MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

RCSL n. B112885

Financial Statements
30 June 2024

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)

SOCIETE ANONYME

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

Annual General Meeting
21 October 2024

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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

CONTENTS

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 AS AT 30 JUNE 2024

MANAGEMENT REPORT

DEVELOPMENT IN MACROECONOMIC SCENARIO

During the financial year 2023/24, the global economy continued to expand moderately despite generally restrictive monetary policies (with exception of Japan). Geopolitical uncertainty remained high due to conflicts in nearby regions (such as the Russo-Ukrainian conflict and the one between Israel and Palestinian armed organizations) that traditionally had not been affected by large-scale armed clashes.

In the second half of the year, there were signs of consolidation in global growth. Contributing factors included the *friendshoring* of production activities from Asia, which involves strategically relocating production and supply centers to countries that ensure stability. Additionally, Chinese authorities exerted tighter control over the local economy, and there were prospects of easing monetary restrictions in various jurisdictions. In the latter half of the year, as the disinflationary process advanced and related perspectives on monetary authorities' attitudes evolved, the risk orientation shifted from negative to balanced. However, the heterogeneity of growth among advanced countries remained evident: the US economy demonstrated resilience, the European Union encountered sluggish growth, while China's one significantly decelerated, and Japan faced contraction phases.

Specifically, in the first half of the year, q/q variations in GDP recorded were 1.0% in the US, 1.5% in China, -0.1% in the Eurozone, and -0.5% in Japan.

In Western economies, the actions taken by central banks to restrain economic activity and bring inflation back towards the economic policy target have begun to take effect, cooling growth in the US and keeping it at modest levels in the Eurozone.

In the third quarter, global growth stabilized at levels consistent with the pre-pandemic period (at 0.9% q/q), while the US experienced a decrease (at 0.3%), China and the Eurozone showed substantial stability (at 1.6% and 0.3% respectively), and Japan saw a weakening of growth, which was already negative on average in the previous semester (-0.7%).

For the last quarter of the fiscal year, surveys on manufacturing sector confidence confirmed the outlined trajectories. The average growth in the second semester stands at 0.5% q/q for the US, 1.1% in China, 0.3% in the Eurozone, and 0.1% in Japan, indicating generally modest growth for the coming quarters.

The disinflation process has affected all regions at different speeds and with varying characteristics. Excluding energy and food sectors, inflation in the Eurozone began to decline about three quarters after the peak recorded in the US, with a sharper rate of decrease due to production processes that have become less sensitive to supply chain frictions in recent years and a demand that is certainly less robust than that of the US (from 5.5% y/y at the beginning of the fiscal year to 2.9% in June 2024 for the Eurozone, compared to a decrease from 4.7% to 3.3% over the same period for the US).

In this context, stock prices remained weak in the first quarter of the year (MSCI World Index -4.3%) until it became clear that central banks were succeeding in their attempt to orderly bring inflation under control without excessive slowdowns in growth (the so-called soft landing). Starting from the second quarter, the growth in global stock prices led the index to an overall performance comparable to the previous year (MSCI World Index +18.4% compared to +15.2% in 23/24). The Far Eastern markets generally followed the global index but with less growth (MSCI Asia Pacific at +10.6%), hindered by the performance of the Chinese component, which worsened the overall performance (MSCI China at -4.5%). The European index showed a similar trend with a substantially flat performance in the last quarter due to the economic slowdown induced by the weak international economic situation.

The general level of government bond yields experienced significant fluctuations in the first half of the fiscal year in both the US and Europe due to uncertainty about the effectiveness of economic policy actions on growth in these jurisdictions. The US 10-year government bond yield rose by 73bps from 3.84% to 4.57% in the first quarter of the fiscal year, then fell by 69bps in the second quarter, and finally settled on a more stable growth path in the second half of the year, closing at 4.40%. A similar trend was observed for the German 10-year yield, which rose by 45 bps in the first quarter (to 2.84%), fell by 82bps in the second quarter (to 2.02%), and closed the fiscal year at 2.50% (for an overall change of +11 bps y/y).

During the complex process of stabilizing the real estate sector and consolidating the confidence of households and businesses, interest rates in the Chinese economy showed a predominantly downward trend throughout the fiscal year, with a more pronounced change in the second half. The 10-year benchmark rate fell from 2.64% to 2.20% over the 12-month period.

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The performance of the European economy during the fiscal year was influenced by the decreasing domestic demand driven by savings accumulated during the pandemic, the unfolding of new supply chains (the so-called *friendshoring*), and the continuation of the disinflation process initiated in the middle of the previous fiscal year. In the final part of the year, the results of the French National Assembly elections introduced an element of political uncertainty, which began to impact the risk premium on government bonds and risky assets in the country. Nevertheless, the economic growth path was supported by the Next Generation EU (NGEU) program, which has confirmed some critical issues in transitioning from the planning phase to the implementation phase. The trend in price dynamics has been influenced by production-side adjustments that have facilitated a reduction in the cost base. Notably, the positive evolution of wage dynamics, despite growing and being supported by low unemployment, has dispelled fears of a full recovery of lost purchasing power during the high inflation period in the second half of the fiscal year. As reported, the annual harmonized consumer price index in the Eurozone fell from 5.5% to 2.5% over the 12 months. Meanwhile, the core inflation rate, also decreasing, dropped from 5.5% to 2.9%.

The quarterly GDP growth during the fiscal year showed a slight contraction of 0.1% q/q on average in the first half of the year, followed by an improvement to 0.3% q/q on average in the second half. The immediate growth prospects for Europe remain tied to the economic consequences of the Russia-Ukraine conflict, political developments in France, and the dynamics of Chinese growth.

In the described context, the ECB has stabilized the degree of tightening of financial conditions with a reference rate at 4% and a reduction of €7.5 billion per month in the stock of securities accumulated during the expansionary phases of the rapid increase in reference rates. In conducting monetary policy, the central bank has abandoned the "forward guidance" (i.e. the commitment to pursue a policy for a set period or until certain conditions are met) in favor of an approach based on information gathered between meetings, which is inherently reactive and flexible.

The modest level of economic growth, the decline in inflation, the low unemployment rate, and the positive attitude towards risky assets have led to the following during the fiscal year:

— the stabilization of market inflation expectations in the second half of the year: at 5 and 10 years, they fluctuated with modest deviations around 2.5% in the first quarter of the fiscal year, then moved to between 2% and 2.2% in the second quarter, and stabilized at these levels in the second half of the fiscal year;

— The rise in stock prices: Euro Stoxx 600 increased by 10.7%, the indices of Italy, Spain, and Germany rose between 17.4% and 12.9%, while the French index was affected by political uncertainty, ending virtually unchanged over the 12 months (+1.1%);

— the consistent narrowing of European government bond spreads interrupted only by the emergence of political risk in France; the Italian 10-year spread tightened by approximately 38bps to 133bps at the beginning of June, then widened by 27bps in the last month of the fiscal year. The Spanish spread tightened by about 30bps to 73bps, then widened by 20bps, while the French spread tightened by around 6bps to 47bps, then widened by 32bps;

— the narrowing of the high-yield credit spread; the Xover decreased from 404bps to approximately 326bps by the end of June 2024, with a significant increase from around 290bps at the beginning of the month, and the equivalent in the US decreased from 429bps to 343bps;

— The stability of the EUR, whose fluctuations remained within a range of 1,05 to 1,12 against the USD and between 100,0 and 97,7 in the trade-weighted average exchange rates with other currencies. Overall, it showed a weakening of approximately 1,1% against the USD and 0,5% against trade partners over the year.

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GENERAL PRINCIPLES OF DRAWING UP THE MANAGEMENT REPORT

The Bank's 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 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 Alternative Performance Measures (e.g. ROE, ROA, watch list ratio) which are deemed useful and appropriate to provide additional qualitative and quantitative metrics on the performance achieved by the institution over the financial year. Although some of the above-mentioned information is not directly traceable to the official financial statements, a description of their content so as a reconciliation with the method of calculation (in line with the ESMA guidelines on Alternative Performance Measures published on 5 October 2015) is presented in Annex II.

[1] Please refer to page 49 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).

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Financial assets at FVTPL	141,2	131,7	7,2%
Treasury investments	1.624,2	1.431,2	13,5%
Debt securities - banking book	-	0,9	-100,0%
Loans and advances	5.031,9	3.994,5	26,0%
Investments	88,9	4,2	2016,7%
Tangible assets	1,1	1,2	-8,3%
Other assets	16,3	12,7	28,3%
Total Assets	**6.903,5**	**5.576,4**	**23,8%**
Loans and borrowings	3.050,7	2.834,5	7,6%
Debt securities issued	3.187,4	2.196,3	45,1%
Treasury borrowings	127,2	5,4	2255,6%
Trading Liabilites	53,9	60,1	-10,3%
Other liabilities	34,1	23,6	44,5%
Provisions for risks and charges	0,8	0,8	0,0%
Net equity	429,7	437,0	-1,7%
Net profit	19,7	18,6	5,9%
Total Liabilities	**6.903,5**	**5.576,4**	**23,8%**

ASSETS

On the balance-sheet side, total assets amounted to € 6,903bn at 30 June 2024 (5,576bn in June 2023), with the main items reflecting the following performances:

- Stable volumes in terms of loans granted to corporates, mainly due to the new contest of high interest rates and the unexpected prepayments (or partial reimbursements), while the loans and advances to credit institution increased of approx. €1bn;
- Term Deposits remain quite stable from €1.051,7m of June-23 to €1.018,6m of Jun-24 (€-33,1m);
- Cash balance increased from €372,4m as at 30/06/23 to €596,5m as at 30/06/24.

<u>Financial assets at FVTPL</u> – the carrying value of financial assets at fair value through profit or loss increased by +7,2%, 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 € 68,5m (€ 65,6m at 30 June 2023) while the carrying amount of debt securities (CLOs instruments) increased of +€6,6m). 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.

<u>Treasury investment</u> – the carrying value of treasury investments has increased compared to June 2023 from € 1431,2m to € 1.624,1m (+13,5%) mainly as a consequence of liquidity reinvestment by means of money market instruments. In details:

- Cash available at Central Bank amounts remain stable over the year (€ 231,7m in Jun-24 vs € 230,6m previous year), allowing to strengthen the LCR metric;
- Demand deposits with banks amounts to € 373,6m which corresponds to an increase of +151,1% compared to June 2023 (stood at € 148,8m);
- Term deposits with the Parent Bank decreased of -3,1% compared to June 2023;

Other treasury exposures are negligible in terms of outstanding carrying values (and substantially stable compared to June 2023).

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Cash available at Central Bank	231,7	230,6	0,5%
Demand deposits	373,6	148,8	151,1%
Term deposits	1.018,6	1.051,7	-3,1%
Other money market operations	0,2	0,2	0,0%
Treasury investments	**1.624,2**	**1.431,2**	**13,5%**

Debt securities – this item of the reclassified statement of financial position amounts to nil (€ 0,9m in June 2023 as a consequence of debt securities expired.

Loans and advances – the carrying value of loans and advances has increased compared to June 2023 (+26,0%), from € 3.994,5m to € 5.031,9m). The institution's 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 an increase from € 678,1m at the end of June 2023 to € 862,2m at the end of June 2024 (+27,1%).

Net carrying value of non-performing exposures (i.e. net book value after any impairment recognition) corresponds to € 12,8m.

The quality of the credit portfolio remains satisfactory, as demonstrated by the value of the standard Texas ratio which stands at 3,7% (1,30% at the end of June 2023) but we can assume it equals to be nil considering the non-performing exposure net of the full guarantee of the Italian Export Credit Agency (SACE).

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Loans and receivables (banks)	2.012,7	808,5	148,9%
of which: non performing	*0,0*	*0,0*	n.a.
Loans and receivables (customers)	3.019,2	3.186,0	-5,2%
of which: non performing	*12,8*	*4,7*	172,3%
Loans and advances	**5.031,9**	**3.994,5**	**26,0%**

Investment – in September 2011, the Bank purchased via a share deal all the 1.000 shares of Jodewa S.à.r.l. (following renamed as Mediobanca International Immobilière S.à.r.l.) a company owning the building where the Bank has moved its head office in April 2012. In February 2020, an independent evaluation was carried out by a primary real estate advisor to assess the presence of any impairment indicator and, in particular, whether the carrying amount of the immovable property may be higher than its recoverable amount. The evaluation report has largely confirmed the fairness of the Bank's carrying amount. The management assessed the evolution of the real estate market and no indication of possible impairment occurred since the last assessment in February 2020.

Other assets – this item of the reclassified statement of financial position increased from € 12,7m at the end of June 2023 to € 16,3m at the end of June 2024 (approximately +28.3%) and is composed by (i) fair value of hedging derivatives, (ii) tax assets, and (iii) other receivables. In details:

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Hedging derivatives	3,4	-	n.a.
Tax assets	2,6	1,8	44,4%
Transitory accounts and other receivables	10,3	10,9	-5,5%
Other assets	**16,3**	**12,7**	**28,3%**

The fair value of hedging derivatives increased as a result of a better management of the bonds issued over the year, together with lowering interest rates dynamic in the second part of the fiscal year. Considering that in December, the Bank decided to reclassify the total deferred tax assets - recognised in the net equity result from the FTA of IFRS 9 - in the P&L, tax assets increased due to advance payments for Net Wealth Tax due in the course of the financial year. Transitory accounts and other receivables remain quite stable as a result of the receivables generated in the context of the asset encumbrance, where payments received on the financial instruments posted as collateral are initially collected by the third-party lenders (i.e. collateral receiver) and subsequently transferred to the Bank (i.e. the collateral giver) in accordance with the contractual arrangements in place. This kind of transactions create various suspended amounts which are generally cleared in a very short period of time (indeed most of the receivables accounted at the end of June were already cleared in August 2024).

LIABILITIES

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

Loans and borrowings – the carrying value of loans and borrowings increased from € 2.834,5m (June 2023) to € 3,050,6m (June 2024). In detail:

- decrease in loans due to banks from €2.098,5m to €1,844,7m 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 June 2024 due to a reimbursement of intercompany position;
- Borrowings under the commercial paper program stands at €1,206,6m, approx. +63%;

- Change in fair value of hedged debt instruments valued at amortised costs increased from € -5,1m (June 2023) to € -0,7m (June 2024) as the decrease in interest rates drove an improvement in the fair value of fixed-rate funding.

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Amount due to banks	1.844,7	2.098,5	-12,1%
Amount due to customers	-	1,0	-100,0%
Commercial papers	1.206,6	740,1	63,0%
CFV notes issued	-0,7	-5,1	-86,3%
Loans and borrowings	**3.050,7**	**2.834,5**	**7,6%**

Debt securities issued – the carrying value of notes issued under the existing medium-term programmes increased by 45,1%, from € 2.196,3m (June 2023) to € 3.187,4m (June 2024), of which the most relevant change affected the "non structured notes" (+43,2%). As regards the debt securities within the financial liabilities designated at fair value, the increase is due to the issuance of instruments over the year (+ € 40,7m, compared to June 23).

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Debt securities issued - non structured	3.049,9	2.130,4	43,2%
Debt securities issued - structured	12,9	1,2	975,0%
Debt securities valued at FVO	124,6	64,7	92,6%
Debt securities issued	**3.187,4**	**2.196,3**	**45,1%**

Treasury borrowings – this item of the reclassified statement of financial position increased compared to June 2023 from € 5,4m to € 127,2m at June 2024) primarily by reason of the time deposits borrowings with the Parent Bank, which moved from € 0m to € 47,4m and by the new funding collected from customers (approx. €60,1m). The rest of the outstanding balance as at 30 June 2024 is attributable to the cash collateral received under two-way credit support annex (CSA) agreement with the Parent Bank for a carrying value of € 18,6m (€ 4,6m as at June 2023).

Trading liabilities – the carrying value of financial liabilities at fair value through profit or loss (FVTPL) decreased from € 60,1m at the end of June 2023 to €53,9m at the end of June 2024, 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.

Other liabilities – this item of the reclassified statement of financial position increased from € 23,6m at the end of June 2023 to € 34,1m at the end of June 2024, who is composed of (i) hedging derivatives, (ii) tax liabilities and (iii) transitory accounts and other payables. In details:

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Hedging derivatives	3,0	2,7	11,1%
Tax liabilities	12,1	9,0	34,4%
Other payables	19,0	11,9	59,7%
Other liabilities	**34,1**	**23,6**	**44,5%**

While the fair value of hedging derivative instruments remains in line with June 2023, the positive result of the current fiscal year has led to a CIT and MBT liability for a total of €4.526k; this amount was partially mitigated by the fiscal treatment of the interests on the AT1 instrument, who generated a deduction applied this year resulting in an adjustment to the provision booked in the previous fiscal year (for a total amount of €1.434k). Transitory accounts and other payables increased of +€ 7,1m, 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 with June 2023 (€-38k), due to loan commitments remained stable over the FY as well as the credit quality, in particular S2.

Net equity – Total profit of the financial year ended 30 June 2023 were distributed as dividend to Parent company: the aggregate decreased from €437,0m to €429,7 For further details please see statement of changes in equity.

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.

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Net interest income	29,8	25,4	17,3%
Net trading income	1,4	-1,9	-173,7%
Net fee and commission income	0,0	8,9	-100,0%
TOTAL INCOME	**31,2**	**32,4**	**-3,7%**
Wages and salaries	-3,3	-2,7	22,2%
Other administrative expenses	-8,4	-9,2	-8,7%
OPERATING COSTS	**-11,7**	**-11,9**	**-1,7%**
Loans impairment	0,3	4,1	-92,7%
Provisions for other financial assets	-0,4	0,2	-300,0%
Other profit (losses)	4,3	–	n.a.
PROFIT BEFORE TAX	**23,7**	**24,8**	**-4,4%**
Fiscal provision	-4,0	-6,2	-35,5%
TOTAL COMPREHENSIVE INCOME	**19,7**	**18,6**	**5,9%**

Net interest income – net interest income increased from PY € 25,4m to € 29,8m. During the reference period, the different components performed as follows:

- interest income and similar income from lending activities stands at €267,8m (€193,5m at June 23) driven by the sharp rise in interest rates, also supported by the reduction in the guarantee fees received by Parent Company (approx. €8m);
- interest expense and similar charges from borrowing activities increased from € -176,0m to € -246,2m, mostly as a consequence of higher average cost of funding (base rates), which impacted both debt securities issued as well as loans due to banks;
- the abovementioned effects are supported by the positive performance of the treasury activities in line with the PY to approx. €+8,2m.

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Interest income - lending	267,8	193,5	38,4%
Interest expense - funding	-246,2	-176,0	39,9%
Net interest income (expense) - Treasury	8,2	7,9	3,8%
Net interest income	**29,8**	**25,4**	**17,3%**

Net trading income – the performance originated from trading activities over the FY reverses its contribution from €-1,9m to €-1,4m as at June 2024. The foregoing was essentially a consequence of the following:

- a flat contribution performed by realized and unrealized items, totalling €-0,1m;
- a positive contribution from the exchange rates exposures revaluation (€+1,4m), in opposite situation of June 23 (€-1,5m);

- gain realized on disposal of financial asset at amortised cost equals to € +0,6m (€ +0,5m in June 2023);
- assets and liabilities designated at FV realized a loss equals to €-0,3m (€ +1,3m);
- net fee income generated by securities lending transactions amounts to €+1,9m in line with the previous figures (€+2,0m).

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Derivatives - realised gains and losses	-1,2	-4,7	-74,5%
Derivatives - unrealised gains and losses (mtm)	-1,1	0,5	-320,0%
Forex gains and losses	1,4	-1,5	-193,3%
Gain/loss on disposals/repurch. of A.C. instrument	0,6	0,5	20,0%
Gain/loss on instruments designated at FVTPL	-0,3	1,3	-123,1%
Securities lending/borrowing	1,9	2,0	-5,0%
Net trading income (expense)	**1,4**	**-1,9**	**-173,7%**

Net fee and commission income – this item of the reclassified statement of comprehensive income, which remains mostly driven by corporate lending and treasury services, decreased significantly to €-0,1m (vs €+8,9m of previous year). Despite the stable performance of the fees receivable from €15,2m of June 23 to €15,5m of June 24, the Bank recorded significant negative fees, in particular with reference to structuring/origination fees on bonds issued over the FY as well as their surety fees (payable fees moved from €7,2m in FY 22/23 to €17,0m in FY 23/24).

