MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

RCSL n. B112885

Interim financial statements
for the six months ended 31 December 2023

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)

SOCIÉTÉ ANONYME

SHARE CAPITAL € 10,000,000.00
HEAD OFFICE: 4, BOULEVARD JOSEPH II – L-1840 LUXEMBOURG

Board of Directors meeting

31st January 2024

www.mediobancaint.lu

BOARD OF DIRECTORS

		Term expires	Location
GIOVANNI MANCUSO	CHAIRMAN	2026	LUXEMBOURG
ALESSANDRO RAGNI	MANAGING DIRECTOR & CEO	2026	LUXEMBOURG
MASSIMO AMATO	DIRECTOR	2026	LUXEMBOURG
ERIKA BOTTICELLA	DIRECTOR	2026	ITALY
VANESSA LABÉRENNE	DIRECTOR	2026	FRANCE
PIERO PEZZATI	DIRECTOR	2026	ITALY
LARA PIZZIMIGLIA	DIRECTOR	2026	ITALY

INDEPENDENT AUDITOR

ERNST AND YOUNG S.A.	LUXEMBOURG

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MANAGEMENT REPORT

Mediobanca International (Luxembourg) S.A.

Head Office: 4, Boulevard Joseph II, L-1840 Luxembourg

Mediobanca Banking Group

Share capital: € 10,000,000 fully paid up

FINANCIAL SITUATION AT 31 DECEMBER 2023
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

Developments on capital markets

The six months under review were characterized by the final phase of the tightening monetary policy implemented by the leading Western central banks, economic growth lost momentum as a result of stagnation in the eurozone and decelerating activity in China.

Core inflation continued to make substantial progress towards the 2% target across advanced economies, inducing investors to anticipate rate cuts in 2024 by the major central banks. The development of the Middle Eastern crisis and the Russia-Ukraine war caused some short-lived market volatility - involving particularly energy commodities – inevitably fuelling uncertainties over economic prospects.

Overall, global growth has slowed in the six months compared to the previous period, with an annual average growth rate for 6M of 2% (as against 3.4% for 1H 2023). In Europe the 3Q 2023 growth rate was -0.1%, in the United States 1.2%, in China 1.3% (versus 2Q growth of 0.5%), and in Japan -0.7%. In the leading economic areas, the slowdown from the high levels of activity in the services sector has set the tone for growth overall, while in the manufacturing sector signs of a convincing recovery are still struggling to emerge. The modest decline in food prices (down 3.4%), plus the basic stability of both industrial raw materials (down 1.2%) and oil prices (up 4.5%, but affected temporarily by the Middle Eastern conflict) on international markets helped to slow down the price variations in the main geographical regions. European inflation decreased from 8.5% YoY in January 2023 to 5.5% in June, before closing the six months to end-December at 2.9%; US inflation decreased more rapidly, from 6.5% YoY in January to 3.0% in June, closing the six-month period at 3.4%.

European inflation was slower to react because of the widespread use of collective contracts and their different timings in the various Eurozone countries. In the coming quarter, this will be the main focus for the European Central Bank (ECB) in its attempts to calibrate the degree of monetary policy easing to the complex wage dynamics.

In the US, economic growth last year was more resilient than previously anticipated but moderated towards the end of 2023 as a result of tighter monetary policy, the rundown of household savings buffers and fading support from fiscal policy. The labor market remained tight, with firms reducing the number of job vacancies instead of shrinking their staff as they found difficult to find qualified and available workers in the past few years. Both headline and core consumer inflation continued to decline, moving towards 3%.

While core goods prices contracted for most of the second half 2023, the disinflationary process proved to be slower for core services prices. The Fed hiked interest rate for the last time in July, when it boosted the federal funds rate from 5.25% to 5.5%. The Fed kept reducing the size of its Balance sheet by allowing its asset holdings to mature up to monthly caps of USD 60 billion for treasuries and USD 35 billion for mortgage-backed securities.

The Chinese economy's complicated process of development to a more technology-based economic model continued during the six months, coupled with the inevitable difficulties in terms of growth for both the domestic and regional economies.

Financial markets have acknowledged the resilience of the global economies, with regard to the job market in particular, to the monetary tightening policies implemented by the central banks; expectations of a higher level of policy rates for a longer period of time (than initially expected) fuelled risk aversion in the market, particularly in September and October, with a significant increase in yields. The market mood improved towards the end of 2023, with the intensification of expectations of a reversal of monetary policy during 2024. The improved market environment in the final part of the year allowed the stock markets in the main countries of the Group to close the year with largely positive performances and at the same time caused the price of risk assets to increase.

The performance of the world's largest stock markets was largely positive over the period; for the 2023 calendar year, global stock markets performed as follows: MSCI World up 21.8%, S&P down 24.2%, Eurostoxx 600 up 12.7% and FTSE MIB up 28.0%.

Credit risk asset prices followed the trend shown by equities, so, like them, fixed-income indexes increased during the six months overall. The US CDX High Yield index decreased from 429 bps to 356 bps (after reaching a high of 528 bps in the wake of the attacks in Israel), while the European CDS iTraxx Crossover index fell from 404 bps to approx. 311 bps (after reaching a high of 470 bps in the same circumstances as its US counterpart).

The long-term rates remained virtually unchanged over the same period; in particular, the 10Y US bond rose from 3.84% to 3.88%, while the 10Y German Bund decreased from 2.32% to 2.02%. Ten-year inflation priced in by the market declined marginally, from 2.55% to approx. 2.41% on the US market and from 2.23% to 2.17% on the German market.

Italian economic activity did not report any major accelerations during the six months, remaining modest and subject to the weak international conditions.

In the UK, economic activity continued to disappoint as a result of tighter monetary policy by the Bank of England in the face of stubbornly high inflation, with the last rate hike that was announced in August, bringing the policy rate to 5.25%.

Luxembourg economic activity has remained weak this year (contracted sharply at the end of 2022) and, primarily reflecting the impact of tighter financial conditions on Luxembourg's large financial services sector. Business surveys and hard economic indicators point to a further deterioration in the second half of 2023. The housing market is undergoing a correction and credit is shrinking due to tighter lending conditions. The ongoing slowdown is weakening the labour market. While headline inflation eased in early 2023, it has recently increased due to the indexation of wages to inflation. GDP will shrink by about 1.1% in 2023, driven down by a deep contraction of the key financial services sector, before rising by 1.4% in 2024 and 3.1% in 2025, supported by monetary policy easing. The unemployment rate will keep increasing up to the end of next year.

Expectations of tight-for-long monetary policy have prolonged the decline in global bond prices, negatively affecting Luxembourg's key mutual fund industry. Activity in key trading partners has been slowing, while growth in global trade has almost halted. Rising stress in global financial markets, due to geopolitical tensions, may add further pressures. Spillovers from global energy markets to households have been largely contained due to energy price caps.

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Outlook

The macroeconomic scenario remains largely unchanged, with GDP set to show modest growth, low unemployment levels and a gradually reducing inflation rate. Intervention from central banks will serve to calibrate the degree of monetary easing relative to the trend in inflation, in view, among other things, of developments in the various geopolitical crises; the first interest rate cuts are expected at the start of summer 2024. This macroeconomic scenario looks supportive to the Bank's business line growth (both net interest income and fees), as the reduction of interest rates will lead to stabilization in the cost of funding, and will favour Investment Banking by reducing the cost of borrowing for international corporates.

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During the six months under review the Bank has reported a net profit of €12,6m, compared with €8,0m recorded in December 2022 mainly driven by the contribution of net interest income (approx. €+6,5m); the cost/income ratio stood at 26% decreasing compared to Dec-22 (30%) as well as the cost of risk remains well-below of the monitoring trigger. ROE stood at 3,8% (+2,4% in Dec-22).

A detailed analysis of the performance registered on the main income and financial items is made further in this report.

GENERAL PRINCIPLES OF DRAWING UP THE MANAGEMENT REPORT

The Bank's interim financial statements have been drawn up in accordance with the IAS/IFRS international accounting standards as adopted, and in line with the structure of the Parent Bank[1] as disciplined by the circular of Bank of Italy no. 262 of 22 December 2005 as amended from time to time (for further details please refer to Part B of the notes to the interim financial statements – accounting policies).

Notwithstanding the above, the management report includes a reclassified statement of financial position and a reclassified statement of comprehensive income (cf. below) with a view to support management commentaries and evaluations over the results achieved during the financial year. The reconciliation with the primary statements, as required by the reference regulations, is presented in Annex I.

The management report also contains some Key Performance Measures which are deemed useful and appropriate to provide additional qualitative and quantitative metrics on the performance achieved by the institution over the financial year.

[1] Please refer to page 42 for the definition of "Parent bank".

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

In order to further illustrate the result of the period and support management commentaries, the statement of financial position has been reclassified using the same criteria adopted for the previous annual report (for further details please refer to Annex I).

	31/12/2023	30/06/2023	Chg.
	€m	€m	%
Financial assets at FVTPL	152,4	131,7	15,7%
Treasury investments	1.526,2	1.431,2	6,6%
Debt securities - banking book	1,0	0,9	11,1%
Loans and advances	3.802,7	3.994,5	-4,8%
Equity investments	37,7	4,2	808,4%
Tangible and intangible assets	1,2	1,2	0,0%
Other assets	55,6	12,7	337,0%
Total Assets	**5.576,8**	**5.576,4**	**0,0%**
Loans and borrowings	2.374,4	2.834,5	-16,2%
Debt securities issued	2.640,4	2.196,3	20,2%
Treasury borrowings	21,3	5,4	292,3%
Financial liabilities at FVTPL	72,8	60,1	21,1%
Other liabilities	23,7	23,6	0,7%
Provisions for risks and charges	0,8	0,8	-4,8%
Net equity	430,7	437,0	-1,4%
Net profit	12,6	18,6	-32,2%
Total Liabilities	**5.576,8**	**5.576,4**	**0,0%**

ASSETS

The bank's total assets remain quite stable over the period at the value of €5.576,8m. In particular, the following variations are worth to be noted:

- decrease in the loans granted to corporates, mainly due to higher interest rates together with the prepayments (or partial reimbursements) experienced on the credit portfolio, partially offset as follows:
- increase in time deposits from €1.051,7m of June 2023 to approx. €1.089m of December 2023
- cash balance increase of €56,9m, from €372,4m as at 30/06/23 to €429,4m as at 31/12/23.

Financial assets at FVTPL – the carrying value of financial assets at fair value through profit or loss increased by +15,7%, primarily as a consequence of the mark to market value of the financial and credit derivative contracts negotiated with the Parent Bank (or embedded in other financial instruments) which amounts to €82,9m (€65,6m at 30 June 2023) while the carrying amount of debt securities (CLOs instruments) remains quite stable (€+3,3m). It is worth mentioning that the Bank is not taking any speculative position in derivatives and the aforementioned variation was de facto compensated by an equivalent decrease of the carrying value of financial liabilities valued at fair value through profit or loss.

Treasury investment – the carrying value of treasury investments has increased compared to June 2023 from € 1.431,3m to € 1.526,2m (+6,6%), mainly as a consequence of liquidity optimization reinvested by means of money market instruments. In details:

- Cash available at Central Bank amounts to €235,2m, €+4,6m up compared to June 2023;
- Demand deposits with banks amounts to €201,9m, €+53,1m, in order to face easily any disbursements over the year-end;
- Term deposits with the Parent Bank amounts to € 1.088,8m which corresponds to an increase of +3,5% compared to June 2023 (€1.051,7m), also to guarantee a sound monitoring as regards the interest rate sensitivity analysis;
- Other treasury exposures are negligible in terms of outstanding carrying values (and substantially stable compared to June 2023).

	31/12/2023	30/06/2023	Chg.
	€m	€m	%
Cash available at Central Bank	235,2	230,6	2,0%
Demand deposits	201,9	148,8	35,7%
Term deposits	1.088,8	1.051,7	3,5%
Other money market operations	0,3	0,2	50,0%
Treasury investments	**1.526,2**	**1.431,3**	**6,6%**

Debt securities – this item of the reclassified statement of financial position amounts to € 1,0m in line with June 2023.

Loans and advances – the carrying value of loans and advances has decreased compared to June 2023 from €3.994,5m to €3.802,7m (-4,8%), of which the portion of loans to customers moved from €3.186m to €2.643,8m (-17,0%). Net credit risk exposure (i.e. drawn amounts to corporate clients excluding the portion secured by financial guarantees issued by the Parent and/or the direct exposures towards the Parent) has followed the same trend with a decrease from €432,2m at the end of June 2023 to €378,3m at the end of December 2023 (-14,2%), although less pronounced due to lower portfolio coverage in the first half of the fiscal year.

In terms of credit portfolio quality, net carrying value of non-performing exposures (i.e. net book value after any impairment recognition) corresponds to € 21,2m, €+16,5m due to a corporate credit exposure, linked to Russia and equals to €12,6m (100% insured by SACE), moved to Stage 3 during the semester together with the revaluation of a non-performing loan that has been evaluated and classified at FV mandatory after restructuring transaction.

	31/12/2023	30/06/2023	Chg.
	€m	€m	%
Loans and receivables (banks)	1.159,0	808,5	43,4%
o/w: non performing	-	-	
Loans and receivables (customers)	2.643,8	3.186,0	-17,0%
o/w: non performing	*21,2*	*4,7*	*351,1%*
Loans and advances	**3.802,7**	**3.994,5**	**-4,8%**

Equity investment – this reclassified heading consists of:

- Mediobanca International Immobilière S.à.r.l., a company owning the building where the Bank has moved its head office in April 2012. Based on the latest independent evaluation, carried out by a primary real estate advisor, the evaluation report has largely confirmed the fairness of the Bank's carrying amount of €4,15m
- the Bank invested over the period under analysis approx. €33,5m into the new closed alternative fund under Luxembourg law Polus Special Situations Fund[2].

Other assets – this item increased from €12,7m at the end of June 2023 to €55,5m at the end of December 2023 and is composed by (i) fair value of hedging derivatives (€+10,1m), (ii) tax assets that remain in line with June and (iii) other receivables and transitory accounts (€+32,8m) increased primarily as a result of the receivables generated in the context of the asset encumbrance and generally cleared in a very short period of time. In details:

	31/12/2023	**30/06/2023**	**Chg.**
	€m	**€m**	**%**
Hedging derivatives	10,1	-	n.a.
Tax assets	1,7	1,8	-5,6%
Transitory accounts and other receivables	43,7	10,9	300,9%
Other assets	**55,5**	**12,7**	**337,0%**

LIABILITIES

On the liabilities side, the following variations are worth noting:

Loans and borrowings – the carrying value of loans and borrowings decreased from €2.834,5m (June 2023) to €2.374,4m (December 2023). In detail:

- decrease in loans due to banks from €2.098,5m to €1.403,3m (€ -695,2m) as a consequence of reduction in assets side to refinance;
- amount due to customers moved from €1,0m at the end of June 2023 to nil at the end of the period analyzed as the intercompany position was completely reimbursed;
- borrowings under the commercial paper program increased of approx. €231,9m;
- Change in fair value of hedged debt instruments valued at amortised costs increased from €-5,1m (June 2023) to €-0,9m (December 2023), due to the volumes of no-structured bonds issued over the period together with the dynamic of the interest rates rise – benefiting also from the dollar exchange rate depreciation.

[2] With reference to the PSSF structure, investments are made through three Feeder funds (*société en commandite spéciale*) denominated in various currencies (USD, EUR, GBP) and flow into a Master fund (*also société en commandite spéciale)* denominated in Euros which implements the investment strategy. The General Partner of the fund is Polus Special Situations Fund (GP) S.A.R.L, which is responsible for the operation of the fund, but does not make investments and has no economic interest in it. Polus Capital Management Limited is the Portfolio Manager of PSSF.

	31/12/2023	30/06/2023	Chg.
	€m	**€m**	**%**
Amount due to banks	1.403,3	2.098,5	-33,1%
Amount due to customers	-	1,0	-100,0%
Commercial papers	972,0	740,1	31,3%
CFV notes issued	-0,9	-5,1	-82,4%
Loans and borrowings	**2.374,4**	**2.834,5**	**-16,2%**

Debt securities issued – the carrying value of notes issued under the existing medium-term programmes increased by +20,2%, from €2.196,3m (June 2023) to €2.640,4m (December 2023). The most relevant change in terms of volumes affected non-structured notes (+18,9%) while the debt securities valued at FVO moved significantly from €64,7m to €105,9m (+67,3%).

	31/12/2023	30/06/2023	Chg.
	€m	**€m**	**%**
Debt securities issued - non structured	2.533,3	2.130,4	18,9%
Debt securities issued - structured	1,2	1,2	0,0%
Debt securities valued at FV	105,9	64,7	63,7%
Debt securities issued	**2.640,4**	**2.196,3**	**20,2%**

Treasury borrowings – this item of the reclassified statement of financial position increased compared to June 2023 from €5,4m to €21,3m primarily by reason of amount of cash collateral received under two-way credit support annex (CSA) agreement with the Parent Bank for a carrying value of €20,3m (€4,6m as at June 2023).

Financial liabilities at FVTPL – the carrying value of financial liabilities at fair value through profit or loss (FVTPL) increased from €60,1 m at the end of June 2023 to €72,8m at the end of December 2023, primarily as a consequence of the mark to market value of the financial and credit derivative contracts negotiated with the Parent Bank or embedded in other financial instruments. It is worth mentioning that the Bank is not taking any speculative position in derivatives and the aforementioned variation was *de facto* compensated by an equivalent decrease of the financial assets valued at fair value through profit or loss (cf. above).

Other liabilities – this item of the reclassified statement of financial position remains stable at around €23,7m and is composed of (i) hedging derivatives, (ii) tax liabilities and (iii) transitory accounts and other payables. In details:

	31/12/2023	30/06/2023	Chg.
	€m	**€m**	**%**
Hedging derivatives	0,3	2,7	-88,9%
Tax liabilities	13,5	9,0	50,0%
Other payables	9,9	11,9	-16,3%
Other liabilities	**23,7**	**23,6**	**0,7%**

Fair value of hedging derivative instruments at the reference date decreased to €0,3m. The carrying value of tax liabilities increased from €9,0m to €13,5m following the tax provision of the current economic result. Transitory accounts and other payables decreased (-16,3%) from €11,9m to €9,9m), in particular with regard to the amounts owed to the Parent.

Provisions for risks and charges – This item of the reclassified statement of financial position remains in line over the period at €0,8m.

Net equity – Dividends were distributed during the period analyzed, according to the resolution of the Annual General Meeting held in October 2023; taking into account also the AT1 coupon paid in December the aggregate decreased from €437,0m to €430,7m.

RESTATED STATEMENT OF COMPREHENSIVE INCOME

In order to further illustrate the result of the period and support management commentaries, the statement of comprehensive income has been reclassified using the same criteria adopted for the previous annual report (for further details please refer to Annex I).

In the reclassified statement of comprehensive income, revenues are indicated without sign whereas expenses are preceded by the 'minus' sign.

