	51	641	0.0015%	0.0000%
Greece	4	—	—	4	55	0.0001%	0.0000%
Hong Kong	1,317	—	—	1,317	16,462	0.0394%	1.0000%
Ireland	24,748	86,436	—	111,184	1,389,797	3.3301%	0.0000%
Iceland	2,142	—	—	2,142	26,780	0.0642%	0.0000%
Cayman islands	71	410	—	481	6,013	0.0144%	0.0000%
Virgin islands, british	5,816	—	—	5,816	72,706	0.1742%	0.0000%
Liechtenstein	3,311	—	—	3,311	41,388	0.0992%	0.0000%
Luxembourg	56,437	17,481	—	73,918	923,977	2.2139%	0.5000%
Mexico	7,148	98	—	7,246	90,574	0.2170%	0.0000%
Monaco	39,474	1	—	39,475	493,434	1.1823%	0.0000%
Norway	116	20	—	135	1,693	0.0041%	1.0000%
Netherlands	47,074	3,755	—	50,829	635,363	1.5224%	0.0000%
Portugal	6,693	—	—	6,693	83,662	0.2005%	0.0000%
United Kingdom	159,457	5,312	—	164,769	2,059,608	4.9350%	0.0000%
Romania	5,315	—	—	5,315	66,436	0.1592%	0.0000%
Russian federation	1,911	—	—	1,911	23,884	0.0572%	0.0000%
Singapore	357	—	—	357	4,468	0.0107%	0.0000%
Spain	75,808	1,259	—	77,067	963,344	2.3083%	0.0000%
Sweden	3,796	26	—	3,821	47,768	0.1145%	0.0000%
Switzerland	6,719	3,702	—	10,421	130,265	0.3121%	0.0000%
Turkey	3,573	—	—	3,573	44,668	0.1070%	0.0000%
United States	103,398	7,588	—	110,986	1,387,328	3.3242%	0.0000%
Czech republic	2,961	—	—	2,961	37,016	0.0887%	0.5000%
Slovakia	342	—	—	342	4,281	0.0103%	1.0000%
Other Countries	28,608	354	—	28,963	362,036	0.8674%	0.0000%
Total	3,143,805	172,310	22,646	3,338,761	41,734,515	100.0000%	



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

	a	
1	Total risk exposure amount (RWA)	47,842,189
2	Specific countercyclical coefficient of the institution	0.0094%
3	Specific countercyclical capital buffer requirement of the institution	4,511

Section 5 – Financial leverage

Qualitative information

Starting from January 2015, the Basel Committee introduced the leverage ratio as an indicator to keep down borrowings and reduce excessive recourse financial leverage in the banking sector; as the European Banking Authority (EBA) has held that a financial leverage ratio calibrated at 3% represents a credible mechanism for any type of credit institution, as from 30 June 2021, with the introduction of CRR II, this ratio has become a binding minimum limit.

The indicator is calculated from the ratio between regulatory Tier 1 capital and the Group's overall aggregate exposure, which includes assets net of any deductions from Tier 1, the off-balance-sheet exposures, and specific treatment for counterparty risk for operations in derivatives and securities finance transactions which entail netting against the liability where eligible as part of credit risk mitigation for CRM operations in derivatives and securities finance transactions, plus a specific regulatory add-on for the potential future exposures.

The ratio is calculated on a quarterly basis, point-in-time at the end of the three months, on an individual and consolidated basis, and is subject to monitoring having been identified as one of the reference metrics in the Risk Appetite Framework for managing risks and preserving the Group's capital adequacy. Purely for information purposes, with CRR II coming into force, disclosure must also be made of the average values of exposures in Secured Financial Transactions, as part of prudential reporting, without impacting on the ratio which continues to be calculated as a point-in-time reading.

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

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



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

At present, in view of the abundant surplus compared to the regulatory minimum of 3%, the Group has decided not to avail itself of the Covid-related filter introduced by the regulator, which allows certain exposures to central banks to be excluded from the calculation of the ratio.

Quantitative information

The tables below show the readings for the Mediobanca Group leverage ratio as at 31 December 2021, stated in accordance with the principles set forth in CRR/CRR II.



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

		31/12/2021	30/06/2021
		a	b
		Applicable amount	Applicable amount
1	Total assets as per published financial statements	89,096,474	82,598,698
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(111,622)	(117,772)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—	—
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	—	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	—	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—	—
7	Adjustment for eligible cash pooling transactions	—	—
8	Adjustments for derivative financial instruments	(2,016,288)	(2,466,952)
9	Adjustment for securities financing transactions (SFTs)	(604,399)	1,176,408
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,624,597	5,657,866
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	—	—
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	(178,217)	—
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—	(1,370)
12	Other adjustments	(2,672,049)	(2,025,007)
13	Total exposure measure	89,138,495	84,821,871



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

		CRR leverage ratio exposures	
		a	b
		31/12/2021	30/06/2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	77,632,562	72,723,059
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	9,264	—
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	—	(600)
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	—	—
5	(General credit risk adjustments to on-balance sheet items)	—	—
6	(Asset amounts deducted in determining Tier 1 capital)	—	—
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	77,641,826	72,722,459
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,008,295	907,979
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	3	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,273,185	977,287
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	5,101	3,830
EU-9b	Exposure determined under Original Exposure Method	397	471
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	—	—
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	—	—
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	—	—
11	Adjusted effective notional amount of written credit derivatives	2,214,448	2,014,321
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(2,214,448)	(2,014,321)
13	Total derivatives exposures	2,286,980	1,889,567



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

		CRR leverage ratio exposures	
		31/12/2021	30/06/2021
		a	b
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	4,547,307	3,406,921
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(3,323,070)	(1,458,457)
16	Counterparty credit risk exposure for SFT assets	2,718,671	2,634,865
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	—	—
17	Agent transaction exposures	—	—
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	—	—
18	Total securities financing transaction exposures	3,942,908	4,583,329
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	12,725,910	10,979,581
20	(Adjustments for conversion to credit equivalent amounts)	(7,130,768)	(5,321,715)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	—	—
22	Off-balance sheet exposures	5,595,142	5,657,866
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	(178,217)	—
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	—	(1,370)
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	—	—
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	—	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	—	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(150,145)	(29,979)
EU-22g	(Excluded excess collateral deposited at triparty agents)	—	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	—	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	—	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	—	—
EU-22k	(Total exempted exposures)	(328,362)	(31,349)



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

		CRR leverage ratio exposures	
		31/12/2021	30/06/2021
		a	B
Capital and total exposure measure			
23	Tier 1 capital	7,352,372	7,689,399
24	Total exposure measure	89,138,495	84,821,871
Leverage ratio			
25	Leverage ratio	8.2483%	9.0653%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.2483%	9.0653%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.2483%	9.0653%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—
EU-26b	of which: to be made up of CET1 capital	—	—
27	Leverage ratio buffer requirement (%)	—	—
EU-27a	Overall leverage ratio requirement (%)	3.0000%	3.0000%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,153,771	2,195,212
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,224,238	1,948,464
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	89,068,029	85,068,619
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	89,068,029	85,068,619
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.2548%	9.0391%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.2548%	9.0391%

The leverage ratio as at 31 December 2021, calculated in accordance with the provisions of Commission Delegated Regulation 62/2015, and those for defining the measurement of capital (Tier 1 capital with Danish Compromise), was 8.2%. The slight reduction compared to 30 June 2021 (9.1%) is due to the reduction in capital referred to earlier, plus the increase in exposures (up €4.7bn, €3bn



of which due to the higher treasury assets and €1bn to factoring), but at all times remained comfortably above the regulatory limit of 3%.

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

		31/12/2021	30/06/2021
		a	b
		CRR leverage ratio exposures	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	76,274,734	70,866,775
EU-2	Trading book exposures	7,946,554	7,261,606
EU-3	Banking book exposures, of which:	68,328,180	63,605,169
EU-4	Covered bonds	76,768	75,723
EU-5	Exposures treated as sovereigns	9,156,916	7,979,667
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	149,862	159,067
EU-7	Institutions	2,394,048	2,861,606
EU-8	Secured by mortgages of immovable properties	12,154,451	11,931,889
EU-9	Retail exposures	14,426,764	13,975,575
EU-10	Corporates	22,657,332	20,452,654
EU-11	Exposures in default	912,986	968,315
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,399,052	5,200,672

Section 6 – Liquidity risk

The LCR reading at 31 December 2021 was 162%. The ratio reflected limited variations around its half-year average reading of 151%, which was below the average figure recorded for the twelve months ended 30 June 2021 (159%). The decrease in the ratio is due to the new, more stringent target value set by management for the new year, a sign of confidence in the proven capability to govern the ratio and volatility in it demonstrated by the Group Treasury. 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 view of the macroeconomic scenario which is still threatened by the possibility of deteriorations in the Covid-19 situation. In order to strengthen its liquidity position and carry on its own funding strategies, the Group has adhered to the T-LTRO initiative, and has been quick to leverage the positive market conditions that have arisen, successfully completing a series of bond issues. During the six months under review, like last year, the Group has exploited the opportunities offered by governments, while at the same time relying also on its own established market credentials, both in terms of bond issuance and by strengthening the Wealth Management division's deposits. All these initiatives have helped to improve the Bank's resilience to the ongoing market difficulties.

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.

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)

Currency and units (XXX million)		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	31/12/2021	30/09/2021	30/06/2021	31/03/2021
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:	19,780	19,451	18,966	18,562
3	Stable deposits	12,213	12,047	11,824	11,598
4	Less stable deposits	7,538	7,372	7,107	6,932
5	Unsecured wholesale funding	5,853	5,465	5,394	5,225
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	5,614	5,160	5,050	4,869
8	Unsecured debt	240	305	344	357
9	Secured wholesale funding				
10	Additional requirements	8,375	8,037	7,604	7,089
11	Outflows related to derivative exposures and other collateral requirements	363	378	397	404
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	8,011	7,659	7,207	6,685
14	Other contractual funding	2,467	2,389	1,983	1,772
15	Other contingent funding obligations	4,011	3,747	3,486	3,205
16	TOTAL CASH OUTFLOWS				
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	3,523	3,309	2,928	2,720
18	Inflows from fully performing exposures	1,714	1,634	1,586	1,563
19	Other cash inflows	1,618	1,525	1,392	1,359
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	TOTAL CASH INFLOWS	6,855	6,468	5,906	5,642
EU-20a	Fully exempt inflows	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—
EU-20c	Inflows subject to 75% cap	6,836	6,449	5,887	5,562
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)

Currency and units (XXX million)		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	31/12/2021	30/09/2021	30/06/2021	31/03/2021
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)	7,630	7,790	7,947	7,875
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	1,588	1,554	1,504	1,468
3	Stable deposits	611	602	591	580
4	Less stable deposits	977	952	913	888
5	Unsecured wholesale funding	3,228	3,083	3,112	3,057
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	2,988	2,778	2,768	2,700
8	Unsecured debt	240	305	344	357
9	Secured wholesale funding	557	506	476	455
10	Additional requirements	1,904	1,917	1,884	1,775
11	Outflows related to derivative exposures and other collateral requirements	291	302	314	320
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	1,613	1,615	1,570	1,455
14	Other contractual funding	454	385	272	337
15	Other contingent funding obligations	337	358	375	332
16	TOTAL CASH OUTFLOWS	8,068	7,802	7,623	7,425
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,055	883	807	676
18	Inflows from fully performing exposures	1,244	1,194	1,185	1,178
19	Other cash inflows	805	730	617	612
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	Secured lending (e.g. reverse repos)	—	—	—	—
20	TOTALE DEGLI AFFLUSSI DI CASSA	3,105	2,807	2,610	2,466
EU-20a	Fully exempt inflows	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—
EU-20c	Inflows subject to 75% cap	3,105	2,807	2,610	2,466
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	7,630	7,790	7,947	7,875
22	TOTAL NET CASH OUTFLOWS	4,963	4,995	5,013	4,959
23	LIQUIDITY COVERAGE RATIO (%)	154.0314%	156.0654%	158.6875%	158.8105%



Other information on the LCR and NSFR

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 December 2021, 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.

At 31 December 2021, the counterbalancing capacity totalled €9.2bn, and was made up as follows: €1.5bn in Level 1 tradable assets, €3.3bn in central bank reserves and bank notes, €2.6bn in ECB eligible receivables, and €1.8bn in non-HQLA assets. The figure is lower than at end-June 2021 (€11.3bn), as the abundant liquidity which the Group had enjoyed for the six months was committed at the year-end to meet the surge in credit commitments and the purchase of non-ECB eligible bonds with limited recourse to funding. The amount of securities eligible for refinancing with the ECB in order to obtain immediate liquidity amounts to €5.9bn. The balance of collateral held with the ECB is €12.7bn, of which approx. €4.2bn available immediately but not used, and hence included in the counterbalancing capacity (€11.6bn and €4.1bn respectively at end-June 2021). The central bank's contributing to funding (in the shape of the T-LTRO facility) was increased from €7.4bn to €8.4bn; the increase was hedged in full by depositing more guarantees in the form of eligible credit claims originated during the period. Other assets relevant to the CBC are debt securities, the stock of which increased from €18.4bn to €18.9bn, and Wealth Management deposits, which rose from €25.2bn to €27.2bn.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
	30.06.2021	31.12.2021
Currency and units (million Euro)		
TOTAL GROUP LIQUIDITY RESERVES	11.246	9.165
Total high-quality liquid assets (HQLA)	6.767	4.794
Cash and deposits held with central banks (HQLA)	2.247	3.275
High liquid securities (HQLA)	4.520	1.519
Of which:		
Level 1	4.515	1.511
Level 2	5	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.



Template EU LIQ2 below shows the quantitative information for the Group's Net Stable Funding Ratio (NSFR). As at end-December 2022, the NSFR stood at 109.7%, above the regulatory limit of 100%.