	30/06/2024	30/06/2023	Chg.
	€m	€m	%
Fee and commission income	15,5	15,2	2,0%
Fee and commission expense	-17,1	-7,2	137,5%
Other income (expense)	1,5	0,9	66,7%
Net fee and commission income (expense)	**0,0**	**8,9**	**-100,0%**

Operating costs – this item of the reclassified statement of comprehensive income decreased by -1,7%, from € -11,9m to € -11,7m. In details:

- expenditure on salaries totalled €-3,3m which corresponds to an increase of approx. €+0,6m compared to June 2023, mainly due to salary review and to wages indexation approved by Luxembourgish Government;
- administrative expenses increased from €-6,3m to €-8,1m principally by reason of the increasing cost coming from the service agreement expenses with Parent (IT services and regulatory compliance costs) as well as cost pertaining to Group projects.

- 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.
- Compared to June 2023, no contributions were collected from banks in 2024, as the SRB confirmed that the financial means available in the Single Resolution Fund (SRF) at 31 December 2023 reached the target level of at least 1% of covered deposits held in the Member States participating in the Single Resolution Mechanism.

	30/06/2024	**30/06/2023**	**Chg.**
	€m	**€m**	**%**
Personnel expenses	-3,3	-2,7	22,2%
Administrative expenses	-8,1	-6,3	28,6%
Amortisation	-0,2	-0,2	0,0%
Other expenses	-0,1	-0,3	-66,7%
Contribution to the SRF	0,0	-2,4	-100,0%
Operating costs	**-11,7**	**-11,9**	**-1,7%**

Loans impairment – Impairment provisions for credit exposures worth a positive effect of €0,3m, €-3,8m compared to June 23. The barely positive contribution due to the releases of impairment through repayment of S2 exposures as well as the secondary sales was partially offset by new entry counterparties. In addition, overlay effect stands at €0,26m in June 2024 compared to €0,45m in June 2023.

As far as impairment provisions for "other financial assets" is concerned, a negative contribution of approx. €0,3m is due to the higher average volumes of current accounts and time deposits used to manage the excess liquidity with Parent Company. Stage 3 remained stable.

Other profit (loss) – It worth mentioning that the Bank realized over the year a positive result throughout the selling of NPL exposure (approx. €4,3m), restated in this item in light of its remarkable and extraordinary nature.

Fiscal provision – corresponds to €4,0m (€6,2m at the end of June 23). Despite the Profit before taxes is in line with the previous year, the lower provision is generated both a positive adjustment on the AT1 interests fiscal treatment (it worth approx. €2,8m), partially offset by the release of DTA made in H 1 and equals to €0,9m.

Throughout the observation period, Mediobanca International's liquidity indicators amounted to 202.8% (compared with 164,9% at 30 June 2023) for the LCR and to 106,5% (compared with 106,7% at 30 June 2023) for the NSFR. The two ratios have been calculated using a methodology which is consistent with the Group internal regulations.

ALTERNATIVE PERFORMANCE MEASURES

The results achieved at the end of the financial year are accompanied by the soundness of the capital ratios (CET1 ratio is equal to 15,0%), 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	
	30/06/2024	30/06/2023
Common Equity Tier1 Capital Ratio (in %)	13,4	15,0
Total Capital Ratio (in %)	19,8	22,4
Leverage Ratio (in %)	5,5	6,9
Total risk exposure amount (in Euro million)	2.456,4	2.238,1

LIQUIDITY RATIOS

	12 months to	
	30/06/2024	30/06/2023
Liquidity Coverage Ratio (in %)	202,8	164,9
Net Stable Funding Ratio (in %)	106,5	106,7

PROFITABILITY RATIOS

	12 months to	
	30/06/2024	30/06/2024
ROE - Return On Equity (in %)	6,0	5,5
ROA - Return On Assets (in %)	0,3	0,3

In the broader context of an efficient capital allocation, taking into account the dynamics of the business in recent years and the growth of the Bank's core activity, in order to operate with an adequate amount of capital in compliance with the minimum regulatory requirements, in coordination with the Parent Bank, in December 2021 the Bank issued an AT1 instrument of €100m that, after approval by the Regulatory Authorities, strengthened Tier1 capital of Mediobanca International and improved Leverage Ratio at an individual level.

SIGNIFICANT EVENTS

Significant events that have taken place during the twelve months under review include:

– In December 2023, the CSSF notified the Bank about the determination of the minimum requirement for own funds and eligible liabilities (‘MREL’) at individual level. In particular, the binding MREL determination by the Single Resolution Board (‘SRB’) for Mediobanca International - which shall be met at all times - is equal to 8% of the *total risk exposure amount* (“TREA”) and 3% of the *leverage ratio exposure* (“LRE”). A transitional period is not applicable, given that Mediobanca International already meets the aforementioned MREL target as of the date of the decision.

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.

The corporate bodies are as follows:

- General meeting of Shareholders;
- Board of Directors;
- Authorised Management;
- Audit Committee;
- Credit Committee.

General meeting of Shareholders

The General Meeting is the highest decision-making body and is vested with the broadest powers to perform, authorize or ratify all acts concerning the bank. In accordance with the Articles of Association, the annual general meeting is held in Luxembourg at the registered office of the Bank (or at any other place in the municipality of Luxembourg to be indicated in the notice of meeting) within six months from the end of each financial year. Further ordinary or extraordinary general meeting(s) can be held during the year, if necessary, in accordance with the provisions of the Articles of Association.

The General Meeting resolves on the following matters, among others:

- Approval of the financial statements and allocation of profit;
- Discharging members of the Board of Directors and the Authorised Management from liability;
- Setting the number of Board members and their appointment;
- Establishing the remuneration of the Board of Directors;
- Endorsement of those transactions that by law must be approved by shareholders in general meeting.

Only holders of registered shares, as recorded in the register of shareholders, are authorised to take part and vote in General Meeting. Moreover, they may choose to be represented in the General Meeting under a proxy issued in writing or electronically where this is permitted by the regulations in force and in accordance with them, without prejudice to grounds of incompatibility and within the limits provided by law. Proxies may also be issued free of charge, along with instructions on how to vote on all or some of the items on the agenda.

The Bank has not adopted a specific set of regulations for holding General Meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

Board of Directors

The Board of Directors is collectively responsible for the long-term success of the bank. In accordance with the Articles of Associations, the Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the bank's interest. All powers not expressly reserved by law or by the Articles of Associations to the General Meeting of Shareholders are within the competence of the Board of Directors. In particular, it has full powers to decide on all transactions pertaining to the object of the company, as well as on all contributions, transfers, subscriptions, partnership, associations, participations or financial interventions with respect to such operations.

The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and Luxembourg law. According to the Articles of Association, the Board of Directors is composed of at least three members who do not have to be Shareholders and who are elected by General Meeting of Shareholders for a term of office as determined by the Shareholders but not exceeding six years. The Board is composed of seven Directors who have been originally appointed for a term of office three years.

Directors can be removed from office at any time by a simple resolution of a majority of Shareholders voting in general meeting. In the event of a vacancy in the office of a Director, the remaining Directors may, under the conditions established by the law, temporarily fill such vacancy. In such a case the first general meeting of Shareholders following the temporary appointment ratifies such appointment.

The Board's leadership responsibilities involve working with management to set corporate values and to develop strategy, including the definition of the risks it is prepared to take in pursuing its strategic objectives. Its oversight responsibilities involve it in providing constructive challenge to the management team in relation to operational aspects of the business, including approval of budgets, and probing whether risk management and internal controls are sound.

According to the Articles of Associations currently in force, the Board of Directors is supported by an Audit Committee in overseeing internal control and financial reporting, whereas management of the bank's current operations is delegated to the Credit Committee and to the Authorised Management who exercise such powers in accordance with the strategic guidelines and direction formulated by the Board. The following matters, however, remain within the sole purview of the Board of Directors:

- approval of strategic guidelines and directions, business and financial plans, budgets, risk management and internal control policies;
- approval of quarterly, semi-annual and annual accounts;
- appointment of the Authorised Management and establishment of powers;
- appointment of the other key function holders (e.g. Chief Compliance Officer, Chief Risk Officer, Chief Internal Auditor);
- appointment of the Audit Committee and establishment of powers;
- appointment of the Credit Committee and establishment of powers;
- approval of or amendment to internal regulations.

The Board of Directors of Mediobanca International was appointed by Shareholders in a General Meeting held on 19 October 2023 for the period ending with the Annual General Meeting to be called to approve the annual accounts as at 30 June 2026.

The Board of Directors elects a Chairman from among its members. The Chairman's primary responsibility is to lead the Board and to ensure that it has a common purpose and is effective as a group and at individual Director level. The Chairman also ensures that the Board and the Management have a full understanding of the views of the Shareholders.

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), Erika Botticella, Vanessa Labérenne, Piero Pezzati (independent) 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.

During the fiscal year, the Board of Directors was convened 5 (five) times and passed 3 (three) circular resolutions. The attendance rate of the meetings was 97%[2].

Position	Member	Term of office		Gender (M/F)	Executive (Y/N)	Independent (Y/N)	Attendance rate (%)	Other Directorships (*)
		Since	Until					
Chairman	Giovanni Mancuso	19 October 2023	Approval of the financial statement as at 30 June 2026	M	N	Y	100%	3
Managing Director	Alessandro Ragni	19 October 2023	Approval of the financial statement as at 30 June 2026	M	Y	N	100%	-
Director	Massimo Amato	19 October 2023	Approval of the financial statement as at 30 June 2026	M	N	Y	100%	2
Director	Erika Botticella	15 January 2024	Approval of the financial statement as at 30 June 2026	F	N	N	100%	-
Director	Vanessa Labérenne	15 January 2024	Approval of the financial statement as at 30 June 2026	F	N	N	100%	-
Director	Piero Pezzati	19 October 2023	Approval of the financial statement as at 30 June 2026	M	N	Y	100%	-
Director	Lara Pizzimiglia	19 October 2023	Approval of the financial statement as at 30 June 2026	F	N	N	100%	-

(*) Directorships held within the same group (if any) are counted as a single directorship.

The Board has approved internal regulations in the area of self-assessment to govern the various phases into which the process is structured, identifying the means and instruments by which it is implemented. Such formalization enables a standardized process to be developed over the years meaning that results can also be compared more easily.

2 Average affected by previous Board member attendance rate.

Authorised Management

In accordance with the requirements laid down by the law 5 April 1993 on the financial sector (as amended), the Board of Directors delegate day-to-day management to two (or more) persons who must be empowered effectively to determine the direction of the activity without prejudice to the direct exercise by the Board at any time of its powers. Authorised Managers must possess adequate professional experience having carried on similar activities at high level of responsibility and autonomy.

Authorised Managers are in charge of the management of the Bank's business operations and governance in accordance with the articles of association, the Luxembourg law and the instructions given by the Board.

The Board of Directors appointed as Authorised Managers Mr. Alessandro Ragni (Managing Director & Chief Executive Officer) and Mr. Rocco Cosimo Damiano Di Leo (Chief Financial Officer).

Audit Committee

At the meeting held on 19 October 2023, the Board of Directors has appointed an Audit Committee in order to facilitate effective supervision of the activities by the Board itself. The task of the Audit Committee is to assist 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 auditors.

The Audit Committee shall comprise at least three non-executive Directors appointed by the General Meeting of Shareholders of the bank. The Audit Committee presently is composed by three Directors, namely: Piero Pezzati (Chairman of the Audit Committee and Director), Massimo Amato (Director), and Giovanni Mancuso (Director).

The Committee remains in force for the entire duration of the office of the Board of Directors which appointed it. The entire Audit Committee or any individual member of the Committee may be removed with or without cause by a resolution approved by the majority of the member of the Board.

The collective competences of the Committee members must be representative of the activities and risks of the bank. To that extent, the Audit Committee as a whole should notably have sufficient relevant expertise in accounting, auditing and finance. At least one member of the Audit Committee must have competences in accounting and/or auditing.

The Audit Committee is responsible for reviewing the effectiveness of the Bank’s internal quality control and risk management systems in light of the applicable rules and internal policies. The Audit Committee shall ensure that the main risks are properly identified, managed and disclosed. The mission of the Audit Committee is to provide the Board with critical assessments in respect of the organisation and operation of the institution in the field of internal audit. The implementation of the Audit Committee enables the members of the Board to fulfil their supervisory mission and to take on their responsibilities.

The general objective of the Audit Committee is to provide to the Board and the members of the Authorised Management reasonable assurance that the Bank is operating properly and efficiently. To this end, the Committee is authorised:

- to seek any information that it requires from any employee of the Bank for the purpose of performing its duties;
- to obtain, at the bank’s expense, outside legal or other professional advice on any matter within its terms of reference;

- to call any employee to be questioned at a meeting of the Audit Committee as and when required;
- to appoint, compensate and oversee the work of any registered public accounting firm employed by the Bank;
- to pursue and promote the resolution of any disagreements between management and the auditors regarding financial reporting; and
- to meet with bank's officers, external auditors, or outside counsel, as necessary.

The Audit Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise when its role and responsibilities are required. Meetings of the Audit Committee shall be called by the Chairman of the Audit Committee or at the request of any of its members or at the request of external or internal auditors if they consider it necessary, by the secretary.

Only members of the Audit Committee have the right to attend the meetings of the Audit Committee. However, when appropriate, other individuals such as the chief executive officer, chief financial officer, chief risk officer, chief compliance officer, internal audit and representatives from the finance function can be invited to attend all or part of any meeting.

During the financial year, the Audit Committee was convened 5 (five) times and did not pass circular resolution. The attendance rate was 100%. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. After every meeting of the Audit Committee, the chairman of the Committee reports formally to the Board, in sufficient depth, to enable the Board to fulfil its oversight responsibilities.

Credit Committee

The Board of Directors appoints a Credit Committee, which may be either composed by Directors and/or Management, establishing their powers in accordance with the provisions set forth in the articles of association. The Credit Committee presently is composed by four members, namely: Mr. Alessandro Ragni (Managing Director & Chief Executive Officer), Mr. Rocco Cosimo Damiano Di Leo (Chief Financial Officer), Mrs. Daniela De Salvo (Chief Risk Officer) and Mr. Antonio Santese (Director).

The Committee remains in force for the entire term of office of the Board of Directors which appointed it. The Board meeting held on 19 October 2023 vested the Credit Committee with the following powers:

- provision of guidance on the main risk categories faced by the institution;
- assessment and approval of credit, issuer and market risk (within the limits set forth by the Board);
- passing resolutions as regards the declaration of insolvency status of a counterparty, the classification of credit exposures as non-performing or forborne, and their return to the "performing" status once conditions of solvency have been restored;
- promoting effective management of all risk categories and overseeing the current risk exposure of the Bank and its future risk strategy;
- assessment and approval of new risk's types and/or operations;

- passing resolutions on those transactions which are significant in term of structure, number and/or type of risks involved.

The Credit Committee normally meets at least once per month or whenever necessary for examination of proposed deals/transactions. For strictly advisory purposes persons external to the Bank and/or the Parent may also take part in such meetings without voting rights.

Pursuant to articles 7(2) and 19(2) of the Law 5 April 1993 on the financial sector, the members of the Credit Committee with responsibilities for the day-to-day management (cf. below "Authorised Management") are authorised to effectively determine the business direction of the Bank. Consequently, in the context of the Committee decision making process, they are vested with veto rights.

The Committee reports to the Board of Directors on a regular basis or, without prejudice to the foregoing, at least semi-annually regarding the transactions executed and the results of control activity carried out over the period concerned.

OTHER INFORMATION

During the fiscal year ended on 30 June 2024, the Bank has not purchased own shares nor has undertaken activities in the field of research and development.

ECONOMIC OUTLOOK FOR THE NEXT TWELVE MONTHS

US economy is expected to grow by 2.2% this year and by 1.3% in 2025, with quarterly GDP growth likely to slow in the second half of 2024 before recovering in 2025. The main drivers of private consumption have lost steam, while business investment is unlikely to offer much support amid election-related uncertainty and high interest rates. In China, GDP growth is forecasted to reach 4.8% this year and 4.3% in 2025. The outlook on the demand side is not bright: consumer confidence is not recovering and remains stuck at historically low levels. The main growth impulse is from exports and state-driven investment.

The international trade shows a slight acceleration after a first quarter of modest growth. The central banks of the major advanced economies outside the euro area have left reference rates unchanged. The prospects for the global economy are for growth around 3.2% in 2024 (note), thanks to the process of inflation reduction and export recovery.

On 6 June 2024, the ECB published the periodic update to the macroeconomic forecasts for the Eurozone, and suggests that the Eurozone economy will continue its recovery during the year due to the real increase in incomes, falling inflation, the growth in wages and improvement in the terms of trade, as well as the gradual disappearance of the effects of the restrictive monetary policy stance.

In detail, the average annual growth rate of GDP in real terms is expected to be 0.9% in 2024, rising to 1.4% in 2025 and 1.6% in 2026 as the drag from monetary policy eases while growth in real wages supports private consumption. A resilient labour market mitigates downside risks to activity.

Compared to the previous projections, the outlook for GDP growth was revised upwards for 2024 (+30bps), thanks to a trend more positive than expected at the beginning of the year and the improvement in the most recent data.

The current growth is particularly driven by Spain, which shows the highest growth, followed by France, while Germany is once again in contraction. In June, the Governing Council of the European Central Bank (ECB) reduced the reference rates by 25bps, which had remained unchanged for the previous nine months at elevated levels.

The decision was based on an updated assessment of inflation prospects, underlying inflation dynamics, and the intensity of monetary policy transmission. The ECB Governing Council reiterated its determination to ensure a timely return of inflation to the medium-term target, maintaining interest rates at a sufficiently restrictive level as long as necessary.

A new reduction in the interest rates on the main refinancing operations by the European Central Bank (ECB) is considered likely between September and December. Markets and analysts expect a further cumulative cut of 50 basis points by the end of the year, split into two moves of 25 basis points in September and December. On the other hand, in the first half of FY24/25, the ECB intends to accelerate the reduction of its bond portfolios, also reducing reinvestments within the framework of the Pandemic Emergency Purchase Programme (PEPP). The prospects are made more uncertain by conflicts in Ukraine and the Middle East, which could cause sudden tensions in commodity prices and financial markets. Financial market volatility could be amplified by the U.S. presidential elections in November. The high demand for capital by governments in a context of central bank portfolio reduction could lead to increased risk premiums. If, contrary to expectations, inflation does not decline in the final months of 2024, the European Central Bank may postpone further rate cuts.

For 2025 there is a slight downward correction of GDP (-10 bps), while for 2026 they remain unchanged.

Total inflation measured on the harmonised index of consumer prices (HICP) shows no significant change in trend in 2024 compared to the March forecasts and should subsequently fall to 2.2% in 2025 (2.0% in March) and to 1.9% in 2026 (unchanged compared to March). Overall inflation fell from an average 5.4% in 2023 to 2.4% in April 2024 and is expected to be around 2.5% in the coming quarters in the presence of slight volatility, mainly related to basic energy price effects.

Assuming there is no heightening of the already intense geopolitical uncertainty and the related tensions on the international financial markets, In Italy GDP is expected to expand by 0.8% in 2024 and by 1.1% in 2025. Activity in industry, excluding construction, remains weak amid a still-modest recovery in demand and high financing costs, while the construction sector is likely to cool as the positive impact from housing tax credits has begun to fade. The main growth engine is likely to remain consumer demand and service activity, amid improving purchasing power and strong tourism and professional activities, together with investment related to the National Recovery and Resilience Plan.

Real GDP growth in Luxembourg is projected to remain low until the end of 2024, at 1.4%, before recovering to 2.3% in 2025 after the weakening of the activity observed in 2023 in the financial and construction sectors with an important drop in gross value added, explained notably by high interest rates, high level of real estate prices and supply constraints.

The below-average growth in 2024 is mainly due to weaker net exports and investment amid adverse financing conditions and geopolitical uncertainty. Headline inflation is set to decelerate over the forecast horizon, mainly as a result of the deceleration of food prices and moderating wage growth. The forecasted budget deficits are projected to increase the general government debt-to-GDP ratio, although it is still set to remain at a low level.

In 2025 interest rates are expected to fall and the economic activity in the euro area and EU's external environment to improve. Real GDP is projected to accelerate further, to 2.3% mainly supported by a recovery in investment and a positive contribution from net exports while private consumption is expected to normalise.

The Bank, as well as Mediobanca Group has entered this phase, in which challenges are expected for the global economy, with a resilient and profitable model, a sound capitalization and with prudent level of provisions already in place, committed to implementing the Group's 2023-26 Business Plan.