	31/12/2023	**31/12/2022**	**Chg.**
	€m	**€m**	**%**
Net interest income	17,4	10,8	61,8%
Net trading income	6,0	-1,5	-508,1%
Net fee and commission income	-0,1	5,3	-102,3%
TOTAL INCOME	**23,4**	**14,6**	**60,0%**
Wages and salaries	-1,7	-1,3	30,8%
Other administrative expenses	-4,3	-3,1	38,7%
OPERATING COSTS	**-6,0**	**-4,4**	**36,4%**
Loans impairment	0,9	0,5	73,5%
Provisions for other financial assets	-0,2	-0,1	70,0%
Other profit (losses)	–	–	n.a.
PROFIT BEFORE TAX	**18,0**	**10,6**	**70,3%**
Fiscal provision	-5,5	-2,7	102,2%
TOTAL COMPREHENSIVE INCOME	**12,6**	**8,0**	**58,2%**

Net interest income – net interest income increased from PY €+10,8m to €+17,4m. During the reference period, the different components performed as follows:

- interest income and similar income from lending activities (towards corporate and banks) stands at €125,1m (€80,5m at December 2022) driven by the sharp rise in interest rates;

- interest expense and similar charges from borrowing activities increased from €-74,1m to €-115,8m mostly as a consequence of higher average cost of funding (base rates), which impacted both loans due to banks as well as debt securities issued from time to time;
- the abovementioned effects are supported by the positive performance of the treasury activities equals to approx. €8,2m (from €4,4m at December 2022), as result of the remuneration realized on the positive liquidity gap (in particular, short-term as time deposits and current accounts).

	31/12/2023	31/12/2022	Chg.
	€m	€m	%
Interest income - lending	125,1	80,5	55,4%
Interest expense - funding	-115,8	-74,1	56,3%
Net interest income (expense) - Treasury	8,2	4,4	86,4%
Net interest income	**17,4**	**10,8**	**61,8%**

Net trading income – the contribution from trading activities stood at €+6,0m (€-1,5m as at December 2022). The foregoing was essentially a consequence of the following:

- A positive performance carried out by unrealized items equals to €2,4m (€-1,0m) while the negative contribution of realized items is worth €-1,0m, better than the first half of last FY (€-1,4m);
- A negative contribution of exchange rates linked to off-balance/derivatives positions which have generated a loss of €-1,3m compared to the one of previous year of €-1,0m;
- Gain on disposals and repurchases totally amounts to €5,0m (€0,6m in December 2022) and is mainly attributable to the gain relating to assets and liabilities, of which designated at FV for €+0,9m (€ +0,7m) and mandatory valued at FV equal to € +4.1m (€-0.1m in December 2022);
- Profit on sale financial asset at amortised cost equals to €+0,1m (€+0,3m);
- Net fee income generated by securities lending transactions amounts to €+0,9m at the end of December 2023, in line with the PY at €+1,0m.

	31/12/2023	31/12/2022	Chg.
	€m	€m	%
Derivatives - realised gains and losses	-1,0	-1,4	-29,0%
Derivatives - unrealised gains and losses (mtm)	2,4	-1,0	-340,0%
Forex gains and losses	-1,3	-1,0	26,2%
Gain/loss on disposals/repurch. of A.C. instrument	0,1	0,3	-60,7%
Gain/loss on instruments designated at FVTPL	5,0	0,6	711,5%
Securities lending/borrowing	0,9	1,0	-17,3%
Net trading income (expense)	**6,0**	**-1,5**	**-508,1%**

Net fee and commission income – this item of the reclassified statement of comprehensive income amounts to €-0,1m (vs €+5,3m of previous year). Despite the stable performance of the fees receivable coming from corporate lending and treasury services (from €+7,9m of Dec-22 to €+6,8m of Dec-23) considered good in light of the reduced volumes of the credit portfolio, the main contributions are attributable to the negative performance experienced by the fees payable (from €-4,1m of Dec-22 to €-7,3m of Dec-23) as a consequence of the structuring and distribution fees paid on institutional bond placed over the period. No other/extraordinary effects recorded in contrast with the one-off event reported in PY.

	31/12/2023	31/12/2022	Chg.
	€m	**€m**	**%**
Fee and commission income	6,8	7,9	-13,5%
Fee and commission expense	-7,3	-4,1	77,6%
Other income (expense)	0,3	1,5	-78,0%
Net fee and commission income (expense)	**-0,1**	**5,3**	**-102,3%**

Operating costs –this item of the reclassified statement of comprehensive income increased by +36,4%, from €-4,4m to €-6,0m. In details:

- expenditure on salaries totalled €-1,7m which corresponds to an increase of 30,8% compared to December 2022, mostly due to salary review, indexation and staff turnover.
- administrative expenses increased to €-4,2m (€-2,8m at December 2022) principally by reason of higher costs coming from the service agreement with Parent company (IT services and regulatory compliance costs).
- Amortisation of tangible assets remains stable compared to the last year; it's entirely attributable to the depreciation of the right-of-use asset under the new accounting principle IFRS16.

	31/12/2023	31/12/2022	Chg.
	€m	**€m**	**%**
Personnel expenses	-1,7	-1,3	30,8%
Administrative expenses	-4,2	-2,8	50,0%
Amortisation	-0,1	-0,1	0,0%
Other expenses	0,0	-0,2	-100,0%
Operating costs	**-6,0**	**-4,4**	**36,4%**

Loans impairment – impairment provisions for credit exposures remains quite stable y-o-y with a positive contribution to the P&L of approx. €0,9m, mostly driven by the drop in the lending portfolio volumes, due to reimbursement and early repayments of stage 1 and stage 2 exposures, a progressive improvement of the portfolio credit quality. It is worth remember that December risk parameters have been up dated to the most recent macroeconomic scenario (as of December 2023); the overlays drop due to shift of some sectors from high/medium-risk to low-risk following normalization of energy prices. Provisions for other financial assets totalled €-0,2m, in line with last year (€+-0,1m).

Fiscal provision – corresponds to €-5,5m (€-2,7m at the end of December 22) due to the different result before tax of the Bank which is higher compared to the previous FY.

KEY PERFORMANCE INDICATORS

The results achieved at the end of December are accompanied by the soundness of the capital ratios (CET1 ratio is equal to 15,9%), the adequacy of liquidity indicators (already in line with all Basel 3 requirements) and the low risk profile of our business model (cf. below):

CAPITAL RATIOS

	12 months to	
	31/12/2023	31/12/2022
Common Equity Tier1 Ratio (in %)	15,9	12,6
Total Capital Ratio (in %)	23,8	18,7
Leverage Ratio (in %)	6,7	5,7
Risk Weighted Assets (in €/m)	2.045,3	2.685,0

LIQUIDITY RATIOS

	12 months to	
	31/12/2023	31/12/2022
Liquidity Coverage Ratio (in %)	217,3	139,7
Net Stable Funding Ratio (in %)	106,8	106,1

CORPORATE GOVERNANCE STATEMENT

The Board and Management of Mediobanca International (Luxembourg) S.A. are committed to maintaining the highest standards of corporate governance. Decision making and governance comply with the institution's Articles of Association, the Law of 5 April 1993 (as amended), and other applicable legislation.

Corporate bodies are the followings:

- General meeting of Shareholders;
- Board of Directors;
- Authorised Management, in charge of the day-to-day management of the Bank;
- Audit Committee, in charge of assisting the Board in fulfilling its responsibilities in the areas of financial information, internal control, including internal audit as well as the control by the Approved Statutory Auditor; and
- Credit Committee, empowered to pass resolutions in respect of lending transactions and financial investments.

During the six months under review, with the approval of the annual financial statements as at 30 June 2023, the mandate of the Board of Directors of Mediobanca International expired. In occasion of the Annual

General Meeting, the Shareholders appointed a new Board of Directors whose mandate will expire with the approval of the annual accounts as at 30 June 2026. The Board of directors currently in office consists of seven members (three of whom qualify as independent): Giovanni Mancuso (Chairman and independent), Alessandro Ragni (Managing Director), Massimo Amato (independent), Piero Pezzati (independent), Erika Botticella, Vanessa Labérenne and Lara Pizzimiglia. The Board includes prominent figures from the banking sectors, which ensures an appropriate degree of professionalism as required by the complexity of the bank's operations and given the Board's role in strategic supervision.

The key functions appointed are:

- Mr. Alessandro Ragni and Mr. Rocco Di Leo as Authorised Managers of the Bank; and
- Mr. Riccardo Caputo and Mrs. Daniela De Salvo as respectively Chief Compliance Officer and Chief Risk Officer.

On 19 October 2023, according to the supervisory provisions, the Board of Directors appointed the Credit Committee, that comprises of no. 2 Authorized Managers, no. 1 member of the Group Risk management function and the Chief Risk Officer, and consists of the following members:

- Alessandro Ragni – Chief Executive Officer and Authorised manager of the Bank;
- Rocco Di Leo – Chief Financial Officer and Authorised manager of the Bank;
- Antonio Santese – Member of the Group Risk management function; and
- Daniela De Salvo – Chief Risk Officer.

The Audit Committee was also appointed by the Board of Directors on 19 October 2023 and is comprised of no. 3 members of the Board of Directors (who met the independency requirements) and consists of the following members:

- Piero Pezzati – Chairman of the Audit Committee and Director;
- Massimo Amato – Director; and
- Giovanni Mancuso – Director.

pp. BOARD OF DIRECTORS

CHAIRMAN

(Mr. Giovanni Mancuso)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the interim financial statements of MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (the "Bank") give a true and fair view of the statement of the financial position and the statement of the comprehensive income of the Bank in accordance with applicable accounting standards. The management report includes a fair view of (I) the Bank's development, (II) its position, and (III) a description of the opportunities and risks relevant to the Bank that arose during the period ended 31 December 2023.

Luxembourg, 31 January 2024

The Board of Directors

Giovanni Mancuso	Alessandro Ragni	Massimo Amato
Erika Botticella	Vanessa Labérenne	Piero Pezzati
Lara Pizzimiglia		

INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Assets	31.12.2023	30.06.2023
		€	€
10.	Cash and cash equivalents	429.402.341	372.427.013
20.	Financial assets valued at FVTPL	202.538.363	144.261.274
	a) Financial assets held for trading	*152.396.765*	*131.715.551*
	b) Financial assets designated at fair value	*7.748.085*	*7.856.575*
	c) Other financial assets mandatorily at fair value	*42.393.513*	*4.689.148*
40.	Financial assets at amortised cost	4.883.883.727	5.041.606.037
	a) Due from banks	*2.247.992.881*	*1.859.394.682*
	b) Due from customers	*2.635.890.846*	*3.182.211.355*
50.	Hedging derivatives	10.138.557	—
70.	Equity investments	4.150.000	4.150.000
90.	Property, plant and equipment	1.173.234	1.214.999
110.	Tax assets	1.732.664	1.833.631
	a) Current	*1.732.664*	*930.499*
	b) Deferred	—	*903.132*
130.	Other assets	43.725.463	10.895.708
	Total assets	**5.576.744.349**	**5.576.388.662**

The accompanying notes form an integral part of the interim financial statements.

	Liabilities and Shareholders' equity	31.12.2023	30.06.2023
		€	€
10.	Financial liabilities at amortised cost	4.932.223.740	4.972.745.654
	a) Due to banks	*1.424.504.582*	*2.103.121.370*
	b) Due to customers	*2.075.661*	*3.015.177*
	c) Debt securities in issue	*3.505.643.497*	*2.866.609.107*
20.	Financial liabilities valued at FVTPL	72.792.672	60.123.832
30.	Financial liabilities designated at fair value	105.931.105	64.721.471
40.	Hedging derivatives	265.404	2.736.587
60.	Tax liabilities	13.536.394	9.005.218
	a) Current	*13.536.394*	*9.005.218*
	b) Deferred	—	—
80.	Other liabilities	7.900.655	10.594.965
100.	Provisions for risks and charges	761.257	838.559
120.	Valuation Reserves	-876.940	-282.409
140.	Equity instruments-AT1	100.000.000	100.000.000
150.	Reserves	321.621.364	327.315.797
160.	Share capital	10.000.000	10.000.000
200.	Profit (Loss) of the year	12.588.698	18.588.988
	Total liabilities and Shareholders' equity	**5.576.744.349**	**5.576.388.662**

The accompanying notes form an integral part of the interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Balance sheet items	31.12.2023	31.12.2022
		€	€
010.	Interest and similar income	153.218.892	87.492.710
020.	Interest and similar charges	-134.904.751	-75.203.435
030.	**Net interest income**	**18.314.141**	**12.289.275**
040.	Fee and commission income	8.267.887	9.198.015
050.	Fee and commission expenses	-7.863.392	-4.324.297
060.	**Net fee and commission income**	**404.495**	**4.873.718**
080.	Net trading income (expenses)	-1.053.042	-5.020.287
090.	Net hedging income (expenses)	288.916	76.445
100.	Gains (losses) on disposal or repurchase of:	113.703	282.958
	a) Financial assets measured at amortised cost	*115.900*	*282.958*
	b) Financial assets valued at FVOCI	—	—
	c) Financial liabilities	*-2.197*	—
110.	Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	4.953.872	611.886
120.	**Total income**	**23.022.085**	**13.113.995**
130.	Net write-offs (write-backs) for credit risk:	605.217	242.440
	a) financial assets measured at amortised cost	605.217	242.440
	b) financial assets valued at fair with impact taken to comprehensive income	—	—
150.	**Net income from financial operations**	**23.627.302**	**13.356.435**
190.	Administrative expenses	-5.883.140	-4.074.737
	a) Personnel costs	*-1.690.619*	*-1.308.147*
	b) Other administrative expenses	*-4.192.521*	*-2.766.590*
200.	Net provisions for risks and charges	77.302	174.249
210.	Net adjustments to tangible assets	-105.154	-104.016
230.	Other operating income (expenses)	329.627	1.309.431
290.	**Profit (loss) of the ordinary activity before tax**	**18.045.937**	**10.661.362**
300.	Income tax on the ordinary activity	-5.457.239	-2.680.197
330.	**Profit (loss) for the period**	**12.588.698**	**7.981.165**
340.	Other comprehensive income, net of tax	—	—
350.	**Profit (loss) of the period**	**12.588.698**	**7.981.165**

The accompanying notes form an integral part of the interim financial statements.

STATEMENT OF CHANGES IN EQUITY FROM 30.06.2023 TO 31.12.2023 (in €)

	Balance as of June 30, 2023	Allocation of the profit for the previous period		Transactions involving equity						Balance as of December 31, 2023
		Reserves	Dividends and other fund applications	Changes in reserves	Additional Tier 1	New shares issued	Treasury shares derivatives	Stock options and others	Profit (loss) of the period	
Share capital	**10.000.000**	—	—	—	—	—	—	—	—	**10.000.000**
a) ordinary shares	10.000.000	—	—	—	—	—	—	—	—	10.000.000
b) other shares	—	—	—	—	—	—	—	—	—	—
Profit brought forward	—	—	—	—	—	—	—	—	—	—
Reserves	**327.315.797**	—	—	**-5.652.968**	—	—	—	**-41.465**	—	**321.621.364**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	—	1.000.000
b) free reserve	307.976.555	—	—	-17.119.064	—	—	—	-41.465	—	290.816.026
c) special reserve[(1)]	21.018.538	—	—	8.786.800	—	—	—	—	—	29.805.338
c) FTA reserve[(2)]	-2.679.296	—	—	2.679.296	—	—	—	—	—	—
Valuation reserves	**-282.409**	—	—	**-594.531**	—	—	—	—	—	**-876.940**
Own shares	—	—	—	—	—	—	—	—	—	—
Capital instruments	**100.000.000**	—	—	—	—	—	—	—	—	**100.000.000**
Comprehensive income of the period	**18.588.988**	—	**-18.588.988**	—	—	—	—	—	**12.588.699**	**12.588.699**
Total equity	**455.622.376**	—	**-18.588.988**	**-6.247.499**	—	—	—	**-41.465**	**12.588.699**	**443.333.123**

The accompanying notes form an integral part of the interim financial statements. The allocation of prior year result to the **NWT reserve** results is in line with the resolution taken by the AGM of October 2023.

(1) Luxembourg resident companies are subject to a Net Worth Tax (‘NWT’) of 0.5% of taxable wealth. This charge may be reduced provided the following conditions have been respected: (i) a special reserve account equivalent to five-times the net wealth tax charge for the year is recorded following the decision of the Shareholders meeting, and (ii) the reserve will be maintained for a period of at least five years.

(2) FTA - Refers to "first time adoption" of the new accounting principle IFRS9 application.

STATEMENT OF CHANGES IN EQUITY FROM 30.06.2022 TO 31.12.2022 (in €)

	Balance as of June 30, 2022	Allocation of the profit for the previous period		Changes in reserves	Transactions involving equity				Profit (loss) of the period	Balance as of December 31, 2022
		Reserves	Dividends and other fund applications		Additional Tier 1	New shares issued	Treasury shares derivatives	Stock options and others		
Share capital	**10.000.000**	—	—	—	—	—	—	—	—	**10.000.000**
a) ordinary shares	10.000.000	—	—	—	—	—	—	—	—	10.000.000
b) other shares	—	—	—	—	—	—	—	—	—	—
Profit brought forward	—	—	—	—	—	—	—	—	—	—
Reserves	**326.042.784**	—	—	**1.217.200**	—	—	—	**41.860**	—	**327.301.844**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	—	1.000.000
b) free reserve	299.589.017	—	—	-7.260.625	—	—	—	41.860	—	292.370.252
c) special reserve(1)	28.133.063	—	—	8.477.825	—	—	—	—	—	36.610.888
c) FTA reserve(2)	-2.679.296	—	—	—	—	—	—	—	—	-2.679.296
Valuation reserves	**79.760**	—	—	**-339.794**	—	—	—	—	—	**-260.034**
Own shares	—	—	—	—	—	—	—	—	—	—
Capital instruments	**100.000.000**	—	—	—	—	—	—	—	—	**100.000.000**
Comprehensive income of the period	**6.967.199**	—	—	**-6.967.199**	—	—	—	—	**7.981.165**	**7.981.165**
Total equity	**443.089.743**	—	—	**-6.089.793**	—	—	—	**41.860**	**7.981.165**	**445.022.975**

The accompanying notes form an integral part of the interim financial statements.

(1) Luxembourg resident companies are subject to a Net Worth Tax (‘NWT’) of 0.5% of taxable wealth. This charge may be reduced provided the following conditions have been respected: (i) a special reserve account equivalent to five-times the net wealth tax charge for the year is recorded following the decision of the Shareholders meeting, and (ii) the reserve will be maintained for a period of at least five years.