Template EU LIQ2: Net Stable Funding Ratio (1/2) - 31/12/2021

<i>(in currency amount)</i>		31/12/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Available stable funding (ASF) Items						
1	Capital items and instruments	10,391,402	—	—	1.598.777	11.990.179
2	Own funds	10,391,402	—	—	1.105.539	11.496.941
3	Other capital instruments		—	—	493.238	493.238
4	Retail deposits		20,220,716	37.610	379.745	19.231.786
5	Stable deposits		12,390,680	282	726	11.772.140
6	Less stable deposits		7,830,036	37.328	379.019	7.459.647
7	Wholesale funding:		16,003,472	2.660.103	24.319.540	28.602.827
8	Operational deposits		—	—	—	—
9	Other wholesale funding		16,003,472	2.660.103	24.319.540	28.602.827
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,025,671	3,797,215	—	2.172.805	2.172.805
12	NSFR derivative liabilities	2,025,671				
13	All other liabilities and capital instruments not included in the above categories		3,797,215	—	2.172.805	2.172.805
14	Total available stable funding (ASF) as at 31/12/2021					61,997,597



Template EU LIQ2: Net Stable Funding Ratio (2/2) - 31/12/2021

(in currency amount)		31/12/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					732,523
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,338,976	4,538,130
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:	13,416,231	4,851,340	41,525,092		43,762,949
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	1,699,638	230,447	487,480		614,633
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	4,528,818	655,804	2,851,495		3,939,968
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	4,421,956	3,109,064	24,305,928		31,382,707
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	—	—		5,284,008
22	Performing residential mortgages, of which:	334,269	303,670	5,670,913		—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	334,269	303,670	5,670,913		—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	2,431,549	552,355	8,209,275		7,825,641
25	Interdependent assets		—	—	—	—
26	Other assets:	5,441,125	87,609	5,330,597		7,048,445
27	Physical traded commodities					—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	667,951	—	125,176		674,159
29	NSFR derivative assets	—				—
30	NSFR derivative liabilities before deduction of variation margin posted	3,075,580				153,779
31	All other assets not included in the above categories	1,697,593	87,609	5,205,420		6,220,507
32	Off-balance sheet items	1,117,889	336,107	7,306,660		447,758
33	Total RSF as at 31/12/2021					56,529,805
34	Net Stable Funding Ratio (%) as at 31/12/2021					109.6724%



Template EU LIQ2: Net Stable Funding Ratio (1/2) - 30/09/2021

(in currency amount)		30/09/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Available stable funding (ASF) Items						
1	Capital items and instruments	10,444,447	—	—	1.597.139	12.041.586
2	Own funds	10,444,447	—	—	1.170.134	11.614.581
3	Other capital instruments		—	—	427.005	427.005
4	Retail deposits		20,214,944	116.663	361.057	19.277.564
5	Stable deposits		12,359,721	1.495	569	11.743.724
6	Less stable deposits		7,855,223	115.168	360.487	7.533.839
7	Wholesale funding:		10,079,576	3.834.257	24.351.581	28.537.443
8	Operational deposits		—	—	—	—
9	Other wholesale funding		10,079,576	3.834.257	24.351.581	28.537.443
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	1,735,169	4,347,109	—	2.548.366	2.548.366
12	NSFR derivative liabilities	1,735,169				
13	All other liabilities and capital instruments not included in the above categories		4,347,109	—	2.548.366	2.548.366
14	Total available stable funding (ASF) as at 30/09/2021					62,404,959



Template EU LIQ2: Net Stable Funding Ratio (2/2) - 30/09/2021

(in currency amount)		30/09/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					678,072
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,340.160	4,539.136
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:	11,637,221	4,385.276	39,044.777		41,252.741
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	2,187,089	138.224	487.480		626.913
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	2,976,767	621.942	3,844.828		4,440.965
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	4,250,402	2,974.855	22,182.183		29,375.014
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0	-0	—		5,139.933
22	Performing residential mortgages, of which:	329,536	324.322	5,464.211		—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	329,536	324.322	5,464.211		—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	1,893,427	325.932	7,066.074		6,809.849
25	Interdependent assets		—	—	—	—
26	Other assets:	4,853,511	81.378	5,251.012		7,036.289
27	Physical traded commodities					—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	618,348	—	141.053		645.491
29	NSFR derivative assets	0				—
30	NSFR derivative liabilities before deduction of variation margin posted	2,752,379				137.619
31	All other assets not included in the above categories	1,482,784	81.378	5,109.959		6,253.180
32	Off-balance sheet items	1,119,665	209.329	7,223.869		436.139
33	Total RSF as at 30/09/2021					53,942,377
34	Net Stable Funding Ratio (%) as at 30/09/2021					115.6882%

Section 7 – Credit risk

7.1 General information

Qualitative information

The Banking Group¹² (or, the “Group”) is distinguished by its prudent approach to risk, which is reflected in the fact that its NPL levels are among the lowest seen in the Italian national and European panorama.¹³ Its management of non-performing loans also helps to keep the level of them on the books low, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement activity, and negotiating restructuring agreements.

The Group uses a single definition for all the following instances: “default” as defined by the regulations on regulatory capital requisites; “non-performing”, used for the supervisory reporting statistics; and Stage 3, or “credit-impaired”, assets as defined by the accounting standards in force. In so doing, account has been taken of the provisions contained in the following documents: EBA Guidelines on the application of the definition of default (EBA/GL/2016/07), Commission Delegated Regulation (EU) No. 2018/171 of 19 October 2017, and Regulation (EU) No. 2018/1845 of the ECB of 21 November 2018. In line with these principles, instances of assets which qualify as “non-performing” include:

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

¹² The following subsidiaries of Group companies are excluded from the prudential scope of application: Compass RE (reinsurance business), Compass Rent and MBContact Solutions (other companies).

¹³ As at 31 December 2021 the Mediobanca Group had a Finrep Gross NPL ratio of 3%, well below the critical level of 5%, and a clear improvement on end-June 2021 (3.4%), below the Italian national average [source: EBA Risk Dashboard 3Q 2021 (AQT_3.2), 3.6%].

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

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

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

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

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

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client. In line with the EBA and ECB statements following the Covid-19 crisis, no automatic reclassification mechanisms have been applied following contractual amendments made under the terms of the immediate support programmes provided by law, category association arrangements, or equivalent initiatives offered independently by the Group itself.



For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of difficulty which can be traced to the accumulation, actual or potential (in the latter case if the concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, whereas certain predefined conditions apply in the case of consumer credit activities (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

7.1.1 Description of methodologies used to calculate loan loss provisions

Under IFRS 9 "Financial Instruments", assets which are recognized in the financial statements at (i.e. loans, debt securities and off-balance-sheet exposures) must be tested for impairment based on expected losses.

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

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate. As required by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for identifying positions to be classified as Stage 2. The Group has verified that twelve-month PD is a reasonable proxy of increases in risk on a lifetime basis, and monitors the validity of this assumption over time. The change in PD selected to determine reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

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

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

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months, or until the contractual expiry date of the relevant exposure, depending on which Stage it is classified in), discounted at the effective interest rate. The expected loss is the result of the combined valuation of three scenarios (baseline, mild-positive and mild-negative), weighted according to their likelihood of occurring (50%, 25% and 25% respectively). The scenarios, determined at Group level, are revised at least once every six months. In particular, the Group sets the estimates for the baseline scenario, compiling the economic variables using an external macroeconomic model which factors in the internal expectations for interest rates. Levels of deviation from the baseline scenario are established in order to determine the mild-negative and mild-positive scenarios; these deviations are obtained from historical analysis of trends in the macroeconomic parameters used in the risk parameter conditioning models, and the levels of variation compared to the base scenario are established using a 25% confidence level.

The current macroeconomic scenario reflects two main features that impact on the provisioning estimates at Group level:



- A strongly recovering macroeconomic scenario, which sees significant growth both in 2022 itself and the following years, and also incorporates the growth already witnessed in 2Q and 3Q 2021 which was higher than expected at end-June 2021;
- High volatility in the default rate for the Consumer Finance loan book in 2Q and 3Q 2021, which has recorded some very low levels even compared to the pre-Covid situation.

Both these two features, however, are destined to recede gradually, as the macroeconomic scenario increasingly normalizes. Nonetheless, in the short term the situation outlined above brings about a marked reduction in the parameter levels as part of the risk parameter conditioning process, mainly due to the out-of-scale figures for economic growth (e.g. for Italy growth of 6% in 2021 and of 5% in 2022 on an annualized basis) that are disproportionate to those recorded over the time horizon for the satellite model estimates (sample average GDP growth of 1.4% on an annualized basis). This effect, according to current estimates, should be neutralized over a horizon of 18/24 months.

The scenario outlined above, which is marked by considerable but short-term volatility, is further compounded by uncertainty. There is also the issue of the most recent developments in the pandemic, with the spread of the highly infectious Omicron variant which has caused the medical emergency to worsen again; this too could cause the growth anticipated to slow, even in the short term. If this is the case, the effect on the risk parameters in the medium term could reflect increases that are far beyond currently quantifiable estimates.

In view of the above, and despite the evidence to support an improved macroeconomic scenario going forward, confirmed even by the updated ECB and Bank of Italy estimates, Mediobanca has decided that in order to maintain a conservative stance, it is necessary to maintain the macroeconomic scenario used for the valuations made for purposes of the separate and consolidated financial statements for the year ended 30 June 2021 without making any changes, i.e. not reflecting the benefits that would derive from the above improvements in the credit valuations. Therefore, in view among other things of the ongoing uncertainties in the medical situation at both national and global level which could impact on expectations, consumption and investments, the Mediobanca Group has decided to make no changes to the extra provisions (or "overlays") set aside in addition to the estimated impairment charges deriving from application of the models established on the basis of whether or not there are specific aspects that cannot be factored in or valued through modelling. Reference is made to Part E of the Notes to the Accounts for the Interim Report for more detailed description of the overlays applied.

7.1.2 Details by business segment

Corporate lending

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

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures.

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

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

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

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



includes counterparties classified as “amber” or “red” for watchlist purposes. All forborne positions are also subject to specific monitoring.

Mediobanca classifies the sectors in which its counterparties operate according to the risks faced by them as a result of the pandemic (“Immediate impact”, “High impact”, “Moderate impact”, “Low Impact”). Additional provisioning, or overlays, have been applied for counterparties with operations classified as Immediate/High impact since December 2020. The list of sectors is monitored on a regular basis to be able to act promptly in terms of making revisions to counterparties for which overlays have been applied. As a result of such monitoring, at end-December 2021 the Automotive, Gaming and Luxury sectors were downgraded from High impact to Moderate impact.

Provisions are calculated individually for non-performing items and based on PD and LGD indicators for the performing portfolio. For individual provisioning, valuations based on discounted cash flows and balance-sheet multiples are applied to businesses which constitute going concerns, while asset valuations are used for companies in liquidation. For provisioning in respect of performing loans, the PD parameters are obtained starting from through-the-cycle matrices used to develop the internal rating model, which are then converted to point-in-time versions. The LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The forward-looking component of the models is factored in by applying the macroeconomic scenarios defined internally to the risk indicators. The criteria for classification to Stage 2 include the quantitative criterion of deterioration in the PD beyond a certain level, plus the requirement of a minimum number of notches downgrade¹⁴ between the date on which the asset was originated and the reporting date. Revisions to the classification of single names are also possible, based on internal decisions supported by individual analysis.

Leasing

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

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

¹⁴ One notch if the rating at the reference date is lower than or equal to BB-, two notches if higher (investment grade ratings are always classified as Stage 1 for Low Credit Risk Exemption).



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

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

In terms of criteria for reclassification of leases to Stage 2, in addition to the positions identified using the quantitative criterion of an increase in the PD, the evidence obtained from the Parent Company's watchlist for corporate clients is used as qualitative information. Contracts which were already showing signs of weakness when the moratoria were granted are also classified as Stage 2; such signs include amounts overdue by more than the regulatory threshold, having been past due for 30 consecutive days in the previous twelve months, having already been classified as Stage 2 or Stage 3, and/or having been included in the watchlist (classified as Red or Amber), at the end of each quarter of the financial year, and all moratoria granted by law for which an extension until 31 December 2021 has been granted under the terms of the "Sostegni-bis" decree that would otherwise have been classified as Stage 1.

Consumer credit

Consumer credit operations are performed primarily by Compass Banca and Futuro, where applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit bureaux. Points of sale are linked electronically to the company's headquarters, to ensure that applications and credit scoring results are processed and transmitted swiftly. Under the system of powers for approval assigned by the company's Board of Directors, for



increasing combinations of amount and expected loss, approval is required by the relevant bodies at headquarters, in accordance with the authorization levels established by the Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action. After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been established, accounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of PD, LGD and CCF metrics which are estimated using internal models. To estimate the PD parameters, the through-the-cycle transition matrices based on management models are used. The matrices have been calculated separately by product type, according to the specific internal management process involved (e.g. credit cards, special purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed finance to public entities, private individuals or pensioners). The forward-looking component is factored in using a specific macroeconomic model based on scenarios internal to the Group and the recent trends in internal default rates. The LGD parameters are defined based on the internal models estimated on the basis of internal experience in terms of LGD.

In consumer credit, in addition to the quantitative criterion based on changes in the PD, specific quality indicators are used to classify exposures as Stage 2, such as the existence of suspension measures, the existence of other non-performing accounts for the same borrower, and evidence of irregularities in payment in the recent past.

Positions for which moratoria have been granted in connection with Covid-19 form an exception to the general rule whereby the existence of suspension measures would automatically lead to a position being classified as Stage 2. For such positions, a quantitative criterion has been introduced instead, namely a change in the PD (SICR), applied to all exposures that have undergone a change in their rating compared to origination; all exposures that have undergone a change in their rating compared to origination; as at 31 December 2021 there were no positions with suspensions ongoing due to Covid-related moratoria, hence every new suspension from now on will be classified directly as stage 2.

The Compass rating model is responsive to the absence of payments (due to non-payments or suspensions in the last twelve months) leading to an increase in the PD and hence a significant



migration to stage 2 also for past suspensions due to Covid-related moratoria and to the bank's own initiative, with no distinction between the two types of suspension in terms of SICR criteria.

Factoring

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

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

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

NPL business

This business is performed by MBCredit Solutions, which operates on the NPLs market, acquiring non-performing loans on a no recourse basis at a price well below the nominal value. Credit risk is managed by a series of consolidated regulations, structures and instruments in line with the Group policies. The company pursues the objective of splitting up the client portfolio according to selective criteria which are consistent with the objectives in terms of capital and risk/return indicated to it by Mediobanca S.p.A.

The purchase price for the non-performing loans is determined by following well-established procedures which include appropriate sample-based or statistical analysis of the positions being sold, and take due account of projections of expected amounts recovered, expenses and margins. At each annual or interim reporting date the amounts expected to be collected for each individual



position are compared systematically with the amounts actually collected. If losses are anticipated at the operating stages, the collection is adjusted downwards on an individual basis. If there is objective evidence of possible losses of value due to the future cash flows being overestimated, the flows are recalculated and adjustments charged as difference between the scheduled value at the valuation date (amortized cost) and the discounted value of the cash flows expected, which are calculated by applying the original effective interest rate. The estimated cash flows take account of the expected collection times, the assumed realizable value of any guarantees, and the costs which it is considered will have to be incurred in order to recover the credit exposure.

Private Banking

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

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

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

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

Mortgage lending

Mortgage lending is provided primarily by CheBanca!, and processing and approval exposures in this area are performed centrally at head office. The applications are approved, using an internal



rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly assessed.

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

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

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

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

The use of moratoria granted by public institutions or at the individual bank's own initiative due to external causes of illiquidity, potential or actual, such as the Covid-19 emergency, is considered to be an indicator of temporary economic difficulty. This kind of support does not qualify as a forbearance measure; however, if there is information on the borrower, or their employer, which provides a more accurate picture of the borrower's financial difficulties, the moratorium may be treated as a forbearance measure. Specific monitoring has been instituted for such positions, which is performed by the Monitoring and Credit Recovery division, to assess whether the position concerned should be reclassified as forbore and/or unlikely to pay, plus the use of specific criteria (such as nine months' suspension). Since October 2021, the new moratoria granted and the renewals



of the previous suspensions have been classified as forborne, and the stock of moratoria outstanding in stage 1 has been reclassified as forborne (and so taken to stage 2).

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

For performing loans classified as forborne or which still have active moratoria, a specific multiple is also applied to the PD, in view of the increased risk expected for this segment. It should also be noted that a qualitative identification factor is also used for mortgage loans to be classified as Stage 2, namely if the loan in question has been assigned worst internal rating class prior to default.



7.1.3 Exposure to sovereign credit risk

The banking book securities portfolio is worth a total of €5.3bn and chiefly consists of financial instruments with Italy country risk (60%, or €3.2bn); the remainder is invested in German government securities (17%), in US government bonds (12%), and in other EU Member State sovereign debt (mainly France and Spain). The average duration outstanding on the portfolio is approx. three years.

