Basel III pillar 3
Disclosure to the public

Situation as at 31 March 2024

Contents

Introduction

The regulations on banking supervision have been revised with the issue of Capital Requirements Directive IV and Capital Requirements Regulation (the "CRD IV/CRR/CRR2 Package") enacted in Italy under Bank of Italy circular no. 285 issued in 2013 as amended, to adapt the national Italian regulations to the changes to the European Union banking supervisory framework (including the Commission Delegated Regulation of 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 reflects the changes introduced by the Basel Committee with the "Global Regulatory Framework for More Resilient Banks and Banking Systems".

With reference to the Pillar III guidance provided by the European Banking Authority (EBA), there have been no material updates or revisions. Please refer to the "Introduction" of the "Basel III Pillar 3 Disclosure to the public" document as at 30 June 2023, published on the Bank's website at www.mediobanca.com for further details.

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

Figures are in €'000, unless otherwise specified.

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

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

References to EBA requirements

(Commission Implementing Regulation (EU) 2021/637 and EBA/GL/2020/12)

Commission Implementing Regulation (EU) 2021/637 and EBA/GL/2020/12		**Pillar III as at 31/3/2024**
Templates	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**
EU KM1 EU OV1	Quantitative Quantitative	Section 1 – Capital adequacy
EU LIQ1	Qualitative/quantitative	Section 2 – Liquidity risk
EU CR4 EU CR8	Qualitative/quantitative	Section 3 – Credit risk
EU MR1	Qualitative	Section 4 – Market risk

Section 1 – Capital adequacy

Qualitative information

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

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analysis is 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 (known as "stress testing"), in order to appraise its capital resources even in extreme conditions.[2]

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

Capital adequacy in respect of pillar 1 risks is also monitored by the Chief Financial Office through checking the capital ratios according to the rules established by the Capital Requirements Regulation (CRR/CRR2) – Circular no. 285.

[2] The most recent stress testing exercise have confirmed the Group's capital solidity: the Common Equity Tier 1 ratio fully loaded at the end of the exercise (2025), including the permanent application of the Danish Compromise, is 15.42% in th base scenario and 10.22% in the adverse scenario; even in the adverse scenario, the Common Equity Tier 1 fully loaded ratio is comfortably higher than the regulatory limits.

Quantitative information

Template EU KM1 – Key metrics template (1/2)

		a	b
		03/31/2024	12/31/2023
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,285,014	7,532,255
2	Tier 1 capital	7,285,014	7,532,255
3	Total capital	8,549,769	8,546,270
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	48,648,623	49,088,358
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	14.9748 %	15.3443 %
6	Tier 1 ratio (%)	14.9748 %	15.3443 %
7	Total capital ratio (%)	17.5745 %	17.4100 %
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 (%)	1.8200 %	1.6800 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.0238 %	0.9450 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.3650 %	1.2600 %
EU 7d	Total SREP own funds requirements (%)	9.8200 %	9.6800 %
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 (%)	0.1309 %	0.1329 %
EU 9a	Systemic risk buffer (%)	—	—
10	Global Systemically Important Institution buffer (%)	—	—
EU 10a	Other Systemically Important Institution buffer	0.1250 %	—
11	Combined buffer requirement (%)	2.7559 %	2.6329 %
EU 11a	Overall capital requirements (%)	12.5759 %	12.3129 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.6098 %	7.7300 %
Leverage ratio			
13	Leverage ratio total exposure measure	99,096,659	96,164,675
14	Leverage ratio	7.3514 %	7.8327 %
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)	8,733,591	9,004,160
EU 16a	Cash outflows - Total weighted value	8,324,063	8,323,472
EU 16b	Cash inflows - Total weighted value	3,110,835	2,871,156
16	Total net cash outflows (adjusted value)	5,213,228	5,452,315
17	Liquidity coverage ratio (%)	167.6031%	165.9504%
Net Stable Funding Ratio			
18	Total available stable funding	61,780,945	62,742,958
19	Total required stable funding	54,005,663	52,482,253
20	NSFR ratio (%)	114.3972%	119.5508%