(2) FTA - Refers to "first time adoption" of the new accounting principle IFRS9 application

CASH FLOW STATEMENT - Direct Method (in €k)

		Amount	
		31/12/2023	**30/06/2023**
A.	**Cash flow from (used in) operating activity**	**81.315**	**-317.954**
1.	**Operating activity**	**7.404**	**52.496**
	– interests received (+)	183.976	233.029
	– interests paid (-)	-157.700	-174.244
	– net fees and commissions received/paid (+/-)	-2.979	14.817
	– dividends and similar income (+)	—	—
	– net premium income (+)	—	—
	– cash payments to employees (-)	-1.522	-2.220
	– other expenses paid (-)	-13.410	-20.498
	– other income received (+)	337	1.890
	– taxes and duties (+/-)	-1.298	-278
2.	**Cash generated/absorbed by financial assets**	**81.031**	**1.489.744**
	– Financial assets held for trading	3.235	-661
	– financial assets designated at FVTPL	339	-4.115
	– Other financial assets mandatorily measured at fair value	-54.970	46
	– financial assets valued at FVOCI	—	—
	– financial assets valued at amortised cost	179.218	1.491.082
	– other assets	-46.791	3.392
3.	**Cash generated/absorbed by financial liabilities**	**-7.120**	**-1.860.194**
	– financial liabilities valued at amortised cost	-47.985	-1.907.279
	– financial liabilities held for trading	-4.236	-4.647
	– financial liabilities designated at fair value	41.374	58.024
	– other liabilities	3.727	-6.292
B.	**Cash flow from (used in) investment activity**	—	—
1.	**Cash generated from:**	—	—
	– disposal of shareholdings	—	—
	– disposal of tangible assets	—	—
	– disposal of intangible assets	—	—
2.	**Cash absorbed by:**	—	—
	– purchase of shareholdings	—	—
	– purchase of tangible assets	—	—
	– purchase of intangible assets	—	—
C.	**Cash flows from (used in) funding activity**	**-24.339**	**-5.750**
	– issuance/acquisition of T1 capital instruments	—	—
	– distribution of dividends and other purposes	-24.339	-5.750
	– issuance/acquisition of T2 capital instruments	—	—
	Net cash inflow (outflow) during the fiscal year	**56.976**	**-323.704**

	Amount	
	31/12/2023	**30/06/2023**
Cash and cash equivalents: balance at 1 July	372.427	696.131
Total cash inflow (outflow) during year	56.976	-323.704
Cash and cash equivalents: balance at 31 dicember	**429.403**	**372.427**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

PART A – CORPORATE INFORMATION

Corporate matters

Mediobanca International (Luxembourg) S.A. (hereinafter also referred as the ‘Bank’) was incorporated under the laws of Luxembourg on 21 December 2005 as a “Société Anonyme” (i.e. as a joint stock company formed under the Commercial Companies Law 1915, as amended).

Nature of the bank’s business

Mediobanca International is mostly focused on structured lending transactions and the related activity of buying and selling on the secondary market.

Corporate lending: the business handles loans to corporates, which are generally medium-to-long term, and are granted with a view to meeting our clients' needs for financing in relation either to specific investments or to structural needs generated by growth. Loans may be disbursed to all kinds of corporate clients, whether industrial or service-oriented, European or non-European, large or mid-size. Larger facilities may be syndicated to a selected number of trusted banking counterparties or with the broader involvement of international banks.

Structured finance: the business is focused on transactions involving a considerable degree of financial leverage and limited recourse to the originator. Such deals usually arise as a result of industrial or infrastructure capital spending requirements, or of acquisitions of listed or non-listed companies launched inter alia with the backing of institutional investors. Such facilities are often structured in complex fashion, including in terms of contracts and guarantees, in order to maintain the risk profile of the transaction within limits that are acceptable to the banking community. Because of their size, such loans are often syndicated.

Export finance: the business provides financial support to Italian exporters of goods and services to non-Italian counterparties usually located in emerging markets. It may take the form of financing with the benefit of insurance covers and interest rate subsidies from SIMEST, SACE or other European export credit agencies. The structuring of these transactions, which are often part-syndicated to other banking counterparties, goes hand-in-hand with advisory services provided to clients in respect of commercial negotiations with government organizations granting the insurance cover and/or interest rate subsidy.

The Bank raises funds on international markets, via the issuance of medium-long term or short-term financial instruments under the terms of specific programmes (Notes, Structured Notes, Certificates, Warrants, Negotiable European Commercial Papers, Euro-Commercial Papers) fully guaranteed by the Parent Bank. Mediobanca S.p.A. guarantees a plafond of funding which could be drawn in different ways (i.e. overdraft on current accounts, medium-long term loans, money-market transactions) and provides treasury services as well.

Outsourcing

Since inception, the Bank has outsourced a significant part of its activities to the Parent and to other Group’s affiliates under the terms of specific servicing agreements.

Interim financial statements

The Bank's financial year runs from 1 July to 30 June.

The interim financial statements as at 31 December 2023 were authorised for issue by the Board of Directors on 31st January 2024.

Parent Bank

The Bank is a wholly-owned subsidiary of Mediobanca – Banca di Credito Finanziario S.p.A., the ultimate parent (hereafter "Mediobanca S.p.A." or "Parent Bank"), having its registered office in Piazzetta Enrico Cuccia n.1, Milan, Italy. The interim financial statements of the Bank are included in the consolidated interim financial statements of Mediobanca S.p.A.

Mediobanca S.p.A. is the leading investment bank in Italy and helped for over seventy years clients grow, offering high-quality advisory services and providing finance in all its various forms, from more traditional bank credit to the most sophisticated solutions available on capital markets.

PART B – ACCOUNTING POLICIES

Section 1

Statement of compliance with the International Accounting Standards

The individual interim financial statements of the Bank are prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), adopted by the European Commission in accordance with the procedure laid down in Article 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The interim financial statements as at 31 December 2023 have been prepared based on the template of the Parent Bank which, in turn, was based on the "Instructions for drawing up separate and consolidated financial statements for banks and financial companies that head banking groups", issued by the Banca d'Italia (Bank of Italy) through Circular no. 262 of 22 December 2005 – 7th update of 30 November 2018 – which sets out the financial statements layouts and compilation methods, as well as the content of the explanatory notes[3].

<u>Changes in accounting policies since the previous publication</u>

Standards effective for Mediobanca International (Luxembourg) S.A from or after 1 July 2023:

Reference to balance sheet asset and liability classification, recognition, valuation, and derecognition phases and with regard to revenue and cost recognition methods, the accounting standards adopted for the preparation of these interim financial statements remained unchanged compared to those adopted for the preparation of the 2023 financial statements.

New standards and interpretations issued that are mandatory for the annual periods beginning on or after 1 July 2023 or later, and which Mediobanca International (Luxembourg) S.A has not early adopted:

- None

New standards and interpretations issued for the annual periods beginning on or after 1 July 2023 or later, and whose adoption by the EU remains open or has been postponed:

- IAS 1 Presentation of Financial Statements-Classification of Liabilities as Current or Non-current (Effective 1 January 2024, EU Adoption open)
- IAS 7 Statements of cash flow, supplier finance arrangements (Effective 1 January 2024, EU Adoption open)
- IFRS 7 Financial instruments disclosures, supplier finance arrangements (Effective 1 January 2024, EU Adoption open)
- IFRS 10 Consolidated Financial Statements-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred indefinitely, EU Adoption postponed)

[3] Banca d'Italia (Bank of Italy) published the 7th update of Circular 262/2005, which for the Mediobanca Group shall be applied from December 2021.

- IFRS 16 Leases, lease liability in a sale and leaseback (Effective 1 January 2024, EU Adoption open)
- IAS 28 Investments in Associates and Joint Venture-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred indefinitely, EU Adoption postponed)

None of the above standards are expected to have any material impact on the financial statements when adopted.

Section 2

General principles for preparation

The interim financial statements comprise:

- statement of financial position;
- statement of comprehensive income;
- statement of changes in equity;
- the statement of cash flows, prepared according to the direct method;
- the explanatory and accompanying notes.

All the statements have been drawn up in conformity with the general principles provided for under the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) provided for under IFRS as adopted by EU and the accounting policies illustrated in section 3 and show data for the period under review compared with that for the previous financial period.

The statement of financial position, statement of comprehensive income and the statement of changes in equity are presented in Euro (€) and all values are rounded to the nearest Euro. Cash flow statement and notes to the annual accounts are presented in €/k unless otherwise stated.

During the half year under review, the European Commission approved the following two regulations, which include certain amendments to accounting standards already in force:

- Regulation 2023/2468 of 8 November 2023, published in the Official Journal of the European Union on 9 November 2023, adopted amendments to IAS 12 "Income Taxes". These amendments added a temporary exception to account for deferred taxes resulting from the implementation of OECD Pillar II rules, as well as targeted disclosures for the entities involved.

  In particular, the following are required:

  - temporary exception to the requirement to account for deferred taxes immediately following publication of the amendments by the IASB and retrospectively in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors); and

  - obligation to disclose the additional information required by the Regulation from the financial statements for years starting on 1 January 2023 or later; it is not necessary to apply additional disclosure provisions to interim financial statements relating to interim periods ending on 31 December 2023 or before.

- Regulation 2023/2579 of 20 November 2023, published in the Official Journal of the European Union on 21 November 2023, adopted amendments to IFRS 16 “Leasing”. In particular, such amendments specify how the transferor/lessee should subsequently measure the value of sale and leaseback transactions. Companies should apply these amendments at the latest from the start date of their first financial year starting on 1 January 2024 or later.
- Regulation 2023/2822 of 19 December 2023, published in the Official Journal of the European Union on 20 December 2023, adopted amendments to IAS 1 “Presentation of Financial Statements”. These amendments improve the information a company should provide when its right to defer settlement of a liability for at least 12 months is subject to covenants. The required changes should, at the latest, be applied from the start date of the first financial year after 1 January 2024.

Furthermore, it should be remembered that as of 1 July 2023 the Mediobanca Group has been applying Regulation 2022/357 of 2 March 2022, which adopted the amendments to standards IAS 1 and IAS 8. The amendments clarify the differences between accounting principles and accounting estimates in order to ensure a consistent adoption of accounting standards and the comparability of financial statements.

ESMA:

On 25 October 2023, ESMA published the annual statement “European Common Enforcement Priorities for 2023 Annual Financial Reports” outlining the priorities on which listed companies must focus when preparing the annual reports for December 2023. ESMA in particular recommends disclosure to be provided in the IFRS 2023 financial statements relating to any direct or indirect effects of sudden increases in interest rates on the composition of a company’s exposures between variable and fixed rates, accompanied by a sensitivity analysis, if any; the effects of the greater volatility brought by the macroeconomic scenario on fair value estimates; any material effects on financial disclosure due to climate change, while ensuring that such disclosure is provided in line with IFRS standards; and the need for clear and consistent use of alternative performance measures (APMs). Finally, in the same document, ESMA also focused on ESEF tagging, in particular on the priority use of mandatory and previously existing elements in the taxonomy; it specified that the company may proceed with the creation of a special element only in the event that a careful analysis has found that there is no suitable tag for a certain numerical “data point”.

CSSF:

Circular CSSF-CODERES 23/17: Single Resolution Fund – Information request by the Single Resolution Board for the calculation of the 2023 ex-ante contribution according to Articles 4 and 14 of the Commission Delegated Regulation (EU) 2015/63. The purpose of the circular is to collect data for the calculation of the 2024 ex-ante contribution to the Single Resolution Fund.

Circular CSSF 23/845: update of circular CSSF 22/821 on the Long Form Report and Circular CSSF 22/826 on the statutory audit mandate. The purpose of this circular is to amend Circular CSSF 22/821 on the long form report (LFR) with the aim to include clarifications based on the feedback from the industry and to further align the content of the self-assessment questionnaire (SAQ) with supervisory points of focus. Also, the purpose of this circular is to amend Circular CSSF 22/826 on the practical rules concerning the statutory audit mandate of the REA. In particular, the submission deadline for the management letter is adapted in order to ensure a better alignment with the submission deadline foreseen for the reports to be established by the REA pursuant to Circular CSSF 22/821 on the Long Form Report, as amended.

Circular CSSF 23/847: on ICT-related incident reporting framework. The purpose of this Circular is to introduce a new ICT-related incident reporting framework in order to acquire a better and more structured overview of the nature, frequency, significance and impact of ICT-related incidents, also considering the growing ICT and security risk in the context of a highly interconnected global financial system.

Circular CSSF 23/848: Application of the Guidelines of the European Banking Authority on the criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14). The purpose of this circular is to inform that the CSSF, in its capacity as competent authority, applies the Guidelines of the EBA specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14) (the "Guidelines"). Consequently, the CSSF has integrated the Guidelines into its administrative practice and regulatory approach with a view to promoting supervisory convergence in this field at the European level. The Guidelines specify the criteria that institutions and competent authorities should apply in view of the sound and prudent management of interest rate risk for non-trading book activities ("IRRBB") and credit spread risk for non-trading book activities ("CSRBB") further to Article 53-20 of the Law of 5 April 1993 on the financial sector ("LFS").

Circular CSSF 23/849: Update of Circular CSSF 08/338 as amended by Circulars CSSF 16/642 and 20/762 on the implementation of a stress test in order to assess the interest rate risk arising from non-trading book activities pursuant to Article 53-7(4) of the Law of 5 April 1993 on the financial sector. The purpose of this circular is to draw attention to the amendments to Circular CSSF 08/338 on the implementation of stress tests in order to assess the interest rate risk arising from non-trading book activities, taking into account the changes to the national and European legislation, as well as the European Banking Authority (EBA) guidelines specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14), as adopted by the CSSF through Circular CSSF 24/848.

Circular CSSF 23/851: Application of the Guidelines of the European Banking Authority on overall recovery capacity in recovery planning (EBA/GL/2023/06). The purpose of this circular is to inform you that the CSSF, in its capacity as competent authority, applies the Guidelines of the European Banking Authority (the "EBA") on overall recovery capacity in recovery planning (Ref. EBA/GL/2023/06) (the "Guidelines"), published on 19 July 2023. Consequently, the CSSF has integrated the Guidelines into its administrative practice and regulatory approach with a view to promoting supervisory convergence in this field at European level.

The interim financial statements were not audited nor reviewed by the statutory auditor.

Section 3

Basis of preparation

The interim financial statements are prepared on the historical cost basis except for financial instruments valued at fair value through profit or loss and for derivatives concluded for hedging purposes, which are measured at fair value. The carrying amounts of recognized assets and/or liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The statement of financial position, the statement of comprehensive income and the statement of changes in equity are presented in Euro (€) and all values are rounded to the nearest Euro. Cash flow statement and notes to the interim financial statements are presented in Euro thousands unless otherwise stated.

The preparation of interim financial statements in accordance with IFRS as endorsed by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Due to rounding, numbers may not add up precisely to the totals provided across these interim financial statements.

Section 4

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents[4] comprise cash balances on hand, short-term highly liquid investments with maturities of three months or less when purchased, non-restricted current accounts with the Central Bank and current accounts.

Financial assets measured at fair value through profit or loss (FVTPL)

Recognition: Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while derivative contracts are recognised on the date of signature. In particular, any changes in the fair value of the asset to be received between the settlement date and the earlier arrangement date are recognised at the time of settlement, in the same way in which the asset acquired is recorded. Financial assets measured at fair value through profit or loss are initially recorded at fair value; unless stated

[4] According to the 7th update of Circular 262/2005 of Bank of Italy, in force from December 2021.

otherwise, this is represented by the consideration paid for the transaction, without considering any related costs or income attributable to them, which are recorded directly in the income statement.

Classification:

a) **financial assets held for trading**: financial assets held for trading are assets which have been acquired principally for the purpose of being traded and comprise those whose business model is defined as "Other". This also includes s debt securities, equities, loans held for trading purposes, and the positive value of derivatives held for trading, including those embedded in complex instruments (such as structured bonds), which are recorded separately.

b) **financial assets designated at fair value:** this category comprises the financial assets for which the fair value option has been exercised.

c) **other financial assets mandatorily measured at fair value**: this category includes financial assets whose business model is defined as "Hold to Collect" or "Hold to Collect & Sell", but which fail the SPPI test and therefore do not satisfy the requirements for classification therein. It also includes loans which do not guarantee full repayment of principal in the event of the counterparty's financial difficulties and which have therefore failed the SPPI test. The process followed to write down these positions is aligned with that used for other loans, on the grounds that the exposure is basically attributable to credit risk, with both the gross exposure and related provisioning stated.

Measurement and criteria for the recognition: subsequent to initial recognition, these assets continue to be measured at fair value. If the fair value of derivatives classified as "financial assets held for trading" becomes negative, this caption is recognised as a financial liability. The positive components of income, represented by the interest income deriving from financial assets classified as "Financial assets measured at fair value through profit or loss", are recognised on an accruals basis in the "interest" captions of the income statement. Gains and losses deriving from changes in the fair value of "Financial assets measured at fair value through profit or loss – financial assets held for trading" are recognised in income statement caption "Net income from trading activities".

Gains and losses deriving from changes in the fair value of “financial assets designated at fair value” are recognised in income statement caption "Net income on other financial assets and liabilities measured at fair value through profit or loss – financial assets and liabilities designated at fair value", while the other financial assets mandatorily measured at fair value are recognised in caption "Net income on other financial assets and liabilities measured at fair value through profit or loss – other financial assets mandatorily measured at fair value".

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when substantially all the risks/benefits associated with them are assigned, or when substantial changes are made to them. If the Bank sells a financial asset classified among the "Financial assets measured at fair value through profit or loss", it is derecognised on the transfer date (settlement date).

Financial assets measured at amortised cost

Financial assets measured at amortised cost include loans to customers and banks, debt securities and repo transactions that meet the following conditions:

- the financial instrument is held and managed based on the *hold-to-collect* business model, i.e. with the goal of holding it to collect the contractually prescribed cash flows.

- the contractual cash flows represent exclusively the payment of capital and interest (and therefore meet the requirements of the SPPI test).

The business model of the Bank must reflect the management procedures of the financial assets at the portfolio level (and not at the individual instrument level) on the basis of the observable factors at the portfolio level (and not at the individual instrument level) such as:

- operating procedures adopted by management in the measurement of performance;
- type of risk and procedures for managing the risks undertaken, including portfolio turnover ratios;
- procedures for determining the mechanisms for the remuneration of managers.

The business model is based on reasonable expected scenarios (without considering “worst case’’ or ‘‘stress case’’) and in the presence of different cash flow trends from those expected initially. The Bank is not obligated to change the classification of the financial instruments in the portfolio but uses this information for the purposes of classification of the new financial instruments. Upon first recognition, the Bank analyses contractual cash flows for the instrument as part of the SPPI test. In this connection, the Group has developed a standardized process for performing the test, which involves analysing the loans using a specific tool, developed internally, which is structured based on the decision-making trees. If the test is not passed, the tool will show that the assets should be recognized at fair value through profit and loss (FVTPL). The method by which loans are tested differs according to whether or not the asset concerned is a retail or corporate loan: at product level for retail loans, individually for corporate loans. An external info-provider is used to test debt securities; if, however, the results of the test are unavailable, the instrument is analysed using the SPPI tool. When contractual cash flows do not represent solely payments of principal and interest on the outstanding amount, the Bank mandatorily classifies the instrument at fair value through profit and loss.

At the initial recognition date, the financial assets are recorded at fair value inclusive of the costs/income directly attributable to the individual transactions and determinable from the origin even though they were liquidated at subsequent times. The recognition value does not, however, factor in costs with the above characteristics which are repaid separately by the borrower or may be classified as normal internal administrative expenses.