The Bank aims to establish itself as a leading revenues growth/capital light player leveraging on valuable customer base in Corporate & Investment Banking, the selective increase in lending coupled with the capital optimization policies being deployed, and the ongoing control of both asset quality and operating costs, means that Mediobanca International can face with confidence a macroeconomic scenario that is still characterized by uncertainty, with low growth expected in the leading European economies given as well as the level of interest rates and inflation that will remain high at least until the end of 1H FY 2024-25.

Main guidance over the business plan are as follows:

— Maintain sustainable level of revenues;

— improving profitability and value while preserving cost efficiency (Cost of Risk);

— Keep solid institution's capital base and improve capital ratios;

— RWAs stable, with selective growth in lending and the launch of optimization actions;

— Cost/income ratio to be kept below 40% area;

— Increase in shareholder remuneration, with dividend payout ratio to be maintained;

— Promotion responsible ESG criteria.

PROPOSAL FOR ALLOCATION OF THE RESULT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

The Board of Directors of Mediobanca International (Luxembourg) S.A. proposes to the Annual General Meeting the following allocation of the result for the financial year ended 30 June 2024:

– Profit of the year	€	19.697.804
– Balance on retained earnings	€	-
– **Total profit to be allocated**	**€**	**19.697.804**
– To specific reserve for N.W.T.	€	-
– To free reserve	€	-
– To Dividend to Parent Company	€	19,697,804

Considering the CIT due, the Bank should be able to reduce the 2025 NWT. Based on current estimation the charge could be reduced by € 1,749,015.00 by creating an NWT special reserve of € 8,745,075.00.

Beside the allocation of the profit suggested above, € 8,745,075.00 will be reclassified from the free reserve to NWT reserve. This reserve must be kept in the accounts for a 5 years period.

Accordingly, you are invited to approve the financial statements for the year ended 30 June 2024, including the balance sheet, profit and loss account and accompanying schedules.

Luxembourg, 12 September 2024

pp. BOARD OF DIRECTORS

CHIARMAN

(Mr. Giovanni Mancuso)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the 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 30 June 2024.

Luxembourg, 12 September 2024

The Board of Directors

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

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Independent auditor’s report

To the Board of Directors of
Mediobanca International (Luxembourg) S.A.
4, Boulevard Joseph II
L-1840 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mediobanca International (Luxembourg) S.A. (the “Bank”), which comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 30 June 2024, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (“Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements” section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Impairment on loans and advances to customers</u>

Description

The Bank's customer lending operations primarily consist of loans to corporate clients, including syndicated loans arranged by major non-Italian banks and high return finance (e.g. mezzanine and subordinated finance). The loans are grouped in different categories (corporate lending, leverage acquisition, project finance, export finance). The major part of corporate loans is guaranteed, in total or partially, by the Parent Bank Mediobanca - Banca di Credito Finanziario S.p.A.

As of 30 June 2024, loans and advances to customers amount to EUR 3,022 million (gross amount) representing 44% of the Bank’s total assets against which an impairment allowance of EUR 2.88 million is recorded (see Part F to the financial statements). Impairments are calculated in accordance with IFRS 9 “Financial instruments”, based on an expected credit loss (ECL) calculation model.

The assessment of expected credit losses on loans and advances to customers requires the use of judgment and estimates notably to:

- Assessment of the borrowers’ credit risks,
- determine the loan classification criteria under stage 1, stage 2 or stage 3;
- estimate the amount of expected credit losses depending on the different stages;
- prepare macro-economic projections which are embedded in the expected credit losses measurement.

The qualitative information concerning in particular the recognition and procedures used to estimate expected credit losses is mainly described in Part B Section 6 of the financial statements.

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Key audit matters (continued)

We considered the assessment of impairment on loans and advances to customers to be a key audit matter for the following reasons:

- the significance of loans and advances to customers in the Bank's statement of financial position;
- the use of various parameters and assumptions in the models to determine the probability of default and the loss given default;
- the importance of judgment in determining the criteria of significant increase in credit risk and the way macro-economic forecasts are taken into account;
- the use of judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances to customers;
- the assessment of individual impairment on defaulted loans (stage 3);

How the matter was addressed in our audit

We obtained an understanding of the Bank's internal controls and tested the design and operating effectiveness of the manual and automated key controls relating to the assessment of credit risk and the measurement of expected credit losses. This included testing of:

- entity level controls over the ECL modelling process, including model review and governance;
- controls relating to the process of monitoring exposures within the Bank as well as the periodic review of these exposures by the relevant credit committee;
- controls over allocation of loans and advances into stages, including movements between stages, and the identification of defaulted loans and advances;
- controls over data accuracy and completeness.

The system of internal control at the bank level consists of the policies and procedures that the parent entity has implemented.

We also performed the following substantive audit procedures:

- we verified that the data used as a basis to calculate the ECL is complete and accurate; we also tested, on a sample basis, the extraction of data used in the models including rating of loans and movements between various ratings;
- we tested a sample of loans and advances to customers whereby we applied a risk-based approach per portfolio and focused on non-performing loans, loans included in the watchlist, exposures to new borrowers, most significant exposures, rating, staging, exposure and collateral, to form our own assessment with regards to the rating, staging and classification of the loans as selected in our sample to form our own assessment as to whether they are classified in the appropriate bucket (staging methodology);
- with the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL model. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios;
- we performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank’s portfolio, risk profile, credit risk management practices and the macroeconomic environment;
- we performed substantive audit procedures on a sample of defaulted loans and advances to customer, consisting of key items. We examined in a critical manner the assumptions used by the Bank to determine expected cash flows and estimated recovery from any underlying collateral. We have performed enquiry and review procedures subsequent to year for any changes in risk assessment.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the corporate governance statement but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Assess whether the financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Board of Directors on 3 November 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the management report, is the responsibility of the Board of Directors. The information required by article 70bis paragraph 1 letters c) and d) of the law of 17 June 1992 relating to the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the financial statements of the Bank as at 30 June 2024 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Bank, it relates to the Financial Statements prepared in valid xHTML format.

In our opinion, the financial statements of the Bank as at 30 June 2024, identified as 549300DV870NBWY5W279-2024-06-30-en.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Dorian Rigaud Alexander Kastendeuch

Luxembourg, 20 September 2024

FINANCIAL STATEMENTS AS AT 30 JUNE 2024

STATEMENT OF FINANCIAL POSITION

	Assets	30.06.2024	30.06.2023
		€	€
10.	Cash and cash equivalents	596.507.513	372.427.013
20.	Financial assets measured at fair value through profit or loss	235.423.797	144.261.274
	a) Financial assets held for trading	*141.158.022*	*131.715.551*
	b) Financial assets designated at fair value	*9.531.987*	*7.856.575*
	c) Other financial assets mandatorily at fair value	*84.733.788*	*4.689.148*
40.	Financial assets measured at amortised cost	6.049.971.160	5.041.606.037
	a) Due from banks	*3.030.776.851*	*1.859.394.682*
	b) Due from customers	*3.019.194.309*	*3.182.211.355*
50.	Hedging derivatives	3.389.014	—
70.	Investments	4.150.000	4.150.000
90.	Tangible assets	1.119.484	1.214.999
110.	Tax assets	2.601.024	1.833.631
	a) Current	*2.601.024*	*930.499*
	b) Deferred	—	*903.132*
130.	Other assets	10.289.295	10.895.708
	Total assets	**6.903.451.287**	**5.576.388.662**

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

	Liabilities and Shareholders' equity	30.06.2024	30.06.2023
		€	€
10.	Financial liabilities measured at amortised cost	6.250.831.414	4.972.745.654
	a) Due to banks	*1.919.871.557*	*2.103.121.370*
	b) Due to customers	*62.274.434*	*3.015.177*
	c)Securities in issue	*4.268.685.423*	*2.866.609.107*
20.	Trading liabilities	53.902.346	60.123.832
30.	Financial liabilities designated at fair value	124.643.151	64.721.471
40.	Hedging derivatives	2.955.362	2.736.587
60.	Tax liabilities	12.094.103	9.005.218
	a) Current	*12.094.103*	*9.005.218*
	b) Deferred	—	—
80.	Other liabilities	8.796.464	10.594.965
100.	Provisions for risks and charges	800.566	838.559
120.	Revaluation reserves	-1.911.932	-282.409
140.	Equity instruments-AT1	100.000.000	100.000.000
150.	Reserves	321.642.009	327.315.797
160.	Share capital	10.000.000	10.000.000
200.	Profit (Loss) of the year	19.697.804	18.588.988
	Total liabilities and Shareholders' equity	**6.903.451.287**	**5.576.388.662**

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

STATEMENT OF COMPREHENSIVE INCOME

	Balance sheet items	30.06.2024	30.06.2023
		€	€
010.	Interest and similar income	319.633.385	219.315.800
	of which: interest income calculated according to the effective interest method	*258.801.183*	*199.327.318*
020.	Interest and similar charges	-287.741.007	-190.793.983
030.	**Net interest income**	**31.892.378**	**28.521.817**
040.	Fee and commission income	18.612.894	17.897.427
050.	Fee and commission expenses	-18.227.533	-7.859.954
060.	**Net fee and commission income**	**385.361**	**10.037.473**
080.	Net trading income (expenses)	-3.025.382	-8.940.274
090.	Net hedging income (expenses)	158.386	144.093
100.	Gains (losses) on disposal or repurchase of:	554.870	486.087
	a) Financial assets measured at amortised cost	*315.680*	*486.086*
	b) Financial assets valued at fair value through other comprehensive income	—	—
	c) Financial liabilities	*239.190*	1
110.	Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	3.984.632	1.277.732
	a) Financial assets and liabilities designated at fair value	*-277.140*	*1.492.970*
	b) Other financial assets mandatorily measured at fair value	*4.261.772*	*-215.238*
120.	**Total income**	**33.950.245**	**31.526.928**
130.	Net write-offs (write-backs) for credit risk:	-114.737	3.651.383
	a) Financial assets measured at amortised cost	*-114.737*	*3.651.383*
	b) Financial assets measured at fair value through other comprehensive income	—	—
140.	Gains (losses) from contractual modifications without derecognition.	—	—
150.	**Net income from financial operations**	**33.835.508**	**35.178.311**
190.	Administrative expenses	-11.411.529	-11.414.677
	a) Personnel costs	*-3.306.511*	*-2.742.387*
	b) Other administrative expenses	*-8.105.018*	*-8.672.290*
200.	Net adjustments to provisions for risks and charges	37.992	621.083
210.	Net adjustments to tangible assets	-214.924	-205.654
230.	Other operating income (expenses)	1.478.299	643.824
290.	**Profit (loss) of the ordinary activity before tax**	**23.725.346**	**24.822.887**
300.	Income tax on the ordinary activity	-4.027.542	-6.233.899
330.	**Profit (loss) for the period**	**19.697.804**	**18.588.988**
340.	Other comprehensive income, net of tax	—	—
350.	**Profit (loss) of the period**	**19.697.804**	**18.588.988**

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

STATEMENT OF CHANGES IN EQUITY FROM 30.06.2023 TO 30.06.2024 (in €)

	Balance as of June 30, 2023	Allocation of the profit for the previous period			Transactions involving equity					Balance as of June 30, 2024
		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**	—	—	**-5.749.999**	—	—	—	**76.210**	—	**321.642.009**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	—	1.000.000
b) free reserve	307.976.555	—	—	-8.852.170	—	—	—	76.210	—	299.200.595
c) special reserve[1]	21.018.538	—	—	422.875	—	—	—	—	—	21.441.413
c) FTA reserve[2]	-2.679.296	—	—	2.679.296	—	—	—	—	—	—
Valuation reserves	**-282.409**	—	—	**-1.629.523**	—	—	—	—	—	**-1.911.932**
Own shares	—	—	—	—	—	—	—	—	—	—
Capital instruments	**100.000.000**	—	—	—	—	—	—	—	—	**100.000.000**
Comprehensive income of the period	**18.588.988**	—	**-18.588.988**	—	—	—	—	—	**19.697.804**	**19.697.804**
Total equity	**455.622.376**	—	**-18.588.988**	**-7.379.522**	—	—	—	**76.210**	**19.697.804**	**449.427.881**

The accompanying notes form an integral part of the 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. Please see “Heading 150 – Reserves” for additional information.

STATEMENT OF CHANGES IN EQUITY FROM 30.06.2022 TO 30.06.2023 (in €)

	Balance as of June 30, 2022	Allocation of the profit for the previous period									Balance as of June 30, 2023
				Changes in reserves	Transactions involving equity					Profit (loss) of the period	
		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**	—	—	**1.217.201**	—	—	—	**55.812**		—	**327.315.797**
a) legal reserve	1.000.000	—	—	—	—	—	—	—		—	1.000.000
b) free reserve	299.589.017	—	—	8.331.726	—	—	—	55.812		—	307.976.555
c) special reserve[1]	28.133.063	—	—	-7.114.525	—	—	—	—		—	21.018.538
c) FTA reserve[2]	-2.679.296	—	—	—	—	—	—	—		—	-2.679.296
Valuation reserves	**79.760**	—	—	**-362.169**	—	—	—	—		—	**-282.409**
Own shares	—	—	—	—	—	—	—	—		—	—
Capital instruments	**100.000.000**	—	—	—	—	—	—	—		—	**100.000.000**
Comprehensive income of the period	**6.967.199**	—	—	**-6.967.199**	—	—	—	—		**18.588.988**	**18.588.988**
Total equity	**443.089.743**	—	—	**-6.112.167**	—	—	—	**55.812**		**18.588.988**	**455.622.376**

The accompanying notes form an integral part of the 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 (€'000)

		Amount	
		30/06/2024	30/06/2023
A.	**Cash flow from (used in) operating activity**	**229.831**	**-317.954**
1.	**Operating activity**	**1.945**	**52.496**
	– interests received (+)	349.819	233.029
	– interests paid (-)	-330.062	-174.244
	– net fees and commissions received/paid (+/-)	-5.022	14.817
	– dividends and similar income (+)	—	—
	– net premium income (+)	—	—
	– cash payments to employees (-)	-2.649	-2.220
	– other expenses paid (-)	-12.230	-20.498
	– other income received (+)	4.611	1.890
	– taxes and duties (+/-)	-2.522	-278
2.	**Cash generated/absorbed by financial assets**	**-1.024.445**	**1.489.744**
	– financial assets held for trading	3.236	-661
	– financial assets designated at fair value	-1.110	-4.115
	– Other financial assets mandatorily measured at fair value	-100.120	46
	– financial assets measured at amortised cost	-927.087	1.491.082
	– other assets	636	3.392
3.	**Cash generated/absorbed by financial liabilities**	**1.252.331**	**-1.860.194**
	– financial liabilities measured at amortised cost	1.213.321	-1.907.279
	– Trading liabilities	-658	-4.647
	– financial liabilities designated at fair value	58.284	58.024
	– other liabilities	-18.616	-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**	**-5.750**	**-5.750**
	– issuance/acquisition of T1 capital instruments	—	—
	– distribution of dividends and other purposes	-5.750	-5.750
	– issuance/acquisition of T2 capital instruments	—	—
	Net cash inflow (outflow) during the fiscal year	**224.081**	**-323.704**

	Amount	
	30/06/2024	30/06/2023
Cash and cash equivalents: balance at 1 July	372.427	696.131
Total cash inflow (outflow) during year	224.081	-323.704
Cash and cash equivalents: balance at 30 June	**596.508**	**372.427**

NOTES TO THE 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.

Financial statements

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

The financial statements as at 30 June 2024 were authorised for issue by the Board of Directors on 11 September 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 financial statements of the Bank are included in the consolidated 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 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 financial statements as at 30 June 2024 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 – 8th update of 29 October 2021, as subsequently amended – which sets out the structure of the financial statements, as well as the content of the notes to the account.

Section 2

General principles for preparation

The 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 notes to the financial statements

During the 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.
- 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 24/847: 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 24/849: 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 24/851: 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.

Corporate Sustainability Reporting Directive (CSRD)

The continuous evolution of European regulations on sustainability reporting, together with the requirements arising from adherence to various voluntary reporting standards, has led the Mediobanca Group to launch a multi-year project focused on Group ESG Reporting starting in 2021. The aim is to create an integrated and transversal approach capable of meeting new regulatory requirements and emerging best practices.

In the first two years, the project focused on:

- defining the solutions for the preparation of the tables required by Article 8 of the Delegated Act of the EU Taxonomy and the quantitative tables and qualitative charts provided by Pillar 3 in the ESG context;
- industrializing the related indicators, including the GAR (Green asset ratio) and the initial setup of the disclosure related to off-balance sheet items;
- preparing internal regulations for drafting the information (e.g., Pillar 3, PRB Report, TCFD Report); and finally,
- defining the solutions for the activities.

During the past fiscal year, the Mediobanca Group conducted a gap analysis to align its current non-financial reporting with new ESRS disclosure obligations, in preparation for the CSRD's requirements starting June 30, 2025. Preparatory activities included initial analyses for implementing double materiality and evaluating IT tools for better data management. The Group also refined criteria to align impact materiality with ESRS standards and deepened principles related to the financial relevance of ESG issues.

Mediobanca Group publishes the consolidated CSRD Report including Mediobanca International.

<u>Changes in accounting policies since the previous annual 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 2024 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:

- IFRS 17 Insurance Contracts (Amendments to IFRS 17)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21) effective for reporting periods beginning on or after 1 January 2025
- Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7) effective for reporting periods beginning on or after 1 January 2026.

- IFRS 18 'Presentation and Disclosures in Financial Statements' effective for periods beginning on or after 1 January 2027
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures' effective for periods beginning on or after 1 January 2027

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

Section 3

Basis of preparation

The 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 financial statements are presented in Euro thousands unless otherwise stated.

The preparation of 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 financial statements.

Section 4

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents[3] 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 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 upon initial recognition, financial assets are recognized irrevocably at fair value through profit or loss if, and only if, their being included in this category eliminates or significantly reduces a measurement inconsistency.

c) **other financial assets mandatorily measured at fair value**: this category includes financial assets 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.

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

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".

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 on the basis of 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 on the basis of 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.

Following initial recognition, all financial assets recognized at amortised cost I 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.

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

- *stage 1*: includes exposures at the date of initial recognition in the 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.

Hedging transactions

For hedging transactions, since 1 July 2018 the Group has adopted the provisions of IFRS 9 and has chosen not to avail itself of the exemption provided which would have enabled it to continue applying IAS 39 previously in force to such operations rather than IFRS 9.

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 existence of economic relationship between the hedged item and hedging relationship
- 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) to Heading 40 (Section 4 Liabilities) 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.

As at 30 June 2024, the Bank holds FV hedge derivatives for a nominal value amount of € 1.472.014 k, hedging the equivalent bond issued measured at amortised cost.

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 30 June 2024, the Bank does not hold any cash flow hedged transaction.

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 FY 22/23 the Bank does not have any tangible asset as listed above but only leasing contracts).

Leasing (IFRS16)

With reference to the transactions governed by IFRS 16 and the contracts which fall within its scope of application, the only leases have 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 lease4 (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 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.

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[4] 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.

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 on the basis of 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 with a balancing entry in the Income Statement, on the basis of the option granted to companies (referred to as "fair value option") by IFRS 9 and in compliance with the cases set forth by International Accounting Bodies.

Such liabilities are measured at fair value and the result accounted for based on the following rules provided by IFRS 9:

– changes in fair value attributable to changes in the own credit quality must be recognized in the Statement of Other Comprehensive Income (Net Equity);

– other changes in fair value must be recognized through profit or loss;

– amounts stated in other comprehensive income will not flow through profit or loss.

This method cannot be applied, however, if the recognition of the effects of the liability credit risk in net equity would create or enlarge an accounting mismatch in profit and loss. In such cases, gains or losses related to the liability, including those caused as the effect of the change in the issuer's credit standing, must be measured through profit or loss.

The correlation between the assets and liabilities instruments is continuously monitored, in accordance with the guidelines provided by IFRS 9.

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 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.

Fair value

The Group has laid down precise guidelines regarding three key aspects: independent calculation of Fair Value, conducted by the Group's control units; the adoption of any Fair Value adjustments to consider aspects of uncertainty/ liquidity; and classification of financial instruments according to a Fair Value hierarchy based on the level of uncertainty of the valuation. In addition to the book fair value, which affects both the balance sheet and the income statement, the Group is required to make prudent valuation adjustments in order to calculate prudential requirements.

In line with the international accounting standards, the fair value of financial instruments stated in the financial statements is the so-called exit price, i.e. the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (exit price), regardless of whether such price is directly observable or estimated using another valuation technique (IFRS 13 §24).

Fair value, therefore, is "the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the measurement date".