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

		c	d	e
		09/30/2023	06/30/2023	03/31/2023
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,649,149	8,177,639	7,792,732
2	Tier 1 capital	7,649,149	8,177,639	7,792,732
3	Total capital	8,705,615	9,217,028	8,881,224
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	50,127,112	51,431,549	51,006,378
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15.2595 %	15.9000 %	15.2780 %
6	Tier 1 ratio (%)	15.2595 %	15.9000 %	15.2780 %
7	Total capital ratio (%)	17.3671 %	17.9210 %	17.4120 %
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 (%)	1.6800 %	1.6800 %	1.6800 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.9450 %	0.9450 %	0.9450 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.2600 %	1.2600 %	1.2600 %
EU 7d	Total SREP own funds requirements (%)	9.6800 %	9.6800 %	9.6800 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5000 %	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—	—
9	Institution specific countercyclical capital buffer (%)	0.1309 %	0.0944 %	0.0655 %
EU 9a	Systemic risk buffer (%)	—	—	—
10	Global Systemically Important Institution buffer (%)	—	—	—
EU 10a	Other Systemically Important Institution buffer	—	—	—
11	Combined buffer requirement (%)	2.6309 %	2.5944 %	2.5655 %
EU 11a	Overall capital requirements (%)	12.3109 %	12.2744 %	12.2455 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.6871 %	8.2410 %	7.7320 %
Leverage ratio				
13	Leverage ratio total exposure measure	97,937,127	97,270,380	97,374,969
14	Leverage ratio	7.8103 %	8.4071 %	8.0028 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	—	—
EU 14c	Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	—	—	—
EU 14e	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %	3.0000 %
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	9,516,211	9,478,729	9,058,043
EU 16a	Cash outflows - Total weighted value	8,542,700	8,766,906	8,929,307
EU 16b	Cash inflows - Total weighted value	2,826,122	2,882,133	3,144,587
16	Total net cash outflows (adjusted value)	5,716,578	5,884,773	5,784,720
17	Liquidity coverage ratio (%)	167.0313%	161.0830%	156.4409%
Net Stable Funding Ratio				
18	Total available stable funding	60,444,308	63,677,289	61,478,643
19	Total required stable funding	51,728,394	53,364,548	53,187,229
20	NSFR ratio (%)	116.8494%	119.3251%	115.5891%

As at 31 March 2024, the Common Equity Ratio – the ratio between CET 1 and total RWAs – stood at 14.97% (calculated without including the profit generated net of the 70% payout ratio); the 40 bps reduction compared to end-December 2023 was due to the higher prudential deductions in relation to the increase in the Assicurazioni Generali investment (much of which will be recovered when the dividend is collected in May 2024) and to the growth in the business. The Total Capital ratio rose to 17.8%, as a result of the new subordinated €300m issue implemented in January 2024, only in part offset by the prudential amortization of the other issues.

The ratios fully loaded, without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for € -1,264.1m including the indirect effects) were 13.90% (CET1 ratio) and 16.82% (total capital ratio) respectively.

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

		RWA		Capital requirements
		a	b	c
		03/31/2024	12/31/2023	03/31/2024
1	Credit risk (excluding CCR)	39,856,852	40,401,492	3,188,548
2	of which the standardised approach	18,870,106	19,520,037	1,509,608
3	of which the foundation IRB (FIRB) approach	—	—	—
4	of which: slotting approach	—	—	—
EU 4a	of which: equities under the simple risk weighted approach	—	—	—
5	of which the advanced IRB (AIRB) approach	20,986,746	20,881,455	1,678,940
6	Counterparty credit risk - CCR	1,969,451	1,999,998	157,556
7	of which the standardised approach	596,974	664,040	47,758
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	32,711	4,167	2,617
EU 8b	of which credit valuation adjustment - CVA	414,917	426,610	33,193
9	of which other CCR	924,849	905,181	73,988
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	127,700	97,476	10,216
17	of which SEC-IRBA approach	—	—	—
18	of which SEC-ERBA (including IAA)	56,329	56,400	4,506
19	of which SEC-SA approach	71,371	41,076	5,710
EU 19a	of which 1250%	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,010,483	1,905,253	160,839
21	of which the standardised approach	2,010,483	1,905,253	160,839
22	of which IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	4,684,138	4,684,138	374,731
EU 23a	of which basic indicator approach	4,684,138	4,684,138	374,731
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)	890,865	922,487	71,269
29	**Total**	**48,648,623**	**49,088,358**	**3,891,890**

Section 2 – Liquidity risk

Qualitative information

As at 31 March 2024, the LCR stood at 150%. The ratio reflected an average reading of approx. 158% during the three months, lower than the average reading for the previous six months ending 31 December 2023 (171%).