The instrument is recognized at amortised cost, i.e. the initial value minus/plus principal repayments, write-downs/write-backs and amortization - calculated with the effective interest rate method - of the difference between the amount disbursed and the amount repayable at maturity, adjusted to take into account the expected losses.

The amortised cost method is not used for short-term loans for which the time-discounting effect is negligible; these receivables are measured at the historical cost. The effective interest rate is identified calculating the rate that equals the present value of the future flows of the loan, for principal and interest, to the initial recognition value.

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through the statement of comprehensive income.

In accordance with IFRS9, financial assets are divided in three categories:

- *stage 1*: includes exposures at the date of initial recognition in the interim financial statements and as long as their credit rating does not undergo a significant deterioration. For these instruments, the expected loss is to be calculated on the basis of default events that are possible within twelve months from the reporting date;
- *stage 2*: includes exposures that, while not impaired, underwent a significant deterioration in credit risk since the initial recognition date. In moving from stage 1 to stage 2, it is necessary to recognize the expected losses along the residual maturity of the instrument;
- *stage 3*: includes impaired exposures according to the regulatory definition. In moving to stage 3, exposures are evaluated on an individual basis, i.e. the value adjustment is calculated as the difference between the carrying amount at the date (amortised cost) and the present value of the expected cash flows, calculated applying the original effective interest rate. Expected cash flows take into account the expected collection times, the estimated realizable value of any guarantees, the costs expected to be incurred to recover the credit exposure with a forward-looking perspective which takes account of alternative recovery scenarios and developments in the economic cycle.

In the expected credit loss calculation model used by the Group, forward-looking information has been taken into consideration with reference to three possible macroeconomic scenarios (baseline, mild-positive and mild-negative) which impact on the PD and the LGD, including possible disposal scenarios where the Group's NPL strategy aims at derisking through market sales.

The Group's policy to establish the significant increase in credit risk takes into consideration qualitative and quantitative elements of each credit transaction or financial instrument and consideration is given in particular to elements determining the recognition of "forbearance measures", the ''30 days past due" criterion or the identification of other backstops like the passage to watch list according to credit risk monitoring rules. The Group uses the simplified approach of the ''low credit risk exemption'' to a very limited extent.

POCI (Purchased or Originated Credit Impaired) are receivables that are already impaired at the point in time when they are acquired or disbursed. At the initial recognition date they are recognized at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item, and recovery flows are periodically updated in light of new evidence, with flows discounted using the above-mentioned internal rate of return.

Following initial recognition, all financial assets recognized at amortised cost and FVOCI are subject to the impairment model based on the expected loss, i.e. performing as well as non-performing assets.

The impairment pertains to the losses expected to arise in the twelve months following the reporting date or, if there is a significant increase in the credit risk, the losses expected to arise along the residual maturity of the instrument. Both losses expected at twelve months and those over the residual maturity of the instrument can be calculated on an individual or collective basis according to the nature of the underlying portfolio.

The expected credit losses are recorded and released only insofar as the changes actually occur. For financial instruments held to be in default, the Group records an expected loss for the outstanding life of the instrument (similar to stage 2 above); while value adjustments are calculated for all the exposures split into different categories, factoring in forward-looking information which reflects macro-economic factors.

Hedging transactions

With reference to hedging transactions, the Group chose to adopt the provisions of IFRS9 from 1 July 2018 onwards and not to apply the allowed exception (i.e. continuing to apply the rules of IAS 39 to such transactions).

The types of hedging transactions which might be adopted by the Bank are as follows:

- *fair value hedges*, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;
- *cash flow hedges*, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned.

Hedging derivatives are recognized and measured at fair value. In particular:

- for *fair value hedging*, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument, both recognized in the statement of comprehensive income, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
- for *cash flow hedging*, the changes in fair value are recognized in net equity in the amount of the effective portion of the hedging, while the gain or loss deriving from the ineffective portion is recognized through the statement of comprehensive income only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

At the start of the hedging relationship, the Bank designates and formally documents the hedging relationship, indicating the risk management objectives and the strategy of the hedge. The documentation includes identification of the hedging instrument, of the hedged item, of the nature of the hedged risk and of how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of the sources of ineffectiveness of the hedge and of how it determines the hedging relationship). The hedging relationship meets the hedge accounting criteria if, and only if, all the following conditions are met:

- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedging ratio of the hedge is the same as that resulting from the amount of the hedged element that the entity effectively hedges and from the amount of the hedging instrument that the Bank effectively uses to hedge that amount of the hedged element. Nonetheless, that designation must not reflect an imbalance of the weightings of the hedged element and the hedging instrument that would make the hedge ineffective (irrespective of whether it is recognized) which could give rise to an accounting result that could conflict with the purpose of the accounting for hedging transactions.

Fair value hedges

As long as the fair value hedge meets the eligibility criteria, the profit or loss of the hedging instrument is recognized in the statement of comprehensive income or under one of the other comprehensive income headings if the hedging instrument hedges an equity instrument for which the Bank chose to recognize the changes in fair value through OCI. The profit or loss on the hedged item are recognized as adjustments to the carrying amount of the edge with balancing entry in the statement of comprehensive income, even in cases where the item hedged is a financial asset (or one of its components) recognized at fair value with changes taken through OCI. However, if the item hedged is an equity instrument for which the entity has opted to recognize changes in fair value through OCI, the amounts remain in the other items in the comprehensive statement of comprehensive income. Please refers to Heading 50 (Section 5 Assets) for further information about outstanding hedges.

If the item hedged is an irrevocable commitment (or one of its components) not booked to the accounts, the cumulative change in the fair value of the item hedged resulting from its designation as such is recorded as an asset or liability with corresponding gain or loss recorded in the profit (loss) for the period.

Cash flow hedges

As long as it meets the eligibility criteria, the cash flow hedge is accounted for as follows:

- The gain or loss on the hedge instrument in relation to the effective part of the hedge is taken through OCI in the cash flow reserve, whereas the ineffective part is taken directly through profit and loss.
- The cash flow reserve is adjusted to reflect the lower amount of:
  - the gain or loss accumulated on the hedge instrument since the hedge's inception; and
  - the cumulative change in fair value (versus the present value) of the item hedged (i.e. the present value of the cumulative change in the estimated future cash flows hedged) since the hedge's inception.

The amount accumulated in the cash flow hedge reserve must be reclassified from the cash flow hedge reserve to profit (loss) for the period as an adjustment due to reclassification in the same period or periods in which the estimated future cash flows hedged impact on the profit (loss) for the period (e.g. in periods when interest receivable or payable are recorded, or when the planned sale takes place). However, if the amount constitutes a loss and the entity does not expect to recover the whole loss or part of it in one or more future periods, the entity must classify the amount it does not expect to recover in the profit (loss) for the period (as an adjustment due to reclassification) immediately.

As at 31 December 2023, the Bank does not hold any cash flow hedged transaction.

Equity investments

The item includes the stakes held in subsidiaries.

These are measured at cost if there are indications that the value of an equity investment may have decreased, the updated value is estimated, taking into account market prices, where possible, as well as the present value of the future cash flows which the equity investment may generate, including the final value. If the value determined in this manner is lower than the carrying amount, the related difference is posted to the statement of comprehensive income.

Tangible assets

These include land, business and investment properties, technical plants, furniture, furnishings and equipment of any type as well as assets used within financial lease agreements, although the lessor remains their legal owner (at the end of December 2023 the Bank does not have any tangible asset).

Leasing (IFRS16)

With reference to the transactions governed by IFRS 16 and the contracts which fall within its scope of application, the only leases has in place in this connection are for properties and company cars. Such leases normally have durations of more than twelve months, and typically contain renewal or termination clauses which both lessor and lessee can exercise in accordance with the provisions of law and/or specific contractual arrangements, if any.

The classification of an agreement as a lease[5] (or containing an element of a lease) is based on the substance of the agreement at the date on which it is entered into. An agreement is or contains a lease if it envisages the use of a specific asset (or assets) and grants the “Right of Use” (RoU) on that asset (or assets) for an established period of time and in exchange for consideration (lease liabilities); therefore, rental and long-term rental agreements are defined as leases.

The right of use recognized under “tangible assets” is equal to the sum of the present value of future payments (corresponding to the present value of the liability recognized), of the initial direct costs, of any payment received in advance or at the start date of the lease (balloon instalment), of any incentive received from the lessor, and the estimate of any costs of removal or restoration of the asset underlying the lease.

This item is recognized against a liability posted under “liabilities measured at amortised cost” which corresponds to the present value of payments due for the lease; the incremental borrowing rate is equal to the internal rate of transfer at that date.

The duration of the lease agreement must consider not only the non-cancellable period established by the contract, but also extension options if it is deemed reasonably certain that they will be exercised. In particular, if there is a right to automatic renewal, it is necessary to consider past behaviors, the existence of company plans to dispose of the leased asset, and any other circumstance indicative of the existence of the reasonable certainty of renewal.

Subsequent to initial recognition, the right of use is depreciated throughout the term of the lease and, in certain circumstances, subject to adjustment for impairment. The liability is increased due to the accrual of interest expense and progressively reduced due to the payments made; if the payments are modified, the liability is redetermined against the right of use asset.

Derecognition of assets

A financial asset must be derecognized from the balance sheet if, and only if, the contractual rights to the cash flows deriving from it have expired, or if the asset has been transferred in compliance with IFRS9. In this case, the Bank verifies that the contractual rights to receive the cash flows from the asset are transferred or, alternatively, said rights are maintained, but at the same time, there is a contractual obligation to pay them to one or more beneficiaries. It is necessary to verify that substantially all risks and rewards are transferred, and any rights and obligations originating from or maintained with the transfer, are, if the case

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[5] Lease agreements in which the Bank is lessor (if any) are broken down between finance leases and operating leases. An agreement is classified as a finance lease if it transfers all risks and rewards typical of ownership to the lessee. It is accounted for with the financial method, with the recognition in the Assets of a receivable the value of which is equal to the amount disbursed net of the principal amount of the lease instalments falling due and paid by the lessee, with interest income recognized in the income statement.

warrants it, recognized separately as an asset or liability. If, on the contrary, the Bank maintains substantially all the risks and rewards, then the financial asset must continue to be recognized.

If the Bank has neither transferred nor maintained all risks and benefits, but at the same time has retained control of the financial asset, this continues to be recognized up to the residual interest retained in that asset.

Currently, the main transactions carried out by the Bank that do not determine the elimination of the underlying asset are credit securitization, repurchase and securities lending transactions.

In case of renegotiation of the financial assets measured at amortised cost, the Bank eliminates the instrument solely if the renegotiation entails such a change that the initial instrument has substantially become a new instrument. In these cases, the differences between the carrying amount of the original instrument and the fair value of the new instrument is recognized in the statement of comprehensive income, taking into account any previous write-downs. The new instrument is classified in stage 1 for the purposes of the calculation of expected losses (barring those cases in which the new instrument is classified among the POCI).

If the renegotiation is not translated into substantially different cash flows, the Bank does not eliminate the instrument, however it will recognize in the statement of comprehensive income the difference between the original carrying amount and the discounting of the expected cash flows at the original internal rate of return (taking into account any existing impairment provision).

Financial guarantees and loan commitments

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances, that means contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of *i)* the amount determined in accordance with the impairment provisions of IFRS 9, *b)* the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are firm commitments to provide loans or advances under pre-specified terms and conditions and are measured as the amount determined in accordance with the impairment provision of IFRS 9. Financial guarantee contracts and loan commitments are recognised in off-balance sheet. The Bank recognises loan commitments when it has fulfilled all its obligations and related contracts have been duly signed by all the counterparties involved.

The Bank recognises a loss allowance in compliance with IFRS 9

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include the items due to banks, due to customers and debt securities in issue less any repurchased amounts.

The initial recognition - upon collecting the amounts raised or issuing the debt securities - is carried out at fair value, equal to the amount collected net of the transaction costs directly attributable to the financial liabilities. Thereafter liabilities are stated at amortised cost based on the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured bonds are stripped out from the underlying contract and recognized at fair value when they are not closely correlated to the host instrument. Subsequent changes in fair value are recognized through the statement of comprehensive income.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the carrying value of the liabilities and the amount paid to repurchase them is recorded through the statement of comprehensive income.

The sale on the market of own securities bought back (even in the form of repos and securities lending transactions) is treated as a new issue with recognition at the new sale price, without effects on the statement of comprehensive income.

Financial liabilities valued at fair value through profit or loss (FVTPL)

They include the negative value of derivatives held for trading and of embedded derivatives present in any complex contracts. All liabilities held for trading are measured at fair value and changes are recognized in the statement of comprehensive income.

Financial liabilities designated at fair value

These include the value of financial liabilities designated at fair value through profit and loss based on the "*fair value option*" granted under IFRS 9 and in compliance with the cases established by the regulation itself. Such liabilities are measured at fair value with recognition of the results according to the following rules provided by IFRS 9:

– Changes in fair value which are attributable to the issuer's own credit standing must be recognized through other comprehensive income (net equity);

– Other changes in fair value must be recognized in through profit and loss.

– Amounts stated in other comprehensive income are not subsequently transferred to the profit and loss. This method cannot be applied, however, if the recognition of the effects of the issuer's own credit standing in net equity generates or amplifies an accounting mismatch in profit and loss. In such cases, the profits or losses related to the liability, including those caused as the effect of the change in the issuer's credit standing, must be recorded through profit and loss.

Tax assets and liabilities

Income taxes are recognized in the statement of comprehensive income, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income taxes are determined on the basis of a prudential forecast of current, advance and deferred tax charge. In particular, deferred tax assets and liabilities are determined on the basis of the temporary differences - without time limits - between the carrying value attributed to an asset or a liability according to statutory criteria and the corresponding value assumed for tax purposes.

Deferred tax assets are recorded in the interim financial statements to the extent to which there is a probability that they will be recovered.

Deferred tax liabilities are recorded in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available already subjected to taxation is such that it may be reasonably assumed that no transaction will be carried out on the bank's own initiative that might lead to their being taxed.

Tax assets and liabilities are adjusted as and when any changes occur in the regulatory framework or in the applicable tax rates, inter alia to cover the costs that might arise in connection with assessments by or disputes with the tax revenue authorities.

Contributions to resolution funds are accounted for according to IFRIC21.

Provisions for risks and charges

These pertain to risks tied to the operations of the Bank, not necessarily connected with the missed repayment of receivables, which may entail future costs, that can be estimated reliably. If the time element is significant, allocations are discounted using current market rates. Provisions are recognized in the statement of comprehensive income.

Allocated provisions are periodically reviewed, and if it becomes improbable that possible costs may be incurred, allocations are wholly or partly reversed to the benefit of the statement of comprehensive income.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally made.

This heading also includes credit risk provisions in respect of commitments to disburse funds and guarantees issued falling within the scope of application of the rules on impairment introduced by IFRS9. In such cases the same staging and expected loss calculation criteria are used for both financial assets recognized at amortised cost and/or fair value through other comprehensive income.

Pension plans

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under personnel costs. The Bank has no defined benefit obligation regarding post employee benefit to be recognized under IAS19.

Foreign currency transactions

Foreign currency transactions are recorded applying to the foreign currency amount the exchange rate prevailing on the date of the transaction.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates prevailing at the dates of the transactions. Differences on monetary items due to translation are recorded through the statement of comprehensive income, whereas those on non-monetary items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through the profit and loss account or on an equity basis).

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial position.

"Day 1" profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in net trading income/expense. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the comprehensive income when the inputs become observable, or when the instrument is derecognized.

Fair value hierarchy

In accordance with IFRS 13, fair value must be presented according to a hierarchy based on the quality of the inputs used[6] to determine it.

In particular, financial assets and liabilities measured at fair value must be classified to levels that give decreasing priority to measurements based on different market parameters: the highest priority (Level 1) is assigned to measurements based on (unadjusted) prices quoted in an active market for identical assets or liabilities; the lowest priority (Level 3) is assigned to those derived significantly from unobservable parameters.

In particular, the following levels are distinguished:

- Level 1: measurements based on (uniform, unadjusted) quoted prices taken from an active market for the individual financial instrument being measured.
- Level 2: measurements based on valuation techniques using inputs that can be observed directly (prices) or indirectly (price derivatives) on the market. In this case, fair value is measured through a comparable approach or the use of a pricing model that does not leave overly ample margins for subjectivity, normally used by other financial operators and based on inputs that can be observed on the market or estimated internally with a limited impact on fair value.
- Level 3: measurements based on valuation techniques using significant inputs that cannot be observed on the market and/or complex pricing models subject to uncertainty. In this case, fair value is determined on the basis of assumptions concerning future cash flows, which could yield different estimates for the same financial instrument by different valuers.

Where the input data used to measure an asset or a liability are of different levels, determination of the fair value level is guided by the significance of the input data (IFRS 13, para. 73).

Fair Value Adjustment

Fair value adjustment is defined as the quantity to be added to, or subtracted, from the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. In line with the best market practice, the alignment of all fair value adjustments with the prudential categories defined in Article 105 of the CRR ("Prudent Valuation") was largely completed in the course of the financial year.

[6] IFRS 13 para. 73: "The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement" and para. 74: "The fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques used to measure fair value." For further details, see IFRS 13 paragraphs 72-90.

Credit/Debt and Funding Valuation Adjustment (CVA/DVA/FCA)

Credit and Debt Value Adjustments (CVA and DVA) are incorporated into the valuation of derivatives to reflect the impact of the counterparty's credit risk and the Bank's own credit quality on the fair value respectively, as follows:

– CVA is a negative quantity which takes account of scenarios in which the counterparty might fail before the Bank does while amounts are still receivable (positive MTM) by the Bank from the counterparty;

– DVA is a positive quantity which takes account of scenarios in which the Bank itself might fail before the party does while amounts are still payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each counterparty. The CVA/DVA methodology used by Mediobanca is based on the following inputs:

– Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;

– PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities;

– Loss given default (LGD) based on the estimated value of recovery in the event of the counterparty going bankrupt, as defined in specific analysis conducted by the Bank itself or the recovery rates conventionally utilized for credit default swap prices.

The fair value of non-collateralized derivatives may be influenced by the Bank's cost of funding. To take account of this aspect, some adjustments are calculated to reflect the different cost of funding (Funding Value Adjustments), using a discount curve representative of the average funding level of banks participating in the European corporate derivative market.

1. Fair value levels: valuation techniques

The Bank normally maximises the use of market prices (Level 1) or models with observable inputs (Level 2).

However, all instruments within which the component attributable to unobservable inputs (such as implicit volatility beyond certain observability thresholds, or equity and credit correlation) is prevalent within fair value, or where there are adjustments that significantly modify the most liquid input parameters used, are classified to Level 3[7].

All Level 3 instruments are subject to additional price verification procedures, including: revision of relevant historical data, profit and loss analysis, individual valuation of each component of structured products and benchmarking. This approach involves the use of subjective parameters and judgements based on experience and therefore may require adjustments to valuations that take account of the bid-ask spread, liquidity or counterparty risk, as well as the type of valuation model adopted. In any case, all valuation models, including internally developed models, are independently tested and validated by different functions of the Bank, thus ensuring an independent control structure. Similarly, the Independent

[7] See paragraphs 73 and 75 of IFRS 13.