The Fair Value hierarchy of an instrument is a direct consequence of the Fair Value estimation approach: in principle, a financial instrument is considered to be listed on an active market if its price represents its current exchange value in normal, effective and regular market operations.

If the market is not active, the fair value of the instrument being estimated is measured by using market prices for similar instruments on active markets (comparable approach) or, in the absence of similar instruments, using a valuation technique that uses market and non-observable information (observable/ unobservable inputs).

Related guidelines and implementation Directives were defined in compliance with the main international regulations (IFRS 13 and CRR art 105) and corroborated by a benchmarking test[5]; the main activities for calculating the exit price of the financial instruments in the portfolio are shown below.

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.

[5] It should be emphasized that the accuracy and consistency of these guidelines are subject to rigorous supervision by the Group Audit unit, which verifies the effectiveness and adequacy thereof. Furthermore, a specific internal validation unit has been established, i.e. the Quantitative Risk Methodologies (QRM), which focuses on the validation of the quantitative methods used

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. The guidelines defined in the Fair Value policy fully reflect the requirements defined by accounting standard IFRS 13, according to which the valuation of financial instruments should use the exit price method and allow for corrections to be made to the valuations in specific circumstances.

Fair value adjustments have an impact on profit or loss and take into account market liquidity, the uncertainties of parameters, the financing costs, and the complexity of the valuation models used in the absence of shared market practices. The scope of fair value adjustments includes, among others, the following categories:

– Market Price Uncertainty (MPU): this consists in uncertainties in valuations based on market quotations;

– Closed-Out Cost (COC): this indicates uncertainties regarding the liquidity cost that the Group may incur in the event of a partial or total sale of an asset measured at fair value;

– Model Risk (MR): adjustments aimed at mitigating the risk of discrepancy with respect to market practice in the valuation of a product in relation to the choice and implementation of the valuation model.

Credit Value Adjustment and Debt Value Adjustment

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 credit quality. In particular:

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

– DVA is a positive quantity which takes into account scenarios in which the Bank itself might fail before the counterparty, 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.

Furthermore, 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 Hierarchy: Observability and materiality of inputs

The Observability Levelling and Day-on e Profit Directive, as specified in IFRS 13 and Bank of Italy Circulars and No. 262 and in IFRS 13, requires a hierarchy of levels reflecting the significance of inputs used in the valuations. These inputs, called "valuation inputs," are the market data used to estimate the fair value of financial instruments. The term "valuation input" refers to the market data used to estimate the fair value of instruments. To estimate the fair value of instruments, the Group uses valuation techniques that are adequate to the circumstances and for which sufficient data are available. Valuation techniques can be based on various approaches, including:

- market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- cost approach (or current method), which reflects the amount that would currently be required to replace an asset's service capacity;
- income approach, which converts future amounts (e.g. cash flows or revenues and expenses) into a single discounted amount through, for example: present value methods and option pricing models.

These valuation methods may use different types of inputs, which may be observable or unobservable. Prices quoted in active markets are classified as "observable inputs". In other cases, the information is considered observable when the valuation is based on market information obtained from sources independent of the Group or from actual transactions. Under IFRS 13, paragraph B34, some examples of markets from which observable inputs can be derived include the following:

- exchange markets: In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the London Stock Exchange.
- dealer markets: In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities and physical assets.
- brokered markets: In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. Brokers do not use their own capital to hold an inventory of the items for which they make a market, but they know the prices bid and asked by the respective parties. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets.;

All cases in which it is not possible to demonstrate the observability of inputs are classified as "unobservable inputs" and, in particular, when the information on which the valuation techniques are based reflects the Group's judgement formulated using the best information available in such circumstances.

Under IFRS 13, para. 67, valuation techniques used to measure fair value should maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In more detail, based on their observability and considering additional criteria, inputs can be classified into three different levels.

Level 1 inputs:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and it is the price to be used preferentially to measure financial assets and liabilities held by the Bank. If a quoted price recorded on an active market is available, alternative valuation techniques based on quotes for comparable instruments or quantitative models cannot be used and the instrument is classified as a "Level 1 instrument" in its entirety. The objective is to reach a price at which a financial instrument would be traded at the reporting date (without altering the instrument) on an active market considered to be the main one or the most advantageous one for the Bank and to which it has immediate access.

Level 2 inputs:

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in markets that are not active.

Inputs other than quoted prices that are observable for the asset or liability, for example:

(i) Interest rates and yield curves observable at commonly quoted intervals.

(ii) Implicit volatility.

(iii) Credit spread.

Market-corroborated inputs.

Level 2 inputs may require adjustments for example relating to:

- the condition or location of the asset;
- the extent to which inputs relate to items that are comparable to the asset or liability;
- the volume or level of activity in the markets within which the inputs are observed.

If there is no public quotation on an active market for the price of the financial instrument as a whole, but active markets exist for its components, Fair Value will be calculated by reference to the relevant market prices for those components. In this case, valuation will not be based on active market quotations for the financial instrument in question, but on observable market inputs or through the use of inputs that are not observable but are supported and confirmed by market data.

The use of this approach does not exclude the use of a calculation method, or rather, of a pricing model, through which it is possible to establish the correct price of the transaction at the reference date, in an ideal and independent trading environment justified by normal market considerations.

Level 3 inputs:

Level 3 inputs are not directly observable inputs that are used to measure the Fair Value in the event that relevant observable inputs are not available, making it possible to estimate a closing price even in situations of low market activity for the asset or liability as at the measurement date. The Bank estimates unobservable inputs using the best information available in the circumstances, which could include its own data, considering all information on the assumptions of market participants that is reasonably available. Unlike Level 2 inputs, in this case the inputs must be internally estimated according to quantitative methods, such as the use of historical series and comparable underlying instruments. Both Level 2 and Level 3 inputs may be used for a certain instrument. In this case, the final classification of the instrument is defined by applying the materiality assessment. There are two stages in the process of determining the levels and observability of inputs. In the first stage, a level is assigned to all inputs applied in the instrument valuation model. In the second stage, the materiality of the various inputs used to determine the relevance of unobservable inputs on the overall valuation of the instrument is verified.

Materiality is a crucial step in establishing whether unobservable inputs (Level 2 or 3) are meaningful to the entire measurement of the instrument. This materiality analysis also extends to inputs used to calculate any adjustments, such as the Fair Value Adjustment (FVA) or the Credit Value Adjustment (CVA).

In summary, the observability and materiality process ensure that the FairValue of financial instruments is classified correctly based on the significance of the inputs used, ensuring an adequate valuation of the Bank’s financial assets and liabilities.

2. 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[6] (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official price was available[7]. 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.

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

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

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 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 and UCITS: equities and UCITS 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.
- 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[8];
  - 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.

3. 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.
- 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).

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[8] 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").

- For on-demand or short-term receivables and payables, their book value is considered a good approximation of their fair value
- 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.

Valuation processes and sensitivity analysis (IFRS 13)

As required by IFRS 13, quantitative information on the significant non-observable inputs used for the assessment of Level 3 instruments is provided below

Uncertainties of the inputs and impact on the Mark-to-Market method

Non-observable inputs	Quantification of parameter uncertainty	MtM +/- delta (€/k) 30 June 2024	MtM +/- delta (€/k) 30 June 2023
Implied volatility	Defined as a standard deviation from the consensus provided by the independent data provider. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed.	—	—
Equity-equity correlation	Defined as a standard deviation from the consensus provided by the independent data provider. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed.	—	—
Credit Spread	For financial guarantees with specific underlyings, credit spread curves are not observable. For these instruments, proxy curves obtained from prices of the underlyings are therefore used.	-0,5	—

Measurement techniques - Equity, receivables, interest rate and exchange rate products

Product	Measurement technique	Non-observable inputs	Fair value (*) Assets 30 June 2024 (€m)	Fair value (*) Liabilities 30 June 2024 (€m)	Fair value (*) Assets 30 June 2023 (€m)	Fair value (*) Liabilities 30 June 2023 (€m)
OTC equity basket options, best of/ worst of, equity autocallable multiasset options	Black-Scholes model, local volatility model	Implied volatility Equity-equity correlation[1]	12,27	—	7,32	—
CSD on Single Names with Recovery Rate 0	Arbitrage Free Credit Spread Model	Recovery Rate	0,01	-0,79	—	-0,38
Financial Guarantees	Arbitrage Free Credit Spread Model	Credit Spread and Recovery Rate[2]	0,95	-1,08	5,35	—

(*) The carrying amount shown above is equal to the full fair value of structures and includes fair value adjustments.

[1] Equity-equity correlation is a measurement of the correlation between two equity-based underlying instruments. Variations in the correlation levels may impact an instrument's fair value positively or negatively, depending on the correlation type. Equity-equity correlations are less observable than volatility, because no correlation products are quoted on any regulated markets. For this reason, correlations are more subject to data uncertainties.

[2] The contractual form is structured as a guarantee on specific underlying instruments for which there are no observable input parameters.

The main factors contributing to transitions between fair value levels include changes in market conditions and refinements in the measurement models and/ or the non-observable inputs.

Fair value of an instrument may transition from Level1 to Level2 or vice versa mainly as a result of the loss (increase) in significance of the price expressed by the active market of the instrument.

Conversely, transfers from Level2 to Level3 or vice versa mainly arise as a result of the loss (increase) in significance of inputs, in particular the predominance of non-observable inputs over observable inputs.

Fair Value Hierarchy: Quantitative information

Assets and liabilities measured at fair value, breakdown by fair value hierarchy (€/k)

Financial assets/liabilities measured at fair value	30/06/2024			30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	-	55.215	180.209	-	52.899	91.363
a) financial assets held for trading	-	55.215	85.943	-	52.899	78.817
b) financial assets designated at fair value	-	-	9.532	-	-	7.857
c) other financial assets mandatorily measured at fair value	-	-	84.734	-	-	4.689
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	3.389	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	-	58.604	180.209	-	52.899	91.363
1. Financial liabilities held for trading	-	50.265	3.637	-	52.412	7.712
2. Financial liabilities designated at fair value	-	83.215	41.428	-	42.523	22.198
3. Hedging derivatives	-	2.955	-	-	2.737	-
Total	-	136.435	45.065	-	97.672	29.910

The Bank is mainly concentrated on complex transaction, (level 2 and level 3) which, however, even in this context of greater volatility and uncertainty, has not undergone significant changes.

Level 2 liabilities increased due to the issuance of instruments designated at fair value at June 2024 (+ € 38.763k, compared to June 23). Level 2 assets remain mainly flat during the current fiscal year.

Financial assets mandatorily measured at fair value on level 3 increased from €4.689k to € 84.734k due to the exit of the NPL exposure recorded in June 2023, while the amount recorded in June 2024 is related to the investment into the new closed alternative fund (under Luxembourg law) Polus Special Situations Fund[9] (PSSF) managed by the Polus Capital Management.

9 The Fund qualifies as Alternative Investment Fund and invests in loans, debt and equity of entities in financial distress and other special situations (corporate or asset-backed), predominantly in Europe

Annual changes in financial assets measured at fair value on a recurring basis (Level 3) - in €/k

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening amount	91.363	78.817	7.857	4.689	-	-	-	-
2. Increases	104.536	17.535	2.267	84.734	-	-	-	-
2.1. Purchases	97.330	10.605	1.991	84.734	-	-	-	-
2.2. Gains recognized in:	7.206	6.930	276	-	-	-	-	-
2.2.1. Income statement	7.206	6.930	276	-	-	-	-	-
- of which, capital gains	-	-	-	-	-	-	-	-
2.2.2. Net equity	-	-	-	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	15.690	10.409	592	4.689	-	-	-	-
3.1. Disposal	9.094	4.405	-	4.689	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses recognized in:	6.596	6.004	592	-	-	-	-	-
3.3.1. Income statement	6.596	6.004	592	-	-	-	-	-
- of which, capital losses	-	-	-	-	-	-	-	-
3.3.2. Net equity	-	-	-	-	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing amount	180.209	85.943	9.532	84.734	-	-	-	-

Annual changes in liabilities measured at fair value on a recurring basis (Level 3) - in €/k

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening amount	7.712	22.198	-
2. Increases	2.170	22.108	-
2.1. Purchases	777	21.268	-
2.2. Gains recognized in:	1.393	840	-
2.2.1. Income statement	1.393	840	-
- of which, capital gains	-	-	-
2.2.2. Net equity	-	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	6.245	2.878	-
3.1. Disposal	3.999	1.952	-
3.2. Redemptions	-	-	-
3.3. Losses recognized in:	2.246	926	-
3.3.1. Income statement	2.246	926	-
- of which, capital losses	-	-	-
3.3.2. Net equity	-	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing amount	3.637	41.428	-

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value hierarchy - in €/k

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/2024				30/06/2023			
	Book Value	Level 1	Level 2	Level 3	Book Value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	6.049.971	-	3.610.458	2.596.568	5.041.606	-	5.174.888	-
2. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	6.049.971	-	3.610.458	2.596.568	5.041.606	-	5.174.888	-
1. Financial liabilities measured at amortised cost	6.250.831	-	6.479.046	-	4.972.744	-	5.002.946	-
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	6.250.831	-	6.479.046	-	4.972.744	-	5.002.946	-

"Day-One Profit/Loss"

Pursuant to IFRS 7, paragraph 28, the "Day-one Profit/Loss" is understood as the difference between the fair value of a financial instrument at the initial recognition date (transaction price) and the amount estimated at that date using a valuation technique. This difference may be positive or negative.

In the event that the difference is positive (day-one profit) and based on market quotations and models that almost exclusively include the use of observable market inputs, this amount can be included in the positive components of the income statement. However, if the positive difference is based on non-observable market inputs, the fair value of the instrument must be adjusted for such difference and charged through profit or loss when the inputs become observable.

In the event, however, that the difference attributable to non-observable inputs is negative (day-one loss), it is immediately recorded through profit or loss on a prudential basis.

The Group applies the day-one profit suspension rule to financial instruments classified as Level 3 of the Fair Value hierarchy, i.e. instruments for which the impact of one or more non-observable inputs on the fair value is considered significant, as defined in paragraph 73 of IFRS 13. The day-one profit, calculated after fair value adjustments, is amortized over the expected period for which the input data will remain unobservable. The day-one profit is not applied if the risks generated by the transaction are hedged with a market counterparty (back-to-back) and therefore there are no impacts on profit or loss due to the non-observable input.

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 most instruments measured at amortised cost, interest income and expenses are recognized in the comprehensive income as they accrue (the same apply for interest in current accounts and debt securities), 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. In addition, interest income and expenses include revenue generated by financial assets held for trading and costs by financial liabilities designated at fair value as well as some instruments measured at amortised cost for which the interest income and expense is not computed using the effective yield method but for which the interest income and expense is computed using the accrual method.

Fee and commission income and expense

This heading includes all revenues deriving from the provision of services to customers (in the form of upfront fees, guarantees given fees, net stable funding ration fees, ongoing fees, and stock lending fees from revenue side, while include from the expense side: ongoing fees, stock lending fees, brokerage fees, treasury fees, CD-CP fees, payment services fees) 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 financial statements. The most significant uses of judgment and estimates are as follows:

<u>Going concern</u>

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 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 5.

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)

	30/06/2024	30/06/2023
a) Cash	1	—
b) Current accounts and Demand deposits held at Central Banks	222.877	223.622
c) Current accounts and Demand deposits	373.630	148.805
Total	**596.508**	**372.427**

Comparing to previous year “Cash and cash equivalent” increased of approximately 224m at June 2024, thanks to the increase of current accounts. This positive variation is mainly related to the repayments registered in corporate lending portfolio, in particular over Q4 of the fiscal year.

Section 2

Heading 20 – Financial assets measured at fair value through profit or loss

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

Item/Values	30/06/2024			30/06/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	—	—	72.699	—	—	66.145
1.1 Structured	—	—	52.252	—	—	47.821
1.2 Other debt securities	—	—	20.447	—	—	18.324
2. Equities	—	—	—	—	—	—
3. UCITS units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	**—**	**—**	**72.699**	**—**	**—**	**66.145**
B. Derivative products						
1. Financial derivatives	—	45.811	12.273	—	22.836	7.322
1.1 Trading	—	45.811	12.273	—	22.836	7.322
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—
2. Credit derivatives	—	9.404	971	—	30.063	5.350
2.1 Trading	—	9.404	971	—	30.063	5.350
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	**—**	**55.215**	**13.244**	**—**	**52.899**	**12.672**
Total (A+B)	**—**	**55.215**	**85.943**	**—**	**52.899**	**78.817**

Financial assets held for trading amount to € 141,2m as at 30 June 2024 (+7,2% vs previous year). Total A is due to the carrying amount of debt securities (CLOs instruments), of which variation is equals to +6,6m entirely due to the FV adjustment in comparison to the last year. 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[10], 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.

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

2.2 Financial assets held for trading: breakdown by borrower/issuer (in € k)

Item/Value	30/06/2024	30/06/2023
A. CASH ASSETS		
1. Debt securities	72.699	66.145
a. Central Banks	—	—
b. Public administration	—	—
c. Banks	—	—
d. Other financial companies	72.699	73.421
of which: insurance companies	—	—
e. Non-financial companies	—	—
2. Equity securities	—	—
a. Banks	—	—
b. Other financial companies	—	—
of which: insurance companies	—	—
c. Non-financial companies	—	—
d. Other issuers	—	—
3. UCITS units	—	—
4. Loans and advances	—	—
a. Central Banks	—	—
b. Public administration	—	—
c. Banks	—	—
d. Other financial companies	—	—
of which: insurance companies	—	—
e. Non-financial companies	—	—
Total A	**72.699**	**66.145**
B. DERIVATIVE INSTRUMENTS		
a. Central Counterparties	—	—
- Fair value	—	—
b. Other	68.459	65.571
- Fair value	68.459	65.571
Total B	**68.459**	**65.571**
Total A+B	**141.158**	**131.716**

2.3 Financial assets designated at fair value: product breakdown

Items/Values	30/06/2024			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	—	—	9.532	—	—	7.857
1. Structured	—	—	—	—	—	—
2. Others [1]	—	—	9.532	—	—	7.857
Total	—	—	**9.532**	—	—	**7.857**

1 This item refers to a loan matched on the liability side by the issue of a certificate

The carrying value of Financial assets designated at fair value amounts to €9,5m at the end of the reference period (+21.3% compared to Jun-23). The increase of approx. 1,7m of Euro is due to the positive balance between new and closed intercompany loans 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	30/06/2024	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	9.532	7.857
a) Central Banks	—	—
b) General Government	—	—
c) Banks [1]	9.532	7.857
d) Other financial companies	—	—
of which: Insurance companies	—	—
e) Non financial companies	—	—
f) Households	—	—
Total	**9.532**	**7.857**

(1) Counterparty refers to the Parent Bank.

2.5 Other financial assets mandatorily at fair value: product breakdown

Items/Values	30/06/2024			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	—	—	84.734	—	—	—
D. Loans	—	—	—	—	—	4.689
1. Reverse Repos	—	—	—	—	—	—
2. Others[1]	—	—	—	—	—	4.689
Total	**—**	**—**	**84.734**	**—**	**—**	**4.689**

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

With regard to UCITS item, the Bank invested 84.7m of Euro equivalent into the new closed alternative fund (under Luxembourg law) Polus Special Situations Fund[11] (PSSF) managed by the Group company Polus Capital Management. The NPL transaction reported in June 2023 has been sold in the course of the financial year.