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



Quantitative information

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

	a	b	c	d	e	f
	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
		of which STAGE 1	of which STAGE 2		of which STAGE 2	of which STAGE 3
005 Cash balances at central banks and other demand deposits	4,435,585	4,435,586	—	—	—	—
010 Loans and advances	56,380,892	52,118,915	3,634,146	1,894,618	—	1,463,868
020 Central banks	—	—	—	—	—	—
030 General governments	661,601	630,779	30,822	2,054	—	2,054
040 Credit institutions	4,117,826	4,117,793	33	—	—	—
050 Other financial corporations	6,087,715	5,446,837	25,688	16,954	—	9,697
060 Non-financial corporations	18,815,502	18,033,050	769,811	432,330	—	343,749
070 Of which SMEs	1,158,807	957,895	200,912	186,581	—	99,313
080 Households	26,698,248	23,890,456	2,807,792	1,443,280	—	1,108,368
090 Debt securities	7,681,777	7,657,697	23,121	—	—	—
100 Central banks	—	—	—	—	—	—
110 General governments	5,278,005	5,277,943	—	—	—	—
120 Credit institutions	548,808	548,808	—	—	—	—
130 Other financial corporations	1,604,990	1,580,972	23,121	—	—	—
140 Non-financial corporations	249,974	249,974	—	—	—	—
150 Off-balance-sheet exposures	12,783,942	12,408,399	209,140	1,420	—	1,420
160 Central banks	—	—	—	—	—	—
170 General governments	774,077	774,077	—	—	—	—
180 Credit institutions	5,317	4,982	—	—	—	—
190 Other financial corporations	1,415,275	1,268,892	81,185	—	—	—
200 Non-financial corporations	8,009,749	7,896,914	97,599	798	—	798
210 Households	2,579,524	2,463,534	30,356	622	—	622
220 Total as at 31/12/2021	81,282,196	76,620,597	3,866,407	1,896,038	—	1,465,288
Total as at 30/06/2021	77,888,409	72,963,544	4,053,097	1,984,101	—	1,593,363



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

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which STAGE 1	of which STAGE 2		of which STAGE 2	of which STAGE 3
005	Cash balances at central banks and other demand deposits	(244)	(244)	—	—	—	—
010	Loans and advances	(671,710)	(300,186)	(371,524)	(998,920)	—	(976,787)
020	Central banks	—	—	—	—	—	—
030	General governments	(5,839)	(884)	(4,955)	(931)	—	(931)
040	Credit institutions	(859)	(859)	—	—	—	—
050	Other financial corporations	(13,369)	(12,763)	(606)	(11,959)	—	(5,323)
060	Non-financial corporations	(91,675)	(59,635)	(32,040)	(161,302)	—	(160,924)
070	Of which SMEs	(11,243)	(3,766)	(7,477)	(49,672)	—	(49,294)
080	Households	(559,968)	(226,045)	(333,923)	(824,728)	—	(809,609)
090	Debt securities	(16,017)	(14,770)	(1,247)	—	—	—
100	Central banks	—	—	—	—	—	—
110	General governments	(5,273)	(5,273)	—	—	—	—
120	Credit institutions	(4,769)	(4,769)	—	—	—	—
130	Other financial corporations	(4,380)	(3,133)	(1,247)	—	—	—
140	Non-financial corporations	(1,595)	(1,595)	—	—	—	—
150	Off-balance-sheet exposures	(24,481)	(20,797)	(3,327)	(135)	—	(135)
160	Central banks	—	—	—	—	—	—
170	General governments	(61)	(61)	—	—	—	—
180	Credit institutions	—	—	—	—	—	—
190	Other financial corporations	(2,627)	(1,529)	(1,098)	—	—	—
200	Non-financial corporations	(14,019)	(12,465)	(1,554)	(40)	—	(40)
210	Households	(7,774)	(6,742)	(675)	(95)	—	(95)
220	Total as at 31/12/2021	(712,452)	(335,997)	(376,098)	(999,055)	—	(976,922)
	Total as at 30/06/2021	(699,763)	(327,901)	(371,565)	(1,037,514)	—	(1,030,514)



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

		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits		—	—
010	Loans and advances	(5,014)	24,973,326	290,251
020	Central banks	—	—	—
030	General governments	—	195	5
040	Credit institutions	—	3,438,064	-
050	Other financial corporations	—	3,843,258	4,294
060	Non-financial corporations	(4,974)	4,818,379	161,668
070	Of which SMEs	(770)	954,190	53,026
080	Households	(40)	12,873,430	124,284
090	Debt securities	—	—	—
100	Central banks	—	—	—
110	General governments	—	—	—
120	Credit institutions	—	—	—
130	Other financial corporations	—	—	—
140	Non-financial corporations	—	—	—
150	Off-balance-sheet exposures		2,246,742	368
160	Central banks		—	—
170	General governments		—	—
180	Credit institutions		—	—
190	Other financial corporations		225,719	—
200	Non-financial corporations		1,229,418	358
210	Households		791,605	10
220	Total as at 31/12/2021	(5,014)	27,220,068	290,619
	Total as at 30/06/2021	(5,681)	26,515,863	290,973

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	2,542,894	12,531,786	22,722,188	18,807,380	632	56,604,880
2	Debt securities	—	1,854,733	3,465,726	2,325,147	20,154	7,665,760
3	Total as at 31/12/2021	2,542,894	14,386,519	26,187,914	21,132,527	20,786	64,270,640

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

		31/12/2021
		a
		Gross carrying amount
010 Initial stock of non-performing loans and advances as at 01/07/2021		1,981,250
020	Inflows to non-performing portfolios	323,477
030	Outflows from non-performing portfolios	(410,109)
040	Outflow due to write-off	(65,696)
050	Outflow due to other situations	(344,413)
060 Final stock of non-performing loans and advances as at 31/12/2021		1,894,618

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

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

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



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

		a	b	c	d
		Gross carrying amount/nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		Of which impaired
			Of which defaulted		
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	730,648	633,726	633,726	627,090
020	Central banks	—	—	—	—
030	General governments	—	—	—	—
040	Credit institutions	—	—	—	—
050	Other financial corporations	18,455	10,815	10,815	4,179
060	Non-financial corporations	152,072	243,022	243,022	243,022
070	Households	560,121	379,889	379,889	379,889
080	Debt securities	—	—	—	—
090	Loan commitments given	15,596	—	—	—
100	Total as at 31/12/2021	746,244	633,726	633,726	627,090
	Total as at 30/06/2021	820,861	669,898	669,898	663,262

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

		e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	(63,053)	(383,465)	667,816	159,539
020	Central banks	—	—	—	—
030	General governments	—	—	—	—
040	Credit institutions	—	—	—	—
050	Other financial corporations	(570)	(8,744)	19,864	2,070
060	Non-financial corporations	(5,911)	(108,328)	227,587	107,952
070	Households	(56,572)	(266,393)	420,365	49,517
080	Debt securities	—	—	—	—
090	Loan commitments given	(198)	—	12,660	—
100	Total as at 31/12/2021	(63,251)	(383,465)	680,476	159,539
	Total as at 30/06/2021	(63,880)	(382,353)	714,548	158,027

Template EU CQ2 - Quality of forbearance

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



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

	a	b	c	d
	Gross carrying/nominal amount			
		Of which: non-performing		Of which: subject to impairment
			Of which: defaulted	
010 On-balance-sheet exposures	65,957,287	1,894,618	1,894,618	65,321,861
020 Italy	47,880,271	1,773,508	1,773,508	47,254,758
030 France	4,293,086	57,010	57,010	4,283,704
040 United Kingdom	2,418,870	5,485	5,485	2,418,868
050 United states	2,294,830	450	450	2,294,830
060 Germany	2,012,726	121	121	2,012,727
070 Spain	1,575,541	207	207	1,575,541
080 Principality of Monaco	1,549,462	11,891	11,891	1,549,462
090 Other Countries	3,932,501	45,946	45,946	3,931,971
100 Off-balance-sheet exposures	12,785,362	1,420	1,420	
110 Italy	6,222,991	1,420	1,420	
120 France	1,459,436	—	—	
130 United Kingdom	527,896	—	—	
140 United states	558,254	—	—	
150 Germany	326,075	—	—	
160 Spain	888,697	—	—	
170 Principality of Monaco	422,785	—	—	
180 Other Countries	2,379,228	—	—	
190 Total as at 31/12/2021	78,742,649	1,896,038	1,896,038	65,321,861
Total as at 30/06/2021	76,482,554	1,984,101	1,984,101	60,823,883



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

		e	f	g
		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
010	On-balance-sheet exposures	(1,680,011)		(6,636)
020	Italy	(1,574,413)		(6,636)
030	France	(35,156)		—
040	United Kingdom	(9,357)		—
050	United states	(17,852)		—
060	Germany	(3,753)		—
070	Spain	(4,889)		—
080	Principality of Monaco	(1,346)		—
090	Other Countries	(33,245)		—
100	Esposizioni fuori bilancio		(24,616)	
110	Italy		(14,334)	
120	France		(1,747)	
130	United Kingdom		(1,417)	
140	United states		(729)	
150	Germany		(1,298)	
160	Spain		(1,575)	
170	Principality of Monaco		(88)	
180	Other Countries		(3,428)	
190	Totale al 31/12/2021	(1,680,011)	(24,616)	(6,636)
	Totale al 30/06/2021	(1,703,050)	(27,155)	(6,636)

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

	a	b	c	d	e	f
	Gross carrying amount			Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non- performing exposures
	Of which: non-performing		Of which: defaulted			
010 Agriculture, forestry and fishing	32,828	1,656	1,656	32,828	(830)	—
020 Mining and quarrying	123,476	198	198	123,476	(280)	—
030 Manufacturing	4,997,857	132,884	132,884	4,997,856	(82,191)	—
040 Electricity, gas, steam and air conditioning supply	1,246,327	162	162	1,243,068	(3,154)	—
050 Water supply	85,780	2,005	2,005	85,780	(1,514)	—
060 Construction	745,210	31,803	31,803	745,210	(13,571)	—
070 Wholesale and retail trade	1,770,759	93,280	93,280	1,770,759	(49,713)	—
080 Transport and storage	1,150,301	8,638	8,638	1,150,301	(8,214)	—
090 Accommodation and food service activities	198,857	9,976	9,976	198,857	(5,706)	—
100 Information and communication	1,391,071	12,740	12,740	1,391,071	(12,678)	—
110 Financial and insurance activities	1,431,716	294	294	1,431,716	(7,443)	—
120 Real estate activities	1,728,093	94,622	94,622	1,728,094	(43,558)	—
130 Professional, scientific and technical activities	2,637,880	5,156	5,156	2,628,498	(11,872)	—
140 Administrative and support service activities	1,230,225	8,733	8,733	1,230,225	(7,442)	—
150 Public administration and defence, compulsory social security	—	—	—	—	—	—
160 Education	3,195	255	255	3,195	(122)	—
170 Human health services and social work activities	161,403	593	593	161,403	(1,459)	—
180 Arts, entertainment and recreation	45,205	2,304	2,304	45,205	(708)	—
190 Other services	267,649	27,031	27,031	267,649	(2,522)	—
200 Total as at 31/12/2021	19,247,832	432,330	432,330	19,235,191	(252,977)	—
Total as at 30/06/2021	16,706,689	410,406	410,406	16,695,941	(258,701)	—

**Template EU CQ6 - Collateral valuation – loans and advances**

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

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

		31/12/2021		30/06/2021	
		a	b	a	b
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	76	(4)	76	(3)
020	Other than PP&E	62,144	(19,211)	65,854	(19,235)
030	Residential immovable property	—	—	—	—
040	Commercial Immovable property	62,144	(19,211)	65,854	(19,235)
050	Movable property (auto, shipping, etc.)	—	—	—	—
060	Equity and debt instruments	—	—	—	—
070	Other	—	—	—	—
080	Total	62,220	(19,215)	65,930	(19,238)

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

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

Exposures for which moratoria have been granted

The EBA Guidelines (EBA/GL/2020/07) came into force in June 2020 to provide consistent monitoring at EU level of the moratoria granted by financial institutions to support clients in response to the crisis unleashed by the Covid-19 pandemic. To this end, the guidelines require institutions to publish reporting once every six months (starting from 30 June 2020) on the following:

- 1) Loans subject to legislative and non-legislative moratoria on loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- 2) Loans subject to forbearance measures applied as a result of the Covid-19 crisis;
- 3) New loans guaranteed by the state or another public entity.



The three new tables based on the models provided in Annex 3 of the EBA Guidelines (EBA 2020/07) are shown below.

The EBA Guidelines set out the criteria according to which moratoria are classified as “general payment moratoria” and the correct prudential treatment for the exposures covered by such moratoria, both legislative and non-legislative. They clarify in particular that the granting of a moratorium does not automatically trigger reclassification of an exposure as forborne (whether performing or non-performing), unless the exposure was already classified as such before the moratorium was granted.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria as at 31 December 2021 (1/2)

The table below shows an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/07, EBA/GL/2020/02). They include only exposures for which moratoria have been granted that have not yet expired, i.e. they do not include those that have already been paid off, for which the payment relief period has now ended.

	a	b	c	d	e	f	g	
	Gross carrying amount							
	Performing			Non performing				
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		
1	Loans and advances subject to moratorium	27,802	26,602	26,602	26,602	1,200	1,200	1,200
2	of which: Households	27,802	26,602	26,602	26,602	1,200	1,200	1,200
3	of which: Collateralised by residential immovable property	27,736	26,536	26,536	26,536	1,200	1,200	1,200
4	of which: Non-financial corporations	—	—	—	—	—	—	—
5	of which: Small and Medium-sized Enterprises	—	—	—	—	—	—	—
6	of which: Collateralised by commercial immovable property	—	—	—	—	—	—	—

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria as at 31 December 2021 (2/2)

	h	i	j	k	l	m	n	o
	Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing			Non performing				Inflows to non-performing exposures
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			
1 Loans and advances subject to moratorium	(1,394)	(1,001)	(1,001)	(1,001)	(393)	(393)	(393)	144
2 of which: Households	(1,394)	(1,001)	(1,001)	(1,001)	(393)	(393)	(393)	144
3 of which: Collateralised by residential immovable property	(1,394)	(1,001)	(1,001)	(1,001)	(393)	(393)	(393)	144
4 of which: Non-financial corporations	—	—	—	—	—	—	—	—
5 of which: Small and Medium-sized Enterprises	—	—	—	—	—	—	—	—
6 of which: Collateralised by commercial immovable property	—	—	—	—	—	—	—	—

Moratoria outstanding at 31 December 2021 qualifying as “EBA compliant”¹⁵ represent total loans of €27.8m, and in the majority of cases involve payments of both principal amount and interest. There is a residual expiry, for virtually the whole portfolio involved, of 31 March 2022. The moratoria granted to households involve CheBanca! mortgage loans.

The amounts stated in the table are well below the total recorded at end-June 2021 (€84.4m) due to the effect of the agreed suspension periods naturally expiring.

¹⁵ Since the original version of the EBA Guidelines was issued on 2 April 2020, the changes made to the prudential framework on 2 December 2020 extended the period within which “EBA-compliant” moratoria could be originated until 31 March 2021, but also introduced the restriction whereby clients which had benefited from a total of nine months or more suspension of their repayments were excluded.