Price Verification unit carries out an independent check of the parameters used, comparing them to similar inputs from different sources.

2. Inputs used to determine fair value levels

During the year, the Bank further developed fair value classification processes increasingly focused on analysing the parameters underlying the instruments in the absence of a price quoted on an active market.

A description of the main inputs used in determining fair value levels is provided below:

- *Prices*: the instruments traded on a regulated market or for which quoted prices are available for bilateral trades are valued using prices taken from info-providers;
- *Interest rates / Inflation swap rates*: these are valuation inputs for derivative instruments that involve an exchange of flows between two counterparties. Interest rates represent market expectations of future rate performance and are quoted for various maturities. Inflation swap rates represent the market's expectations of future inflation performance. The illiquidity of such inputs has a direct impact on the measurement of a debt security or derivative;
- *Repo rates*: interest rates applied to repurchase agreements on securities;
- *Volatility*: this is a measurement of expectations regarding the variability of quoted market prices in respect of certain parameters. They may be quoted directly or derived from the prices of quoted instruments. Volatility may refer to, inter alia, various types of underlying (shares/indices, interest rates: caps/floors or swaptions, exchange rates, inflation);
- *Correlation*: it measures the relationship that exists between movements of two variables and is an input in the valuation of a derivative product, where the payoff is determined by multiple risk factors/underlying;
- *Dividends*: the dividend yields of equity instruments are an estimate of the possible yields that such instruments will offer in the future in terms of cash flows. The yield and periodicity of the dividends is the most significant parameter for determining the fair value of instruments sensible to the forward price of a share;
- *Credit spreads*: these are the estimate of the risk of insolvency of a counterparty and are quoted with respect to a benchmark; credit spreads refer to a wide range of underlying (indices and single names), regions, sectors, maturities and credit qualities (high yield and investment grade). The wide range of this category is the reason for the breadth of ranges of unobservable inputs.

3. Assets and liabilities measured at fair value on a recurring basis

This section provides disclosure on the measurement techniques and inputs used for assets and liabilities measured at fair value on a recurring basis, by fair value level.

Level 1

This level comprises all instruments quoted on active markets or for which quotations are available on an ongoing basis. The former instance covers cash equity instruments, funds and listed derivatives[8] (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets

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8 Provided that the quotation, following the IPV process, is considered to be effectively liquid.

for which an official price was available[9]. The second instance covers liquid debt securities for which quotations are available on an ongoing basis, and ABS and CLOs for which tradable quotations are available at the reporting date.

Level 2

– Bonds: securities traded on less liquid markets that show bid/ask spreads above adequate levels are classified as Level 2; as are instruments not traded on active markets that are marked to model using the implied credit spread curves obtained from Level1 or Level 2 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, only if the credit spread curve applied is representative, the bonds are categorized as Level 2. In fair value measurement, fair value adjustments can be used in cases where there is reduced liquidity and model risk, to compensate for the lack of observable market inputs;

– Derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In accordance with the definitions provided in paragraphs 3, 61 and 67 of IFRS 13, where possible the Bank uses models that maximize observable parameters, which are preferable to models where the use of unobservable parameters is predominant. When there is an active market for the input parameters to be used for the different components of the valuation model, the fair value is established on the basis of their market quotations. Hence an OTC derivative that mainly uses observable inputs deriving from Level 1 instruments (quoted prices, as established in paragraphs 76-80 of IFRS 13) or Level 2 instruments (interest rate curves, implicit volatilities and credit spreads, as stipulated in paragraph 82 of IFRS 13) is classified as Level 2. These derivatives include:

  – Plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap & floor, credit default swaps and credit default indexes as underlying;

  – Exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by Mediobanca whose characteristics replicate those referred to above;

  – Issues of certificates with credit derivatives or shares as underlying (basket or single name), including the issuer credit risk which is thus factored into the total calculation of the fair value.

  The instruments referred to above are classified as Level 2 when the fair value component calculated using models based on observable inputs is adjudged to be predominant.

  The observability of an input parameter depends on the type of product, and on the adequacy of the parameters used. In both cases the relevant issuers are the availability of quotes, expiry and level of moneyness.

Level 3

– Bonds: instruments whose fair value is determined using prices that cannot be corroborated are classified as Level 3, as are instruments not traded on active markets which are marked to model using the credit spread curves implicitly derived from Level 1 or Level 2 instruments, to which a spread is

9 The current bid price is used for financial assets and the current ask price for financial liabilities.

added in order to factor in their unobservable illiquidity. Fair value adjustments may be used in recognizing such instruments at fair value when there is low liquidity, in order to compensate for the lack of observable market parameters for the Level 3 positions;

- Asset-backed securities, CLOs and loans: the measurement process relies on info-providers which effectively collect market prices. Basically, ABS are categorized as Level 3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level 1;
- Credit exposures which, based on the characteristics of their cash flows, are recognized at fair value (IFRS 9, SPPI criteria - Solely Payments of Principal and Interest): specific valuation methodologies are adopted to represent the individual exposure's characteristics, seeking to maximize use of observable market data;
- Equities: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 when there are no quoted prices or when quoted prices have been suspended indefinitely and for which an internal model is used in order to determine the fair value. Some residual equities for which fair value cannot be established reliably using the methods described above are recognized at cost;
- Derivatives: when the valuation of an OTC derivative has been materially affected by unobservable parameters it is classified as Level 3. Such derivatives include:
  - Plain vanilla instruments, such as options with equity as the underlying and long expiries, or dividends on which there is no market consensus and options on equity baskets (indexes and single name);
  - Equity certificates for which the valuation inputs show a high degree of uncertainty (as it emerges during the Independent Price Verification process) in terms of volatility or future dividends[10];
  - Exotic instruments that use certain payoffs (i.e. Knock-in/Knock-out reverse notes) on a single security (or baskets) for which the valuation inputs are not directly observable;
  - Bespoke CDO tranches.

4. Assets and liabilities measured at fair value on a non-recurring basis

The fair value of the financial assets and liabilities measured at amortized cost and classified as "Financial assets measured at amortized cost" (loans to banks and customers) or as "Financial liabilities measured at amortized cost" (payables to banks and customers and debt securities in issue) is relevant only for information purposes in line with IFRS 7 requirement

- In such cases the fair value is calculated only for the purpose of meeting the Bank's responsibilities in terms of providing market disclosure, and has no impact on the book value of the investment, on the profit and loss account or on net equity. Such instruments are not normally traded, and their fair value is thus measured on the basis of internal inputs not directly observable on the market.

[10] New rules application in order to establish whether an instrument is level 3 and the consequent DOP (see pg 58, "Day 1 profit or loss").

- The fair value of corporate loans is measured using the Discounted Cash Flow Method i.e., adding, at the measurement date, the value of future cash flows discounted with appropriate rates to reflect the credit risk of the counterparty. The credit spread is determined using industry curves representing the counterparty (rating, geography, industry). For corporate receivables, loans to counterparties with official ratings are categorized as Level 2; in all other cases as Level 3. The same applies to retail loans (i.e., mortgage loans and consumer credit).

- For on-demand or short-term receivables and payables, their book value is considered a good approximation of their fair value as allowed by IFRS 7. The related fair value, which is conventionally set equal to the book value, is brought back to Level 2.

- Bonds issued by Mediobanca are categorized as Level 1 fair value if quoted in an active market (considering the market price as the input); if there are no quoted prices, fair value is categorized as Level 2 and is determined using the discounted cash flow method at a market interest rate adjusted for the Group's issuer risk (with a distinction being made between senior and subordinated risks). The fair value of our naked derivatives is also categorized as Level 2 when the Group proceeds to the split off of the embedded derivatives whose fair value level is determined as described above.

Securities lending and borrowing

Financial assets are derecognized as and when the Bank is no longer entitled to receive cash flows deriving from them, or when they are sold, and the related risks and benefits are transferred accordingly.

Assets or groups of assets which are sold, continue to be recognized if the risks and benefits associated with them (in the relevant technical form) continue to be attributable to the bank. A corresponding amount is then entered as a liability to offset any amounts received (as Other amounts receivable or Repos).

The main forms of activity currently carried out by the Bank which do not require underlying assets to be derecognized are the secured financing, repo trading and securities lending.

Interest income and expenses

For all instruments measured at amortised cost, interest income and expenses are recognized in the comprehensive income as they accrue, taking into account the effective yield of the asset and the liability or an applicable floating rate. Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fee and commission income and expense

This heading includes all revenues deriving from the provision of services to customers with the exception of those relating to financial instruments, leases and insurance contracts.

Revenues from contracts with customers are measured through profit or loss when control over the service is transferred to the customer, in an amount that reflects the fee to which the Bank considers to be entitled in return for the service rendered.

For revenue recognition purposes, the Bank analyses the contracts to establish whether they contain more than one obligation to provide services to which the price of the transaction should be allocated. The revenues are then recorded throughout the time horizon over which the service is rendered, using suitable methods to recognize the measurement in which the service is provided. The Bank also takes into consideration the effects of any variable commissions, and whether or not a significant financial component is involved.

In the event of additional costs being incurred to perform or execute the contract, where such costs meet the requirements of IFRS 15, the Bank will assess whether to capitalize them and then amortize them throughout the life of the contract, or to make use of the exemption provided by IFRS 15 to expense the costs immediately in cases where their amortization period would be complete within twelve months.

Net trading income/expense

Gains and losses on financial instruments measured at fair value through profit or loss includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading or designated at fair value through profit or loss.

Administrative expenses

Administrative expenses are recognized in the statement of comprehensive income as incurred and comprise expenses relating to administrative staff and management, including bonus.

Related parties

Related parties are defined by IAS24 as:

a) Individuals or entities which directly or indirectly:

   1. are subject to joint control by the Bank (including parent companies, subsidiaries and associates);

   2. own an interest in the Bank which enables them to exert a significant influence over it: "significant influence" is presumed to exist in cases where an individual or entity owns a shareholding of more than 5% of the share capital of Mediobanca International (Luxembourg) S.A., along with the entitlement to appoint at least one member of the Board of Directors.

b) Associate companies;

c) Management with strategic responsibility, that is, those individuals vested with powers and responsibilities, directly or indirectly, in respect of the planning, management and control of the activities of the Parent Bank, including directors and members of the statutory audit committee;

d) Subsidiaries, companies controlled jointly and/or subject to significant influence by one of the individuals referred to under the foregoing letter c), or in which the said individuals hold, directly or indirectly, a significant share of the voting rights or are shareholders or hold strategic positions such as Chairman or Managing Director;

e) close relations of the individuals referred to under the foregoing letter c), that is, individuals who might be expected to be able to influence or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents), and the entities controlled or controlled jointly or otherwise subject to significant influence by one of these individuals, or in which they directly or indirectly hold a significant share of the voting rights;

f) staff pension schemes operated by the Parent Bank or by any other entity related to it.

Section 5

Significant accounting estimates and judgment

In the process of applying the accounting policies, the bank's management makes estimates and assumptions concerning the future and the amounts recognized in the interim financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Board of Directors has made an assessment of the bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the interim financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for structured securities. The valuation of financial instruments is described in more detail in Section 4.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, risk judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumption about a number of factors and actual results may differ, resulting in future changes to the allowance. Impairment of financial assets takes account of data from the portfolio (such as level of arrears, credit utilization, loan to collateral ratio, etc.) and judgments to the effect of concentration of risk and economic data. The impairment loss on loans and advances is disclosed in more detail in Section 4.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the loss can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Section 6

Impacts deriving from the war in Ukraine and Palestine

The Bank's portfolio shows direct credit exposures linked to Russia equals to €12,6m (100% insured by SACE) in Corporate exposures, moved to Stage 3. No direct exposures towards Israel or Palestine.

PART C - NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1

Heading 10 – Cash and cash equivalents

1.1 Cash and cash equivalents: composition (in € k)

	31/12/2023	30/06/2023
a) Cash	—	—
b) Demand deposit held at Central Banks	227.480	223.622
c) Current accounts and Demand Deposits	201.922	148.805
Total	**429.402**	**372.427**

Cash and cash equivalent remained substantially stable in the period. The increase of approximately €57m is mostly required for a prudential approach in case of month-end operations.

Section 2

Heading 20 – Financial assets valued at FVTPL

2.1 Financial assets held for trading: composition (in € k)

Item/Values	31/12/2023			30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	—	—	69.448	—	—	66.145
1.1 Structured	—	—	50.157	—	—	47.821
1.2 Other debt securities	—	—	19.291	—	—	18.324
2. Equities	—	—	—	—	—	—
3. UCITS units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	**—**	**—**	**69.448**	**—**	**—**	**66.145**
B. Derivative products						
1. Financial derivatives	—	50.764	2.461	—	22.836	7.322
1.1 Trading	—	50.764	2.461	—	22.836	7.322
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—
2. Credit derivatives	—	26.388	3.336	—	30.063	5.350
2.1 Trading	—	26.388	3.336	—	30.063	5.350
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	**—**	**77.152**	**5.797**	**—**	**52.899**	**12.672**
Total (A+B)	**—**	**77.152**	**75.245**	**—**	**52.899**	**78.817**

Financial assets held for trading amount to € 152.397k as at 31 December 2023 (+16% vs June 2023). Total A is due to the carrying amount of debt securities (CLOs instruments), of which variation is equals to €+3,3m entirely due to the FV adjustments. The financial structure underlying this transaction (level 3) is hedged by the payoffs of the protection purchased via financial guarantees by external counterparty (Level 3 accordingly).

Total B is mainly represented by the gross positive fair value of financial and credit derivatives contracts negotiated with the Parent Bank or embedded in other financial instruments[11], in addition to the credit derivatives mentioned above.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1, quoted (unadjusted) prices available on active markets for identical assets or liabilities;

- Level 2, other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable (either directly or indirectly) market data;

- Level 3, other techniques for which all inputs which have a significant effect on the recorded fair value are based on not observable market data.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

2.2 Financial assets held for trading: breakdown by counterparty (in € k)

Item/Value	31/12/2023	30/06/2023
A. CASH ASSETS		
1. Debt securities	69.448	66.145
2. Equities	—	—
3. UCITS units	—	—
4. Loans and advances	—	—
Total A	**69.448**	**66.145**
B. DERIVATIVE PRODUCTS		
a. Banks	82.949	65.571
- *Fair value*	82.949	65.571
b. Customers	—	—
- *Fair value*	—	—
Total B	**82.949**	**65.571**
Total A+B	**152.397**	**131.716**

[11] Financial derivatives include certificates to be valued at Level 3 starting from January 2021. See “Fair Value Hierarchy”, p. 60.

2.3 Financial assets designated at fair value: composition

Items/Values	31/12/2023			30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Debt securities	—	—	—	—	—	—
1. Structured securities	—	—	—	—	—	—
2. Other debt securities	—	—	—	—	—	—
B. Loans	—	—	7.748	—	—	7.857
1. Structured	—	—	—	—	—	—
2. Others	—	—	7.748	—	—	7.857
Total	**—**	**—**	**7.748**	**—**	**—**	**7.857**

The carrying value of Financial assets designated at fair value amounts to €7,7m at the end of the reference period (-1,5% compared to Jun-23). The decrease is mostly due to the closing of new intercompany loans (approx. €-340k) settled against the equivalent notes in Euro issued at liability side.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

2.4 Financial assets designated at fair value: by borrower/issuer

Items/Values	31/12/2023	30/06/2023
A. Debt securities	—	—
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: Insurance companies	—	—
e) Non financial companies	—	—
B. Loans	7.748	7.857
a) Central Banks	—	—
b) General Government	—	—
c) Banks[1]	7.748	7.857
d) Other financial companies	—	—
of which: Insurance companies	—	—
e) Non financial companies	—	—
f) Households	—	—
Total	**7.748**	**7.857**

(1) Counterparty refers to the Parent Bank.

2.5 Other financial assets mandatorily at fair value: composition

Items/Values	31/12/2023			30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Debt securities	—	—	—	—	—	—
1. Structured securities	—	—	—	—	—	—
2. Others	—	—	—	—	—	—
B. Equity instruments	—	—	—	—	—	—
C. UCITs	—	—	33.519	—	—	—
D. Loans	—	—	8.875	—	—	4.689
1. Reverse Repos	—	—	—	—	—	—
2. Others[1]	—	—	8.875	—	—	4.689
Total	**—**	**—**	**42.394**	**—**	**—**	**4.689**

(1) Refers to NPL exposure that has been evaluated at FV mandatory after restructuring transaction.

With regard to UCITS the Bank invested €33,5m into the new closed alternative fund (under Luxembourg law) Polus Special Situations Fund[12] (PSSF) managed by the Group company Polus Capital Management.

2.6 Other financial assets mandatorily at fair value: by borrower/issuer

Items/Values	31/12/2023	30/06/2023
1. Equity instruments	—	—
of which: banks	—	—
of which: other financial companies	—	—
of which: other non-financial companies	—	—
2. Debts securities	—	—
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non financial companies	—	—
3. UCITs	33.519	—
4. Loans	8.875	4.689
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non financial companies	8.875	4.689
f) Households	—	—
Total	**42.394**	**4.689**

[12] With regard to the PSSF structure, investments are made through three Feeder funds (société en commandite spéciale) denominated in various currencies (USD, EUR, GBP) and flow into a Master fund (also société en commandite spéciale) denominated in Euros which implements the investment strategy. The General Partner of the fund is Polus Special Situations Fund (GP) S.A.R.L, which is responsible for the operation of the fund, but does not make investments and has no economic interest in it. Polus Capital Management Limited is the Portfolio Manager of PSSF.

Section 4

Heading 40 – Financial assets valued at amortised cost

4.1 Financial assets valued at amortised cost: composition of due from banks (in € k)

Type of transactions/Values	Total 31/12/2023						Total 30/06/2023					
	Carrying value			Fair value			Carrying value			Fair value		
	Stage1 and stage2	Stage3	of which: non performing acquired or originated	Level 1	Level 2	Level 3	Stage1 and stage2	Stage3	of which: non performing acquired or originated	Level 1	Level 2	Level 3
A. Due from Central Banks	7.733	—	—	—	7.733	—	6.932	—	—	—	6.932	—
1. Term deposits	—	—	—	X	X	X	—	—	—	X	X	X
2. Compulsory reserve	7.733	—	—	X	X	X	6.932	—	—	X	X	X
3. Repos	—	—	—	X	X	X	—	—	—	X	X	X
4. Others	—	—	—	X	X	X	—	—	—	X	X	X
B. Due from banks	2.240.260	—	—	—	2.251.341	—	1.852.462	—	—	—	1.851.182	—
1. Loans and advances	2.240.260	—	—	—	2.251.341	—	1.852.462	—	—	—	1.851.182	—
1.1 Current accounts and demand deposits	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Term deposits	1.088.791	—	—	X	X	X	1.051.650	—	—	X	X	X
1.3 Other financings:	1.151.469	—	—	X	X	X	800.812	—	—	X	X	X
- Repos	—	—	—	X	X	X	—	—	—	X	X	X
- Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
- Others	1.151.469	—	—	X	X	X	800.812	—	—	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—	—	—	—	—
2.1 Structured debt securities	—	—	—	X	X	X	—	—	—	X	X	X
2.2 Other debt securities	—	—	—	X	X	X	—	—	—	X	X	X
Total	**2.247.993**	**—**	**—**	**—**	**2.259.074**	**—**	**1.859.394**	**—**	**—**	**—**	**1.858.114**	**—**

The carrying value of financial assets due to banks valued at amortised cost increased throughout the reference period, passing from € 1.859.394k (June 2023) to € 2.247.993k (December 2023), mainly due to a new loan for €350m.