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

Items/Values	30/06/2024	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	84.734	—
4. Loans	—	4.689
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non financial companies	—	4.689
f) Households	—	—
Total	**84.734**	**4.689**

11 With regard to the PSSF structure, investments are made through three Feeder funds (société en commandite spéciale) denominated in various currencies (USD, EUR) 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 measured at amortised cost

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

Type of transactions/Values	Total 30/06/2024						Total 30/06/2023					
	Carrying value			Fair value			Carrying value			Fair value		
	Stage 1 and stage 2	Stage 3	of which: non performing acquired or originated	Level 1	Level 2	Level 3	Stage 1 and stage 2	Stage 3	of which: non performing acquired or originated	Level 1	Level 2	Level 3
A. Due from Central Banks	8.841	—	—	—	8.841	—	6.932	—	—	—	6.932	—
1. Term deposits	—	—	—	X	X	X	—	—	—	X	X	X
2. Compulsory reserve	8.841	—	—	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	3.021.936	—	—	—	3.088.973	—	1.852.462	—	—	—	1.851.182	—
1. Loans and advances	3.021.936	—	—	—	3.088.973	—	1.852.462	—	—	—	1.851.182	—
1.1 Current accounts and demand deposits	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Term deposits	1.018.555	—	—	X	X	X	1.051.650	—	—	X	X	X
1.3 Other financings:	2.003.381	—	—	X	X	X	800.812	—	—	X	X	X
- Repos	—	—	—	X	X	X	—	—	—	X	X	X
- Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
- Others	2.003.381	—	—	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	**3.030.777**	**—**	**—**	**—**	**3.097.814**	**—**	**1.859.394**	**—**	**—**	**—**	**1.858.114**	**—**

The carrying value of financial assets due from banks valued at amortised cost increased throughout the reference period, passing from € 1.852.462k (June 2023) to € 3.021.936k (June 2024), mainly due to the increase of Intercompany loans with the Parent (approx. +€1,2 bn). The involved intercompany loans are linked to Mediobanca International Luxembourg issuance of notes for approx. €1,2 bn subscribed by the Parent. The line "Due from Central Banks" is the balance of the compulsory reserve which, at the end of the financial year, amounted to EUR 8,8m (€6,9m as at 30 June 2023). The vast majority of the transactions reported under this caption are de facto 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 measured at amortised cost: composition of due from customers (in € k)

Type of transactions/Values	Total 30/06/2024						Total 30/06/2023					
	Carrying value			Fair Value			Carrying value			Fair Value		
	Stage 1	Stage 2	Stage 3	Level 1	Level 2	Level 3	Stage 1	Stage 2	Stage 3	Level 1	Level 2	Level 3
1. Loans and advances	2.971.293	35.140	12.761	—	512.644	2.596.568	3.065.373	115.942	—	—	3.313.774	—
1.1 Current accounts	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Repos	—	—	—	X	X	X	—	—	—	X	X	X
1.3 Term loans	2.971.293	35.140	12.761	X	X	X	3.065.373	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	—	—	—	—	—	—	896	—	—	—	896	—
2.1 Structured debt securities	—	—	—	X	X	X	—	—	—	X	X	X
2.2 Other debt securities	—	—	—	X	—	X	896	—	—	X	896	X
Total	**2.971.293**	**35.140**	**12.761**	**—**	**512.644**	**2.596.568**	**3.066.269**	**115.942**	**—**	**—**	**3.314.670**	**—**

As at 30 June 2024, portfolio total exposure (gross of guarantees) stands at € 3,019bn against € 3,182bn of the previous FY, with a decrease of 5% y-o-y; considering the guarantees, portfolio net exposure as at 30 June 2024 stands at € 704m (22,5% of drawn total exposures) against € 432m (13,5%) of the previous FY22-23, with an increase of +63% y-o-y. The significant increase in the net credit portfolio, in light of a stable drawn exposures over the period (€3.1 Bn in average) as well as the undrawn lines (€1.6Bn), is the result of;

a) cumulative new production due to new counterparties entered - belonging to Investment Grade cluster in terms of credit quality - offset the exits/repayments had during the period;

b) the prepayments observed during the FY, in particular the spontaneous repayments of customers and sales concerning Stage 2, have consequently brought out the healthiest part of the portfolio with ST1 (98,4% of total); the coverage of the credit portfolio provided by parent company is approximately 81% at the end of Jun-24.

4.3 Financial assets measured at amortised cost: breakdown of due from customers by borrower/issuer (in € k)

Type of transactions/Value	30/06/2024 Stage 1 / Stage 2	30/06/2024 Stage 3	30/06/2024 of which: impaired assets acquired or created	30/06/2023 Stage 1 / Stage 2	30/06/2023 Stage 3	30/06/2023 of which: impaired assets acquired or created
1. Debt securities:	—	—	—	896	—	—
a) Public administration	—	—	—	—	—	—
b) Other financial company	—	—	—	896	—	—
of which: insurance companies and funds	—	—	—	—	—	—
c) Non financial companies	—	—	—	—	—	—
2. Loans and advances to:	3.006.433	12.761	—	3.181.316	—	—
a) Public administration	—	—	—	—	—	—
b) Other financial company	939.954	—	—	913.265	—	—
of which: insurance companies and funds	103.571	—	—	113.846	—	—
c) Non financial companies	2.066.479	12.761	—	2.268.051	—	—
d) Households	—	—	—	—	—	—
Total	**3.006.433**	**12.761**	**—**	**3.182.212**	**—**	**—**

At reporting date, Stage 2 represents 1,2% of portfolio total exposure, in net reduction in comparison with the previous year when stood at 3,6% of the portfolio of which an exposure classified in stage 2 as at June -23 was reclassified in stage 3 in Jun-24 as the financial health of the counterparty has been adversely affected by the geopolitical situation in Russia. The position is fully insured by SACE.

4.4 Financial assets measured at amortised cost: gross values and total accumulated impairment (in € k)

	Gross value				Expected Credit Loss			Write off partial/total
	Stage 1	*of which: low credit risk **	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	—	—	—	—	—	—	—	—
Loans[1]	6.006.604	—	35.204	12.982	-4.534	-64	-221	—
Total 30/06/2024	**6.006.604**	**—**	**35.204**	**12.982**	**-4.534**	**-64**	**-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 hedge 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”. All the hedging derivatives are 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[12].

At June 2023 the M-t-M of the hedging derivatives hold by the Bank was negative and reported on liabilities side, with a notional amount of approx. €346m.

During this financial year a USD note, and the related hedging derivative, expired in March (notional amount € equivalent 340m) but, at the same time, the number of notes issued under hedge accounting have increased. In June 2024, the notional amount of the hedging derivates is €780m on asset side and €692m on liabilities13. As far as concern the M-t-M of these hedging instruments, on assets side it amounts to €3.39m and on liabilities side it is equal to €2.96m (please refer to tables 4.1 and 4.2 on Liabilities section).

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

	30/06/2024			**Notional value**	**30/06/2023**			**Notional value**
	Fair value				***Fair value***			
	Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**	
A. Financial derivatives	—	3.389	—	780.382	—	—	—	—
1) Fair value	—	3.389	—	780.382	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**3.389**	**—**	**780.382**	**—**	**—**	**—**	**—**

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

[13] See table 4.1 on Liabilities section.

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

30/06/2024 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	3.389	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**3.389**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
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 –Investments

7.1 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 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.	2.130	185	45	2.106	4.150

(*) Figures as at 30/06/2024 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 – Tangible assets

9.1 Tangible assets: composition (in € k)

Assets/value	30/06/2024	30/06/2023
1. Assets owned by Bank	—	—
a) land	—	—
b) buildings	—	—
c) furniture and fitting	—	—
d) electronic equipment	—	—
e) other assets	—	—
2. Right-of-use assets	1.119	1.215
a) land	—	—
b) buildings	979	1.148
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	140	67
Total	**1.119**	**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 (+)	**—**	**—**	**1.671**	**1.671**
- advances paid	—	—	1.600	1.600
- transfers	—	—	—	—
- others	—	—	71	71
Decrease of the period (-)	**—**	**—**	—	—
- releases of the year (assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	—	—
Balance at the end of the fiscal year	**—**	**77**	**2.524**	**2.601**

[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 asset increased from € 930k (June 2023) to € 2,601k (June 2024). This is mostly due to advance payments for Net Wealth Tax (category “Other”) due in the course of the financial year (following the last tax assessment received from Tax authority).

11.2 Deferred tax assets: composition (in € k)

	30/06/2024	30/06/2023
- Deferred tax assets recognised in the statement of comprehensive income	—	—
- Deferred tax assets recognised in the net equity	—	903
Total	—	903

During the FY 23-24, the Bank performed an analysis in order to ensure that the Reserve amount and related DTA amounts were adjusted reflecting any required amortizations/reversals of the previously recorded values. In December, the Bank decided to reclassify the total deferred tax assets - recognised in the net equity result from the FTA of IFRS 9 - in the P&L.

Section 13

Heading 130 – Other assets

13.1 Other assets: composition (in € k)

	30/06/2024	30/06/2023
1. Gold, silver and precious metal	—	—
2. Accrued income other than capitalized income	1.256	997
3. Trade receivables or invoice to be issued	—	—
4. Amount due from tax revenue Authorities (not attributed to heading 110)	—	367
5. Other	9.033	9.532
- *transitory accounts*	*7.941*	*9.416*
- *prepayments*	*1.092*	*116*
Total	**10.289**	**10.896**

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

Transitory accounts slightly decreased from the previous financial year as there are less payments to be received at year-end.

LIABILITIES

Section 1

Heading 10 – Financial liabilities measured at amortised cost

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

Type of transactions/Values	30/06/2024				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	1.919.872	X	X	X	2.103.121	X	X	X
2.1 Current accounts and demand deposits	18.607	X	X	X	4.575	X	X	X
2.2 Term deposits	47.363	X	X	X	—	X	X	X
2.3 Loans	1.844.736	X	X	X	2.098.476	X	X	X
2.3.1 Repos	—	X	X	X	—	X	X	X
2.3.2 Others	1.844.736	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	9.166	X	X	X	70	X	X	X
Total	**1.919.872**	—	**1.928.413**	—	**2.103.121**	—	**2.099.113**	—

The carrying value of due to banks valued at amortised cost decreased by -8.7% at the end of the reference period, passing from € 2.103.121k (June 2023) to € 1.919.872k (June 2024). 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 € 1.844.736k reported at the end of June 2024 under 'other loans' includes € 65m of subordinated loan assimilated to Tier 2 and concluded with the Parent for regulatory capital purposes.

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 measured at amortised cost: composition of due to customers (in € k)

Type of transactions/Values	30/06/2024				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	60.293	X	X	X	—	X	X	X
3. Loans	849	X	X	X	1.791	X	X	X
3.1 Repos	849	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]	1.132	X	X	X	1.224	X	X	X
6. Other liabilities	—	X	X	X	—	X	X	X
Total	**62.274**	—	**62.274**	—	**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 measured at amortised cost: composition of securities in issue (in € k)

Type of transactions/Values	30/06/2024				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	3.062.110	—	3.281.783	—	2.126.506	—	2.160.718	—
1.1 Structured	12.651	—	12.651	—	1.225	—	1.210	—
1.2 Other	3.049.459	—	3.269.132	—	2.125.281	—	2.159.508	—
2. Other securities	1.206.575	—	1.206.575	—	740.103	—	740.103	—
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Other	1.206.575	—	1.206.575	—	740.103	—	740.103	—
Total	**4.268.685**	**—**	**4.488.358**	—	**2.866.609**	**—**	**2.900.821**	**—**

Under debt securities item, outstanding bonds include approx. €2.15 Bn, 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 over the year moving from €740m to €1,2 bn (+63% yoy).

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 – Trading liabilities

2.1 Trading liabilities: composition (in € k)

Transaction type/Values	30/06/2024				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	1.919.342	—	43.371	2.502	1.690.678	—	24.188	7.338
1.1 Trading	1.919.342	—	43.371	2.502	1.690.678	—	24.188	7.338
1.2 Related to the fair value option	—	—	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—	—	—
2. Credit derivatives	1.198.042	—	6.894	1.135	2.004.017	—	28.224	374
2.1 Trading	1.198.042	—	6.894	1.135	2.004.017	—	28.224	374
2.2 Related to the fair value option	—	—	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—	—	—
Total (B)	**3.117.384**	**—**	**50.265**	**3.637**	**3.694.695**	**—**	**52.412**	**7.712**
Total (A+B)	**3.117.384**	**—**	**50.265**	**3.637**	**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 designated at fair value

3.1 Financial liabilities designated at fair value: composition

Operation Type/Values	30/06/2024					30/06/2023				
	Nominal value	Fair Value			Fair Value	Nominal value	Fair Value			Fair Value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
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	125.235	—	83.215	41.428	124.643	64.721	—	42.523	22.198	64.721
3.1 Structured	125.235	—	83.215	41.428	124.643	64.721	—	42.523	22.198	64.721
3.2 Others	—	—	—	—	—	—	—	—	—	—
Total	**125.235**	**—**	**83.215**	**41.428**	**124.643**	**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	30/06/2024				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	691.633	—	2.955	—	346.109	—	2.737	—
1) Fair value hedges	691.633	—	2.955	—	346.109	—	2.737	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	**691.633**	**—**	**2.955**	**—**	**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)

30/06/2024 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	2.955	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**2.955**	—	—	—	—	—	—	—	—
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 (+)	**3.303**	**1.223**	**1**	**4.527**
- provisions of the year	3.303	1.223	1	4.527
- transfers	—	—	—	—
- others	—	—	—	—
Decrease of the period (-)	**-1.046**	**-388**	**-4**	**-1.438**
- releases of the year (fiscal assessments)	—	—	—	—
- transfers	—	—	—	—
- others	-1.046	-388	-4	-1.438
Balance at the end of the fiscal year	**8.666**	**3.211**	**217**	**12.094**

* [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 include the outstanding balances in respect of Net Wealth Tax (‘NWT’, Impôt sur la Fortune) and Value Added Tax (‘VAT’).

The positive result of the current fiscal year lead to a CIT and MBT liability (€3.302k and € 1.224k respectively).

The balance at the end of the fiscal year has been impacted in the line “Decrease of the period” by the fiscal treatment of the interest on the AT1 instrument.

The fiscal provision of the previous financial year did not take into account the interest payment of €5.750k as a deduction of taxable income. This year this deduction is applied, and the necessary correction is done accordingly, this result in an adjustment to the provision booked in the previous fiscal year (for a total amount of €1.434k).

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

Deferred tax liabilities	30/06/2024	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)

	30/06/2024		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)

	30/06/2024	30/06/2023
1. Payment agreements (IFRS 2)	—	—
2. Impaired endorsements	—	—
3. Working capital payables and invoices pending receipt	2.345	5.868
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Amounts due to revenue authorities	—	—
6. Amounts due to staff	452	348
7. Other items:	5.999	4.379
- bills for collection	—	—
- coupons and dividends pending collection	—	—
- available sums payable to third parties	5.999	4.379
- premiums, grants and other items in respect of lending transactions	—	—
- credit notes to be issued	—	—
- other	—	—
Total	**8.796**	**10.595**

Other liabilities are mostly composed of invoices accrued or payable for € 2.345k (€ 5.868k at the end of June 2023) and other items for € 5.999k (€ 4.379k at the end of June 2023). The last consists in particular 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	30/06/2024	30/06/2023
1. Provisions for credit risk related to commitments and financial guarantees issued	801	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	**801**	**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	30/06/2024				30/06/2023			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Commitments to distribute funds	699	73	—	**772**	741	98	—	**839**
Financial guarantees issued	29	—	—	**29**	—	—	—	**—**
Total	**728**	**73**	**—**	**801**	**741**	**98**	**—**	**839**

Section 15

Heading 150 – Revaluation reserves

15.1 Reserves: composition (in € k)

	30/06/2024	30/06/2023
A. Reserves	**321.642**	**327.316**
A.1 Legal reserve (1)	1.000	1.000
A.2 Free reserve	299.201	307.977
A.3 NWT reserve (2)	21.441	21.018
A.4 Other (3)	—	-2.679
B. Valuation Reserves (4)	**-1.912**	**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 has been maintained for a period of five years, and then reclassified as free reserve during this financial year.

(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 30 June 2024, 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			30/06/2024	Nominal value of commitments and financial guarantees			30/06/2023
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1. Commitments to disburse funds	**1.858.763**	**38.230**	**—**	**1.896.993**	**1.527.541**	**11.984**	—	**1.539.525**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	176.352	—	—	176.352	—	—	—	—
d) Other financial companies	164.793	33.230	—	198.023	197.239	—	—	197.239
e) Non-financial companies	1.517.618	5.000	—	1.522.618	1.330.302	11.984	—	1.342.286
f) Retail clients	—	—	—	—	—	—	—	—
2. Financial guarantees given	**111.430**	**—**	**—**	**111.430**	**—**	**—**	—	—
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	100.000	—	—	100.000	—	—	—	—
d) Other financial companies	10.000	—	—	10.000	—	—	—	—
e) Non-financial companies	1.430	—	—	1.430	—	—	—	—
f) Retail clients	—	—	—	—	—	—	—	—

Total amount of "Guarantees and commitments" item reflects the dynamic of corporate portfolio mentioned above, with an increasing of Commitments equals to 23% in June 2024. It should be noted that in June 2024 the bank gave financial guarantees for a total amount of €111.430 k (of which €100 k to Parent company).

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

Portfolios	Amount	
	30/06/2024	30/06/2023
Financial assets measured at fair value through profit or loss	—	—
Financial assets measured at fair value through other comprehensive income	—	—
Financial assets measured at amortised cost	720.540	962.735
Tangible assets	—	—
Total	**720.540**	**962.735**

As at 30 June 2024, the Bank has encumbered assets for approx. € 1.286m of which € 720m originated by the Bank itself (financial instruments valued at amortised cost), whereas € 566m 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: breakdown (in € k)

Items/Technical forms	30/06/2024				30/06/2023			
	Debt securities	**Loans**	**Other operations**	**Total***	**Debt securities**	**Loans**	**Other operations**	**Total***
1. Financial assets valued at FVTPL:	6.405	—	—	6.405	4.096	2	—	4.098
1.1. Financial assets held for trading	6.405	—	—	6.405	4.096	—	—	4.096
1.2. Financial assets designated at fair value	—	—	—	—	—	—	—	—
1.3. Other financial assets mandatorily at fair value	—	—	—	—	—	2	—	2
2. Financial assets valued at FVOCI	—	—	X	—	—	—	X	—
3. Financial assets at amortized cost	—	313.228	X	313.228	195	215.023	X	215.218
3.1 Due from banks	—	121.930	X	121.930	—	53.871	X	53.871
3.2 Due from customers	—	191.298	X	191.298	195	161.152	X	161.347
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	**6.405**	**313.228**	**—**	**319.633**	**4.291**	**215.025**	**—**	**219.316**

* please refer to the column Total as the valid amount

The sharp increase in the interest income of the Bank is due to the increase of the interest rate hikes by the ECB (interest rates market curves as well). This of course had a major impact in the business of the Bank.

The income increased from € 219.316k (June 2023) to € 319.633k (June 2024), and is mainly driven by increases in interest in loans to customers from € 161.152k (June 2023) to € 191.298k (June 2024), and loans to banks from € 53.871k (June 2023) to € 121.930k (June 2024).

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

Items/Technical forms	30/06/2024				30/06/2023			
	Borrowings	**Securities issued**	**Other operations**	**Total***	**Borrowings**	**Securities issued**	**Other operations**	**Total***
1. Financial liabilities at amortized cost	-102.904	-176.710	X	-279.614	-108.944	-78.068	X	-187.012
1.1 Due to central banks	—	X	X	—	—	X	X	—
1.2 Due to banks	-102.111	X	X	-102.111	-108.723	X	X	-108.723
1.3 Due to customers	-793	X	X	-793	-221	X	X	-221
1.4 Debt securities in issue	X	-176.710	X	-176.710	X	-78.068	X	-78.068
2. Trading financial liabilities	—	—	—	—	—	—	—	—
3. Financial liabilities designated at fair value	—	-2.997	—	-2.997	—	-625	—	-625
4. Other liabilities and funds	X	X	—	—	X	X	—	—
5. Hedging derivatives	X	X	-5.130	-5.130	X	X	-2.398	-2.398
6. Financial assets bearing negative interests	X	X	—	—	X	X	-759	-759
Total	**-102.904**	**-179.707**	**-5.130**	**-287.741**	**-108.944**	**-78.693**	**-3.157**	**-190.794**

* 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. In particular the expense decreased in loans borrowed from banks from € 108.723k (June 2023) to € 102.111k (June 2024), and increased in issued notes from € 78.068k (June 2023) to € 176.710k (June 2024).

Section 2

Headings 40 and 50 – Net fee and commission income

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

Type of service/Values				30/06/2024	30/06/2023
a)	guarantees given			380	55
b)	credit derivatives			—	—
c)	management and brokerage services			5.706	4.613
	1.	trading in financial instruments		—	—
	2.	currency trading		—	—
	3.	portfolio management		—	—
	4.	securities custody and administration		—	—
	5.	custodian bank		—	—
	6.	placement of financial instruments		5.706	4.613
	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			12.527	13.229
Total				**18.613**	**17.897**

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.