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria as at 31 December 2021 (1/2)

The table below shows a breakdown of the exposures subject to moratoria granted in accordance with the EBA Guidelines (EBA/GL/2020/02). It therefore also includes exposures for which the suspension period has ended or which over time have ceased to qualify as EBA-compliant.

	a	b	c		d	
			Number of obligors	Gross carrying amount		
				Of which: legislative moratoria		Of which: expired
1	Loans and advances for which moratorium was offered	78,403	1,793,588			
2	Loans and advances subject to moratorium (granted)	69,847	1,704,932	954,302	1,677,130	
3	of which: Households		1,185,600	449,484	1,157,798	
4	of which: Collateralised by residential immovable property		566,553	409,357	538,817	
5	of which: Non-financial corporations		516,856	502,458	516,856	
6	of which: Small and Medium-sized Enterprises		368,009	361,886	368,009	
7	of which: Collateralised by commercial immovable property		330,177	317,092	330,177	

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria as at 31 December 2021 (2/2)

	e	f	g	h	i					
						Gross carrying amount				
						Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered									
2	Loans and advances subject to moratorium (granted)	27,294	508	—	—					
3	of which: Households	27,294	508	—	—					
4	of which: Collateralised by residential immovable property	27,228	508	—	—					
5	of which: Non-financial corporations	—	—	—	—					
6	of which: Small and Medium-sized Enterprises	—	—	—	—					
7	of which: Collateralised by commercial immovable property	—	—	—	—					



Since the start of the Covid-19 emergency, the Mediobanca Group has granted moratoria qualifying as “EBA compliant” in connection with the legal and/or sector initiatives on loans worth a total amount of €1,705m. At end-December 2021, the majority of the exposures concerned (€1,677m, shown in the column headed “Expired”) have reached the end of the payment suspension period, or otherwise are no longer governed by a suspension of payment that meets the EBA criteria.

At end-December 2021 loans for which suspensions were still applicable, also including those for which the moratoria reached their term on 30 June 2021 but for which payment will recommence in the subsequent months based on their repayment schedules, amount to €373.4m,¹⁶ €313.3m governed by the “Heal Italy” Decree as amended. Of the combined €373.4m in moratoria still outstanding at 31 December 2021 only €27.8m qualify officially as EBA-compliant, while the others are excluded from the prudential definition; of these (€345.6m):

- 70% involve suspensions granted under legal initiatives introduced by Article 56 of the “Heal Italy” decree, for which the moratorium period has ended but the first expiry date for the resumption of payments has not yet passed (the definition used by the Mediobanca Group is more conservative than the EBA convention, as the moratoria are considered to have expired only once the repayment schedule has been resumed);
- 17% refer to support programmes for customers launched as private initiatives not covered by the “Heal Italy” decree or the category association initiatives (ABI/Assofin);
- 13% refer to suspensions granted under Article 54 of the “Heal Italy” Decree excluded on the grounds that they involve suspensions of more than nine months, granted after 31 March 2021, or because they use a different definition of expired.

¹⁶ The figure of €373.4m has been calculated including positions for which suspensions had been granted that have reached the expiry date of 31 December but for which the repayment schedule provides for payments to resume in the months after that date, as well as those granted under legal or category association initiative (i.e. regardless of whether or not they qualify as “EBA-compliant”).

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis as at 31 December 2021

The table below shows an overview of the stock of newly-originated loans supported by government-issued guarantees introduced to help companies address the crisis situation generated by the Covid-19 pandemic.

	a	b	c	d
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	159,200	—	139,904	79
2	19,158			79
3	—			—
4	140,039	—	—	—
5	13,744			—
6	—			—

As at end-December 2021, new loans granted via the public guarantee mechanisms introduced amounted to €159m, and mainly refer to the Parent Company's operations (six loans disbursed with SACE backing under the terms of the "Liquidity" decree, worth €122m). Other deals supported by guarantees involve CheBanca! as to €32m (granted to Italian businesses and self-employed/freelance professionals under the terms of the "Liquidity" Decree), CMB Monaco as to €2m (which has received government support for a total of eight corporate clients), and SelmaBipiemme as to €3m (granted to SMEs under the "Liquidity" Decree). Virtually all the government-backed guarantees are included in the "Over 2 years" category, and chiefly regard firms operating in the manufacturing transport and services sectors.

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

Tables EU CR10.1, EU CR10.2, EU CR10.3, EU CR10.4 and EU CR10.5 are not stated as the Mediobanca Group at 31 December 2021 had no such exposures on its books.

7.2 ECAIS

Qualitative information

Mediobanca uses the following ECAIs in order to determine risk weightings in connection with the standardized method ¹⁷):

- 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	

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

¹⁷ 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	9,156,916	20,268	9,650,622	32,361	102,729	1.0609%
2 Regional governments or local authorities	304	—	304	—	61	20.0001%
3 Public sector entities	45,916	9	45,916	2	17,148	37.3452%
4 Multilateral development banks	—	—	—	—	—	—
5 International organisations	—	—	—	—	—	—
6 Institutions	2,394,048	677,805	1,747,300	46,289	791,638	44.1371%
7 Corporates	8,527,630	2,309,103	6,422,315	732,494	6,593,472	92.1544%
8 Retail	14,426,764	2,330,613	14,036,721	317,132	10,012,639	69.7558%
9 Secured by mortgages on immovable property	1,183,301	63,710	1,167,624	31,821	445,423	37.1357%
10 Exposures in default	729,503	1,413	714,889	838	950,255	132.7679%
11 Higher-risk categories	2,761	126,887	2,761	126,887	194,472	150.0000%
12 Covered bonds	76,768	—	76,768	—	7,677	10.0000%
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14 Collective investments Undertakings	690,067	988	690,067	988	1,250,441	180.9465%
15 Equity	2,345,640	—	2,345,640	—	6,373,871	271.7327%
16 Other items	1,787,248	101	1,787,248	20	1,657,209	92.7230%
17 Total as at 31/12/2021	41,366,866	5,530,899	38,688,176	1,288,833	28,397,035	71.0334%
Total as at 30/06/2021	39,886,847	7,037,135	37,306,491	1,523,134	28,013,632	72.1450%



Template EU CR5 - Standardized Approach (1/3)

Exposures classes	Classes of credit worthiness (Weighting Factors)					
	0%	2%	4%	10%	20%	35%
	a	b	c	d	e	f
1 Central governments or central banks	9,424,429	—	—	—	88,497	—
2 Regional governments or local authorities	—	—	—	—	304	—
3 Public sector entities	—	—	—	—	35,962	—
4 Multilateral development banks	—	—	—	—	—	—
5 International organisations	—	—	—	—	—	—
6 Institutions	—	46,151	—	—	768,917	—
7 Corporates	—	—	—	—	223,578	—
8 Retail	—	—	—	—	—	1,572,300
9 Secured by mortgages on immovable property	—	—	—	—	—	808,752
10 Exposures in default	—	—	—	—	—	—
11 Higher-risk categories	—	—	—	—	—	—
12 Covered bonds	—	—	—	76,768	—	—
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14 Collective investment undertakings	59,456	—	—	—	6,254	—
15 Equity	—	—	—	—	—	—
16 Other items	307,374	—	—	—	90,698	—
17 Total as at 31/12/2021	9,791,258	46,151	—	76,768	1,214,211	2,381,052
Total as at 30/06/2021	8,696,586	105,679	—	75,723	2,007,037	2,309,576



Template EU CR5 – Standardized Approach (2/3)

Exposures classes	Classes of credit worthiness (Weighting Factors)					
	50%	70%	75%	100%	150%	250%
	g	h	i	j	k	l
1 Central governments or central banks	170,055	—	—	2	—	—
2 Regional governments or local authorities	—	—	—	—	—	—
3 Public sector entities	—	—	—	9,956	—	—
4 Multilateral development banks	—	—	—	—	—	—
5 International organisations	—	—	—	—	—	—
6 Institutions	760,179	—	—	141,325	77,017	—
7 Corporates	584,428	—	—	6,330,272	16,531	—
8 Retail	—	—	12,781,553	—	—	—
9 Secured by mortgages on immovable property	390,693	—	—	—	—	—
10 Exposures in default	—	—	—	246,670	469,057	—
11 Higher-risk categories	—	—	—	—	129,648	—
12 Covered bonds	—	—	—	—	—	—
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14 Collective investment undertakings	4,219	—	—	326,592	251,018	—
15 Equity	—	—	—	441,081	—	928,398
16 Other items	—	—	—	1,222,615	—	166,582
17 Total as at 31/12/2021	1,909,574	—	12,781,553	8,718,512	943,271	1,094,980
Total as at 30/06/2021	1,852,169	—	12,382,110	8,363,634	898,352	1,037,411



Template EU CR5 – Standardized Approach (3/3)

Classi di esposizioni	Classes of credit worthiness (Weighting Factors)			Totale	di cui prive di rating
	370%	1250%	Altri		
	m	n	o	p	q
1 Central governments or central banks	—	—	—	9,682,983	3,954,172
2 Regional governments or local authorities	—	—	—	304	299
3 Public sector entities	—	—	—	45,918	9,897
4 Multilateral development banks	—	—	—	—	—
5 International organisations	—	—	—	—	—
6 Institutions	—	—	—	1,793,589	411,499
7 Corporates	—	—	—	7,154,809	5,217,137
8 Retail	—	—	—	14,353,854	14,353,854
9 Secured by mortgages on immovable property	—	—	—	1,199,445	1,199,444
10 Exposures in default	—	—	—	715,727	715,727
11 Higher-risk categories	—	—	—	129,648	129,649
12 Covered bonds	—	—	—	76,768	31,281
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—
14 Collective investment undertakings	—	43,517	—	691,055	45,273
15 Equity	976,161	—	—	2,345,640	325,304
16 Other items	—	—	—	1,787,268	1,340,671
17 Total as at 31/12/2021	976,161	43,517	-	39,977,009	27,734,207
Total as at 30/06/2021	1,033,007	49,048	19,293	38,829,625	25,683,498

7.3 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

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

Activities in connection with revising the internal models used for consumer credit and credit card operations by Compass were completed at end-December 2021. Application for authorization will be sent in January 2022, in line with the Group's AIRB Roll-Out plan. The inspection process is expected to commence during the present half-year.

With regard to the process of aligning the models currently approved to the new regulations (EBA Guidelines on model development and application of the definition of default, guidelines on identification and estimation of downturn component in LGD models), the following points should be noted:

- In July 2021, CheBanca! applied to the supervisory authority for approval for a material change with impact on the PD and LGD Italian mortgage lending models; the change relates the recalibration of the models following the application of the new definition of default. The Group is currently waiting to receive feedback on the timescale expected for the validation process;
- In September 2021, an Internal Model Investigation was launched by the ECB into Mediobanca's Large Corporate Model. The inspection process is intended to approve the material changes made to the PD and LGD models in response to the obligations raised by the supervisory authority, and at the same time align the models to the new regulations on model development. The inspection, which initially was expected to take place in the first half of 2020 but was subsequently deferred because of the Covid-19 emergency, was completed in December 2021.

7.3.1 Scope of application for the IRB model

As at 31 December 2021, the following companies are using internal models:

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

7.3.2 Corporate rating system structure

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

The model consists of:

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

Both modules are based on a statistical approach, and the two returned scores are then combined in a way such that the resulting single synthetic risk indicator optimizes the model's ranking capability. The final rating is the result of 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 to rating upgrade.

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

The LGD model is different for the performing portfolio and for defaulted assets.

For performing exposures, the model returns different Loss Given Default values 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 personal guarantees are involved, the substitution method is used instead) and the counterparty's industrial sector.

For non-performing exposures, there is a dedicated model in which the LGD is calculated as an uncertain value with respect to the expected loss. This parameter depends on the position concerned retaining non-performing status (vintage).

7.3.3 Structure of the mortgage rating system

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

7.3.4 Rating system uses

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

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

Risk-adjusted pricing

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

Delegated powers to approve, reject and renew credit

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

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

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

Credit monitoring

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

With regard to the Italian mortgage rating system, the rating classes deriving from the internal PD model are used in the credit monitoring process and for the purpose of granting forbearance measures. In accordance with the internal regulatory framework, which CheBanca! is equipped with, the renegotiation of the loan is treated as forborne even in the absence of an objective state of financial difficulty, because this may occur if the position shows a high risk rating in the last 12 months. The rating classes are also used as an early warning system which is able to detect the individual positions' potential impairment, with the aim of identifying those exposures most likely not to pay the instalment falling due.

Internal reporting

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

Value adjustments for impairment

The process for calculating impairment uses risk parameters estimated internally to factor in the expected loss on the performing positions. The regulatory PD indicator is transformed into a point-in-time value, while the LGD does not include the downturn and the indirect costs factors. The forward-looking component of the models is incorporated by the risk parameters conditional upon the macroeconomic scenarios defined internally.

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

For specific measures adopted to the satellite models for the transmission of the macroeconomic effects resulting from the Covid-19 emergency to the risk parameters, reference is made to section 7.1.1.

ICAAP and Risk Appetite Framework

As part of the stress testing, which is an integral component of the ICAAP process, Risk Management applies risk parameters derived from the regulatory parameters through the application of satellite models. These models provide risk parameters conditional upon the adverse macroeconomic scenarios defined by the Bank. Risk-based metrics (primarily expected loss and economic capital) also underpin the definition of the Risk Appetite metrics for the loan book.



Credit recovery process

With regard to the CheBanca! mortgage loan book, the rating classes deriving from the internal PD model are used in the credit recovery process in order to construct a behavioural score model. This is used to support the recovery strategy, in order to improve the segmentation of the portfolio in arrears and so identify the positions at high, medium and low risk on which to concentrate the recovery effort in appropriately diversified fashion.

7.3.5 Control and review of the internal models

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

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

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

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

Quantitative information
Template EU CR6 – IRB Approach: Exposures to or secured by corporates as at 31 December 2021 (1/2)

		a	b	c	d	e	f	g	h	i	j	k	l	
Class of exposure AIRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions	
Corporates - Other	0.00 to <0.15	2,572,181	2,284,439	54%	4,121,522	0.0700%	41	36.9400%	2.5	868,678	21.0766%	1,116	(3,835)	
	0.00 to <0.10	2,572,181	2,284,439	54%	4,121,522	0.0700%	41	36.9400%	2.5	868,678	21.0766%	1,116	(3,835)	
	0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—	
	0.15 to <0.25	2,574,879	1,497,004	56%	3,411,727	0.1700%	52	36.8100%	2.5	1,187,484	34.8060%	2,135	(5,863)	
	0.25 to <0.50	5,372,221	1,941,521	46%	6,258,218	0.3700%	121	38.0800%	2.5	3,324,504	53.1222%	8,684	(18,389)	
	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—	
	0.75 to <2.50	2,954,026	1,190,013	51%	3,486,531	1.0700%	103	40.3500%	2.5	3,083,929	88.4526%	15,019	(34,384)	
	0.75 to <1.75	2,954,026	1,190,013	51%	3,486,531	1.0700%	103	40.3500%	2.5	3,083,929	88.4526%	15,019	(34,384)	
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—	—
	2.50 to <10.00	491,970	188,894	54%	561,749	3.4800%	40	43.1000%	2.5	765,646	136.2968%	8,741	(22,305)	
	2.50 to <5.00	477,929	170,672	51%	532,100	3.2000%	32	42.7900%	2.5	703,701	132.2499%	7,501	(20,793)	
	5.00 to <10.00	14,040	18,222	86%	29,649	8.6000%	8	48.6000%	2.5	61,945	208.9249%	1,239	(1,511)	
	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—	—
	100.00 (Default)	147,858	—	0%	147,858	100.0000%	3	47.2100%	2.5	19,591	13.2500%	68,233	(68,233)	
Sub-total as at 31/12/2021		14,113,134	7,101,871	52%	17,987,605	1.3151%	360	38.2497%	2.5	9,249,832	51.4234%	103,928	(153,009)	
Sub-total as at 30/06/2021		13,037,223	6,869,167	52%	16,910,557	1.47%	356	38.46%	2.5	9,110,053	53.87%	113,673	(181,303)	