The figures are in line with the target value set by management for the present financial year. In a scenario that is still uncertain, threatened by geopolitical risk and rising interests rates, Group Treasury has managed its highly liquid assets by seeking to combine commercial strategies with the need to have an adequate instrument available at all times in terms of quantity and quality.

In order to keep its liquidity position stable and to pursue its funding strategies, the Group has quickly leveraged on the positive market opportunities that have opened up, successfully completing various debt security funding placements.

All these initiatives have supported the Group's funding and liquidity position, enabling it to pay back €1.2bn in T-LTRO funding ahead of schedule.

The trend in HQLAs is impacted by the amount of Level 1 assets (cf. Article 10 of Commission Delegated Regulation (EU) 2015/61), which are used as the main risk control and mitigation instrument by Group Treasury. For the same reason, among inflows and outflows, the cashflows related to secured transactions always have a significant impact which is variable over time. Indeed, the main components that impact on outflows are retail and wholesale deposits and potential cash outflows linked to irrevocable credit lines. The most influential components among the inflows are the amounts collected from corporate and financial clients.

The following table shows the quantitative information for the Group’s Liquidity Coverage Ratio (LCR), measured in accordance with the EU regulations (in particular the CRR and CRD IV) reported monthly to the competent national supervisory authority (the indicator includes the prudential estimate of “additional liquidity outflows for other products and services” in compliance with Article 23 of Commission Delegated Regulation (EU) No. 2015/61). The data shown have been calculated as the simple average of month-end readings recorded in the twelve months prior to the end of each quarter (cf. Commission Implementing Regulation (EU) 2021/637).

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

Data in millions of euros		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	03/31/2024	12/31/2023	09/30/2023	06/30/2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**				
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	20,741	20,820	20,885	20,947
3	*Stable deposits*	*11,802*	*11,819*	*11,911*	*12,071*
4	*Less stable deposits*	*7,632*	*7,757*	*7,862*	*8,081*
5	Unsecured wholesale funding	5,854	6,136	6,617	7,026
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	*Non-operational deposits (all counterparties)*	*5,525*	*5,782*	*6,289*	*6,666*
8	*Unsecured debt*	*329*	*355*	*328*	*360*
9	Secured wholesale funding				
10	Additional requirements	9,818	9,951	10,037	10,162
11	*Outflows related to derivative exposures and other collateral requirements*	*467*	*462*	*446*	*437*
12	*Outflows related to loss of funding on debt products*	—	—	—	—
13	*Credit and liquidity facilities*	*9,350*	*9,489*	*9,591*	*9,725*
14	Other contractual funding	2,677	2,389	2,342	2,258
15	Other contingent funding obligations	4,057	3,495	3,669	3,965
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	3,037	2,362	2,101	2,124
18	Inflows from fully performing exposures	2,170	2,079	2,081	2,019
19	Other cash inflows	1,988	2,045	2,113	2,198
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**7,195**	**6,485**	**6,295**	**6,342**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*7,165*	*6,442*	*6,218*	*6,229*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