2.1.1 Fee and commission income: other services breakdown (in € k)

Other services (breakdown)	30/06/2024	30/06/2023
Loans - ongoing fees	6.939	8.879
Stock lending fees	3.085	2.671
NSFR fees	2.503	1.679
Treasury fees	—	—
Total	**12.527**	**13.229**

In particular, the increase of the NSFR fees from € 1.679k (June 2023) to € 2.503k (June 2024) is due to compensate the increase of the funding cost sustained by the Bank to generate the additional ASF (*available stable funding, the denominator of **NSFR ratio***) as a consequence of being Group reference center of short-term funding program. This increase depends in part on the average cash collected through commercial papers and reinvested at the same time (up from €535m of FY22-23 to €558m of FY23-24, +4,5% yoy) and in particular on the peak on the Euribor rate level reached over the financial year.

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

Services/Amounts	**30/06/2024**	**30/06/2023**
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and brokerage services	-3.838	-1.760
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	-3.838	-1.760
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	-990	-332
e) other services	-13.400	-5.768
Total	**-18.228**	**-7.860**

2.2.1 Fee and commission expense: other services breakdown (in € k)

Other services (breakdown)	**30/06/2024**	**30/06/2023**
Loans - ongoing fees	-3.079	-3.939
Stock lending fees	-1.154	-675
CD-CP fees	-4	-3
Treasury fees	-9.163	-1.151
Total	**-13.400**	**-5.768**

Section 3

Heading 80 – Net trading income/expense

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

Transactions / Income	Unrealized profit (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net Profit 30/06/2024*	Net Profit 30/06/2023*
1. Financial trading assets	6.135	3.295	—	—	9.430	5.727
1.1 Debt securities	6.135	—	—	—	6.135	2.678
1.2. Equity	—	3.295	—	—	3.295	3.049
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	4.986	-10.828
4. Derivatives	74.685	9.819	-81.881	-16.522	-17.441	-3.839
4.1 Financial derivatives:	47.532	8.479	-48.869	-13.671	-10.071	1.163
4.1.1 debt securities and interest rates	32.821	7.582	-33.181	-10.024	-2.802	-4.698
4.1.2 equity securities and shares indexes	1.840	897	-2.817	-3.647	-3.727	-3.455
4.1.3 currencies and gold	X	X	X	X	-3.542	9.316
4.1.4 other	12.871	—	-12.871	—	—	—
4.2. Credit derivatives	27.153	1.340	-33.012	-2.851	-7.370	-5.002
Total	**80.820**	**13.114**	**-81.881**	**-16.522**	**-3.025**	**-8.940**

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

Net trading result increased compared to June 2023 moving from €-8,9m to €-3,0m, mainly attributable to:

- a flat contribution carried out by the realized and unrealized items (€-0,1m);
- a negative impact originated from the interests paid for swap derivatives to hedge the lending corporate portfolio (€-2,4m);
- the dynamic of the net foreign exchange loss, which can be explained as the sum of (i) the exchange differences on financial assets and liabilities in foreign currencies (cf. caption 3. of the table above), and (ii) the net gain/loss on financial derivatives on currencies and gold (cf. caption 4.1.3 of the table above). Net foreign exchange item, throughout the financial year, passed from a loss of € -1.512k (June 2023) to a profit of € 1.444k (June 2024).

Section 4

Heading 90 – Net hedging income/expense

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

	30/06/2024	30/06/2023
A. Income from:		
A.1 Fair value hedge derivatives	8.829	1.306
A.2 Financial assets hedged (fair value)	—	—
A.3 Financial liabilities hedged (fair value)	488	7.560
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	9.317	8.866
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-2.775	-6.434
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-6.384	-2.288
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	-9.159	-8.722
C. Net hedging income (A-B)	**158**	**144**

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 breakdown (in € k)

Items/Income	30/06/2024			30/06/2023		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A Financial assets						
1. Financial assets valued at amortized cost	1.134	-818	316	2.305	-1.819	486
1.1 Loans and receivables from banks	90	-201	-111	1.559	-1.668	-109
1.2 Loans and receivables from customers	1.044	-617	427	746	-151	595
2. Financial assets valued at FVOCI	—	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—	—
2.2 Loans	—	—	—	—	—	—
Total assets (A)	**1.134**	**-818**	**316**	**2.305**	**-1.819**	**486**
B Financial liabilities valued at amortized cost						
1. Deposits with banks	—	—	—	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt securities in issue	653	-414	239	—	—	—
Total liabilities (B)	**653**	**-414**	**239**	**—**	**—**	**—**

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 €316k (€486k in June 2023), same applied during this financial year for debt securities issued with a positive impact for €239k (nil in June 2023).

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: breakdown of financial assets and liabilities designated at fair value (in €k)

30/06/2024	Capital gains (A)	Proceeds from disposal (B)	Capital Losses (C)	Minus from disposal (D)	Net result* [(A+B)-(C+D)]
1. Financial assets	626	—	61	—	565
1.1 Debt securities	—	—	—	—	—
1.2 Loans	626	—	61	—	565
2. Financial liabilities	3.038	4	1.849	1.508	-315
2.1 Debt securities in issue	3.038	4	1.849	1.508	-315
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	-527
Total	**3.664**	**4**	**1.910**	**1.508**	**-277**

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

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

30/06/2024	Capital gains (A)	Proceeds from disposal (B)	Capital Losses (C)	Minus from disposal (D)	Net result * [(A+B)-(C+D)]
1. Financial assets	—	4.255	—	—	4.255
1.1 Debt securities	—	—	—	—	—
1.2 Equity securities	—	—	—	—	—
1.3 UCITs	—	—	—	—	
1.4 Loans	—	4.255	—	—	4.255
2. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	7
Total	**—**	**4.255**	**—**	**—**	**4.262**

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

Section 6

Heading 130 – Net write-off for credit risk

6.1 Net write-off for credit risk: breakdown (in € k)

Items/Income		Writedowns (1)			Writebacks (2)		30/06/2024 (1)+(2)	30/06/2023
		Stage1 and Stage2	Stage3		Stage1 and Stega2	Stage3		
			Write-off	Others				
A	Loans and receivables with banks	-1.308	—	—	600	—	-708	1.809
	- Loans and receivables	-1.308	—	—	600	—	-708	1.809
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
B	Loans and receivables with customers	-9.120	—	-221	9.934	—	593	1.842
	- Loans and receivables	-9.120	—	-221	9.934	—	593	1.842
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
Total		**-10.428**	**—**	**-221**	**10.534**	**—**	**-115**	**3.651**

Impairment provisions for credit exposures worth a substantially flat contribution of € -0,1m, €+3,7m in June 2023); the positive contribution from the loans and receivables with customers (commitment included), equals to € +0,27m, was offset by the contribution of the intercompany loans and receivables (€-0,35m).

Overlay stands at € equivalent 0,25m and decreased as well as YoY € equivalent -0,449m, of which € -0,4m in the first half year due to update of scenario and to the shift of some sectors to Low Impact from High/Medium inflationary impact (please refers to a dedicated table in Part F).

Section 7

Heading 190 – Administrative expenses

7.1 Personnel costs: breakdown (in € k)

Type of expense/Amounts	30/06/2024	30/06/2023
1.Employees	-3.132	-2.558
a) wages and salaries	-2.328	-1.864
b) social security contributions	-87	-84
c) severance indemnities	—	—
d) pension contributions	-153	-130
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:	-251	-213
– defined contribution	-251	-213
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	-76	-56
i) other staff benefits	-237	-211
2. Other staff	—	-9
3. Board members	-175	-175
Total	**-3.307**	**-2.742**

Expenditure on salaries has increased compared to June 2023 (€ +565k), in particular due to salary review (inflation-driven dynamics) and employee number (please see number of employees, cf. caption 7.2).

7.2 Number of employees by category

	30/06/2024	30/06/2023
Employees	19	19
a) senior executives	4	3
b) executives	1	2
c) other employees	14	14
Other staff	2	1
Total	**21**	**20**

7.3 Other administrative expenses: breakdown (in € k)

Type of expense/Amounts	30/06/2024	30/06/2023
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	-1.229	-778
– loan recovery activity	—	—
– marketing and communication	-10	-16
– property expenses	-70	-57
– IT and data processing	-2.284	-2.343
– Info-provider	-28	-30
– bank charges, collection and payment fees	-44	-21
– operating expenses	-2.626	-1.675
– other staff expenses	-46	-71
– other costs	-1.214	-3.081
– indirect and other taxes	-554	-600
Total	**-8.105**	**-8.672**

Other administrative expenses amounted to € 8.105k which corresponds to a deviation of approx. -7,0% compared to June 2023 (€ 8.672k). Inflationary pressure which driven higher the administrative expenses (intercompany services in outsourcing in particular) has been more than counterbalanced by the termination (at least temporary) of the Single Resolution Fund contribution (“SRF”). The SRF impacted the previous financial year with an expense of € 2.370k.

Section 8

Heading 200 – Net adjustments to provisions for risks and charges

8.1 Net adjustments to 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)

	30/06/2024			30/06/2023		
	Net provisions	**Net releases of surplus**	**Total**	**Net provisions**	**Net releases of surplus**	**Total**
Loan commitments	38	—	38	621	—	621
Financial guarantees issued	—	—	—	—	—	—
Total	**38**	**—**	**38**	**621**	**—**	**621**

Section 9

Heading 210 – Value adjustments in respect of tangible assets

9.1 Value adjustments in respect of tangible assets: breakdown (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	-215	—	—	-215
- Owned	—	—	—	—
- Licences acquired through leases	-215	—	—	-215
2 Held for investment purpose	—	—	—	—
- Owned	—	—	—	—
- Licences acquired through leases	—	—	—	—
Total 30/06/2024	**-215**	**—**	**—**	**-215**
Total 30/06/2023	**-206**	**—**	**—**	**-206**

Section 10

Heading 230 – Other operating income (expense)

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

	30/06/2024	30/06/2023
a) Leasing activity	—	—
b) Other expenses	-54	-1.764
Total expense	**-54**	**-1.764**
a) Amounts recovered from customers	—	—
b) Leasing activity	—	—
c) Other income	1.532	2.408
Total income	**1.532**	**2.408**
Net income (expense)	**1.478**	**644**

The caption “Other expenses” does not record any significant event and decrease significantly from previous year. Also, the caption “Other income” decrease from previous year and the correction remain connected with other extraordinary one-off corporate lending commissions. The overall impact is positive compared to previous financial year.

Section 11

Heading 300 – Income tax on the ordinary activity

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

	30/06/2024	30/06/2023
1. Current tax expenses	-3.125	-6.234
2. Changes in current tax expenses of the previous years	-	-
3. Changes of deferred tax assets	-903	-
4. Changes of deferred tax liabilities	-	-
Total	**-4.028**	**-6.234**

Income tax on the ordinary activity amount to € -4.028k and consists of:

a) the Net Wealth Tax ('NWT') charge for 2024 amounting to € nil (€ nil in 2023) thanks to the creation of the NWT reserve (see Heading 150 – Reserves);

b) Release of the previously booked Deferred Tax Asset Reserve for €903k (see Heading 110 – Tax Assets – table 11.2);

c) Payment on WHT on dividend to shareholder for €34k;

d) the income taxes for an amount of €3,091k, as result of:
€3,301k Corporate income tax FY 23/24 ('CIT');
€1,224k Municipality business tax FY 23/24 ('MBT');
-€1,046k Corporate income tax adjustment FY 22/23 ('CIT');
-€388k Municipality business tax adjustment FY 22/23 ('MBT').

11.2 Reconciliation of the effective tax expense to the theoretical tax expense at a standard tax rate in Luxembourg (in € k)

	30/06/2024				30/06/2023			
	IRC		ICC		IRC		ICC	
	Applicable rate	Absolute value	Applicable rate	Absolute value	Applicable rate	Absolute value	Applicable rate	Absolute value
Total profit or loss before tax from the current operations	18,19%	23.725	6,75%	23.725	18,19%	24.870	6,75%	24.870
Theoretical tax expense at a standard rate	18,19%	4.316	6,75%	1.601	18,19%	4.524	6,75%	1.678
Non deductible expenses (+)	18,19%	23	6,75%	8	18,19%	23	6,75%	8
Director fees	18,19%	*20*	6,75%	*6*	18,19%	*20*	6,75%	*6*
Witholding tax on director fees	18,19%	*3*	6,75%	*2*	18,19%	*3*	6,75%	*2*
Witholding tax on dividends	18,19%	6	6,75%	2	18,19%	-	6,75%	-
Tax adjustment (-)	18,19%	-1.045	6,75%	-388	18,19%	-	6,75%	-
Tax allowance (-)	18,19%	-1.045	6,75%	-388	18,19%	-	6,75%	-
Effective tax expense at standard rates	18,19%	2.255	6,75%	836	18,19%	4.547	6,75%	1.686

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	390.276	-	203.717	2.515	-
20.	Financial assets valued at FVTPL	98.592	-	51.463	635	84.734
	a) Financial assets held for trading	*92.355*	-	*48.208*	*595*	-
	b) Financial assets designated at FV	*6.237*	-	*3.255*	*40*	-
	c) Other financial assets mandatorily at fair value	-	-	-	-	*84.734*
40.	Financial assets valued at amortised cost	3.958.300	-	2.066.159	25.512	-
	a) Due from banks	*1.982.939*	-	*1.035.057*	*12.781*	-
	b) Due from customers	*1.975.361*	-	*1.031.102*	*12.731*	-
50.	Hedging derivatives	2.218	-	1.157	14	-
70.	Equity investments	-	-	-	-	4.150
90.	Property, plant and equipments	-	-	-	-	1.119
110.	Tax assets	1.702	-	888	11	-
	a) current	*1.702*	-	*888*	*11*	-
	b) deferred	-	-	-	-	-
130.	Other assets	6.732	-	3.514	43	-
	Total assets at 30/06/2024	**4.457.820**	**-**	**2.326.898**	**28.730**	**90.003**
	Total assets at 30/06/2023	**2.632.648**	**-**	**2.917.061**	**21.315**	**5.365**
10.	Financial liabilities valued at amortised cost	-4.089.715	-	-2.134.756	-26.360	-
	a) Due to banks	*-1.256.110*	-	*-655.666*	*-8.096*	-
	b) Due to customers	*-40.743*	-	*-21.268*	*-263*	-
	c) Debt securities in issue	*-2.792.862*	-	*-1.457.822*	*-18.001*	-
20.	Financial liabilities valued at FVTPL	-35.267	-	-18.408	-227	-
30.	Financial liabilities designated at FV	-81.550	-	-42.568	-526	-
40.	Hedging derivatives	-1.934	-	-1.009	-12	-
60.	Tax liabilities	-7.913	-	-4.130	-51	-
	a) current	*-7.913*	-	*-4.130*	*-51*	-
	b) deferred	-	-	-	-	-
80.	Other liabilities	-5.755	-	-3.004	-37	-
100.	Provisions for risks and charges	-525	-	-273	-3	-
120.	Revaluation Reserves	1.251	-	653	8	-
140.	Equity instruments	-65.426	-	-34.152	-422	-
150.	Reserves	-210.440	-	-109.846	-1.356	-
170.	Share capital	-6.543	-	-3.415	-42	-
	Total liabilities at 30/06/2024 *	**-4.503.817**	**-**	**-2.350.908**	**-29.028**	**-**
	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	209.126	-	109.160	1.348	-
020.	Interest expense and similar charges	-188.260	-	-98.268	-1.213	-
030.	**Net interest income**	**20.866**	**-**	**10.892**	**134**	**-**
040.	Fee and commission income	12.178	-	6.357	78	-
050.	Fee and commission expense	-11.926	-	-6.225	-77	-
060.	**Net fee and commission income**	**252**	**-**	**132**	**2**	**-**
080.	Net trading income/expense	-1.979	-	-1.033	-13	-
090.	Net hedging income/expense	104	-	54	1	-
100.	Gain or loss on disposal or repurchase of:	364	-	189	1	-
	a) financial assets valued at amortised cost	*208*	-	*108*	*1*	-
	b) financial assets valued at FVOCI	-	-	-	-	-
	c) financial liabilities	*156*	-	*82*	-	-
110.	Gain or loss on financial assets and liabilities	2.607	-	1.361	17	-
120.	**Total income**	**22.214**	**-**	**11.595**	**142**	**-**
130.	Adjustment for impairment to:	-75	-	-39	0	-
	a) financial assets valued at amortised cost	*-75*	-	*-39*	*0*	-
	b) financial assets valued at FVOCI	-	-	-	-	-
150.	**Net income from financial operations**	**22.138**	**-**	**11.555**	**142**	**-**
190.	Administrative expenses	-7.466	-	-3.897	-48	-
	a) personnel costs	*-2.163*	-	*-1.129*	*-14*	-
	b) other administrative expenses	*-5.303*	-	*-2.768*	*-34*	-
200.	Net provisions for risks and charges	25	-	13	-	-
210.	Value adjustments in respect of tangible assets	-142	-	-73	-	-
230.	Other operating income/expense	967	-	505	6	-
290.	**Profit (loss) of the ordinary activity before tax**	**15.523**	**-**	**8.103**	**100**	**-**
300.	Income tax on the ordinary activity	-2.635	-	-1.375	-17	-
330.	**Profit (loss) for the period**	**12.888**	**-**	**6.727**	**83**	**-**
340.	Other comprehensive income, net of tax	–	–	–	–	–
350.	**Profit (Loss) of the year 30/06/2024**	**12.888**	**-**	**6.727**	**83**	**-**
	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 years ended 30 June 2024 and 2023.

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

		LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA
10.	Cash and cash equivalents	223.165	373.343	—	—
20.	Financial assets valued at FVTPL	91.124	143.449	851	—
	a) Financial assets held for trading	91.124	49.184	851	—
	b) Financial assets designated at FV	—	9.532	—	—
	c) Other financial assets mandatorily at fair valu	—	84.734	—	—
40.	Financial assets valued at amortised cost	355.523	4.689.653	948.242	56.553
	a) Due from banks	9.071	3.021.706	—	—
	b) Due from customers	346.452	1.667.947	948.242	56.553
50.	Hedging derivatives	—	3.389	—	—
70.	Equity investments	4.150	—	—	—
90.	Property, plant and equipments	1.119	—	—	—
110.	Tax assets	2.601	—	—	—
	a) current	*2.601*	—	—	—
	b) deferred	—	—	—	—
130.	Other assets	1.212	8.795	87	196
	A. Total assets at 30/06/2024	**678.894**	**5.218.629**	**949.179**	**56.749**
	A. Total assets at 30/06/2023	**834.812**	**3.536.070**	**1.149.100**	**56.406**
10.	Financial liabilities valued at amortised cost	-4.330.967	-1.919.865	—	—
	a) Due to banks	*-7*	*-1.919.865*	—	—
	b) Due to customers	*-62.274*	—	—	—
	c) Debt securities in issue	*-4.268.685*	—	—	—
20.	Financial liabilities valued at FVTPL	*-10.040*	*-42.782*	*-1.080*	—
30.	Financial liabilities designated at FV	*-124.643*	—	—	—
40.	Hedging derivatives	—	*-2.955*	—	—
60.	Tax liabilities	-12.094	—	—	—
	a) current	*-12.094*	—	—	—
	b) deferred	—	—	—	—
80.	Other liabilities	-872	-7.332	*-592*	—
100.	Provisions for risks and charges	-3	-719	-79	—
120.	Revaluation reserves	1.912	—	—	—
140.	Equity instruments	-100.000	—	—	—
150.	Reserves	-321.642	—	—	—
170.	Share capital	-10.000	—	—	—
	B. Total liabilities at 30/06/2024 *	**-4.908.350**	**-1.973.652**	**-1.751**	**—**
	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	-136.778	97.306	67.546	3.819
Net fee and commission income	666	-2.722	2.443	-2
Net trading income/expense	-13.388	5.609	3.923	832
Net hedging income/expense	-5.896	6.054	—	—
Gain or loss on disposal or repurchase of:	-689	713	254	4.262
Value Adjustments - impairment	259	-854	479	1
Administrative expenses	-5.365	-6.019	-28	—
Net provisions for risks and charges	-16	27	27	—
Value adjustments in respect of tangible assets	-215	—	—	—
Other operating income/expense	-29	1.507	—	—
Income tax	-4.028	—	—	—
Profit (Loss) of the year 30/06/2024	**-165.479**	**101.621**	**74.644**	**8.912**
Profit (Loss) of the year 30/06/2023	**-23.148**	**-47.943**	**82.567**	**7.112**

PART F – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

As part of its overall risk management, the Bank uses derivatives and other contracts to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The Bank also actively uses collateral to mitigate its exposure to single counterparty risk.

The Bank monitors the main risks to which it is exposed with a frequency consistent with the nature of each single risk category. In addition to the foregoing, a quarterly reporting of integrated risks and risk appetite evolution is performed and reported to the Credit Committee and to the Board of Directors, in order to set and implement and efficient and effective risk management strategy.