Template EU CR6 – IRB Approach: Exposures to or secured by corporates as at 31 December 2021 (2/2)

		a	b	c	d	e	f	g	h	i	j	k	l
Class of exposure AIRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	0.00 to <0.15	8,149,666	46,175	100%	8,195,841	0.0970%	69,858	28.4890%	—	556,087	6.7850%	2,293	(4,516)
	0.00 to <0.10	3,435,725	19,386	100%	3,455,111	0.0310%	29,931	27.1520%	—	91,691	2.6538%	281	(754)
	0.10 to <0.15	4,713,941	26,790	100%	4,740,730	0.1450%	39,927	29.4640%	—	464,397	9.7959%	2,011	(3,762)
	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
	0.25 to <0.50	1,361,547	8,549	100%	1,370,096	0.3830%	13,511	28.3440%	—	265,293	19.3631%	1,485	(2,511)
	0.50 to <0.75	983,361	3,188	100%	986,549	0.6730%	11,627	27.3930%	—	274,337	27.8078%	1,816	(8,730)
Retail:	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
secured by mortgages	0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	—
on	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
immovable property	2.50 to <10.00	475,169	1,663	100%	476,833	3.9680%	6,113	24.6150%	—	362,322	75.9852%	4,657	(17,241)
	2.50 to <5.00	475,169	1,663	100%	476,833	3.9680%	6,113	24.6150%	—	362,322	75.9852%	4,657	(17,241)
	5.00 to <10.00	—	—	—	—	—	—	—	—	—	—	—	—
	10.00 to <100.00	38,907	50	100%	38,957	32.3210%	535	23.3790%	—	56,128	144.0793%	2,944	(4,731)
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	—
	30.00 to <100.00	38,907	50	100%	38,957	32.3210%	535	23.3790%	—	56,128	144.0793%	2,944	(4,731)
	100.00 (Default)	192,664	15	100%	192,679	100.0000%	2,182	39.5760%	—	52,882	27.4458%	72,025	(88,810)
	Sub-total as at 31/12/2021	11,201,314	59,641	100%	11,260,955	2.1670%	103,826	28.3833%	—	1,567,051	13.9158%	85,220	(126,538)
	Sub-total as at 30/06/2021	11,016,059	60,600	100%	11,076,658	2.32%	101,170	29.08%	—	1,657,386	14.96%	89,340	(123,607)

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

Table 6.3.2 – PD and LGD values by geographical area

The table below shows the geographical breakdown of AIRB exposures for the “Exposures to corporates – others” segment, showing the weighted average PD and LGD values for each exposure.

The table below shows only the performing exposures as at 31 December 2021 and 30 June 2021.

Geography	31/12/2021			30/06/2021		
	a	b	c	a	b	c
	EAD post CRM and post CCF	Average PD	Average LGD	EAD post CRM and post CCF	Average PD	Average LGD
Italy	8,713,398	0.45%	36.8%	8.197.275	0,52%	37,40%
France	1,866,417	0.47%	39.3%	1.740.783	0,45%	39,30%
Spain	1,190,602	0.29%	37.6%	958.253	0,27%	37,10%
Germany	900,355	0.54%	39.6%	632.431	0,70%	39,70%
United Kingdom	669,615	0.98%	39.5%	811.147	1,23%	37,50%
Netherlands	993,706	0.57%	40.6%	927.470	0,62%	40,60%
Luxembourg	633,029	0.68%	40.1%	945.640	0,71%	40,10%
Other European Countries	917,389	0.42%	38.2%	827.938	0,42%	38,20%
United States	1,659,850	0.61%	40.7%	1.079.961	0,73%	41,50%
Rest of the World	295,386	0.55%	39.6%	635.637	0,59%	38,70%

The “Exposures guaranteed by properties” portfolio contains exposures that are concentrated in Italy; out of a total performing exposure of €11,068m, the average weighted PD and LGD per exposure are 0.46% and 28.22% respectively.

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

	31/12/2021	
	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
	a	b
1 Exposures under FIRB	—	—
2 Central governments and central banks	—	—
3 Institutions	—	—
4 Corporates	—	—
4,1 of which Corporates - SMEs	—	—
4,2 of which Corporates - Specialised lending	—	—
5 Exposures under AIRB	10,816,883	10,816,883
6 Central governments and central banks	—	—
7 Institutions	—	—
8 Corporates	9,249,832	9,249,832
8,1 of which Corporates - SMEs	—	—
8,2 of which Corporates - Specialised lending	—	—
9 Retail	1,567,051	1,567,051
9,1 of which Retail – SMEs - Secured by immovable property collateral	—	—
9,2 of which Retail – non-SMEs - Secured by immovable property collateral	1,567,051	1,567,051
9,3 of which Retail – Qualifying revolving	—	—
9,4 of which Retail – SMEs - Other	—	—
9,5 of which Retail – Non-SMEs- Other	—	—
10 TOTAL (including F-IRB exposures and A-IRB exposures) as at 31/12/2021	10,816,883	10,816,883
TOTAL (including F-IRB exposures and A-IRB exposures) as at 30/06/2021	10,767,439	10,767,439

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

A-IRB	Total exposures	Credit risk Mitigation techniques					
		Funded credit Protection (FCP)					
		Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)			Part of exposures covered by Other funded credit protection (%)	
			Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		
a	b	c	d	e	f	g	
1	Central governments and central banks	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—
3	Corporates	17,987,605	0.9724%	—	—	—	—
3,1	Of which Corporates – SMEs	—	—	—	—	—	—
3,2	Of which Corporates – Specialised lending	—	—	—	—	—	—
3,3	Of which Corporates – Other	17,987,605	0.9724%	—	—	—	—
4	Retail	11,260,955	—	99.8876%	99.8876%	—	—
4,1	Of which Retail – Immovable property SMEs	—	—	—	—	—	—
4,2	Of which Retail – Immovable property non-SMEs	11,260,955	—	99.8876%	99.8876%	—	—
4,3	Of which Retail – Qualifying revolving	—	—	—	—	—	—
4,4	Of which Retail – Other SMEs	—	—	—	—	—	—
4,5	Of which Retail – Other non-SMEs	—	—	—	—	—	—
5	Total as at 31/12/2021	29,248,559	0.5980%	38.4576%	38.4576%	—	—
	Total as at 30/06/2021	27,987,215	0.7178%	39.5263%	39.5263%	—	—

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

A-IRB	Credit risk Mitigation techniques					Credit risk Mitigation methods in the calculation of RWEAs	
	Funded credit Protection (FCP)			Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
	Part of exposures covered by Other funded credit protection (%)			Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)				
	h	i	j	k	l	m	n
1	Central governments and central banks	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—
3	Corporates	—	—	—	—	9,190,606	9,249,832
3,1	<i>Of which Corporates – SMEs</i>	—	—	—	—	—	—
3,2	<i>Of which Corporates – Specialised lending</i>	—	—	—	—	—	—
3,3	<i>Of which Corporates – Other</i>	—	—	—	—	9,190,606	9,249,832
4	Retail	—	—	—	—	1,567,051	1,567,051
4,1	<i>Of which Retail – Immovable property SMEs</i>	—	—	—	—	—	—
4,2	<i>Of which Retail – Immovable property non-SMEs</i>	—	—	—	—	1,567,051	1,567,051
4,3	<i>Of which Retail – Qualifying revolving</i>	—	—	—	—	—	—
4,4	<i>Of which Retail – Other SMEs</i>	—	—	—	—	—	—
4,5	<i>Of which Retail – Other non-SMEs</i>	—	—	—	—	—	—
5	Total as at 31/12/2021	—	—	—	—	10,757,657	10,816,883
	Total as at 30/06/2021	—	—	—	—	10,679,555	10,767,439

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-September 2021 to end-December 2021, with details of the reasons for such change.

In the quarter under review there was a slight reduction in RWAs, principally due to a reduction in the exposure for the “Other companies” segment, where there were early repayments for certain positions. The mortgages segment showed no significant changes: a slight increase in the exposures over the two quarters was offset by an improvement in the credit quality.

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 (30/06/2021)	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 (30/09/2021)	10,899,595	871,968

	a	b
	RWA	Capital Requirements
1 Risk weighted exposure amount as at the end of the previous reporting period (30/09/2021)	10,899.595	871.968
2 Asset size	(107.892)	(8.631)
3 Asset quality	(6.653)	(532)
4 Model updates	—	—
5 Methodology and policy	—	—
6 Acquisitions and disposals	—	—
7 Foreign exchange movements	31.834	2.547
8 Other	—	—
9 Risk weighted exposure amount as at the end of the reporting period (31/12/2021)	10.816.883	865.351

Section 8 – Encumbered assets

Qualitative information

An asset is defined as “encumbered” if it is ceded as collateral, or is used, on whatever grounds, to cover or hedge a credit received and therefore cannot be freely used. Any amount in excess of the credit received is not considered to be encumbered (technically this is known as over-collateralization).

The Asset Encumbrance Ratio at Group level is the ratio between: the share of committed assets recorded on the balance sheet added to the share of collaterals received and reused (numerator), and the total assets recorded on the balance sheet (encumbered and unencumbered) added to the collaterals received (encumbered and unencumbered) (denominator).

The objective of the Asset Encumbrance Ratio is twofold: to provide the public and creditors with information on those of the Bank's assets that are encumbered and therefore unavailable; and to provide helpful guidance in the institution's financing strategy and its future capacity to raise funds at reasonable prices through secured funding.

Conversely, and more generally, the ratio also provides a synthetic indicator of the state of health of the unsecured market.

Appropriately analysed, and if accompanied by information on the duration of the encumbrance, the ratio can also provide useful indications regarding refinancing risk (in technical terms, rollover risk), liquidity risk and operational risk.



Template EU 0 - Encumbered and unencumbered assets as at 31/12/21

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	of which notionally eligible EHQLA and HQLA 030	040	of which notionally eligible EHQLA and HQLA 050	060	of which EHQLA and HQLA 080	090	of which EHQLA and HQLA 100
010 Assets of the reporting institution	25,789,863	5,275,586			58,786,653	5,314,200		
030 Equity instruments	678,506	102,546	678,506	102,546	3,183,027	442,544	3.166.030	442.544
040 Debt securities	5,261,343	4,335,331	5,280,590	4,365,927	6,188,827	4,025,728	6.023.477	4.075.448
050 of which: covered bonds	6,838	6,838	6,838	6,838	75,978	75,978	80.307	80.307
060 of which: asset-backed securities	33,089	6,529	33,081	6,529	306,573	—	306.642	—
070 of which: issued by general governments	4,269,068	4,050,495	4,287,016	4,080,123	3,815,990	3,550,393	3.661.393	3.593.650
080 of which: issued by financial corporations	1,024,225	58,018	1,025,091	58,273	1,899,494	172,695	1.887.642	177.728
090 of which: issued by non-financial corporations	128,362	21,365	128,919	21,631	478,321	6,721	479.244	4.514
120 Other assets	19,775,585	—			49,387,264	4,859		

Template EU AE2 - Collateral received and own debt securities issued as at 31/12/21

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	010	of which notionally eligible EHQLA and HQLA	040	of which EHQLA and HQLA
		030		060
130 Collateral received by the reporting institution	5,363,395	4,278,615	710,172	142,200
140 Loans on demand	—	—	—	—
150 Equity instruments	332,292	26,468	111,937	33,806
160 Debt securities	5,032,047	4,263,757	496,443	111,921
170 of which: covered bonds	—	—	17,875	—
180 of which: asset-backed securities	—	—	297,440	—
190 of which: issued by general governments	4,263,328	4,263,251	119,401	111,921
200 of which: issued by financial corporations	728,000	—	330,749	—
210 of which: issued by non-financial corporations	40,719	—	224	—
220 Loans and advances other than loans on demand	—	—	—	—
230 Other collateral received	—	—	—	—
240 Own debt securities issued other than own covered bonds or asset-backed securities	—	—	133,549	—
241 Own covered bonds and asset-backed securities issued and not yet pledged			—	—
250 Total assets, collateral received and own debt securities issued as at 31/12/2021	31,209,667	9,438,516		
Total assets, collateral received and own debt securities issued as at 30/06/2021	30,277,131	8,345,892		

Template EU AE3 - Sources of encumbrance as at 31/12/21

	31/12/2021	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	010	030
010 Carrying amount of selected financial liabilities as at 31/12/2021	23,671,075	28,223,856
Carrying amount of selected financial liabilities as at 30/06/2021	22,766,290	27,327,860

The Group's Asset Encumbrance Ratio as at 31 December 2021 stood at 35.49%, higher than at end-December 2020 (33.98%).

It should be noted that this is a point-in-time ratio with no time structure – back-to-back short-term activity (never more than three months and typically less than two) represents more than 3 of the 35.49 total percentage points; this short-term activity, carried out as back-to-back funding by Group Treasury in order to optimize the Bank's use of its financial resources, can be closed very swiftly and in any market conditions.

The Group's main encumbered assets – on-balance-sheet – are as follows (in order of importance by encumbered amount and duration of the encumbrance):

- Balance-sheet assets, whether loans, leasing, factoring, residential mortgages or consumer credit used as collateral in operations with the European Central Bank;
- Specific balance-sheet assets - mortgages – used for covered bonds;
- Specific balance-sheet assets – consumer credit receivables – used for securitizations; or ABS placed on the market, or alternatively, if retained (the majority), used in funding transactions with the European Central Bank;
- Balance-sheet assets, whether loans or securities, used as collateral in funding transactions, including through investment vehicles;
- Default funds and initial margins paid to CCPs in respect of trading in derivative instruments, and margins of change versus CCPs and market counterparties;
- Balance-sheet assets – typically securities – used in repos or reverse repos in which the Bank is acting as lender;
- Balance-sheet assets, whether loans or securities used in specific transactions of various kinds.

The level of encumbrance is in line with the Group's expectations and financing strategies.

Section 9 – Counterparty risk

Qualitative information

Qualitative information– wrong-way risk management methodology

For derivatives in which there is a significant unfavourable correlation between underlying instrument and counterparty, rather than the standard potential future market value calculation, a percentage of the notional amount is assigned to the transaction (up to 100% in the event of full correlation). Similarly, for repo or collateralized securities lending transactions in which there is a significant unfavourable correlation between underlying instrument and counterparty, a specific and more prudent counterparty risk calculation methodology is adopted which relates the counterparty's default to that of the collateral's issuer.

For transactions with wrong-way risk, a deep-dive analysis is performed in order to conservatively calculate the managerial exposure. The analysis is focused on the correlation between the derivative counterparty and the asset underlying the transaction or the correlation between a collateralized financing transaction (repo or securities lending) and the collateral received.

Wrong-way risk occurrence is limited to just three positions, with the same counterparty, all of which have full correlation.

Valuation adjustment (CVA-DVA)

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

Mediobanca downgrade effects

The amount of collateral which Mediobanca would have to provide if its credit rating is downgraded is analysed on the basis of a scenario in which the rating is downgraded by two notches.

As for Credit Support Annexes to ISDA Master Agreements, there are two CSA containing provisions which could force Mediobanca to provide further collateral valued €21.8m as at 31 December 2021.

With regards to four ISDA contracts (two of which with exposures of zero), provision has been made for the contracts to be closed following events in which Mediobanca's rating is downgraded (Additional Termination Event, or ATE). For two contracts with exposure other than zero (one with ATE below BB- and the other with ATE below BBB-), the impact is confined to the costs of replacing the contract, which may be debited if the counterparty exercise their termination right, which is highly unlikely.

Fair Value Adjustment (FVA)

Fair value adjustment is defined as the quantity to be added to or subtracted from the price observed on the market or to the theoretical price generated by the model in order to ensure that the fair value reflects the sale price of an actually possible market transaction (also known as the exit price).