A includes the balance of the minimum reserve held at Central Bank of Luxembourg which, amounted to €7,7m as of 31 December 2023 (€6,9m as at 30 June 2023). The transactions reported under B are concluded with the Parent Bank. For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

4.2 Financial assets valued at amortised cost: composition of due from customers (in € k)

Type of transactions/Values	Total 31/12/2023						Total 30/06/2023					
	Carrying value			Fair Value			Carrying value			Fair Value		
	Stage1	Stage2	Stage3	Level 1	Level 2	Level 3	Stage1	Stage2	Stage3	Level 1	Level 2	Level 3
1. Loans and advances	2.551.325	71.175	12.370	—	2.737.601	—	3.065.374	115.942	—	—	3.316.774	—
1.1 Current accounts	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Repos	—	—	—	X	X	X	—	—	—	X	X	X
1.3 Term loans	2.551.325	71.175	12.370	X	X	X	3.065.374	115.942	—	X	X	X
1.4 Credit cards and personal loans	—	—	—	X	X	X	—	—	—	X	X	X
1.5 Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X	—	—	—	X	X	X
1.7 Other loans	—	—	—	X	X	X	—	—	—	X	X	X
2. Debt securities	1.021	—	—	—	1.021	—	896	—	—	—	896	—
2.1 Structured debt securities	—	—	—	X	X	X	—	—	—	X	X	X
2.2 Other debt securities	1.021	—	—	X	1.021	X	896	—	—	X	896	X
Total	**2.552.346**	**71.175**	**12.370**	**—**	**2.738.622**	**—**	**3.066.270**	**115.942**	**—**	**—**	**3.317.670**	**—**

As at 31 December 2023, portfolio total exposure (gross of guarantees) stands at €2,64bn against €3,18bn of the previous FY, with a decrease of 21% in the six-month period; considering the guarantees, portfolio net exposure as at 31 December 2023 stands at €378,3m (14,3% of total) against € 432,2m (13,6% of total) of the previous FY22-23, with a decline of -11% y-o-y. The significant decline in disbursements experienced during the fiscal period is mainly due to early repayments, mainly from corporate based on US market, in conjunction with the increased funding cost as a consequence of the increase in interest rates.

4.3 *Financial assets valued at amortised cost: breakdown of due from customers by counterparty (in € k)*

Type of transactions/Value	31/12/2023			30/06/2023		
	Stage1 / Stage2	Stage3	of which: impaired assets acquired or created	Stage1 / Stage2	Stage3	of which: impaired assets acquired or created
1. Debt securities:	1.021	—	—	896	—	—
a) Public administration	—	—	—	—	—	—
b) Other financial company	1.021	—	—	896	—	—
of which: insurance companies	—	—	—	—	—	—
c) Non financial companies	—	—	—	—	—	—
2. Loans and advances to:	2.622.500	12.370	—	3.181.316	—	—
a) Public administration	—	—	—	—	—	—
b) Other financial company	806.309	—	—	913.265	—	—
of which: insurance companies	108.989	—	—	113.846	—	—
c) Non financial companies	1.816.191	12.370	—	2.268.051	—	—
d) Households	—	—	—	—	—	—
Total	**2.623.521**	**12.370**	**—**	**3.182.212**	**—**	**—**

At reporting date Stage 2 represents 2,7% of portfolio total exposure, in net reduction in comparison with the previous year when stood at 3,6% of the portfolio. A new Stage 3 position has been recorded (fully insured by SACE) with respect to June 2023 the reduction in volumes, already mentioned above, resulted in a credit quality improvement of the corporate portfolio.

4.4 *Financial assets valued at amortised cost: gross values and total value adjustments (in € k)*

	Gross value				Expected Credit Loss			Write off partial/total
	Stage1	*of which: low credit risk **	Stage2	Stage3	Stage1	Stage2	Stage3	
Debt securities	1.021	—	—	—	—	—	—	—
Loans[1]	4.803.016	—	71.570	12.591	-3.698	-395	-221	—
Total 31/12/2023	**4.804.037**	**—**	**71.570**	**12.591**	**-3.698**	**-395**	**-221**	**—**
Total 30/06/2023	**4.929.970**	**30.305**	**116.973**	**—**	**-4.306**	**-1.031**	**—**	**—**

(1) This item includes loans to customers and credit institutions.

Section 5

Heading 50 – Hedging derivatives

The objective of the fair value hedges is to reduce the interest rate risk through swaps that convert fixed-rate into floating rate assets and/or liabilities. The hedging derivatives hold by the Bank are mean to hedge fixed-rate or structured notes issued by the Bank and classified in the portfolio "financial liabilities at amortized cost". At June 2023 the M-t-M of the hedging derivatives hold by the Bank were on liabilities side.

During the first semester of the current financial year several hedging derivatives, linked to notes issued, have been booked.

All the hedging derivatives were booked at inception with the Parent Bank. The accounting treatment is in line with the methodological and procedural choices for the accounting management of hedge transactions; in December 2023, we have a total notional amount of approx. €545m, with M-t-M of the instruments on assets side (Notional €536m for a FV of €10m) and on liabilities side (Notional €9m for a FV of €265k).[13]

5.1 Hedging derivatives: breakdown by type of hedging and fair value levels (in € k)

	31/12/2023				30/06/2023			
	Fair value			**Notional value**	***Fair value***			**Notional value**
	Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**	
A. Financial derivatives	—	10.139	—	536.142	—	—	—	—
1) Fair value	—	10.139	—	536.142	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**10.139**	**—**	**536.142**	**—**	**—**	**—**	**—**

[13] Please refers to Accounting policies to see risk management strategy of the Bank.

5.2 Hedging derivatives: breakdown by portfolio hedged and hedge type (in € k)

31/12/2023 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Financial liabilities	10.139	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**10.139**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

30/06/2023 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Financial liabilities	—	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

Section 7

Heading 70 – Equity investments

7.1 Equity investments: disclosure on shareholdings

Company Name	Registered office	Control type[14]	Ownership		Voting rights (%)
			Controlling entity	% shareholding	
Mediobanca International Immobilière S.à r.l.	Luxembourg	3	Mediobanca International (Luxembourg) S.A.	100	100

[14] Type of relationship:
1 = controlled and consolidated
2 = subject to significant influence
3 = controlled and not consolidated

In accordance with article 83 of the Law of 17 June 1992 (as amended) the undertaking is not consolidated on the local balance sheet since it would represent a negligible interest to the consolidated financial situation.

*7.2 Equity investments: financial information (in € k) **

Company Name	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Carrying value
Mediobanca International Immobilière S.à r.l.	2.101	93	19	2.061	4.150

(*) Figures as at 31/12/2023 from Mediobanca International Immobilière S.à.r.l. are coming from unaudited accounts.

The financial year of Mediobanca International Immobilière S.à.r.l. runs from 1 July to 30 June (as modified by the extraordinary Shareholders' meeting held on 15 May 2012). The company owns and leases the building where the Bank has moved its head office in April 2012. Based on the last available evaluation report made in March 2020 by an independent advisor, which shows a market value higher than the carrying amount and looking at the macro trends of the real estate market in Luxembourg, the Bank has decided to not perform any impairment test.

Section 9

Heading 90 – Property, plant and equipment

9.1 Property, plant and equipment: composition (in € k)

Assets/value	31/12/2023	30/06/2022
1. Assets owned by Bank	—	—
a) land	—	—
b) buildings	—	—
c) furniture and fitting	—	—
d) electronic equipment	—	—
e) other assets	—	—
2. Right-of-use assets	1.173	1.215
a) land	—	—
b) buildings	1.062	1.148
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	111	67
Total	**1.173**	**1.215**

Section 11

Heading 110 – Tax assets

11.1 Current tax assets: composition (in € k)

	CIT [A]	MBT [B]	Other [C]	Total
Balance at the beginning of the year	—	**77**	**853**	**930**
Increase of the period (+)	—	—	**803**	**803**
- advances paid	—	—	800	800
- transfers	—	—	—	—
- others	—	—	3	3
Decrease of the period (-)	**—**	**—**	**—**	**—**
- releases of the year (assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	—	—
Balance at the end of the fiscal year	—	**77**	**1.656**	**1.733**

[A] Impôt sur le Revenu des Collectivités (‘Corporate Income Tax’, CIT) is a proportional tax levied on gains made by corporations.
[B] Impôt Commercial Communal (‘Municipal Business Tax’, MBT) is a municipal tax levied on gains made by corporations.
[C] Other taxes primarily include the outstanding balances in respect of Net Wealth Tax (‘NWT’) and Value Added Tax (‘VAT’).

Current tax assed increased from €930k (June 2023) to €1.733k (December 2023). This is mostly due to NWT advances paid in August and November 2023 for €400k each and minor VAT movements.

11.2 Deferred tax assets: composition (in € k)

	31/12/2023	30/06/2023
- Deferred tax assets recognised in the statement of comprehensive income	—	—
- Deferred tax assets recognised in the net equity	—	903
Total	—	903

The total deferred tax assets amount to zero at December 2023. The previous DTA of €903k has been derecognized (with effect in the P&L) due to the termination of financing activities and related impairments that originally generated the DTA.

Section 13

Heading 130 – Other assets

13.1 Other assets: composition (in € k)

	31/12/2023	30/06/2023
1. Gold, silver and precious metal	—	—
2. Accrued income other than capitalized income	971	997
3. Trade receivables or invoice to be issued	—	—
4. Amount due from tax revenue Authorities (not attributed to heading 110)	—	367
5. Other	42.754	9.533
- *transitory accounts*	*42.754*	*9.416*
- *prepayments*	—	*117*
Total	**43.725**	**10.897**

Transitory accounts increased significantly. The value in the financial period has been impacted by two receivables amounts suspended at the 31/12/2023 settled in the month after the cut-off date of reporting (for €29,6m and $3,8m).

Accrued income other than capitalised income from financial assets mainly refer to accrued commissions on credit facilities to corporate clients.

LIABILITIES

Section 1

Heading 10 – Financial liabilities valued at amortised cost

1.1 Financial liabilities valued at amortised cost: composition of due to banks (in € k)

Type of transactions/Values	31/12/2023				30/06/2023			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	—	X	X	X	—	X	X	X
2. Due to banks	1.424.505	X	X	X	2.103.121	X	X	X
2.1 Current accounts and demand deposits	20.295	X	X	X	4.575	X	X	X
2.2 Term deposits	—	X	X	X	—	X	X	X
2.3 Loans	1.403.256	X	X	X	2.098.476	X	X	X
2.3.1 Repos	—	X	X	X	—	X	X	X
2.3.2 Others	1.403.256	X	X	X	2.098.476	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Other liabilities	954	X	X	X	70	X	X	X
Total	**1.424.505**	—	**1.428.876**	—	**2.103.121**	—	**2.099.113**	—

The carrying value of due to banks valued at amortised cost decreased by -47.6% at the end of the reference period, passing from €2.103.121k (June 2023) to €1.424.505k (December 2023). Transactions reported under this caption are de facto concluded with the Parent Bank, as an internal source of funding to finance the core lending activities. The carrying value of €1.403.255k reported at the end of December 2023 under 'other loans' includes €65.055k of subordinated loan assimilated to Tier 2 and concluded with the Parent for regulatory capital purposes (€65.040k June 2023).

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

1.2 Financial liabilities valued at amortised cost: composition of due to customers (in € k)

Type of transactions/Values	31/12/2023				30/06/2023			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	—	X	X	X	—	X	X	X
2. Term deposits	—	X	X	X	—	X	X	X
3. Loans	891	X	X	X	1.791	X	X	X
3.1 Repos	891	X	X	X	788	X	X	X
3.2 Others	—	X	X	X	1.003	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease payables [1]	1.185	X	X	X	1.224	X	X	X
6. Other liabilities	—	X	X	X	—	X	X	X
Total	**2.076**	—	**2.076**	—	**3.015**	—	**3.012**	—

(1) This heading includes obligations in respect of future instalments payable on leases as provided by IFRS16.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

1.3 *Financial liabilities valued at amortised cost: composition of debt securities in issue (in € k)*

Type of transactions/Values	31/12/2023				30/06/2023			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debt securities								
1. Bonds	2.533.597	—	2.653.246	—	2.126.506	—	2.160.718	—
1.1 Structured	1.210	—	1.206	—	1.225	—	1.210	—
1.2 Other	2.532.387	—	2.652.040	—	2.125.281	—	2.159.508	—
2. Other securities	972.046	—	972.046	—	740.103	—	740.103	—
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Other	972.046	—	972.046	—	740.103	—	740.103	—
Total	**3.505.643**	**—**	**3.625.292**	—	**2.866.609**	—	**2.900.821**	**—**

Under Debt securities item, outstanding bonds include approx. €1,6bn, guaranteed by the parent company, of derivative arbitrage strategies or indices (skew) on bases mainly linked to credit derivatives and commodity derivatives and, to a lesser extent, also on rates, equity and inflation risk (underlying transaction).

All notes issued involve payment of interest in the form of a coupon, including a premium (extra yield), and the full repayment of capital at maturity. In case of the subscriber opting for early repayment, the issuer has the faculty, at its discretion, to choose a repayment price that takes into account the current fair value (including that of the underlying transactions). As required by par. 4.3.3 of IFRS 9, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

Other securities item refers to the Commercial Paper program: short-term financing instruments, with duration generally of one year or less, which increased during the period (+31% compared to June-23).

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

Section 2

Heading 20 – Financial liabilities valued at FVTPL

2.1 Financial liabilities valued at FVTPL: composition (in € k)

Transaction type/Values	31/12/2023				30/06/2023			
	Nominal value	Fair Value			Nominal value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Cash liabilities								
1. Due to banks	—	—	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—	—	—
3. Debt securities	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—	—	—
3.1.2 Other bonds	—	—	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—	—	—
Total (A)	—	—	—	—	—	**—**	—	**—**
B. Derivative instruments								
1. Financial derivatives	1.521.753	—	45.859	2.463	1.690.678	—	24.188	7.338
1.1 Trading	1.521.753	—	45.859	2.463	1.690.678	—	24.188	7.338
1.2 Related to the fair value option	—	—	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—	—	—
2. Credit derivatives	1.849.102	—	23.790	681	2.004.017	—	28.224	374
2.1 Trading	1.849.102	—	23.790	681	2.004.017	—	28.224	374
2.2 Related to the fair value option	—	—	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—	—	—
Total (B)	**3.370.855**	**—**	**69.649**	**3.144**	**3.694.695**	**—**	**52.412**	**7.712**
Total (A+B)	**3.370.855**	**—**	**69.649**	**3.144**	**3.694.695**	**—**	**52.412**	**7.712**

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

Section 3

Heading 30 – Financial liabilities valued at fair value

3.1 Financial liabilities designated at fair value: composition

Operation Type/Values	31/12/2023					30/06/2023				
	Nominal value	Fair Value			Fair Value	Nominal value	Fair Value			Fair Value
		Level1	Level2	Level3			Level1	Level2	Level3	
1. Due to banks	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	—	—	—	—	—	—	—
1.2 Others	—	—	—	—	—	—	—	—	—	—
of which:										
- commitments to disburse funds	—	—	—	—	—	—	—	—	—	—
- financial guarantees given	—	—	—	—	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	—	—	—	—	—	—
2.2 Others	—	—	—	—	—	—	—	—	—	—
of which:										
- commitments to disburse funds	—	—	—	—	—	—	—	—	—	—
- financial guarantees given	—	—	—	—	—	—	—	—	—	—
3. Debt securities	106.670	—	82.621	23.310	105.931	64.721	—	42.523	22.198	64.721
3.1 Structured	106.670	—	82.621	23.310	105.931	64.721	—	42.523	22.198	64.721
3.2 Others	—	—	—	—	—	—	—	—	—	—
Total	**106.670**	**—**	**82.621**	**23.310**	**105.931**	**64.721**	**—**	**42.523**	**22.198**	**64.721**

Section 4

Heading 40 – Hedging derivatives

4.1 Hedging derivatives: breakdown by hedge type and level (in € k)

Items/Values	31/12/2023				30/06/2023			
	Notional value	Fair value			Notional value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	8.577	—	265	—	346.109	—	2.737	—
1) Fair value hedges	8.577	—	265	—	346.109	—	2.737	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	**8.577**	**—**	**265**	**—**	**346.109**	**—**	**2.737**	**—**

Please refers to Heading 50 (Section 5 Assets). For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

4.2 Hedging derivatives: breakdown by portfolio hedged and hedge type (in € k)

31/12/2023 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	265	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**265**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

30/06/2023 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	2.737	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**2.737**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

Section 6

Heading 60 – Tax liabilities

*6.1 Current tax liabilities: composition * (in € k)*

	CIT	MBT	Other	Total
Balance at the beginning of the year	**6.409**	**2.376**	**220**	**9.005**
Increase of the period (+)	**3.298**	**1.223**	**10**	**4.531**
- provisions of the year	3.298	1.223	10	4.531
- transfers	—	—	—	—
- others	—	—	—	—
Decrease of the period (-)	**—**	**—**	**—**	**—**
- releases of the year (fiscal assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	—	—
Balance at the end of the fiscal year	**9.707**	**3.599**	**230**	**13.536**

* [A] Corporate Income Tax, **CIT**: Impôt sur le Revenu des Collectivités is a proportional tax levied on gains made by corporations.

* [B] Municipal Business Tax, **MBT**: Impôt Commercial Communal is a municipal tax levied on gains made by corporations.

* [C] **Other taxes** primarily include the outstanding balances in respect of Net Wealth Tax ('NWT') and Value Added Tax ('VAT').

The positive result of the current period lead to a total CIT and MBT liability of €9.707k and €3.599k respectively (€6.409k and €2.376k in June-23, amount which already include the provision for FY 22-23 and FY 21-22). Other taxes are mostly minor movements related to VAT.