The Risk Appetite Framework ("RAF"):

- identifies the risks that the Bank is willing to assume;
- defines limits and triggers;
- describes the essential interventions identified to bring back the risk to an acceptable level for the Management.

The RAF is based on the valuation of the principal risk drivers of Mediobanca International (Luxembourg) S.A., both macroeconomic and specifics. In order to correctly assess all the potential impacts related to the identified risk drivers the Bank must carry out specific analysis ("what happens if something goes wrong").

The following assessment should be read in conjunction with the Bank's business strategy and with the Group's RAF (as approved by the Board of Directors of Mediobanca S.p.A.). In order to articulate its risk appetite, the Bank shall first define objectives in terms of markets, products, segments, etc. From there the institution assesses the risk implied in the strategy and determines the level of risk it is willing to assume in executing that strategy.

The RAF process adopted by the institution has been structured as follows:

- identification of the risks which the Bank is willing to take;
- for each risk, definition of the objective and limits in normal and stressed conditions;

- identification of the actions which are deemed to be appropriate to bring the risk back within the set objectives.

The RAF is formulated in such a way as to incorporate the stakeholders' expectations (including Supervisory Authorities) and to take into consideration all the significant types of risk encountered in the course of the business, by identifying specific metrics which are simple, easy to communicate, and frequently used as benchmarks at the various stages of the decision-making process.

The target risk profile identified by the Bank incorporates the principles and guiding lines of the Group, and namely consists in:

- maintaining a strong capital and liquidity position in order to protect the bank' solidity even in period of stress;
- preserving a long-term profitability in line with the business model and the risk profile of the bank:
  - limiting the portfolio concentration
  - keeping high asset quality
  - reducing exposure to interest rate risk
- safeguarding the reputational capital of the bank/Group.

The assessment of the overall risk profile of the institution is conducted annually within the ICAAP, which represents the capital and liquidity adequacy self-assessment process according to the Group's internal rules. The ICAAP is a process to ensure that the management body:

- adequately identifies, measures, aggregates and monitors the institution's risks;
- ensures that the institution holds adequate internal capital in relation to the institution's risk profile; and
- uses sound risk management systems and develops them further.

The RAF is developed in line with the ICAAP and represents the risk framework in which the budget and the business plan are established. Consistency between the risk-acceptance strategy and policy, and the budget process is thus guaranteed.

Section 1

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. This risk is always inherent in traditional lending operations regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.). The main reasons for default lie in the borrower's lacking the autonomous ability to service and repay the debt (due to a lack of liquidity, insolvency, etc.), as well as the occurrence of events that are unrelated to the debtor's operating and financial condition, such as Country risk or the impact of operational risk. Other banking operations, in addition to traditional lending and deposit activities, can expose the Bank to other credit risks. For example, 'non-traditional' credit risk may arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, currencies or commodities.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to (or protected from) the risk of default of the underlying entity referenced by the derivative.

Credit valuation adjustments (CVAs) are normally incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk. At the reference date, the Bank has calculated a CVA adjustment (*standard method approach*), including Parent company as counterparty; furthermore, with reference to the Parent, the Bank has signed a Credit Support Annex (CSA) that allowed the two counterparties to post cash collateral according to margin call made by the calculation agent, de facto resetting the counterparty risk.

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical, industry, rating and currency concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision (at least annually). The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. Credit risk management unit in Milan is responsible for executing the credit risk analysis entailed by lending and market transactions, and for assigning credit ratings to the counterparties in these transactions.

The requirements for eligibility of collateral and guarantees used as credit risk mitigation techniques are set out in the CRR Regulation. The role of the Risk Management in setting eligibility criteria for regulatory and management purposes remains central, supervising the overall consistency of the mitigation instruments within the general risk control and management framework.

The Risk management is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Credit Committee to ensure that procedures are compliant with the overall framework. Risk management is divided into the following areas: enterprise risk management, credit risk management, market and operational risk management.

During the year there were no significant changes in the Bank's objectives, policies and process for managing credit risk. In the light of changes in the macroeconomic context, resulting from the end of the pandemic period, normalization of inflationary pressure, interest rates changes and changes of the business outlook Risk management has continuously carried out the monitoring of portfolio, with particular focus on sectors particularly exposed to inflationary pressure. In order to mitigate potential negative impact, a high level of protection from Parent Bank was maintained.

Dedicated monitoring has been carried out on the impact of the current inflationary environment on the bank corporate portfolio, evaluating the effect of rising energy, raw material, labour and transportation costs on earnings, highlighting no exposure towards High impact sector.

The normalization of the inflation - in particular in the energy segment- has reduced the risk and the impact on corporate counterparties operating in sectors potentially more exposed to such effects due to the proven pass-through capabilities and sound financial headroom.

The residual amount of overlay is allocated to sectors particularly exposed to High/Medium inflationary pressure.

Impact of Russia-Ukraine and Israel-Palestine conflicts.

The Bank's portfolio shows direct credit exposures linked to Russia equals to €12,7m that is constantly monitored by Risk Management (100% insured by SACE[15]) in Corporate exposures, moved to Stage 3 in the first half of the fiscal year. No direct exposures towards Israel or Palestine.

Corporate banking

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Credit Committee. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls i.e. covenants. Any deterioration in the risk profile of a loan is brought swiftly to the attention of head of the operating unit and management.

[15] SACE is the Italian Export Credit Agency and an active participant in the major international organizations within the Export Credit industry, which activities are regulated by the European Union legislation and by the OECD Arrangement on Officially Supported Export Credits.

Leverage finance

As a part of its corporate lending activity, the Bank takes an active part in buyout transactions promoted or sponsored almost entirely by private equity funds in order to take over companies with promising growth prospects, low debt levels and stable cash flows over time. Such transactions have a sub-investment grade rating, a non-recourse contractual structure and borrowing is commensurate with future cash flow levels.

The purpose of such transactions is never for the Bank to acquire target companies, as the majority stakes are held directly by the private equity funds.

Loan impairment provisions

Following initial recognition, all financial assets measured at amortized cost are subject to the impairment model based on the expected loss,..

The determination of provisions on performing loans is carried out by identifying the highest possible synergies with the supervisory approach contained in the regulations known as "Basel 3". In particular, the parameters of the calculation model set out in the supervisory provisions, namely Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation, adjusted for the aspects which are not suitable to be used directly in an accounting environment (e.g., in some cases reconverting the data to reflect a "point-in-time" approach). The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarize the relevant factors considered by IFRS for the determination of the homogeneous categories and for the calculation of provisions. Under IFRS 9, expected losses are calculated as the product of the PD, LGD and EAD metrics.

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 loss is the result of the combined valuation of three scenarios, the baseline one and other two alternative scenarios (mild-positive and negative). The scenarios, determined at Group level, are weighted according to 55%, 30%, 15% respectively for baseline, mild-negative and mild positive, and they are revised at least once every six months.

In accordance with IFRS 9, financial assets are divided in three categories[16].

[16] For further details, refers to "Financial assets measured at amortised cost" under Part B, Accounting Policies.

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 (so-called backstop indicators) and to the classification in watch list status according to credit risk monitoring rules. The Group uses the simplified approach of the ‘‘low credit risk exemption’’ to a very limited extent.

The criterion for Stage 2 classification, which is based on an increase in the PD above defined thresholds, occurred between the origination of the credit and the reference date. Consistent with the options granted by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for measuring the Significant Increase in Credit Risk (SICR) for the purpose of identifying positions to be classified as Stage 2.

Non Performing Exposure

On Non-Performing Loans (NPL), various measures have been issued by the regulators in recent years to guide the financial sector in the direction of reducing stocks and accelerating the process of recovering the credit. On 26 April 2019 the European Parliament published the updated version of Regulation (EU) No. 575/2013 (the "CRR") in the Official Journal, which includes the new rules (known as "Calendar Provisioning") to be applied for coverage of loans granted as from the date on which the new version of the Regulation was issued. The Bank, in line with the Group, uses a single, like-for-like definition for the concepts of "default" as defined by the regulations on regulatory capital requirements, "non performing", used for supervisory reporting statistics, and Stage 3 assets, or "credit-impaired" assets, as defined by the accounting standards in force. In line with the principles defined by the regulation, instances of assets which qualify as "non-performing" include: exposures identified using the 90 days past due principle, cases in which the credit obligation has been sold leading to material losses in relation to the credit risk, debt restructuring which entails a cost which may imply a significantly reduced financial obligation, cases of insolvency or other systems of protection covering all creditors or all unsecured creditors, the terms and conditions of which have been approved by a judge in a court of law or another competent institution, instances identified through other indicators of a borrower being unlikely to pay.

The Calendar Provisioning mechanism requires non-performing loans to be written off entirely at set deadlines and is intended to ensure that NPLs do not accumulate on banks' balance sheets without the appropriate value adjustments being taken.

MACROECONOMIC SCENARIO AND IMPACTS

Loan loss provisioning at 30 June 2024 is subject to the most recent updated of the macroeconomic scenario which is characterized for the first half of 2024 that governs the IFRS9 provision of June 2024 in the baseline hypothesis is characterized by the stabilization of geopolitical frictions between the Western bloc and China. Furthermore, no further escalation of the Russian-Ukrainian and Israel-Hamas conflicts is expected. For energy costs and exchange rates, an evolution in line with what is already incorporated in the forward rates is assumed. Eurozone inflation is expected to decline rapidly to reach its target of 1.9% by December 2024. Eurozone growth is expected to stagnate in the first half of 2024, with growth accelerating from the second half of 2024 onwards as real wages and international trade grow.

The macroeconomic scenario in the mild positive hypothesis instead foresees that the savings rate of consumer households in the major countries will decrease significantly and that households will spend the savings accumulated during the pandemic period. Risk aversion of both individuals and businesses is also expected to decrease and therefore investments will increase compared to the baseline scenario. Finally, an acceleration of growth is expected for the main economies (US, UK, EZ).

Finally, in the alternative mild negative scenario, consumer households are expected to increase the savings rate and not use the savings accumulated during the pandemic period. Risk aversion is expected to increase for individuals and firms and therefore lower firms' investments compared to the baseline scenario. Finally, with regard to public spending, a maintenance of current levels is expected.

Tab. 1 - Macroeconomic scenario

Baseline Scenario

GDP	**2023**	**2024**	**2025**	**2026**
Italy	0.6%	0.5%	1.2%	0.9%
UE	0.5%	0.5%	1.8%	1.8%
USA	2.4%	3.1%	1.8%	1.8%
Unemployment Rate	**2022**	**2023**	**2024**	**2025**
Italy	7.7%	7.5%	7.8%	8.0%
UE	6.0%	6.0%	5.9%	5.8%
USA	3.6%	3.9%	4.1%	4.1%
10Yr Gov Bond Yield	**2022**	**2023**	**2024**	**2025**
Italy	4.2%	3.6%	3.9%	4.2%
UE	2.4%	2.3%	2.3%	2.6%
USA	3.6%	4.1%	4.0%	4.1%

Mild-positive scenario

GDP	**2023**	**2024**	**2025**	**2026**
Italy	0.6%	0.5%	2.4%	1.9%
UE	0.5%	0.5%	2.9%	2.8%
USA	2.4%	3.1%	2.6%	2.5%
Unemployment Rate	**2022**	**2023**	**2024**	**2025**
Italy	7.7%	7.5%	7.1%	6.8%
UE	6.0%	6.0%	5.4%	5.0%
USA	3.6%	3.9%	3.5%	3.1%
10Yr Gov Bond Yield	**2022**	**2023**	**2024**	**2025**
Italy	4.2%	3.6%	4.2%	4.7%
UE	2.4%	2.3%	2.7%	3.3%
USA	3.6%	4.1%	4.4%	4.9%

Mild-negative Scenario

GDP	2023	2024	2025	2026
Italy	0.6%	0.5%	-0,1%	-0,1%
UE	0.5%	0.5%	0.6%	1.0%
USA	2.4%	3.1%	0.9%	1.2%
Unemployment Rate	**2022**	**2023**	**2024**	**2025**
Italy	7.7%	7.5%	8.4%	9.2%
UE	6.0%	6.0%	6.4%	6.8%
USA	3.6%	3.9%	4.6%	5.2%
10Yr Gov Bond Yield	**2022**	**2023**	**2024**	**2025**
Italy	4.2%	3.6%	3.7%	4.0%
UE	2.4%	2.3%	2.0%	2.1%
USA	3.6%	4.1%	3.6%	3.5%

In line with the previous year, the overlays have been applied on corporate sectors particularly exposed to inflationary pressure in order to consider possible peaks of risk on particular industrial sectors (i.e. the ones considered at High/Medium risk) that the quantitative methodology only captures on average. As of June 2024, the overlay methodology is maintained substantially stable for Corporate Portfolio.

30th June 2024 (in €K)				
Corporate Lending	Stock overlay 2024	% overlay on total ECL	Stock overlay 2023	% overlay on total ECL 2023
Stage 1	258	7.5%	690.0	12.9%
Stage 2	-	0.0%	18	0.3%
Stage 3	-	-	-	-
Total	**258**	**7.5%**	**708**	**13.2%**

The overlay moved from approximately € 0.7m at June 2023 (13,2% of total ECL affected by the overlay, of which € approx.0.69m relating to Stage 1) to approximately € 0.25m at June 2024 (representing 7.5% of total ECL affected by the overlay, entirely relating to Stage1). This drop in the overlay is mainly connected to the ability of some sectors initially considered as highly inflation vulnerable (e.g. Automotive and manufacturing sectors) to overcome the increase in raw material costs through the adjustment of sales prices as well as a general stability in volumes.

QUANTITATIVE INFORMATION

A.1.1 Financial assets by portfolio and credit quality (in € k)

Portfolio/Quality	Non performing loans	Unlikely to pay	Impaired past due exposures	Not impaired past due exposures	Other not impaired exposures	Total
1. Financial asset at amortized cost	—	12.761	—	—	6.037.210	6.049.971
2. Financial assets valued to fair value with impact on overall profitability	—	—	—	—	—	—
3. Financial assets designated to FV	—	—	—	—	9.532	9.532
4. Other financial assets mandatorily at FV	—	—	—	—	—	—
5. Financial instruments as held for sale	—	—	—	—	—	—
Total 30/06/2024	**—**	**12.761**	**—**	**—**	**6.046.742**	**6.059.503**
Total 30/06/2023	**—**	**4.689**	**—**	**—**	**5.049.463**	**5.054.152**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values in € k)

Asset portfolio/quality	Non-performing loans			Performing loans			Total (net exposure)
	Gross exposure	Accumulated impairment	Net exposure	Gross exposure	Accumulated impairment	Net exposure	
1. Financial assets at amortized cost	12.982	-221	12.761	6.041.808	-4.598	6.037.210	6.049.971
2. Financial assets at FVOCI	—	—	—	—	—	—	—
3. Financial assets at FVTPL	—	—	—	—	—	9.532	9.532
4. Other financial assets mandatorily at fair value	—	—	—	—	—	—	—
5. Financial assets being sold	—	—	—	—	—	—	—
Total 30/06/2024	**12.982**	**-221**	**12.761**	**6.041.808**	**-4.598**	**6.046.742**	**6.059.503**
Total 30/06/2023	**4.689**	**—**	**4.689**	**5.054.800**	**-5.337**	**5.049.463**	**5.054.152**

A.1.3 Cash and off-balance sheet exposures to credit institutions (gross and net values in € k)

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	30/06/2024	30/06/2023
A. CASH EXPOSURES					
A.1 Sight deposit	596.806	—	-299	596.507	372.427
a) Non performing	—	—	—	—	—
b) Other assets	596.806	—	-299	596.507	372.427
A.2 Others	3.042.252	—	-1.943	3.040.309	1.867.252
a) Non-performing loans	—	—	—	—	—
- *of which: forborne exposures*	—	—	—	—	—
b) Unlikely to pay	—	—	—	—	—
- *of which: forborne exposures*	—	—	—	—	—
c) Impaired past due exposures	—	—	—	—	—
- *of which: forborne exposures*	—	—	—	—	—
d) Not impaired past due exposures	—	—	—	—	—
- *of which: forborne exposures*	—	—	—	—	—
e) Other not impaired exposures	3.042.252	—	-1.943	3.040.309	1.867.252
- *of which: forborne exposures*	—	—	—	—	—
Total A	**3.639.058**	**—**	**-2.242**	**3.636.816**	**2.239.679**
B. OFF-BALANCE-SHEET EXPOSURES					
a) Non-performing	—	—	—	—	—
b) Other assets	176.353	—	—	176.353	—
Total B	**176.353**	**—**	**—**	**176.353**	**—**
Total A+Total B	**3.815.411**	**—**	**-2.242**	**3.813.169**	**2.239.679**

A.1.4 Cash and off-balance sheet exposures to customers (gross and net values) (in € k)

Type of exposure/Amounts	**Gross exposure**					**Overall value adjustments and overall provisions**					**Net Exposure 30/06/2023**	**Overall partial write-offs**	**Net Exposure 30/06/2022**
	Total*	**First stage**	**Second stage**	**Third stage**	**Purchased or originated impaired assets**	**Total**	**First stage**	**Second stage**	**Third stage**	**Purchased or originated impaired assets**			
A. CASH EXPOSURES													
a) Non-performing loans	—	X	X	—	—	—	X	X	—	—	—	—	—
- of which: forborne exposures	—	X	X	—	—	—	X	X	—	—	—	—	—
b) Unlikely to pay	12.982	X	X	12.982	—	-221	X	X	—	—	12.761	—	4.689
- of which: forborne exposures	—	X	X	—	—	—	X	X	—	—	—	—	4.689
c) Impaired past due exposures	—	X	X	—	—	—	X	X	—	—	—	—	—
- of which: forborne exposures	—	X	X	—	—	—	X	X	—	—	—	—	—
d) Not impaired past due exposures	—	—	—	X	—	—	—	—	X	—	—	—	—
- of which: forborne exposures	—	—	—	X	—	—	—	—	X	—	—	—	—
e) Other not impaired exposures	3.081.787	2.973.885	35.204	X	—	-2.655	-2.591	-64	X	—	3.079.132	—	3.248.356
- of which: forborne exposures	—	—	—	X	—	—	—	—	X	—	—	—	34.534
Total A	**3.094.769**	**2.973.885**	**35.204**	**12.982**	**—**	**-2.876**	**-2.591**	**-64**	**—**	**—**	**3.091.893**	**—**	**3.253.045**
B. OFF-BALANCE-SHEET EXPOSURES													
a) Non-performing	—	X	X	—	—	—	X	X	—	—	—	—	—
b) Other assets	1.732.071	1.690.310	38.230	X	—	-775	-702	-73	X	—	1.731.296	—	1.538.687
Total B	**1.732.071**	**1.690.310**	**38.230**	**—**	**—**	**-775**	**-702**	**-73**	**—**	**—**	**1.731.296**	**—**	**1.538.687**
Total A + Total B	**4.826.840**	**4.664.195**	**73.434**	**12.982**	**—**	**-3.651**	**-3.293**	**-137**	**—**	**—**	**4.823.189**	**—**	**4.791.732**

*The column takes into account both the gross exposures in Staging and those not, in accordance with IFRS 9.

A.1.5 Non-performing cash exposures to customers: trend in gross impaired positions/accounts (in € k)

Description/Category	30/06/2024	30/06/2023
A. Gross exposure at start of period	4.689	4.641
of which: accounts sold but not derecognized	—	—
B. Additions	21.747	310
B.1 transfers from performing loans	12.591	—
B.2 transfer from other categories of impaired assets	—	—
B.3 other additions	9.156	310
C. Reductions	-13.454	-262
C.1 transfer to performing loans	—	—
C.2 amounts written off	—	—
C.3 amounts collected	—	—
C.4 gains realized on disposal	-9.042	—
C.5 transfers to other categories of impaired assets	—	—
C.6 other reductions	-4.412	-262
D. Gross exposure at end of period	12.982	4.689
of which: accounts sold but not derecognized	—	—

A.1.6 Financial assets, commitments to end-funds and financial guarantees given transfers between different stages of credit risk (gross and nominal values - in € k)

Portfolios/Risk stages	Gross amounts / Nominal values					
	Transfers between stage 1 to stage 2		Transfers between stage 2 to stage 3		Transfers between stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets valued at amortized cost	35.204	-	12.982	-	-	-
2. Financial assets valued at fair value with impact taken to other comprehensive income	-	-	-	-	-	-
3.Assets classified as held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	38.230	-	-	-	-	-
Total 30/06/2024	**73.434**	-	**12.982**	-	-	-
Total 30/06/2023	**49.649**	**101.886**	-	-	-	-

During the year, the migration from stage 1 to stage 2 is due to the shift of 2 customers entered in Watchlist and one due to delta PD above the defined thresholds, while the migration from stage 2 to stage 3 is related to 1 counterparty.