Fair value adjustments are fundamental in order to align the valuation of an individual financial instrument to its effective exit price, having regard to the level of liquidity on markets, the uncertainty of the valuation parameters used, and the cost of funding.

In line with the best market practice, during the year under review the alignment of all fair value adjustments with the prudential categories defined in Article 105 of the CRR ("Prudent Valuation") was largely completed.

The Bank has implemented quantitative calculation methods to cover all these risks, which are illustrated in more detail in Part A.4, "Information on fair value" of the Notes to the Accounts for the Interim Report and in Section 14 of this document.

9.1 Counterparty risk – Standard method

Qualitative information

For regulatory purposes, in order to determine the capital requirements for counterparty risk, the Group applies:

- The Standardized Approach for Counterparty Credit Risk, method for financial and credit derivative instruments and for trades with long-term settlements, with application of regulatory netting. In particular, since 30 June 2021, the Exposure At Default (EAD) for counterparty risk and CVA for positions in derivatives (Part 3, Title VI of the CRR), is calculated in accordance with the rules laid down in Articles 271 ff of CRR II (SA CCR - Standardized Approach for Counterparty Credit Risk) instead of the Current Exposure Method (CEM) previously used. Also since 30 June 2021, the exemption from the requirement to calculate capital for the Credit Value Adjustment (CVA) for exposures to corporate counterparties has been applied, in accordance with the provisions of Article 382 of the CRR;
- The Standardized Formula method for calculating the capital requirement for credit value adjustments, considering all counterparties whether or not a CSA is in place;
- The “integral” method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities.

Quantitative information
Template EU CCR1 – Analysis of CCR exposure by approach

	a	b	c	d	e	f	g	h	
	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA	
EU-1	EU - Original Exposure Method (for derivatives)	—	284		1.4	397	397	397	397
EU-2	EU - Simplified SA-CCR (for derivatives)	2	3,643		1.4	5,104	5,104	5,104	1,021
1	SA-CCR (for derivatives)	621,187	698,612		1.4	2,484,775	1,960,488	1,847,848	723,915
2	IMM (for derivatives and SFTs)			—	—	—	—	—	—
2a	<i>Of which securities financing transactions netting sets</i>			—	—	—	—	—	—
2b	<i>Of which derivatives and long settlement transactions netting sets</i>			—	—	—	—	—	—
2c	<i>Of which from contractual cross-product netting sets</i>			—	—	—	—	—	—
3	Financial collateral simple method (for SFTs)					—	—	—	—
4	Financial collateral comprehensive method (for SFTs)					10,391,004	3,249,219	3,248,085	874,074
5	VaR for SFTs					—	—	—	—
6	Total as at 31/12/2021					12,881,280	5,215,208	5,101,435	1,599,407
	Total as at 30/06/2021					10,863,806	4,867,896	4,758,775	1,826,946

Template EU CCR2 – transactions subject to own funds requirements for CVA risk

		31/12/2021		30/06/2021	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
1	Total portfolios subject to the advanced method	—	—	—	—
2	(i) VaR component (including the 3× multiplier)		—		—
3	(ii) SVaR component (including the 3× multiplier)		—		—
4	All portfolios subject to the standardised method	1,145,105	258,246	973,512	236,733
EU-4	Based on the original exposure method	—	—	—	—
5	Total subject to the CVA capital charge	1,145,105	258,246	973,512	236,733

Template EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (1/2)

		Classes of credit worthiness (Weighting Factors)					
Exposure classes		a	b	c	d	e	f
		0%	2%	4%	10%	20%	50%
1	Central governments or central banks	—	—	—	—	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	—	116,469	—	—	2,979.871	4.202
7	Corporates	—	—	—	—	618.081	649.521
8	Retail	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—
11	Total as at 31/12/2021	—	116,469	—	—	3.597.953	653.724
	Total as at 30/06/2021	—	72,770	—	—	2.438.766	1.412.471

Template EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (2/2)

Exposure classes	Classes of credit worthiness (Weighting Factors)					
	g	h	i	j	k	l
	70%	75%	100%	150%	Altri	Valore dell'esposizione complessiva
1 Central governments or central banks	—	—	10,069	—	—	10,069
2 Regional governments or local authorities	—	—	—	—	—	—
3 Public sector entities	—	—	4,194	—	—	4,194
4 Multilateral development banks	—	—	-	—	—	—
5 International organisations	—	—	-	—	—	—
6 Institutions	—	—	779	—	—	3.101.321
7 Corporates	—	—	181,687	—	—	1.449.290
8 Retail	—	62	—	—	—	62
9 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10 Other items	—	—	28	—	—	28
11 Total as at 31/12/2021	—	62	196,756	—	—	4.564.963
Total as at 30/06/2021	—	2,128	285,011	—	—	4.211.148

Template EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale: Corporates (A-IRB) as at 31/12/21

As of 31 December 2021, Mediobanca uses the AIRB approach in counterparty risk only for the large corporate segment, in the “Exposures to corporates – Others” category. RWAs associated with counterparty risk amount to approx. 3.8% of the total RWAs for this regulatory segment.

		a	b	c	d	e	f	g
Corporates (A-IRB)	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01	da 0.00 a < 0.15	59,267	0.0900%	9	35.3700%	2,5	13,658	23.0460%
Class 02	da 0.15 a < 0.25	37,874	0.1700%	11	37.6500%	2,5	13,482	35.5970%
Class 03	da 0.25 a < 0.50	486,738	0.3600%	52	38.1700%	2,5	257,460	52.8950%
Class 04	da 0.50 a < 0.75	—	0.0000%	—	0.0000%	—	—	0.0000%
Class 05	da 0.75 a < 2.50	75,047	0.9100%	21	37.0600%	2,5	57,956	77.2260%
Class 06	da 2.50 a < 10.00	19,606	2.5700%	3	39.6300%	2,5	22,520	114.8620%
Class 07	da 10.00 a < 100.00	—	0.0000%	—	0.0000%	—	—	0.0000%
Class 08	100.00 (default)	—	0.0000%	—	0.0000%	—	—	0.0000%
Total as at 31/12/2021		678,532	0.4500%	96	37.8200%	2,5	365,076	53.8040%
Total as at 30/06/2021		625,119	0.5114%	94	37.6011%	2,5	347,293	55.5563%

Template EU CCR5 – Composition of collateral for CCR exposures (1/2)

Collateral type		a	b	c	d
		Collateral used in derivative transactions			
		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	568,332	48,965	1,084,439
2	Cash – other currencies	—	338,542	—	54,711
3	Domestic sovereign debt	—	—	132,061	—
4	Other sovereign debt	84,356	—	93,813	—
5	Government agency debt	—	—	58,256	—
6	Corporate bonds	—	—	—	—
7	Equity securities	—	—	—	—
8	Other collateral	—	—	—	—
9	Total as at 31/12/2021	84,356	906,874	333,094	1,139,150
	Total as at 30/06/2021	—	454,275	195,533	922,071

Template EU CCR5 – Composition of collateral for CCR exposures (2/2)

Tipo di garanzia reale		e	f	g	h
		Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	—	—	—
2	Cash – other currencies	—	—	—	—
3	Domestic sovereign debt	—	2,390,422	—	3,147,235
4	Other sovereign debt	—	—	—	—
5	Government agency debt	—	—	—	—
6	Corporate bonds	—	914	—	3,259,544
7	Equity securities	—	1,599,643	—	1,758,972
8	Other collateral	—	—	—	2,119,871
9	Total as at 31/12/2021	—	3,990,980	—	10,285,622
	Total as at 30/06/2021	—	3,181,185	—	6,978,953

Template EU CCR6 – Credit derivatives exposures

		31/12/2021	
		a	b
		Protection bought	Protection sold
NOTIONALS			
1	Single-name credit default swaps	830,632	1,450,243
2	Index credit default swaps	12,301,389	2,736,921
3	Total return swaps	—	—
4	Credit options	—	—
5	Other credit derivatives	2,736,665	17,960
6	Total notionals	15,868,686	4,205,124
FAIR VALUES			
7	Positive fair value (asset)	15,514	184,734
8	Negative fair value (liability)	(337,104)	(1,154)

Template EU CCR7 – RWEA flow statements of CCR exposures under the IMM

The Mediobanca Group has nothing to report for Template EU CCR7.

Template EU CCR8 – Exposures to CCPs

	31/12/2021		30/06/2021	
	a	b	a	b
	Exposure value	RWEA	Exposure value	RWEA
1 Exposures to QCCPs (total)		7,479		5,869
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	128,385	4,713	77,491	2,400
3 (i) OTC derivatives	36,956	2,884	41,429	1,542
4 (ii) Exchange-traded derivatives	-	-	-	-
5 (iii) SFTs	91,429	1,829	36,062	858
6 (iv) Netting sets where cross-product netting has been approved	—	—	—	—
7 Segregated initial margin	—	—	—	—
8 Non-segregated initial margin	—	—	—	—
9 Prefunded default fund contributions	121,133	2,767	170,348	3,469
10 Unfunded default fund contributions	—	—	—	—
11 Exposures to non-QCCPs (total)		—		—
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	—	—	—	—
13 (i) OTC derivatives	—	—	—	—
14 (ii) Exchange-traded derivatives	—	—	—	—
15 (iii) SFTs	—	—	—	—
16 (iv) Netting sets where cross-product netting has been approved	—	—	—	—
17 Segregated initial margin	—	—	—	—
18 Non-segregated initial margin	—	—	—	—
19 Prefunded default fund contributions	—	—	—	—
20 Unfunded default fund contributions	—	—	—	—

Section 10 – Risk mitigation techniques

Qualitative information

The Group has implemented specific activities aimed at defining and meeting the necessary requirements for correctly applying credit risk mitigation (CRM) techniques, to maximize the effect of mitigation on the real and personal guarantees for loans, and to obtain a positive impact on the Group's capital requirements.

Netting policies and processes for on- and off-balance-sheet transactions

The Group does not net credit risk exposures for on- or off-balance-sheet transactions. Instead, risk reduction policies are adopted by entering into netting agreements and collateral agreements, for derivatives, repurchase agreements and for positions held in securities lending transactions.

With respect to derivatives, the Group has also drawn up counterparty risk reduction policies, by entering into ISDA and Credit Support Annex agreements with institutional counterparties, in accordance with regulations in force. As for securities lending transactions, repos and repurchasing repos, the Group has implemented counterparty risk reduction policies by executing GMSLA and GMRA (for repos and repurchasing reports) netting agreements which provide for collateralization agreements, in some cases in the form of tri-party repos.

Policies and processes for valuing and managing real guarantees

In performing lending operations, the Group commonly acquires guarantees which are typical of banking activity, principally as real guarantees over financial instruments and properties as described below:

- Mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;
- Pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according

to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

Main types of guarantors and counterparties in credit derivative transactions and their credit rating

The Group uses leading market counterparties to hedge credit derivative exposures.

Information on market or credit risk concentrations in connection with credit risk mitigation techniques adopted

As at 31 December 2021, 73% (or €11bn) of the guarantees received involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees. At 30 June 2021 the same ratio was 58% (€7.6bn).

Template EU CR3 - CRM Techniques – Overview

	Unsecured carrying amount *	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
	a	b	c	d	e
1 Loans and advances	37,447,518	25,263,577	23,685,577	1,578,000	—
2 Debt securities	7,681,777	—	—	—	—
3 Total as at 31/12/2021	45,129,295	25,263,577	23,685,577	1,578,000	—
4 <i>Of which non-performing exposures</i>	1,604,367	290,251	277,358	12,893	—
EU-5 <i>Of which defaulted</i>	1,604,367	290,251	277,358	12,893	—
Total as at 30/06/2021	40,474,992	24,465,787	22,501,728	1,964,059	—

* This column states the gross book value, in accordance with the provisions of DPM 3.0.

Section 11 – Securitizations

The Group acts primarily as investor in third-party issues, in particular as sponsor in some securitizations which results in a share of the securities being held for retention purposes (Belvedere SPV S.r.l. and Cartesian Residential Mortgages Blue S.A.); the Risk Management and front office teams perform ongoing monitoring of reporting flows on the underlying portfolio, for which up-to-date reporting is provided on an ongoing basis.

In order to determine the risk-weight assets for this risk, the Group refers to Regulation (EU) No. 2401/2017 and Regulation (EU) No. 2402/2017. These introduce definitions of simple, transparent and standardized securitizations (STS) which are subject to preferential treatment, with re-securitized positions strongly penalized to limit the use of them and preserve the level of transparency and simplicity.

In the new hierarchy of approaches the first option is application of the SEC-IRBA methodology (not used by the Mediobanca Group), followed by the SEC-ERBA model (applicable if an external rating is available (or deducted)). Where it is impossible to implement either the SEC-IRBA or the SEC-ERBA approach, the Bank has to use the SEC-SA approach, based on a standard regulatory formula.

Qualitative information

The Group has portfolio of securities deriving from securitizations by other issuers totalling €1,444.4m, €1,190m of which as part of the banking book, and €254.3m as part of the trading book (€71.6m of which in relation to a negative basis strategy, i.e. with the credit/market risk hedged, being transferred to the counterparty and so not generating any exposures for the Group). The sharp increase for the six months chiefly regards subscription to the senior tranche (in an amount of €824.3m) of a securitization of non-performing loans originated by an Italian bank (rated A2 by Moody's and A low DBRS) for which a state guarantee is expected to be obtained (*Garanzia sulla Cartolarizzazione delle Sofferenze*, GACS) and then part-syndicated on the market.

The banking book increased from €231.2m to €1,190m, due to the securitization referred to above (€824.3m, booked as HTC&S), but also to the increase in positions taken in CLOs (which rose from €155.2m to €253.7m after participating in five new deals, and the increase in the performing portfolio (from €28.3m to €72.1m, due to the subscription to one UK performing loan). The share of junior securities remains decidedly small at just €0.2m, whereas holdings in mezzanine tranches halved, from €15.6m to €7.8m. The difference between book value (amortized cost) and fair value (obtained from the market platforms) remains low, at €670,000.



Holdings included in the trading book rose from €128.8m to €254.3m, and here too the increase involves almost exclusively one single transaction, in Transferable Custody Receipt (€100m); the share of mezzanine securities rose from €99.6m to €116.9m, and remains concentrated in the negative basis strategy (i.e. with no credit risk; €71.6m).

Mediobanca also has residual indirect exposures to securitizations through funds, for which the Look-Through method has been used, the details of which are illustrated in Section 13 of this document.

With reference to the calculation of risk-weighted assets for this risk at 31 December 2021, the SEC-SA methodology is used for 24% of the portfolio of securities deriving from third-party securitizations held on the banking book, and the SEC-ERBA methodology for the other 9%. The SEC-ERBA approach is used for the whole of the trading book.