6.2 Deferred tax liabilities: movements of the period (in € k)

Deferred tax liabilities	31/12/2023	30/06/2023
1. Initial amount	**—**	**—**
1.1 Initial amount	—	—
2. Additions (+)	**—**	**—**
2.1 Deferred tax originated during the period	—	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions (-)	**—**	**—**
3.1 Deferred tax reversed during the period	—	—
3.2 Lowering of tax rates	—	—
3.3 Other reductions	—	—
Total	—	—

6.3 Deferred tax liabilities: breakdown by financial statement caption (in € k)

	31/12/2023		30/06/2023	
	Valuation difference	**Tax rate 24,94%**	**Valuation difference**	**Tax rate 24,94%**
Cash and cash equivalent	—	—	—	—
Financial assets valued at FVTPL	—	—	—	—
Financial assets valued at amortized cost	—	—	—	—
Hedging derivatives	—	—	—	—
Other assets	—	—	—	—
Total assets	—	—	—	—
Financial liabilities valued at FVTPL	—	—	—	—
Financial liabilities valued at amortized cost	—	—	—	—
Hedging derivatives	—	—	—	—
Other liabilities	—	—	—	—
Total liabilities	—	—	—	—
Total deferred liabilities	—	—	—	—

There are no movements to be reported through the period.

Section 8

Heading 80 – Other liabilities

8.1 Other liabilities: composition (in € k)

	31/12/2023	30/06/2023
1. Payment agreements (IFRS 2)	—	—
2. Impaired endorsements	—	—
3. Working capital payables and invoices pending receipt	2.116	5.868
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Amounts due to revenue authorities	—	—
6. Amounts due to staff	229	348
7. Other items:	5.556	4.379
- bills for collection	—	—
- coupons and dividends pending collection	—	—
- available sums payable to third parties	5.556	4.379
- premiums, grants and other items in respect of lending transactions	—	—
- credit notes to be issued	—	—
- other	—	—
Total	**7.901**	**10.595**

Other liabilities are mostly composed of invoices accrued or payable for €2.116k (€5.868k at the end of June 2023) and other items for €5.556k (€4.349k at the end of June 2023). The last consists mostly of accrued commissions payable to related parties for the financial guarantees or retrocessions related to the lending portfolio.

Section 10

Heading 100 – Provisions for risks and charges

10.1 Provisions for risks and charges: composition (in € k)

Items / Values	31/12/2023	30/06/2023
1. Provisions for credit risk related to commitments and financial guarantees issued	761	839
2. Provisions on other obligations and warranties release	—	—
3. Provisions to retirement payment and similar	—	—
4. Other provisions for risks and obligations	—	—
4.1 Legal and fiscal controversies	—	—
4.2 Staff expenses	—	—
4.3 Others	—	—
Total	**761**	**839**

10.2 Provisions for risks and charges: provisions for credit risk (in € k)

Provisions for credit risk related to financial obligations and guarantees issued	31/12/2023				30/06/2023			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Commitments to distribute funds	642	119	—	**761**	741	98	—	**839**
Financial guarantees issued	—	—	—	**—**	—	—	—	**—**
Total	**642**	**119**	**—**	**761**	**741**	**98**	**—**	**839**

Section 15

Heading 150 - Reserves

15.1 Reserves: composition (in € k)

	31/12/2023	30/06/2023
A. Reserves	**321.621**	**327.316**
A.1 Legal reserve (1)	1.000	1.000
A.2 Free reserve	290.816	307.977
A.3 NWT reserve (2)	29.805	21.018
A.4 Other (3)	—	-2.679
B. Valuation Reserves (4)	**-877**	**282**

(1): under Luxembourg law, an amount equal to at least 5% (five per cent) of the net profit must be allocated to a legal reserve until such reserve equals 10% (ten per cent) of the issued share capital. This reserve is not available for dividend distributions and has been already fully provisioned throughout the previous financial years.

(2): Luxembourg resident companies are subject to a Net Worth Tax ('NWT') of 0.5% of taxable wealth. This charge may be reduced provided the following conditions have been respected: (i) a special reserve account equivalent to five-times the net wealth tax charge for the year is recorded following the decision of the Shareholders meeting, and (ii) the reserve will be maintained for a period of at least five years.

(3): the account comprises the FTA reserve created on the transition to IFRS9.

(4): Valuation reserve due to changes in fair value which are attributable to the issuer's own credit standing must be recognized through other comprehensive income (net equity).

Section 16

Heading 160 – Share capital

16.1 Share capital

As at 31 December 2023, the issued capital of the Bank amounts to € 10.000.000 and is divided into one million shares fully paid with a pair value of € 10 each.

Authorised capital and issue share capital coincide.

Other information

1. Guarantees and commitments (in € k)

	Nominal value of commitments and financial guarantees			31/12/2023	Nominal value of commitments and financial guarantees			30/06/2023
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
1. Commitments to disburse funds	**1.520.973**	**47.515**	**—**	**1.568.488**	**1.527.541**	**11.984**	**—**	**1.539.525**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	—	—	—	—	—	—	—	—
d) Other financial companies	242.368	38.836	—	281.204	197.239	—	—	197.239
e) Non-financial companies	1.278.605	8.679	—	1.287.284	1.330.302	11.984	—	1.342.286
f) Retail clients	—	—	—	—	—	—	—	—
2. Financial guarantees given	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	—	—	—	—	—	—	—	—
d) Other financial companies	—	—	—	—	—	—	—	—
e) Non-financial companies	—	—	—	—	—	—	—	—
f) Retail clients	—	—	—	—	—	—	—	—

Total amount of "Guarantees and commitments" slightly decreased by 1,9% against higher credit quality with Stage 2 equals to 3% (0,8% in June 2023).

2. Assets encumbered to guarantee own liabilities and commitments (in € k)

Portfolios	Amount	
	31/12/2023	**30/06/2023**
Financial instruments valued at FVTPL	—	—
Financial instruments valued at FVOCI	—	—
Financial instruments valued at amortised cost	807.953	962.735
Tangible assets	—	—
Total	**807.953**	**962.735**

As at 31 December 2023, the Bank has pledged collateral in form of securities and loans for an amount of approximately €1.339m of which €807,9m originated by the Bank itself, whereas €531m represents the re-use of collateral borrowed from the Parent Bank. The encumbered assets are mainly related to collaterals pledged under both Swap agreements and Repurchase agreements with the SPV.

PART D - NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Section 1

Headings 10 and 20 – Net interest income

1.1 Interest and similar income: composition (in € k)

Items/Technical forms	31/12/2023				31/12/2022			
	Debt securities	Loans	Other operations	Total*	Debt securities	Loans	Other operations	Total
1. Financial assets valued at FVTPL:	3.351	—	—	3.351	1.726	—	—	1.726
1.1. Financial assets held for trading	3.351	—	—	3.351	1.726	—	—	1.726
1.2. Financial assets designated at fair value	—	—	—	—	—	—	—	—
1.3. Other financial assets mandatorily at fair value	—	—	—	—	—	—	—	—
2. Financial assets valued at FVOCI	—	—	X	—	—	—	—	—
3. Financial assets at amortized cost	—	149.868	X	149.868	57	85.505	X	85.562
3.1 Due from banks	—	52.602	X	52.602	—	15.613	X	15.613
3.2 Due from customers	—	97.266	X	97.266	57	69.892	X	69.949
4. Hedging derivatives	X	X	—	—	X	X	—	—
5. Other assets	X	X	—	—	X	X	—	—
6. Financial liabilities bearing negative interests	X	X	X	—	X	X	X	—
Total	**3.351**	**149.868**	**—**	**153.219**	**1.783**	**85.505**	**—**	**87.288**

The sharp increase in the interest income of the Bank is due to the increase of the interest rate hikes by the ECB. This of course had a major impact in the business of the Bank.

The income increased from €87.288k (December 2022) to €153.219k (December 2023) and is driven both by increases in interest in loans to customers from €69.649k (December 2022) to €97.266k (December 2023) and loans to banks from €15.613k (December 2022) to €52.602k (December 2023).

1.2 Interest expense and similar charges: composition (in € k)

Items/Technical forms	31/12/2023				31/12/2022			
	Borrowings	Securities issued	Other operations	Total*	Borrowings	Securities issued	Other operations	Total*
1. Financial liabilities at amortized cost	-51.476	-79.036	X	-130.512	-48.199	-26.126	—	-74.325
1.1 Due to central banks	—	X	X	—	—	X	X	—
1.2 Due to banks	-51.455	X	X	-51.455	-48.134	X	X	-48.134
1.3 Due to customers	-21	X	X	-21	-65	X	X	-65
1.4 Debt securities in issue	X	-79.036	X	-79.036	X	-26.126	X	-26.126
2. Trading financial liabilities	—	—	—	—	—	—	—	—
3. Financial liabilities designated at fair value	—	-1.165	—	-1.165	—	-119	—	-119
4. Other liabilities and funds	X	X	—	—	X	X	—	—
5. Hedging derivatives	X	X	-3.228	-3.228	X	X	204	204
6. Financial assets bearing negative interests	X	X	—	—	X	X	X	-759
Total	**-51.476**	**-80.201**	**-3.228**	**-134.905**	**-48.199**	**-26.245**	**204**	**-74.999**

* please refer to the column Total as the valid amount

In line with the interest income also the interest expense faces a surge in the figures compared to the previous financial year from €74.999k (December 2022) to €134.905k (December 2023).

In particular, the interest expense increased for notes issued from €26.126k (December 2022) to €79.036k (December 2023).

Section 2

Headings 40 and 50 – Net fee and commission income

2.1 Fee and commission income: composition (in € k)

Type of service/Values				31/12/2023	31/12/2022
a)	guarantees given			52	50
b)	credit derivatives			—	—
c)	management and brokerage services			1.776	2.686
	1.	trading in financial instruments		—	—
	2.	currency trading		—	—
	3.	portfolio management		—	—
	4.	securities custody and administration		—	—
	5.	custodian bank		—	—
	6.	placement of financial instruments		1.776	2.686
	7.	reception and transmission of orders		—	—
	8.	advisory services		—	—
		8.1.	related to investments	—	—
		8.2.	related to financial structure	—	—
	9.	distribution of third parties services		—	—
		9.1.	portfolio management	—	—
			9.1.1. individual	—	—
			9.1.2. collective	—	—
		9.2.	insurance products	—	—
		9.3.	other products	—	—
d)	collection and payment services			—	—
e)	securitization servicing			—	—
f)	factoring services			—	—
g)	tax collection services			—	—
h)	management of multilateral trading facilities			—	—
i)	management of current account			—	—
j)	other services			6.440	6.462
Total				**8.268**	**9.198**

Fee and commission income are connected to the lending activity of the Bank. These are related to the contracts and assume various forms as the followings: underwriting fees, waiver, amendment, extension, ongoing and bookrunning fees.

In particular we can see the caption “other services” is substantially stable with an increase of NSFR fees which offset a decrease in loans ongoing fees.

2.2 Fee and commission expense: composition (in € k)

Services/Amounts		31/12/2023	31/12/2022
a)	guarantees received	—	—
b)	credit derivatives	—	—
c)	management and brokerage services	-1.363	-1.441
	1. trading in financial instruments	—	—
	2. currency trading	—	—
	3. portfolios management:	—	—
	3.1 own portfolio	—	—
	3.2 third parties portfolio	—	—
	4. securities custody and administration	—	—
	5. placement of financial instruments	-1.363	-1.441
	6. off-site distribution of financial instruments, products and services	—	—
d)	collection and payment services	-434	-76
e)	other services	-6.066	-2.807
Total		**-7.863**	**-4.324**

Fee and commission expenses increased from €4.324k of December 2022 to €7.863k of December 2023. The increase is mostly due to structuring fees on emission of passive instruments.

Section 3

Heading 80 – Net trading income/expense

3.1 Net trading income (expense): composition (in € k)

Transactions / Income	Unrealized profit (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net Profit 31/12/2023*	Net Profit 31/12/2022*
1. Financial trading assets	2.885	3.192	—	—	6.077	-1.810
1.1 Debt securities	2.885	—	—	—	2.885	-1.810
1.2. Equity	—	3.192	—	—	3.192	—
1.3. O.I.C.R. shares	—	—	—	—	—	—
1.4. Loans	—	—	—	—	—	—
1.5. Others	—	—	—	—	—	—
2. Financial trading liabilities	—	—	—	—	—	—
2.1. Debt securities	—	—	—	—	—	—
2.2. Borrowings and deposits	—	—	—	—	—	—
2.3. Others	—	—	—	—	—	—
3. Financial assets and liabilities in foreign currencies: exchange differences	X	X	X	X	112	-9.998
4. Derivatives	68.377	4.453	-68.880	-9.780	-7.241	6.787
4.1 Financial derivatives:	46.617	4.060	-44.881	-8.704	-4.319	5.911
4.1.1 debt securities and interest rates	33.820	3.582	-31.718	-5.288	396	-2.901
4.1.2 equity securities and shares indexes	795	478	-1.161	-3.416	-3.304	-153
4.1.3 currencies and gold	X	X	X	X	-1.411	8.965
4.1.4 other	12.002	—	-12.002	—	—	—
4.2. Credit derivatives	21.760	393	-23.999	-1.076	-2.922	876
Total	**71.262**	**7.645**	**-68.880**	**-9.780**	**-1.052**	**-5.021**

* please refer to the column Net Profit as the valid amount

Net result coming from trading activity moved from €-5,0m of December 2022 to €-1,1m of December 2023. As anticipated in the section "*Management Report*", the Bank managed more accurately the exchange rates variations compared to the last fiscal year; net profit deriving from the on-balance sheet items, was offset by the loss performed on the derivatives, suffering overall the market trend in a limited way considering, in particular, the volatility context of the euro-dollar exchange rate over the reference period.

Section 4

Heading 90 – Net hedging income/expense

4.1 Net hedging income (expense): composition (in € k)

	31/12/2023	31/12/2022
A. Income from:		
A.1 Fair value hedge derivatives	7.599	—
A.2 Financial assets hedged (fair value)	—	—
A.3 Financial liabilities hedged (fair value)	—	7.958
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	7.599	7.958
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-2.176	-6.811
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-5.134	-1.071
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	-7.310	-7.882
C. Net hedging income (A-B)	**289**	**76**

The fair value change due to the exchange rate for the hedged instrument is recorded under profit and loss - Heading 90 “Net hedging income (expense)” - while the remaining fair value (any difference, i.e. partial ineffectiveness of the hedging derivatives) is recorded under Heading 80, “Net trading gains (losses)”.

Section 5

Heading 100 – Gain or loss on disposals or repurchases

5.1 Gain (loss) on disposals/repurchases composition (in € k)

Items/Income		31/12/2023			31/12/2022		
		Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A	Financial assets						
1.	Financial assets valued at amortized cost	595	-478	117	302	-19	283
	1.1 Loans and receivables from banks	89	-174	-85	-19	-19	-38
	1.2 Loans and receivables from customers	506	-304	202	321	—	321
2.	Financial assets valued at FVOCI	—	—	—	—	—	—
	2.1 Debt securities	—	—	—	—	—	—
	2.2 Loans	—	—	—	—	—	—
Total assets (A)		**595**	**-478**	**117**	**302**	**-19**	**283**
B	Financial liabilities valued at amortized cost						
1.	Deposits with banks	—	—	—	—	—	—
2.	Deposits with customers	—	—	—	—	—	—
3.	Debt securities in issue	1	-4	-3	—	—	—
Total liabilities (B)		**1**	**-4**	**-3**	**—**	**—**	**—**

In the course of the financial year, thanks to the credit market conditions, the Bank sold a few customer exposures to institutional investors. This gave to the Bank the opportunity to optimize the financing portfolio. Given the guarantees granted by Parent company, the net effect of these sales has been positive and equals to €114k (€283k in December 2022).

Heading 110 – Gain or loss on other financial assets and liabilities measured at FVTPL net

5.2 Net variation in the value of other financial assets and liabilities measured at FVTPL: composition of financial assets and liabilities designated at fair value (in €k)

31/12/2023	Capital gains (A)	Gains on disposal (B)	Capital Losses (C)	Losses on disposal (D)	Net income [(A+B)-(C+D)]
1. Financial assets	237	—	-6	—	231
1.1 Debt securities	—	—	—	—	—
1.2 Loans	237	—	-6	—	231
2. Financial liabilities	2.039	—	-1.890	-530	-381
2.1 Debt securities in issue	2.039	—	-1.890	-530	-381
2.2 Due to banks	—	—	—	—	—
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	1.011
Total	**2.276**	**—**	**-1.896**	**-530**	**861**
Total at 31/12/2022	**977**	**—**	**-355**	**—**	**741**

5.3 Net variation in the value of other financial assets and liabilities measured at FVTPL: composition of other financial assets mandatorily measured at fair value (in € k)

31/12/2023	Capital gains (A)	Gains on disposal (B)	Capital Losses (C)	Losses on disposal (D)	Net income [(A+B)-(C+D)]
1. Financial assets	4.174	—	—	—	4.174
1.1 Debt securities	—	—	—	—	—
1.2 Equity securities	—	—	—	—	—
1.3 UCITs	—	—	—	—	
1.4 Loans	4.174	—	—	—	4.174
2. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	-81
Total	**4.174**	**—**	**—**	**—**	**4.093**
Total at 31/12/2022	**—**	**—**	**—**	**—**	**-129**

Section 6

Heading 130 – Adjustments for impairment

6.1 Adjustment for impairment: breakdown (in € k)

Items/Income		Writedowns (1)			Writebacks (2)		31/12/2023 (1)+(2)	31/12/2022
		Stage1 and Stage2	Stage3		Stage1 and Stega2	Stage3		
			Write-off	Others				
A	Loans and receivables with banks	-450	—	—	600	—	150	-75
	- Loans and receivables	-450	—	—	600	—	150	-75
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
B	Loans and receivables with customers	-8.140	—	-205	8.800	—	455	317
	- Loans and receivables	-8.140	—	-205	8.800	—	455	317
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
Total		**-8.590**	**—**	**-205**	**9.400**	**—**	**605**	**242**

Impairment provisions for credit exposures are worth a positive effect of €+0,6m, slightly increased (approx. €+0,4m) compared to December 2022, with a net contribution from the loans and receivables with customers (commitment included) equals to €+0,15m in addition to an equivalent net contribution from the loans and receivables with banks (€+0,45m). Overlay stands at € equivalent €0,2m and decreased as well as YoY € equivalent €-1,3m, of which €-0,9m in the first half year and €-0,4m in the second half-year due to the shift of some sectors to Low Impact from High/Medium inflationary impact.

In details, the provisioning made in FY (Stage 1 and Stage 2) have been widely absorbed by the writebacks mainly attributable to *a)* a positive effect from repayments experienced on corporate loan portfolio (i.e. Stage 1 drop by €1,9m in relation to the pre-payments/reimbursement of approx. €0,7bn exposures), *b)* credit exposures selling on the secondary market with benefit on impairment provision, *c)* an overall good credit quality of the entire net (uncovered) portfolio, (Stage 2 impairment decreased by approximately €-2,8m and €-250m of exposures mainly due repayments and sales experienced along the year), *d)* provision recorded on the intercompany assets of approx. €+0,1m. A new NPL transaction (Stage 3) has been recorded in the second half of 2023 although is totally insured by SACE.

Section 7

Heading 190 – Administrative expenses

7.1 Personnel costs: composition (in € k)

Type of expense/Amounts	31/12/2023	31/12/2022
1.Employees	-1.603	-1.220
a) wages and salaries	-1.196	-883
b) social security contributions	-136	-105
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to outside complementary pension schemes:	-118	-96
– defined contribution	-118	-96
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	-56	-41
i) other staff benefits	-97	-95
2. Other staff	—	—
3. Board members	-88	-88
Total	**-1.691**	**-1.308**

Expenditure on salaries has increased compared to December 2022 (€+383k), in particular due to salary reviews (inflation-driven dynamics) and staff turnover (please see number of employees, cf. caption 7.2).