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

Data in millions of euros		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	03/31/2024	12/31/2023	09/30/2023	06/30/2023
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)**	**8,734**	**9,004**	**9,516**	**9,479**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,705	1,714	1,696	1,699
3	*Stable deposits*	*590*	*591*	*596*	*604*
4	*Less stable deposits*	*1,115*	*1,123*	*1,101*	*1,095*
5	Unsecured wholesale funding	3,194	3,311	3,504	3,668
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	*2,864*	*2,956*	*3,176*	*3,309*
8	Unsecured debt	*329*	*355*	*328*	*360*
9	Secured wholesale funding	*258*	*275*	*315*	*380*
10	Additional requirements	1,779	1,809	1,767	1,860
11	*Outflows related to derivative exposures and other collateral requirements*	*467*	*462*	*446*	*437*
12	*Outflows related to loss of funding on debt products*	—	—	—	—
13	*Credit and liquidity facilities*	*1,312*	*1,347*	*1,322*	*1,423*
14	Other contractual funding	1,048	905	925	815
15	Other contingent funding obligations	340	309	335	345
16	**TOTAL CASH OUTFLOWS**	**8,324**	**8,323**	**8,543**	**8,767**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	620	425	341	347
18	Inflows from fully performing exposures	1,599	1,536	1,530	1,497
19	Other cash inflows	891	910	955	1,038
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—
20	**TOTAL CASH INFLOWS**	**3,111**	**2,871**	**2,826**	**2,882**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*3,111*	*2,871*	*2,826*	*2,882*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	8,734	9,004	9,516	9,479
22	TOTAL NET CASH OUTFLOWS	5,213	5,452	5,717	5,885
23	LIQUIDITY COVERAGE RATIO (%)	167.6031%	165.9504%	167.0313%	161.0830%

Other information on liquidity risk

Misalignment of currencies in calculating the liquidity coverage ratio

To manage and monitor the misalignment of currencies, the Group carries out regular checks to ascertain if the liabilities held in a given currency are equal to or higher than 5% of its total liabilities. If this limit, set by Regulation (EU) no. 575/2013, is breached for a given currency, it means that the currency concerned qualifies as "significant" and that the LCR must be calculated in that currency. As at 31 March 2024, the "significant" currencies for the Mediobanca Group were the Euro (EUR) and the US dollar (USD). Monitoring of possible currency misalignments between liquid assets and net cash outflows shows that the Group is able to manage any such imbalances, partly through holding HQLA in USD, and partly because of ability to tap the FX market easily in order to transform excess liquidity in EURO into USD.

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 tool for mitigating the adverse effects of liquidity risk, which is why the Group monitors its available liquidity reserves on an ongoing basis.

As at 31 March 2024, the counterbalancing capacity totalled €16.1bn, and was made up as follows: €3.4bn in Level 1 and Level 2 tradable assets, €1.9bn in central bank reserves and bank notes, €8.3bn in ECB eligible receivables, and €2.6bn in non-HQLA assets. The figure is lower than at end-December 2023 (€17.8bn). The abundant liquidity reserve, which is accumulated at the end of the year for prudential reasons, has been used for the T-LTRO repayments scheduled for the quarter. The amount of securities eligible for refinancing with the ECB in order to obtain immediate liquidity amounts to €14bn. The balance of collateral held with the ECB is €12.3bn, approx. €10.2bn of which is immediately available as cash but not used, hence is included in the counterbalancing capacity (as at end-December 2023 the figures were €12.8bn and €9.5bn respectively).

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	**03/31/2024**	**12/31/2023**
TOTAL GROUP LIQUIDITY RESERVES	**16,110**	**17,772**
Total high-quality liquid assets (HQLA)	**5,237**	**7,681**
Cash and deposits held with central banks (HQLA)	1,860	4,574
Highly liquid securities (HQLA)	3,377	3,107
of which:		
Level 1	*3,354*	*3,091*
Level 2	*23*	*16*
Other eligible reserves	**10,873**	**10,091**

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

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

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

Section 3 – Credit risk

3.1 ECAIs

Qualitative information

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

— Moody's Investors Service;

— Standard & Poor's Rating Services;

— Fitch Ratings;

— Modefinance.

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

Portfolios	ECAI	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* *Modefinance*	*Solicited/Unsolicited*
Exposures undertakings for collective investments in transferable securities (UCITS)	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	*Solicited/Unsolicited*
Positions in securitizations with short-term ratings	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	
Positions in securitizations other than those with short-term ratings	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	

[3] External Credit Assessment Institution.