Quantitative information

Template EU-SEC1 - Securitization exposures in the non-trading book as at 31/12/21

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as Originator						Institution acts as Sponsor				Institution acts as Investor				
	Traditional		Synthetic		Sub - Total	Traditional		Synthetic	Sub - Total	Traditional		Synthetic	Sub - Total		
	STS	Non-STS	of which SRT	of which SRT		STS	Non-STS			STS	Non-STS				
1 Total exposures	—	—	—	—	—	—	—	6,331	13,645	—	19,975	—	1,142,313	—	1,142,313
2 Retail (total)	—	—	—	—	—	—	—	6,331	1,453	—	7,783	—	64,353	—	64,353
3 residential mortgage	—	—	—	—	—	—	—	6,331	1,453	—	—	—	54,389	—	—
4 credit card	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5 other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	9,964	—	—
6 re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 Wholesale (total)	—	—	—	—	—	—	—	—	12,192	—	12,192	—	1,077,960	—	1,077,960
8 loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	253,741	—	253,741
9 commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11 other wholesale	—	—	—	—	—	—	—	—	12,192	—	12,192	—	824,219	—	—
12 re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—



Template EU-SEC2 - Securitization exposures in the trading book as at 31/12/21

	a	b	c	d	e	f	g	h	i	j	k	l
	Institution acts as Originator				Institution acts as Sponsor				Institution acts as Investor			
	Traditional		Synthetic	Sub - Total	Traditional		Synthetic	Sub - Total	Traditional		Synthetic	Sub - Total
	STS	Non-STS			STS	Non-STS			STS	Non-STS		
1 Total exposures	—	—	—	—	—	—	—	—	—	82,284	—	82,284
2 Retail (total)	—	—	—	—	—	—	—	—	—	31,179	—	31,179
3 residential mortgage	—	—	—	—	—	—	—	—	—	28,417	—	28,417
4 credit card	—	—	—	—	—	—	—	—	—	—	—	—
5 other retail exposures	—	—	—	—	—	—	—	—	—	2,762	—	2,762
6 re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—
7 Wholesale (total)	—	—	—	—	—	—	—	—	—	51,105	—	51,105
8 loans to corporates	—	—	—	—	—	—	—	—	—	50,017	—	50,017
9 commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—
10 lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—
11 other wholesale	—	—	—	—	—	—	—	—	—	1,088	—	1,088
12 re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor as at 31/12/21 (1/2)

	a	b	c	d	e	f	g	h	i
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
	RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250% / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250% / deductions
1 Total exposures	1,090	—	12,335	6,551	—	—	12,747	7,228	—
2 Traditional transactions	1,090	—	12,335	6,551	—	—	12,747	7,228	—
3 Securitisation	1,090	—	12,335	6,551	—	—	12,747	7,228	—
4 Retail underlying	661	—	572	6,551	—	—	984	6,799	—
5 Of which STS	—	—	—	6,331	—	—	—	6,331	—
6 Wholesale	429	—	11,763	-	—	—	11,763	429	—
7 Of which STS	—	—	—	—	—	—	—	—	—
8 Re-securitisation	—	—	—	—	—	—	—	—	—
9 Synthetic transactions	—	—	—	—	—	—	—	—	—
10 Securitisation	—	—	—	—	—	—	—	—	—
11 Retail underlying	—	—	—	—	—	—	—	—	—
12 Wholesale	—	—	—	—	—	—	—	—	—
13 Re-securitisation	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor as at 31/12/21 (2/2)

	j	k	l	m	n	o	EU-p	EU-q
	RWEA (by regulatory approach)				Capital charge after cap			
	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250% /deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250% /deductions
1 Total exposures	—	21,318	11,850	—	—	1,705	948	—
2 Traditional transactions	—	21,318	11,850	—	—	1,705	948	—
3 Securitisation	—	21,318	11,850	—	—	1,705	948	—
4 Retail underlying	—	2,498	6,490	—	—	200	519	—
5 <i>Of which STS</i>	—	—	633	—	—	—	51	—
6 Wholesale	—	18,821	5,361	—	—	1,506	429	—
7 <i>Of which STS</i>	—	—	—	—	—	—	—	—
8 Re-securitisation	—	—	—	—	—	—	—	—
9 Synthetic transactions	—	—	—	—	—	—	—	—
10 Securitisation	—	—	—	—	—	—	—	—
11 Retail underlying	—	—	—	—	—	—	—	—
12 Wholesale	—	—	—	—	—	—	—	—
13 Re-securitisation	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor as at 31/12/21 (1/2)

	a	b	c	D	e	f	g	h	i
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
	RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250% / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250% / deductions
1 Total exposures	—	3,616	—	1,138,697	—	—	826,726	315,587	—
2 Traditional transactions	—	3,616	—	1,138,697	—	—	826,726	315,587	—
3 Securitisation	—	3,616	—	1,138,697	—	—	826,726	315,587	—
4 Retail underlying	—	3,616	—	60,737	—	—	—	64,353	—
5 Of which STS	—	—	—	—	—	—	—	—	—
6 Wholesale	—	—	—	1,077,960	—	—	826,726	251,234	—
7 Of which STS	—	—	—	—	—	—	—	—	—
8 Re-securitisation	—	—	—	—	—	—	—	—	—
9 Synthetic transactions	—	—	—	—	—	—	—	—	—
10 Securitisation	—	—	—	—	—	—	—	—	—
11 Retail underlying	—	—	—	—	—	—	—	—	—
12 Wholesale	—	—	—	—	—	—	—	—	—
13 Re-securitisation	—	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor as at 31/12/21 (2/2)

	j	k	l	m	n	o	EU-p	EU-q
	RWEA (by regulatory approach)				Capital charge after cap			
	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250% / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250% / deductions
1 Total exposures	—	167,559	82,352	—	—	13,405	6,588	—
2 Traditional transactions	—	167,559	82,352	—	—	13,405	6,588	—
3 Securitisation	—	167,559	82,352	—	—	13,405	6,588	—
4 Retail underlying	—	—	26,997	—	—	—	2,160	—
5 <i>Of which STS</i>	—	—	—	—	—	—	—	—
6 Wholesale	—	167,559	55,355	—	—	13,405	4,428	—
7 <i>Of which STS</i>	—	—	—	—	—	—	—	—
8 Re-securitisation	—	—	—	—	—	—	—	—
9 Synthetic transactions	—	—	—	—	—	—	—	—
10 Securitisation	—	—	—	—	—	—	—	—
11 Retail underlying	—	—	—	—	—	—	—	—
12 Wholesale	—	—	—	—	—	—	—	—
13 Re-securitisation	—	—	—	—	—	—	—	—

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

The Mediobanca Group has nothing to report for Template EU SEC5.

Section 12 – Exposures to equities: information on banking book positions

Qualitative information

Investing in equities has traditionally been an integral part of the Bank's mission, as provided in its Articles of Association. Such activity has been considerably reduced in recent years, but is still distinguished by the Bank's selective approach to investing based on the principle of long-term profitability and risk minimization.

Mediobanca traditionally invests in companies that are leaders in their respective sectors and which are able, by leveraging on their competitive advantages, to offer significant potential for value creation over the medium/long term.

Equity investment portfolio management includes the stake held by the Group in Assicurazioni Generali. The Bank's own Articles of Association include specific provisions on changes in this stake and decisions regarding appointments to the investee company's governing bodies (cf. Article 18).

The portfolio of investments in non-financial companies consists of minority positions taken in companies, for the most part are listed, which can in any case be unwound in the short term. The geographical areas in which the Bank has invested show a clear majority of Italian companies, with which Mediobanca has been able to develop significant relations over time. On a much more minor scale but still in line with the mission referred to above, Mediobanca also operates in merchant banking, making investments in a limited number of medium-sized and small businesses to help grow the company and then sell the investment afterwards, including through the investee company being listed on the stock market.

Over a medium-term perspective, the Bank's strategy for its exposure to equity, in view *inter alia* of the market conditions, is geared towards progressively valorizing its investments, without prejudice to the requisites in terms of the Bank's profitability and risk profile approved by the Board of Directors in the Risk Appetite Framework.

In accordance with this strategy, the trading limits are set at an aggregate level in terms of overall exposure to the portfolio of holdings in non-financial companies, and by individual investment (in the same portfolio) at levels in terms of regulatory capital that are far lower than the current regulatory limits of 60% and 15%.

The investments in the portfolio managed by the Principal Investing division (i.e. apart from those

in non-financial undertakings and in Assicurazioni Generali) have seen growth in holdings in Undertakings in Collective Investments in Transferable Securities (UCITS) in recent years, and consist mostly of investments in seed capital to funds managed by Group companies (currently Cairn Capital and RAM) and investments in private equity and real estate funds.

The investments in seed capital have a twofold purpose:

- To generate a return consistent with their risk profile;
- To contribute to growth in the AUM subscribed to by third-party investors.

The Group has also always selectively invested in closed-end private equity funds, primarily Italian, with tickets in the €10-20m range.

Exposures to equities not accounted for in the trading book are recorded in the financial statements under Equity investments, Equity instruments recognized through other comprehensive income (FVOCI), and as shares in funds recognized at fair value through profit and loss (FVPL) in accordance with IAS 28 and IFRS 9.

For an illustration of the methods used to account for and value the investments, reference is made to Part A of the Consolidated Notes to the Accounts, containing the accounting policies applied by the Group to the individual items. For a description of the means by which the impairment testing is carried out on the investments, see Part B of the Notes to the Accounts. For the valuation methods used to determine fair value, please see the section of this document on market risks.

Quantitative information

Table 12.1 – Banking book: cash exposures in equities and UCITS

The table below shows the exposures to equity instruments by the books in which they are accounted for, with an indication, for the equity instruments, of the gains and losses deriving from measuring them at fair value as at the various reporting dates. These are recorded in the Statement of other comprehensive income under heading "120. Valuation reserves from equity-accounted investments". In the event of disposal, the gains and losses accumulated on the investments are stated under heading "150. Reserves". Long-term losses of value on equity instruments are not taken through profit and loss, in accordance with the provisions of IFRS 9. Only dividends received are taken through P&L, under heading "70. Dividends and similar income".

With reference to the overall exposure reflected on the Group's balance sheet, compared to 30 June 2021 investment holdings increased, from €4.6bn to €4.7bn, €3.8bn consisting of the investment in Assicurazioni Generali. The remainder consists of holdings in funds as to €683.1m, almost 64% of which invested in the Group's asset management activities (seed capital), while €242.7m is invested in listed and unlisted equities, recognized at fair value but through other comprehensive income.

Investments in seed capital grew from €442.1m to €473.4m, as an effect of net subscriptions totalling €26.4m (mainly the new initiatives launched by Mediobanca SGR targeting Premier customers) and increases in the current NAV of €4.9m; other holdings in funds (mostly private equity) decreased from €213.6m to €209.7m, on net redemptions totalling €5m in part offset by positive adjustments to NAV (up €1.4m).

Items	Amount as at 31/12/2021				
	Book Value		Fair value		Impairment
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,761,871	38,962	3,776,553	38,962	—
B. Financial assets recognized at FVTOCI	144,492	98,163	144,492	98,163	X
C. Other financial assets mandatorily at fair value	297,461	385,621	—	8,482	—

Voci	Amount as at 31/12/2021					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	19,245	(403)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

The comparative data as at 30 June 2021 is as follows:

Items	Amount as at 30/06/2021					impairment
	Book Value		Fair value			
	Level 1	Level 2/3	Level 1	Level 2/3		
A. Equity stakes	3,663,067	39,744	3,426,872	39,744		—
B. Financial assets recognized at FVTOCI	132,496	88,016	132,496	88,016		X
C. Other financial assets mandatorily at fair value	271,877	383,677	—	5,850		—

Voci	Amount as at 30/06/2021					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Losses	Gains
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	70,333	(2,138)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

Table 12.2 – Banking book: equity instruments

For purposes of calculating the capital requirements, the equities held as part of the banking book include financial and non-financial investments, to which a weighting factor of 100% is applied, as required by Article 133 of the CRR, except for those investments that are deducted from regulatory capital or to which a weighting of 250% is assigned under Articles 36 and 48 della CRR (as described in section 2 of this document).

To measure the risk of exposures in Undertakings in Collective Investments in Transferable Securities (UCITS) and to determine the relevant capital requirement, alternative calculation methods have been introduced since 30 June 2021 to ensure greater transparency.

The different calculation methods provided by the regulations in force are shown below:

- Look-through approach, based on breaking down the investment into the individual underlying components in which the UCITS invests, and applying the respective weighting;
- Mandate-based approach, a method based on the fund's management terms and conditions and the notional exposure in which the UCITS can invest, applying the most penalizing weighting;
- Fall-back approach, which involves a weighting of 1,250%, in cases where entities are unable to apply either one or other of the two above methods.

Category	31/12/2021		30/06/2021	
	Weighted Amount		Weighted Amount	
	Standard Method	IRB Method	Standard Method	IRB Method
Funds Exposures	1,517,399	—	1,508,343	—
<i>Of which private equity</i>	311,664		283,037	
Trading Exposures	5,781,951	—	6,057,900	—
Other Instruments	135,337	—	127,712	—
Total equity instruments	7,434,688	—	7,693,955	—

With reference to the new prudential treatment, 77% of the exposures in the Mediobanca Group's UCITS funds have been treated based on the look-through approach, while the mandate-based approach has been applied to approx. 16% of the exposures in the portfolio; the fall-back approach has been applied on a residual basis, to slightly over 6% of the total portfolio, all cases in which the two other methods could not be applied, in accordance with the regulations.

As for analysis of the underlying instruments to which either of the two new approaches provided by the regulations have been applied, the total Corep exposure is equal to €691m, while the total balance-sheet exposure is €624m¹⁸ (approx. 90% of the total portfolio, excluding the investments in CLIs as these are deducted from regulatory capital): of these, €130m (20% of the entire portfolio) have equities as their underlying instrument, €44m (6% of the total) have underlying instruments weighted at 1,250%, and €251m (36% of the portfolio) are high-risk exposures. The remainder consists of credit exposures, in cash or derivatives (the latter equal to approx. 1% of the total portfolio, confirming the low risk of the leverage effect on exposures in UCITS). The aggregate exposures in funds held by the Group also include those in CLIs, equal to €56m, in part deducted from regulatory capital, and the remainder weighted at 250% (approx. 29% of the exposure), and commitments in other funds totalling €127m weighted at 150%.

¹⁸ The difference between the total Corep exposures and the total balance-sheet exposure is due to the leverage effect, which is taken into account at the stage of applying the new prudential method to determine the amount of the provision to be weighted.

Section 13 – Interest rate risk on banking book positions

With reference to the Group's banking book positions at 31 December 2021, in the event of a parallel and simultaneous reduction in interest rates ("parallel down"), estimated net interest income would decrease by €13m, whereas, during the last six-month period and last year, no negative scenarios were envisaged.

With reference to the analysis of the discounted value of future cash flows on the Group's banking book, the shock that determines the highest change occurs if the short-term part of the curve rises ("short up"). In this scenario, estimated net interest income would reduce by €111m, chiefly due to the impact on Compass (€5m), CheBanca! (€15m), and Mediobanca (€114m), against an increase for the other Group legal entities. In the last six-month period, the highest reduction was €84m, in a "flattener" scenario, while last year it was €22m, again in the "flattener" scenario.

Table 13.1 – Sensitivity analysis

The data above has been summarized in the following table:

Data in € mln	Data as at 31/12/2021					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	<i>Parallel Down</i>	(13)	25	(6)	(13)	(19)
Sensitivity of Cash Flows present value	<i>Flattener</i>	(111)	(114)	(15)	(5)	23

The data as at 30 June 2020 and at 31 December 2020 are stated below, for comparative purposes:

Data in € mln	Data as at 30/06/2021					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	<i>Parallel Down</i>	9	38	(10)	(7)	(12)
Sensitivity of Cash Flows present value	<i>Flattener</i>	(84)	(90)	15	(10)	1
Data in € mln	Data as at 31/12/2020					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	<i>Parallel Down</i>	22	56	(15)	(9)	(10)
Sensitivity of Cash Flows present value	<i>Short Down</i>	(44)	(50)	11	2	(6)

At Group level, the values obtained in both scenarios continue to remain within the limits set by the Group policy on managing interest rate risk on the banking book, which are respectively 11.5% (net interest income sensitivity/estimated Group net interest income) and 3.5% (economic value sensitivity/CET1).