7.2 Number of employees by category

	31/12/2023	31/12/2022
Employees	19	19
a) senior executives	4	3
b) executives	1	2
c) other employees	14	14
Other staff	1	—
Total	**20**	**19**

7.3 Other administrative expenses: composition (in € k)

Type of expense/Amounts	31/12/2023	31/12/2022
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	-733	-434
– loan recovery activity	—	—
– marketing and communication	-4	-3
– property expenses	-35	-27
– IT and data processing	-1.017	-984
– Info-provider	-15	-15
– bank charges, collection and payment fees	-18	-12
– operating expenses	-1.491	-715
– other staff expenses	-13	-21
– other costs	-582	-320
– indirect and other taxes	-285	-236
Total	**-4.193**	**-2.767**

Other administrative expenses amounted in the six-month period to €4.193k which corresponds to a deviation of approx. +51,5% compared to December 2022 (€2.767k). The increase in administrative costs can be explained by inflation, higher regulatory fees and new projects, at both individual and group level, which have risen the operating and advisory expenses.

Section 8

Heading 200 – Net provisions for risks and charges

8.1 Net provisions for risks and charges: composition of the net provisions for credit risk related to commitments to disburse funds and/or financial guarantees issued (in € k)

	31/12/2023			31/12/2022		
	Net provisions	**Net releases of surplus**	**Total**	**Net provisions**	**Net releases of surplus**	**Total**
Loan commitments	77	—	77	174	—	174
Financial guarantees issued	—	—	—	—	—	—
Total	**77**	**—**	**77**	**174**	**—**	**174**

Section 9

Heading 210 – Value adjustments in respect of tangible assets

9.1 Value adjustments in respect of tangible assets: composition (in € k)

Asset/Income	Depreciation (a)	Impairment (b)	Write-back (c)	Net result (a+b-c)
A. Property, equipment and investment properties				
1 For operational use	-106	—	—	-106
- Owned	—	—	—	—
- Licences acquired through leases	-106	—	—	-106
2 Held for investment purpose	—	—	—	—
- Owned	—	—	—	—
- Licences acquired through leases	—	—	—	—
Total 31/12/2023	**-106**	**—**	**—**	**-106**
Total 31/12/2022	**-104**	**—**	**—**	**-104**

Section 10

Heading 230 – Other operating income (expense)

10.1 Other operating income (expenses): composition (in € k)

	31/12/2023	31/12/2022
a) Leasing activity	—	—
b) Other expenses	—	-166
Total expense	—	**-166**
a) Amounts recovered from customers	—	—
b) Leasing activity	—	—
c) Other income	330	1.475
Total income	**330**	**1.475**
Net income (expense)	**330**	**1.309**

During the period no movements were recorded as “Other expenses” (compared to €-166k of December 2022). The caption “Other income” amounts to €+330k in December 2023 while €1.475k were recorded in December 2022 (as extraordinary one-off corporate lending commissions).

Section 11

Heading 300 – Income tax on the ordinary activity

11.1 Income tax on the ordinary activity: composition (in € k)

	31/12/2023	31/12/2022
1. Current tax expenses	-4.554	-2.680
2. Changes in current tax expenses of the previous years	—	—
3. Changes of deferred tax assets	-903	—
4. Changes of deferred tax liabilities	—	—
Total	**-5.457**	**-2.680**

Current tax expenses in the amount of €-5.457k consists of:

a) Corporate Income Tax ('CIT') charge for 2023 amounting to €-3.298k (€-1.956k in 2022);
b) Municipal Business Tax ('MBT') charge for 2023 amounting to €-1.223k (€-724k in 2022);
c) Withholding tax on dividend distributed to shareholder for €-33k (€ nil in 2022);
d) Deferred tax charges for €-903k due to the derecognition of the amount booked in this caption (€ nil in 2022), please see caption "*11.2 Deferred Tax Assets composition*" as a support.

PART E – OPERATING SEGMENT REPORTING

A. PRIMARY SEGMENT REPORTING

The Bank does not run separate accounts or reporting for individual divisions or other business segments, primary because the business is essentially focused on wholesale banking. Local management uses specific markets segment reporting (i.e. geographical, economic sector, ratings) to evaluate segment's income, expenses, assets, liabilities and so on in order to assess profitability and riskiness of the business. The Bank's segmental reporting is based on the following operating segments: corporate lending, leverage acquisition, project finance, other.

A.1 Financial statement by business segment (in € k)

		CORPORATE LENDING	EXPORT FINANCE	LEVERAGE FINANCE	PROJECT FINANCE	OTHER
10.	Cash and cash equivalents	226.002	-	201.397	2.003	-
20.	Financial assets valued at FVTPL	88.958	-	79.273	788	33.519
	a) Financial assets held for trading	*80.209*	-	*71.477*	*711*	-
	b) Financial assets designated at FV	*4.078*	-	*3.634*	*36*	-
	c) Other financial assets mandatorily at fair value	*4.671*	-	*4.162*	*41*	*33.519*
40.	Financial assets valued at amortised cost	2.570.477	-	2.290.627	22.780	-
	a) Due from banks	*1.183.160*	-	*1.054.348*	*10.485*	-
	b) Due from customers	*1.387.317*	-	*1.236.279*	*12.295*	-
50.	Hedging derivatives	5.336	-	4.756	47	-
70.	Equity investments	-	-	-	-	4.150
90.	Property, plant and equipments	-	-	-	-	1.173
110.	Tax assets	912	-	813	8	-
	a) current	*912*	-	*813*	*8*	-
	b) deferred	-	-	-	-	-
130.	Other assets	23.014	-	20.507	204	-
	Total assets at 31/12/2023	**2.914.699**	**-**	**2.597.373**	**25.830**	**38.842**
	Total assets at 30/06/2023	**2.632.648**	**-**	**2.917.061**	**21.315**	**5.365**
10.	Financial liabilities valued at amortised cost	-2.595.919	-	-2.313.300	-23.005	-
	a) Due to banks	*-749.743*	-	*-668.118*	*-6.644*	-
	b) Due to customers	*-1.092*	-	*-974*	*-10*	-
	c) Debt securities in issue	*-1.845.084*	-	*-1.644.208*	*-16.351*	-
20.	Financial liabilities valued at FVTPL	-38.312	-	-34.141	-340	-
30.	Financial liabilities designated at FV	-55.753	-	-49.684	-494	-
40.	Hedging derivatives	-140	-	-124	-1	-
60.	Tax liabilities	-7.124	-	-6.349	-63	-
	a) current	*-7.124*	-	*-6.349*	*-63*	-
	b) deferred	-	-	-	-	-
80.	Other liabilities	-4.158	-	-3.706	-37	-
100.	Provisions for risks and charges	-401	-	-357	-3	-
120.	Revaluation Reserves	462	-	411	4	-
140.	Equity instruments	-52.632	-	-46.902	-466	-
150.	Reserves	-169.275	-	-150.846	-1.500	-
170.	Share capital	-5.263	-	-4.690	-47	-
	Total liabilities at 31/12/2023 *	**-2.928.515**	**-**	**-2.609.688**	**-25.952**	**-**
	Total liabilities at 30/06/2023 *	**-2.626.399**	**-**	**-2.910.136**	**-21.265**	**-**

* Profit for the period excluded

Assets have been allocated on the basis of the originator business unit, while break down of liabilities has been performed following criteria of economic pertinence.

A.2 Comprehensive income data by business segment (in € k)

Items		CORPORATE LENDING	EXPORT FINANCE	LEVERAGE FINANCE	PROJECT FINANCE	OTHER
010.	Interests and similar income	80.642	-	71.862	715	-
020.	Interest expense and similar charges	-71.003	-	-63.273	-629	-
030.	**Net interest income**	**9.639**	-	**8.590**	**85**	-
040.	Fee and commission income	4.352	-	3.878	39	-
050.	Fee and commission expense	-4.139	-	-3.688	-37	-
060.	**Net fee and commission income**	**213**	-	**190**	**2**	-
080.	Net trading income/expense	-554	-	-494	-5	-
090.	Net hedging income/expense	152	-	136	1	-
100.	Gain or loss on disposal or repurchase of:	60	-	53	1	-
	a) financial assets valued at amortised cost	*61*	-	*54*	*1*	-
	b) financial assets valued at FVOCI	-	-	-	-	-
	c) financial liabilities	*-1*	-	*-1*	-	-
110.	Gain or loss on financial assets and liabilities	2.607	-	2.323	23	-
120.	**Total income**	**12.117**	-	**10.798**	**107**	-
130.	Adjustment for impairment to:	319	-	284	3	-
	a) financial assets valued at amortised cost	*319*	-	*284*	*3*	-
	b) financial assets valued at FVOCI	-	-	-	-	-
150.	**Net income from financial operations**	**12.435**	-	**11.082**	**110**	-
190.	Administrative expenses	-3.096	-	-2.759	-27	-
	a) personnel costs	*-890*	-	*-793*	*-8*	-
	b) other administrative expenses	*-2.207*	-	*-1.966*	*-20*	-
200.	Net provisions for risks and charges	41	-	36	-	-
210.	Value adjustments in respect of tangible assets	-55	-	-49	-	-
230.	Other operating income/expense	173	-	155	2	-
290.	**Profit (loss) of the ordinary activity before tax**	**9.498**	-	**8.464**	**84**	-
300.	Income tax on the ordinary activity	-2.872	-	-2.560	-25	-
330.	**Profit (loss) for the period**	**6.626**	-	**5.904**	**59**	-
340.	Other comprehensive income, net of tax	–	–	–	–	–
350.	**Profit (Loss) of the year 31/12/2023**	**6.626**	-	**5.904**	**59**	-
	Profit (Loss) of the year 30/06/2023	**8.784**	-	**9.733**	**71**	-

B. Secondary segment reporting

The Bank operates in four main geographical markets: Luxembourg, other European Countries, Americas and other EMEA countries (Asia). The following tables show the distribution of the Bank's financial and statement of comprehensive incomes based on the location of the customers for the period ended 31 December 2023.

B.1 Financial statement by geographical region (in € k)

		LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA
10.	Cash and cash equivalents	229.468	199.934	—	—
20.	Financial assets valued at FVTPL	110.631	79.829	12.078	—
	a) Financial assets held for trading	110.631	38.562	3.203	—
	b) Financial assets designated at FV	—	7.748	—	—
	c) Other financial assets mandatorily at fair valu	—	33.519	8.875	—
40.	Financial assets valued at amortised cost	305.280	3.685.017	838.821	54.766
	a) Due from banks	7.966	2.240.027	—	—
	b) Due from customers	297.313	1.444.990	838.821	54.766
50.	Hedging derivatives	—	10.139	—	—
70.	Equity investments	4.150	—	—	—
90.	Property, plant and equipments	1.173	—	—	—
110.	Tax assets	1.733	—	—	—
	a) current	*1.733*	—	—	—
	b) deferred	—	—	—	—
130.	Other assets	3	36.787	6.935	—
	A. Total assets at 31/12/2023	**652.438**	**4.011.706**	**857.835**	**54.766**
	A. Total assets at 30/06/2023	**834.812**	**3.536.070**	**1.149.100**	**56.406**
10.	Financial liabilities valued at amortised cost	-3.507.722	-1.424.502	—	—
	a) Due to banks	*-3*	*-1.424.502*	—	—
	b) Due to customers	*-2.076*	—	—	—
	c) Debt securities in issue	*-3.505.643*	—	—	—
20.	Financial liabilities valued at FVTPL	*-6.848*	*-65.349*	*-596*	—
30.	Financial liabilities designated at FV	*-105.931*	—	—	—
40.	Hedging derivatives	—	*-265*	—	—
60.	Tax liabilities	-13.536	—	—	—
	a) current	*-13.536*	—	—	—
	b) deferred	—	—	—	—
80.	Other liabilities	-601	-6.801	*-499*	—
100.	Provisions for risks and charges	-39	-630	-78	*-13*
120.	Revaluation reserves	877	—	—	—
140.	Equity instruments	-100.000	—	—	—
150.	Reserves	-321.621	—	—	—
170.	Share capital	-10.000	—	—	—
	B. Total liabilities at 31/12/2023 *	**-4.065.422**	**-1.497.547**	**-1.173**	**-13**
	B. Total liabilities at 30/06/2023 *	**-3.390.283**	**-2.167.380**	**-137**	**—**

* Profit for the period excluded

B.2 Statement of comprehensive income by geographical region (in € k)

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA
Net interest income	-56.524	37.343	35.502	1.994
Net fee and commission income	200	-346	550	-0
Net trading income/expense	21.615	-10.959	-10.775	-935
Net hedging income/expense	-5.134	5.423	—	—
Gains (losses) on disposal or repurchase of:	-87	107	94	—
Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	630	231	—	4.093
Value Adjustments - impairment	281	-166	490	1
Administrative expenses	-2.753	-3.115	-15	—
Net provisions for risks and charges	-27	90	27	-13
Value adjustments in respect of tangible assets	-105	—	—	—
Other operating income/expense	7	323	—	—
Income tax	-4.521	—	-936	—
Profit (Loss) of the year 31/12/2023	**-46.419**	**28.932**	**24.937**	**5.139**
Profit (Loss) of the year 30/06/2023	**-23.148**	**-47.943**	**82.567**	**7.112**

PART F - SUBSEQUENT EVENTS

The Bank is not aware of any subsequent events (other than those already reflected in the interim financial statement), that occurred between 31 December 2023 and the date when the present interim financial statements were authorised for issue.

ANNEX I

RECONCILIATION BETWEEN OFFICIAL AND RESTATED INTERIM FINANCIAL STATEMENTS

Executive summary

The management report includes a restated statement of financial position and a restated statement of comprehensive income to support management commentary and evaluation over the results achieved during the course of the six months financial period. A reconciliation between the official and the restated financial statements is set hereunder to facilitate lectors’ review and understanding.

1.1 Statement of financial position as at 31 December 2023 (in € k)

		Total assets (restated)						
31/12/2023		Financial assets at FVTPL	Treasury Investments	Debt securities - banking book	Loans and advances	Equity Investments	Tangible assets	Other assets
10. Cash and cash equivalents	429.402	—	429.402	—	—	—	—	—
20. Financial assets valued at FVTPL	202.539	152.397	—	—	16.623	33.519	—	—
40. Financial assets valued at amortised cost	4.883.884	—	1.096.789	1.021	3.786.074	—	—	—
50. Hedging derivatives	10.139	—	—	—	—	—	—	10.139
70. Equity investments	4.150	—	—	—	—	4.150	—	—
90. Property, plant and equipment	1.173	—	—	—	—	—	1.173	—
110. Tax assets	1.733	—	—	—	—	—	—	1.733
130. Other assets	43.724	—	—	—	—	—	—	43.724
Total assets	**5.576.744**	**152.397**	**1.526.191**	**1.021**	**3.802.697**	**37.669**	**1.173**	**55.596**

		Total liabilities (restated)						
31/12/2023		Loans and borrowings	Debt securities issued	Treasury borrowings	Fin. liabilities at FVTPL	Other liabilities	Prov. for risks and charges	Net equity and profit
10. Financial liabilities valued at amortised cost	4.932.224	2.374.368	2.534.532	21.294	—	2.030	—	—
20. Financial liabilities valued at FVTPL	72.793	—	—	—	72.793	—	—	—
30. Financial liabilities designated at fair value	105.931	—	105.931	—	—	—	—	—
40. Hedging derivatives	265	—	—	—	—	265	—	—
60. Tax liabilities	13.536	—	—	—	—	13.536	—	—
80. Other liabilities	7.902	—		—	—	7.902	—	—
100. Provisions for risks and charges	761	—	—	—	—	—	761	—
120. Valuation Reserves	-877	—	—	—	—	—	—	-877
140. Equity instruments	100.000	—	—	—	—	—	—	100.000
150. Reserves	321.621	—	—	—	—	—	—	321.621
170. Share capital	10.000	—	—	—	—	—	—	10.000
200. Profit (Loss) of the year	12.588	—	—	—	—	—	—	12.588
Total liabilities and shareholders’ equity	**5.576.744**	**2.374.368**	**2.640.463**	**21.294**	**72.793**	**23.733**	**761**	**443.332**

2.1 Statement of comprehensive income as at 31 December 2023 (in € k)

31/12/2023		Statement of comprehensive income (restated)							
		Net interest income	**Net trading income**	**Net fee and commission income**	**Wages and salaries**	**Other administrative expenses**	**Loans impairment**	**Provision for other financial assets**	**Fiscal provision**
010. Interests and similar income	153.219	153.219	—	—	—	—	—	—	—
020. Interest expense and similar charges	-134.905	-134.905	—	—	—	—	—	—	—
030. Net interest income	**18.314**	**18.314**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
040. Fee and commission income	8.268	—	1.443	6.825	—	—	—	—	—
050. Fee and commission expense	-7.863	—	-585	-7.278	—	—	—	—	—
060. Net fee and commission income	**405**	**—**	**858**	**-453**	**—**	**—**	**—**	**—**	**—**
080. Net trading income (expense)	-1.053	-1.161	108	—	—	—	—	—	—
090. Net hedging income (expense)	289	289	—	—	—	—	—	—	—
100. Gain or loss on disposal or repurchase of:	114	—	114	—	—	—	—	—	—
110. Gain or loss on instruments designated at FVTPL	4.954	—	4.954	—	—	—	—	—	—
120. Total income	**23.023**	**17.442**	**6.034**	**-453**	**—**	**—**	**—**	**—**	**—**
130. Adjustment for impairment to:	605	—	—	—	—	—	774	-169	—
150. Net income from financial operations	**23.628,0**	**17.442**	**6.034**	**-453**	**—**	**—**	**774**	**-169**	**—**
190. Administrative expenses	-5.884	—	—	—	-1.691	-4.193	—	—	—
a) personnel costs	-1.691	—	—	—	*-1.691*	—	—	—	—
b) other administrative expenses	-4.193	—	—	—	—	*-4.193*	—	—	—
200. Net provisions for risks and charges	77	—	—	—	—	—	77	—	—
210. Value adjustments in respect of tangible assets	-106	—	—	—	—	-106	—	—	—
230. Other operating income (expense)	330	—	—	330	—	—	—	—	—
290. Profit (loss) of the ordinary activity before tax	**18.045**	**17.442**	**6.034**	**-123**	**-1.691**	**-4.299**	**851**	**-169**	**—**
300. Income tax on the ordinary activity	-5.457	—	—	—	—	—	—	—	-5.457
330. Profit (loss) for the period	**12.588**	**17.442**	**6.034**	**-123**	**-1.691**	**-4.299**	**851**	**-169**	**-5.457**
340. Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—
350. Comprehensive income (loss) for the year, net of tax	**12.588**	**17.442**	**6.034**	**-123**	**-1.691**	**-4.299**	**851**	**-169**	**-5.457**