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Quantitative information

Template EU CR4 – Standardized approach – Credit Risk Exposure and CRM effects

	Exposures class	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	10,583,554	—	11,255,528	2,897	8,029	0.0713 %
2	Regional governments or local authorities	13,265	—	13,265	—	37	0.2763 %
3	Public sector entities	125,519	8	125,519	2	61,089	48.6683 %
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	142,505	—	142,505	—	—	—
6	Institutions	3,123,337	5,296,543	2,226,944	112,944	1,110,274	47.4499 %
7	Corporates	8,609,258	2,342,428	5,674,748	503,569	4,739,912	76.7185 %
8	Retail	3,041,230	1,032,075	2,637,613	192,698	1,437,978	50.8064 %
9	Secured by mortgages on immovable property	1,229,197	34,972	1,205,382	17,277	456,609	37.3455 %
10	Exposures in default	127,874	670	82,540	670	100,526	120.8104 %
11	Higher-risk categories	3,984	137,676	3,984	137,676	212,489	150.0000 %
12	Covered bonds	55,813	—	55,813	—	5,581	10.0000 %
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investments undertakings	623,001	3,746	623,001	3,746	1,213,331	193.5921 %
15	Equity	2,519,147	—	2,519,147	—	7,703,158	305.7843 %
16	Other items	2,048,375	—	2,048,375	—	1,821,093	88.9043 %
17	**Total as at 03/31/2024**	**32,246,059**	**8,848,117**	**28,614,364**	**971,478**	**18,870,106**	**63.7809 %**
	Total as at 06/30/2023	**47,134,884**	**7,876,143**	**44,589,094**	**1,155,145**	**30,692,355**	**67.0956 %**

3.2 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

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

The table below shows the changes in RWAs calculated with application of the IRB in the three months ended 31 March 2024, plus a breakdown by the reasons for such changes.

There was a slight increase in RWAs, due primarily to the slight increase in the exposure for the "Retail" segment. There were no significant changes in the “Mortgages” segment, while in the “Other companies” segment a slight improvement was recorded in credit quality.

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (12/31/2023)**	**20,881,455**	**1,670,516**
2	Asset size	203,262	16,261
3	Asset quality	(122,349)	(9,788)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	(15,440)	(1,235)
7	Foreign exchange movements	15,327	1,226
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (03/31/2024)**	**20,962,255**	**1,676,980**

Section 4 – Market risk

Qualitative information

4.1 Market risk with management methodology

The aggregate value-at-risk on the trading book in the three months ranged from a low of €4.3m to a high of €8.8m, with an average reading of approx. €5.7m, approx. €400,000 lower than the figure reported for the previous quarter, and the fluctuation range similarly decreased from €7m to €4.5m.

The point-in-time VaR reading at 31 March 2024 was €6.7m, higher than the figure recorded at end-December 2023 (€5.5m); the main risk positions were linked to interest rates, in particular Italian government securities and US interbank rates. In March 2024, there was an increase in volatility in the fixed-income market, due to the rise in uncertainty over the next moves by the Fed and the ECB; inflation levels are still above the monetary policy targets, and the progress being made in reaching these targets has slowed in comparison to previous months.

The expected shortfall shows an average figure of €9.9m for the three months, lower than the figure recorded for 2Q FY 2023-24 (€10.7m), consistent with the VaR data.

The results of the daily back-testing on the trading book showed no breaches of the notional P&L by the VaR reading.

Template EU MR1 – Market risk (standardized approach)

		03/31/2024	06/30/2023
		A	a
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	1,293,882	1,561,197
2	Equity risk (general and specific)	144,841	92,441
3	Foreign exchange risk	—	—
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	517,396	369,961
7	Scenario approach	—	—
8	Securitization (specific risk)	54,363	69,229
9	**Total**	**2,010,482**	**2,092,828**

As at 31 March 2024, the market RWAs, established using the standard methodology, totalled €2.0bn, more or less in line with the figure reported at end-December 2023, and lower than that reported at 30 June 2023 (€2.1bn). The reduction since the start of the financial year is strongly linked to the new business model for management of operations in certificates, based on which the product is managed and hedged as part of the banking book. Since the start of the year, then, the trading book has been destined to reduce in line with the repayment of the certificates issued. Conversely, there has also been an approx. €200m increase for gamma and vega risk (closely linked to options trading using the Delta+ methodology), and the addition of an approx. €100m position for syndication, which is expected to be sold on the market in the coming months.

The limited exchange rate position is still below the regulatory limit allowed and therefore does not entail any capital requirement.

Declaration by Head of company financial reporting

As required by Article154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the stated accounting information contained in the report conforms to the documents, account ledgers and book entries of the company.

Milan, 24 May 2024

The Head of company
Financial Reporting

Emanuele Flappini