The figures obtained by applying all the shocks contemplated in Article 98(5) of Directive 2013/36/EU are shown in the table below.

Template EU IRRBB1: Interest rate risk of non-trading book activities

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	31/12/2021	30/06/2021	31/12/2021	30/06/2021
1 Parallel up	(96)	(7)	125	93
2 Parallel down	29	(21)	(13)	9
3 Steepener	92	100		
4 Flattener	(93)	(84)		
5 Short rates up	(111)	(77)		
6 Short rates down	59	19		

Section 14 – Market risk

Quantitative information

14.1 Market risk with managerial methodology

Risk control is calculated daily using management metrics to ensure that the operating limits governing the risk appetite established for the Bank's trading book are complied with.

The half-year was characterized by a relatively low level of volatility for all asset classes until November, when there was an increase in risk for most market indicators. This is due to a set of causes such as: (a) the spread of the Delta and Omicron variants of the Covid-19 virus, with the partial return of restrictions in many European countries; (b) the increase in demand for natural gas in view of the scarce supply and consequent increase in energy prices in the EU; (c) bond markets pending monetary policy decisions by central banks, in particular the Federal Reserve; and (d) geopolitical tensions between NATO countries and Russia. Nonetheless, no breaches of the stop-loss limits were recorded, and there was only one technical breach of the VaR limits (US stock index volatility). The aggregate value-at-risk on the trading book in the six months ranged from a low of €3.9m in mid-September 2021 to a high of €10.2m at end-November. The average reading of €5.9m was 30% higher than the figure for the previous half-year (€4.5m); following the peak recorded in November, the VaR reading has settled again around the average values (the point-in-time reading at end-December 2021 was €5m). The trend in Value-at-Risk is also explained by the increase in short positions in futures on core-Euro government bonds, and by the continued growth in mark-to-market equity-linked certificates business, to which investment transactions in financial and corporate securities are linked in order to hedge against credit risk (DVA).

Like VaR, the Expected Shortfall also shows a higher average figure than the previous period, of €7.9m (€5.8m).

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed only one departure from VaR, in the six months which occurred at end-November 2020, when the stock markets fell due to the rapid spread of the Omicron variant; this impacted the performances of the equities trading desks.

Table 14.1 - Value at Risk ed Expected Shortfall: trading book

Risk factors	1 semester financial year 2021 - 2022			
	31/12/2021	Min	Max	Average
<i>Data in thousands</i>				
Interest rate	1,373	948	3,766	1,821
Credit	1,002	850	1,513	1,145
Share prices	3,227	2,355	5,174	3,516
Exchange rates	293	225	2,655	551
Inflation	251	100	258	149
Volatility	3,200	2,754	4,494	3,553
<i>Diversification effect (*)</i>	4,379	1,608	7,631	4,905
Total Var	4,976	3,885	10,204	5,866
Expected Shortfall	6,761	5,435	7,598	7,923

* Due to the mismatch between risk factors.

The comparative data for the previous six-month period are shown below:

Risk factors	2 semester financial year 2020 - 2021			
	30/06/2021	Min	Max	Average
<i>Data in thousands</i>				
Interest rate	1,319	451	4,186	1,326
Credit	992	890	2,603	1,186
Share prices	3,925	1,523	8,019	3,472
Exchange rates	298	285	1,116	551
Inflation	100	100	562	321
Volatility	4,501	1,259	5,575	3,316
<i>Diversification effect (*)</i>	6,366	3,588	9,131	5,777
Total Var	4,810	2,965	6,090	4,437
Expected Shortfall	7,301	3,985	8,008	5,761

Apart from the VaR limit on overall trading positions, a more granular system of VaR limits is also in place for the individual desks involved. Each desk also has limits in terms of sensitivities to movements in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and share volatility) which are monitored daily.

Compared to the previous half-year, sensitivity to interest rates (in the Eurozone) was approx. €72,000 higher (1 bps), sensitivities to the stock market's implied volatilities were also €400,000 higher (1%), as were sensitivities to credit spreads (€120,000/1 bps). The other sensitivities maintained a similar average level to the previous six-month period.

Table 14.2 - Overview of trends in main sensitivities for trading book

Risk factor	1 semester financial year 2021 - 2022			
	Dati in euro 31/12/2021	Min	Max	Average
Equity delta (+1%)	287,707	-750,743	571,031	10,873
Equity vega (+1%)	1,366,445	850,149	1,793,798	1,241,852
Interest rate delta (+1bp)	172,993	-108,455	460,633	178,565
Inflation delta (+1bp)	-2,579	-9,961	3,306	1,076
Exchange rate delta (+1%)*	212,678	-116,169	760,528	244,837
Credit delta (+1bp)	644,492	287,866	1,029,787	639,913

* Due to the Euro appreciating relative to other currencies.

The comparative data as at 30 June 2021 are shown below:

Fattori di rischio	2 semester financial year 2021 - 2022			
	Dati in euro 30/06/2021	Min	Max	Average
Equity delta (+1%)	-378,742	-803,970	114,564	-359,793
Equity vega (+1%)	922,230	479,143	1,592,947	972,701
Interest rate delta (+1bp)	105,306	-1,190,879	577,853	100,481
Inflation delta (+1bp)	2,907	2,907	63,703	30,631
Exchange rate delta (+1%)*	209,039	-300,384	905,746	235,174
Credit delta (+1bp)	571,770	170,210	759,217	521,109

* Due to the Euro appreciating relative to other currencies.

Template EU MR1 - Market risk (standardized approach)

	31/12/2021	30/06/2021
	a	a
	RWA	RWA
Outright products		
1 Interest rate risk (general and specific)	1,343,439	1,162,489
2 Equity risk (general and specific)	347,918	242,351
3 Foreign exchange risk	—	—
4 Commodity risk	—	—
Options		
5 Simplified approach	—	—
6 Delta-plus approach	589,900	636,393
7 Scenario approach	—	—
8 Securitisation (specific risk)	69,125	30,003
9 Total	2,350,382	2,071,236

The risk-weighted assets for market risk, calculated according to the standard methodology as shown in Section 1.1, reflect a reduction of approx. €279m.

During the six months under review, Risk Weight Assets (RWAs) against market risks on the regulatory trading book increased by approx. €300m. The main changes during the period involved:

- Growth of €100m in the RWAs for the credit risk in debt instruments due to DVA risk management in relation to the issue of certificates issued and classified as part of the trading book;
- An increase of €50m in RWAs, to cover the generic interest rate risk, to calculate which the Bank uses the Duration Approach;
- An increase in RWAs of approx. €150m, in connection with certain outright positions in equities which cause an increase in the capital absorbed by the equity portfolio, both for generic and specific risk.
- An approx. €40m reduction in the capital absorbed by positions in options calculated based on the “delta plus” methodology for vega and gamma risk), offset by a slight increase in the RWAs for the positions in securitizations.

The limited exchange rate risk position, which is below the regulatory threshold permitted, generates no capital requirement.

Template EU MR2-A - Market risk under the internal Model Approach (IMA)

The Mediobanca Group has nothing to report for Template EU MR2-A.

Template EU MR2-B - RWA flow statements of market risk exposures under the IMA

The Mediobanca Group has nothing to report for Template EU MR2-B.

Template EU MR3 - IMA values for trading portfolios

The Mediobanca Group has nothing to report for Template EU MR3.

Template EU MR4 - Comparison of VaR estimates with gains/losses

The Mediobanca Group has nothing to report for Template EU MR4.

14.3 Fair value, independent price verification and prudent value of financial instruments

IFRS13 paragraph 24 defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed on an active market or in cases where the market is not functioning properly, that is, it does not have a sufficient and continuous number of transactions, or sufficiently low bid-ask spreads and volatility, valuation models using market inputs are used instead, such as:

- Valuations of instruments with similar characteristics,
- Discounted cash flow calculations,
- Option price calculation models, values recorded in recent comparable transactions, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.).

If no market inputs are available, valuation models based on data estimated internally are used.

As a further guarantee that the valuations deriving from the measurement models the Group uses remain objective, independent price verification processes (IPVs) are also carried out, in which a unit unrelated to the one assuming the risk checks the prices of the individual financial instruments on a daily basis, using data provided by information providers as its reference.

Fair value is reported according to rankings based on the quality of the input parameters used to determine it.¹⁹

In accordance with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, the fair value hierarchy assigns decreasing priority to measurements based on different market parameters. The highest priority (level 1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (level 3) is assigned to valuations deriving predominantly from unobservable inputs.

The fair value ranking level assigned to an asset or liability is defined as the worst level input that is significant to the entire measurement. Three levels are identified:

- Level 1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.
- Level 2: inputs other than the quoted prices referred to above, that are observable on the market

¹⁹ Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement"; and paragraph 74: "The fair value hierarchy ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.

- Level 3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

In cases where the input data used to value an asset or liability has different levels, the decision as to the fair value level is guided by the significance of the input data itself (cf. IFRS 13, paragraph 74).

As a rule Mediobanca uses market prices (level 1) or models based on observable inputs (level 2). In cases where level 3 instruments are used, additional price verification procedures are set in place, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure. Similarly, the Bank also has an independent unit for controlling the parameters used, which compares them with similar input deriving from different sources which must in any case meet the requirements in terms of observability.

For further information, please see Part A of the Notes to the Accounts for the year ended 31 December 2021.

14.3.1 Fair Value Adjustments for financial instruments

Fair value adjustments are fundamental in order to align the individual financial instrument's valuation with its actual exit price, in view of the level of market liquidity, the uncertainty of the valuation parameters and the possible market close-out costs of the positions, the cost of funding and the complexity of the valuation models used, in the absence of shared market practices.

The process of aligning the accounting adjustments to the prudent valuation ones was virtually completed in the course of the last financial year, net of residual phenomena. A Model Risk correction has been introduced for auto-callable certificates, to mitigate any mispricing phenomena, while revision of the Market Price Uncertainty adjustments has been extended to include new categories of market parameters that have become material (e.g. interest rate and credit), using info-providers for control purposes.

14.3.2 Prudent value of financial instruments

The EU regulations require that positions recognized at fair value and held as part of either the banking or trading books must be measured to an adequate degree of certainty. To meet this objective, financial institutions must implement and maintain processes and controls to ensure that the valuation estimates are prudent and reliable.

The Prudent Value Adjustment, defined as all Additional Valuation Adjustments added together, is subtracted directly from CET1.

The process of defining and certifying the positions subject to calculation of AVAs requires the following to be identified:

- An individual scope of application, consisting of all asset and liabilities held on the balance sheet and recognized at fair value for every bank and/or company forming part of the Banking;
- A consolidated scope of application, consisting of all asset and liabilities held on the balance sheet and recognized at fair value, for the Banking Group as a whole.

Regulation (EU) No. 575/2013, Part 2, Title I, Chapter 2, Article 34, requires that institutions shall apply the requirements of Article 105 to all their assets measured at fair value. The combined provisions of Articles 34 and 105 of Regulation (EU) No. 575/2013 imply that the scope of prudent valuation for financial instruments includes all positions measured at fair value, regardless of whether they are accounted for as part of the banking or trading book.

The positions measured at fair value in both books as defined by the International Financial Reporting Standards (IFRS), are, on the asset side of the balance sheet, as follows:

- Financial assets recognized at Fair Value Through Profit and Loss (FVTPLT);
- Financial assets classified as Fair Value Option (FVOPT);
- Financial assets recognized at Fair Value Through Other Comprehensive Income (FVOCI) (only for positions not subject to the prudential filter);
- Financial assets classified Mandatorily at Fair Value Through Profit and Loss (FVTPLM/FVTPLM_OICR);

and on the liability side of the balance sheet:

- Financial liabilities recognized at Fair Value Through Profit and Loss (FVTPLT);
- Financial liabilities recognized at Fair Value Option (FVOPT);
- Financial liabilities classified as Mandatorily at Fair Value Through Profit and Loss (FVTPLM/FVTPLM_OICR).
- Financial liabilities classified as Fair Value Liabilities (FVL).

Starting from the scope defined as above, and in accordance with the provisions of Commission Delegated Regulation (EU) No. 2016/101, Chapter 3, fair-valued positions for which a change in accounting valuation has a partial or zero impact on CET1 capital are excluded.

In particular:

- AFS positions (FVOCI), to the degree to which the changes in valuation are subject to prudential filters;²⁰
- Back-to-back positions;
- Positions subject to hedge accounting.

To comply with the regulatory requirements in terms of CoRep reporting, each indicator is calculated for the general scope as defined in the relevant section, and also for the narrower scope of trading instruments only.

²⁰) The inclusion or exclusion of such instruments from the scope for calculation of prudential valuation is established by Regulation (EU) no. 575/2013 Part 10, Title I, Chapter 1, Articles 467-68, taking into account the adjustment made via Regulation (EU) no. 445/2016, Chapter V, Articles 14-15.

14.4 Hedging

With reference to the requirements of IFRS 9 on the new hedging model, the standard aims to simplify the accounting treatment by guaranteeing greater alignment between the accounting representation of the hedge and the underlying rationale behind it (risk management). In particular, the new model provides for an extension to the hedge accounting rules with reference to hedging instruments and related eligible risks. The standard provides for the possibility of continuing to use the hedging rules introduced by IAS 39; however, the Group has chosen to use the new criteria introduced for general hedging (opt-in), which has had no material impact.

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).²¹

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and securities recognized at fair value through other comprehensive income or at amortized cost, and also to mitigate price risk on equity investments recognized at FVOCI. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged, as is the stable component of demand deposits modelled at fixed rate.

Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge

²¹ This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Ester interest rates.

is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Table 14.3: List of financial instruments subject to prudent valuation

	Type		Inclusion/ Exclusion	Inclusion/ Exclusion Trading book	Notes
FVTPLT	Financial and credit derivatives	Back to back	Exclusion	Exclusion	As required by the Delegated Regulation (EU) 2016/101
		Non back to back	Inclusion	Inclusion	
	Debt Securities		Inclusion	Inclusion	
	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans NPE		Inclusion Inclusion	Inclusion Inclusion	
FVOPT	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOCI	Debt Securities	EU Government	Partial	Exclusion	An exception is foreseen with the exclusion until the entry into force of Regulation (EU) 2016/445 (01/10/2016) which rectifies the provisions of Regulation (EU) 2013/575 The inclusion / exclusion percentages are variable and follow the regulatory provisions of Regulation (EU) 2013/575 and Circular 285 of the Bank of Italy
		Non-EU Government	Partial	Exclusion	
		Non Government	Partial	Exclusion	
	Equities		Partial	Exclusion	
	UCITS		Partial	Exclusion	
	Loans		Partial	Exclusion	
	NPE		Partial	Exclusion	
FVTPLM/ FVTPLM_OICR	Debt Securities		Inclusion	Exclusion	
	Equities		Inclusion	Exclusion	
	UCITS		Inclusion	Exclusion	
FVL	Debt Securities		Inclusion	Exclusion	
Hedge accounting	Fair Value Hedge		Exclusion	Exclusion	Come previsto dal Regolamento Delegato (UE) 2016/101
	Cash Flow Hedge		Exclusion	Exclusion	Il <i>Cash Flow Hedge</i> è oggetto di filtro prudenziale



At the consolidated level, each bank and/or company forming part of the Banking Group must apply the percentage stated in Bank of Italy circular no. 285, while at the individual level, each bank or company in the Group is subject to the provisions laid down by its local regulator.



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, 24 March 2022

Head of
Company Financial Reporting

Emanuele Flappini