A.1.7 Financial assets, loan commitments, and financial guarantees issued: trend in overall value adjustments and overall provisioning (in € k)

Motivations/risk stages	Overall value adjustments																							Overall provisions for loan commitments and financial guarantees issued				TOTAL
	Stage 1 assets						Stage 2 assets						Stage 3 assets						Purchased or originated credit-impaired financial assets									
	On-demand loans to banks and Central	Financial assets measured at amortised costs	Financial assets measured at fair value through OCI	Financial assets being sold	*of which: individual writedown*	*of which: collective writedown*	On-demand loans to banks and Central Banks	Financial assets measured at amortised	Financial assets measured at fair value through OCI	Financial assets being sold	*of which: individual writedown*	*of which: collective writedown*	On-demand loans to banks and	Financial assets measured at amortised	Financial assets measured at fair value	Financial assets being sold	*of which: individual writedown*	*of which: collective writedown*	Financial assets measured at amortised	Financial assets measured at fair value	Financial assets being sold	*of which: individual writedown*	*of which: collective writedown*	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
Opening balance overall amount	**117**	**4.306**	—	—	—	*4.423*	—	**1.031**	—	—	—	*1.031*	—	—	—	—	—	—	—	—	—	—	—	**741**	**98**	—	—	**6.293**
Increase due to purchased or originated financial assets	—	2.860	—	—	—	*2.860*	—	—	—	—	—	—	—	—	—	—	—	—	X	X	X	X	X	262	—	—	—	3.122
Derecognitions other than write-offs	—	-1.884	—	—	—	*-1.884*	—	-1.015	—	—	—	-1.015	—	—	—	—	—	—	—	—	—	—	—	-210	-98	—	—	-3.207
Net adjustements / writebacks for credit risk	182	-748	—	—	—	*-566*	—	48	—	—	—	48	—	221	—	—	221	—	—	—	—	—	—	-64	72	—	—	-289
Contractual changes without derecognition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in estimation methods	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-off not directly recognized through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Closing overall amount	**299**	**4.534**	—	—	—	*4.833*	—	**64**	—	—	—	64	—	**221**	—	—	**221**	—	—	—	—	—	—	**729**	**72**	—	—	**5.919**
Recoveries for collections of written-off financial assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs directly recognized though profit or loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Overall value adjustments stand at a value of €5.86m on June 24. During the current fiscal year, this variation is mainly due to net adjustments and overlay, resulting in an overall increase in the closing amount (+7.5% respect to June 23).

Overall provisions for loan commitments and financial guarantees issued remain substantially stable compared to opening amount.

A.1.8 Financial assets, commitments to disburse funds and financial guarantees given by class of external ratings (gross value - in € k)

Exposures	External Rating Classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets valued at amortised cost	**—**	**114.184**	**3.225.364**	**132.510**	**53.575**	**—**	**2.529.157**	**6.054.790**
- First stage	—	114.184	3.225.364	132.510	46.921	—	2.487.625	6.006.604
- Second stage	—	—	—	—	6.654	—	28.550	35.204
- Third stage	—	—	—	—	—	—	12.982	12.982
- Impaired acquired or originated	—	—	—	—	—	—	—	—
B. Financial assets designated at fair value	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
- First stage	—	—	—	—	—	—	—	—
- Second stage	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—
- Impaired acquired or originated	—	—	—	—	—	—	—	—
C. Other financial assets mandatorily at fair value	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
- First stage	—	—	—	—	—	—	—	—
- Second stage	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—
- Impaired acquired or originated	—	—	—	—	—	—	—	—
Total (A + B + C)	**—**	**114.184**	**3.225.364**	**132.510**	**53.575**	**—**	**2.529.157**	**6.054.790**
D. Commitments and financial guarantees given	**10.000**	**403.756**	**754.352**	**172.611**	**58.230**	**—**	**609.474**	**2.008.423**
- First stage	10.000	403.756	754.352	172.611	25.000	—	604.474	1.970.193
- Second stage	—	—	—	—	33.230	—	5.000	38.230
- Third stage	—	—	—	—	—	—	—	—
- Impaired acquired or originated	—	—	—	—	—	—	—	—
Total (D)	**10.000**	**403.756**	**754.352**	**172.611**	**58.230**	**—**	**609.474**	**2.008.423**
Total (A + B + C + D)	**10.000**	**517.940**	**3.979.716**	**305.121**	**111.805**	**—**	**3.138.631**	**8.063.213**

The Mediobanca Group adopts the Standard & Poor's ratings for all portfolios subject to assessment. The table is compliant with the classification provided by Bank of Italy circular 262/05 (7° update) which requires external ratings to be divided into six different classes of credit standing. The first three risk classes (classes 1, 2 and 3) consist of investment grade exposures, with a Standard & Poor's rating of between AAA and BBB-, and represent 75% of the entire portfolio, excluding unrated counterparties and non-performing loans.

A.1.9 Financial assets, commitments to disburse funds and financial guarantees given by class of internal ratings (gross values - in € k)

Exposures	Internal Rating Classes						Non performing exposures	Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Financial assets valued at amortised cost	**8.841**	**409.299**	**4.741.939**	**853.129**	**28.600**	**—**	**12.982**	**—**	**6.054.790**
- First stage	8.841	409.299	4.741.939	824.579	21.946	—	—	—	6.006.604
- Second stage	—	—	—	28.550	6.654	—	—	—	35.204
- Third stage	—	—	—	—	—	—	12.982	—	12.982
- Impaired acquired or originated	—	—	—	—	—	—	—	—	—
B. Financial assets designated at fair value	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
- First stage	—	—	—	—	—	—	—	—	—
- Second stage	—	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—	—
- Impaired acquired or originated	—	—	—	—	—	—	—	—	—
C. Other financial assets mandatorily at fair value	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
- First stage	—	—	—	—	—	—	—	—	—
- Second stage	—	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—	—
- Impaired acquired or originated	—	—	—	—	—	—	—	—	—
Total (A + B + C)	**8.841**	**409.299**	**4.741.939**	**853.129**	**28.600**	**—**	**12.982**	**—**	**6.054.790**
D. Commitments and financial guarantees given	**10.000**	**436.422**	**1.088.345**	**386.895**	**83.230**	**—**	**—**	**3.531**	**2.008.423**
- First stage	10.000	436.422	1.088.345	386.895	45.000	—	—	3.531	1.970.193
- Second stage	—	—	—	—	38.230	—	—	—	38.230
- Third stage	—	—	—	—	—	—	—	—	—
- Impaired acquired or originated	—	—	—	—	—	—	—	—	—
Total (D)	**10.000**	**436.422**	**1.088.345**	**386.895**	**83.230**	**—**	**—**	**3.531**	**2.008.423**
Total (A + B + C + D)	**18.841**	**845.721**	**5.830.284**	**1.240.024**	**111.830**	**—**	**12.982**	**3.531**	**8.063.213**

The Mediobanca Group uses models developed internally in the process of managing credit risk to assign ratings to each counterparty (corporate customers). The models’ different rating scales are mapped against a single Group master scale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P master scale.

1.1a CREDIT RISK – CONCENTRATION RISK

QUALITATIVE INFORMATION

Concentrations arise when a number of customers/counterparties operate on business activities in the same geographical region or in the same market or have similar economic features that would question their capability to meet contractual obligations to be similarly undermined by changes in economic, political or other conditions. Country risk is defined as the risk of losses caused by events in a specific country which may be under the control of the government but not under the control of a private enterprise or individuals.

This may imply that the repayment of assets within a specific country will be ultimately prevented by actions of the country’s government (e.g. transfer risk, expropriation risk, legal risk, tax risk) or by a deterioration of the economic and / or political environment (e.g. a sharp recession, currency and / or banking crisis, civil war) of a country. The bank’s performance may be affected by developments concerning a particular industry or geographical area.

In order to avoid excessive concentrations of risk, the Bank monitors on a monthly basis the concentration of its loan portfolio based on the following items: geographical, economic sector, class of rating, currencies. Identified concentrations of credit risks are controlled and managed accordingly and are always considered as strategic guidelines in the Credit Committee resolutions in order to achieve an improved diversification.

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The Bank’s concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to a single client (or group of connected clients) other than the Parent as at 30 June 2024 was € 357 million (June 2023: € 295 million) before taking account of collateral or other credit enhancements and € 0 million (June 2023: € 51 million) net of such protection.

The following tables show the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, guarantees and commitments by geography of counterparty and by industry before the effect of any mitigation.

Where financial instruments are recorded at fair value, the carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

In accordance with EU Regulation n. 575/2013 of the European Parliament and of the Council of 26 June 2013 (as amended from time to time), the Bank’s exposures to a client or group of connected clients shall be considered a large exposure where the amount is greater than or equal to the lower of the two following amounts: 10% of Tier 1 or € 12,5 million for risks taken on “clients” other than institutions (CSSF Circular 14/593). The CSSF has granted a total exemption for the exposures towards the Parent Bank in the calculation of large exposure limits, in accordance with article 20 point 2 of CSSF Regulation 18-03.

QUANTITATIVE INFORMATION

B.1 Cash and off-balance sheet exposures to customers: breakdown by sector (in € k)

	Governments and Central Banks	Other Public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities	Totale
A. Cash exposures							
A.1 Non-performing							
Gross exposure	—	—	—	—	12.982	—	12.982
Value adjustments to gross exposure	—	—	—	—	-221	—	-221
Value adjustments to portfolio	—	—	—	—	—	—	—
Net exposure	—	—	—	—	12.761	—	12.761
A.2 Other exposures							
Gross exposure	—	—	1.013.613	103.702	2.068.174	—	3.081.787
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	-960	-131	-1.695	—	-2.655
Net exposure	—	—	1.012.653	103.571	2.066.479	—	3.079.132
Total A							
Gross exposure	—	—	1.013.613	103.702	2.081.156	—	3.094.769
Value adjustments to gross exposure	—	—	—	—	-221	—	-221
Value adjustments to portfolio	—	—	-960	-131	-1.695	—	-2.655
Net exposure	—	—	1.012.653	103.571	2.079.240	—	3.091.893
B. Off-balance sheet exposures							
B.1 Non-performing							
Gross exposure	—	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—	—
B.2 Other exposures							
Gross exposure	—	—	208.023	14.666	1.524.048	—	1.732.071
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	-148	-5	-627	—	-775
Net exposure	—	—	207.875	14.661	1.523.421	—	1.731.296
Total B							
Gross exposure	—	—	208.023	14.666	1.524.048	—	1.732.071
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	-148	-5	-627	—	-775
Net exposure	—	—	207.875	14.661	1.523.421	—	1.731.296
Total 30/06/2024							
Gross exposure	—	—	1.221.636	118.368	3.605.204	—	4.826.840
Value adjustments to gross exposure	—	—	—	—	-221	—	-221
Value adjustments to portfolio	—	—	-1.108	-136	-2.322	—	-3.430
Net exposure	—	—	1.220.528	118.232	3.602.661	—	4.823.189
Net exposure 30/06/2023	**—**	**—**	**1.176.217**	**118.393**	**3.577.031**	**—**	**4.753.248**

	Governments and Central Banks	Other Public agencies	Financial companies	Financial companies (of which Insurances)	Non-financial undertakings	Other entities	Totale
A. Cash exposures							
A.1 Non-performing							
Gross exposure	—	—	—	—	12.982	—	12.982
Value adjustments to gross exposure	—	—	—	—	-221	—	-221
Value adjustments to portfolio	—	—	—	—	—	—	—
Net exposure	—	—	—	—	12.761	—	12.761
A.2 Other exposures							
Gross exposure	—	—	1.013.613	103.702	2.068.174	—	3.081.787
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	-960	-131	-1.695	—	-2.655
Net exposure	—	—	1.012.653	103.571	2.066.479	—	3.079.132
Total A							
Gross exposure	—	—	1.013.613	103.702	2.081.156	—	3.094.769
Value adjustments to gross exposure	—	—	—	—	-221	—	-221
Value adjustments to portfolio	—	—	-960	-131	-1.695	—	-2.655
Net exposure	—	—	1.012.653	103.571	2.079.240	—	3.091.893
B. Off-balance sheet exposures							
B.1 Non-performing							
Gross exposure	—	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—	—
B.2 Other exposures							
Gross exposure	—	—	208.023	14.666	1.524.048	—	1.732.071
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	-148	-5	-627	—	-775
Net exposure	—	—	207.875	14.661	1.523.421	—	1.731.296
Total B							
Gross exposure	—	—	208.023	14.666	1.524.048	—	1.732.071
Value adjustments to gross exposure	—	—	—	—	—	—	—
Value adjustments to portfolio	—	—	-148	-5	-627	—	-775
Net exposure	—	—	207.875	14.661	1.523.421	—	1.731.296
Total 30/06/2024							
Gross exposure	—	—	1.221.636	118.368	3.605.204	—	4.826.840
Value adjustments to gross exposure	—	—	—	—	-221	—	-221
Value adjustments to portfolio	—	—	-1.108	-136	-2.322	—	-3.430
Net exposure	—	—	1.220.528	118.232	3.602.661	—	4.823.189
Net exposure 30/06/2023	**—**	**—**	**1.176.217**	**118.393**	**3.577.031**	**—**	**4.753.248**

B.2 Cash and off-balance sheet exposures to customers: breakdown by geography (in € k)

Exposure/geographical areas	Luxembourg		Other European countries		America		Asia		Rest of the World	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	12.981	12.761	—	—	—	—	—	—
A.3 Impaired past due	—	—	—	—	—	—	—	—	—	—
A.4 Not impaired past due	—	—	—	—	—	—	—	—	—	—
A.5 Performing	398.999	398.704	1.677.768	1.676.200	948.435	947.676	56.586	56.552	—	—
Total A	398.999	398.704	1.690.749	1.688.961	948.435	947.676	56.586	56.552	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Performing	4.667	4.664	1.527.911	1.527.218	199.493	199.414	—	—	—	—
Total B	4.667	4.664	1.527.911	1.527.218	199.493	199.414	—	—	—	—
Total 30/06/2024	**403.666**	**403.367**	**3.218.660**	**3.216.179**	**1.147.928**	**1.147.090**	**56.586**	**56.552**	**—**	**—**
Total 30/06/2023	**575.403**	**574.795**	**2.873.744**	**2.870.515**	**1.286.825**	**1.285.337**	**60.367**	**60.334**	**752**	**752**

B.3 Cash and off-balance sheet exposures to credit institutions: breakdown by geography (in € k)

Exposure/geographical areas	Luxembourg		Other European countries		America		Asia		Oceania	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Impaired past due	—	—	—	—	—	—	—	—	—	—
A.4 Not impaired past due	—	—	—	—	—	—	—	—	—	—
A.5 Performing	232.005	232.005	3.407.053	3.404.811	—	—	—	—	—	—
Total A	232.005	232.005	3.407.053	3.404.811	—	—	—	—	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Performing	—	—	—	—	—	—	—	—	—	—
Total B	—	—	—	—	—	—	—	—	—	—
Total 30/06/2024	**232.005**	**232.005**	**3.407.053**	**3.404.811**	**—**	**—**	**—**	**—**	**—**	**—**
Total 30/06/2023	**9.343**	**9.343**	**2.231.269**	**2.230.336**	**—**	**—**	**—**	**—**	**—**	**—**

1.2 MARKET RISK

1.2.1 Interest rate risk of Banking book

QUALITATIVE INFORMATION

Interest rate risk arises from the possibility that changes in interest rates of non-trading activities will affect future cash flows or the fair values of financial instruments. The Banks policy is to monitor positions on a regular basis and to offset the overall risk exposure using appropriate hedging and ALM strategies.

The Bank monitors and controls interest rate risk through interest margin sensitivity and value sensitivity economic (EVE). The sensitivity of the interest margin quantifies the impact on current profits of instantaneous shocks of the interest rate curve. In this analysis, the balance sheet stocks are kept constant by renewing the items maturing with others having identical financial characteristics considering a time horizon of 12 months.

The sensitivity of the economic value, on the other hand, measures the impact on the discounted cash flows in the worst scenario among those envisaged by the guidelines of the Basel Committee (BCBS).

According to CSSF Regulation 15-02, the Bank performs a *"test de résistance, en matière de risque de taux d'intérêt* implementing systems to identify, evaluate and manage the risk arising from potential changes in interest rates that affect its non-trading activities. The CSSF determines in particular to which extent the interest rate risk after a parallel shift up or down by 200 basis points of the yield curve is likely to exceed 20% of their own funds or 15% of their TIER1 capital after change in EVE deriving from the application of 6 additional EBA scenarios. According to CSSF Circular 12/552 (as amended), the Institution, when implementing the CSSF Regulation 15-02, shall comply with the guidelines published by the European Banking Authority.

A maturity-dependent post-shock interest rate floor is applied for each currency starting with -100 basis points for immediate maturities. This floor increase by 5 basis points per year, eventually reaching 0% for maturities of 20 years and more. However, if observed rates are lower than the current lower reference rate of -100 basis points, institutions should apply the lower observed rate.

Risk management regularly monitors the sensitivity of the EVE to different shifts of the yield curves related to currencies. For this calculation, the Bank do not include credit risk spreads.

The sensitivity resulting from a parallel shift (+/-200 bps) at 30th June 2024 remains within CSSF threshold and is shown below:

- +200bps: €-1.5m;
- -200bps: €-0.2m;

In addition, the impact of the six EBA stressed scenarios on EVE is regularly performed by Risk Management with the aim of verifying the coherence with the defined managerial limits and CSSF limits. The scenarios considered are: parallel up/down, steepener, flattener, short rates down and short rates up. At 30th June 2024 the worst impact is achieved in the Parallel Up scenario at €-1.6m, resulting within both regulatory and managerial thresholds.

The sensitivity of economic value to one basis point change over the preset time horizons is also regularly monitored and limits have been set.

In line with the new guidelines, the sensitivity of the Net Interest Income (NII) to parallel shifts in the interest rate curves is also carried out periodically. At 30th June 2024 the worst impact achieved is related to the Parallel Down and is equal to € -5.4m which remains within the internal limit defined. According to latest EBA guidelines (EBA/GL/2022/14) the change in the NII in the parallel shock should be limited at 5% of the Tier 1 Capital. For managerial purposes, the Bank keeps monitoring the impact in other scenarios EBA.

The above metrics are summarized in the monthly ALM report which points out the mismatching of the statement of financial position in terms of maturity and rate re-fixing. Based on reporting evidences, the management of the Bank - in coordination with the treasury department of the Parent Bank - decides on possible remedial measures (if needed) concerning the “mix” of funding (notes, overdraft on current account, time deposits, loans, etc.) in order to obtain a better matching with the lending.

1.2.2 Market risks relating to the Trading Book

The market risk of the Bank's trading portfolio is essentially limited, as all new trading book positions/products that originate market risks (i.e. structured bonds, financial instruments designated at FVO) are simultaneously offset via derivatives put in place with Parent company.

In coordination with the Parent's central units and leveraging on the Group reporting tool, the Bank finalized the implementation of a dedicated reporting of sensitivity on managerial trading portfolios. The sensitivity to the principal risk factors (interest rates, share prices, exchange rates, credit spreads, inflation) shows the increase or decrease in the value of financial assets and derivatives to local changes in the above-mentioned risk factors, providing a static representation of the market risk of the trading portfolio;

Risk Factors (in € k)	30/06/2024	From 30/06/2023 to 30/06/2024		
		Min (Over 4Qs)	Max (Over 4Qs)	Average (Over 4Qs)
Equity Delta (+1%)	0	-0	0	0
Equity Vega (+1%)	2	0	2	1
Interest Rate Delta (+1bp)	-3	-5	-2	-3
Inflation Delta (+1bp)	—	—	—	—
Exchange Rate Delta (+1%)	-5	-5	-1	-4
Credit Delta (+1bp)	-4	-4	1	-2

Fair value hedge

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value to be offset. The Bank uses fair value hedges to neutralize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor/Libor and new RFRs.

It is principally the fixed rate, zero coupon and structured financial instruments that are fair value hedged. During the year there were no significant changes in the bank’s objectives, policies and processes for managing interest rate risks.

QUANTITATIVE INFORMATION

C.1a Regulatory trading book: breakdown by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products as at 30 June 2024 (in € k).

Type/Residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets								
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
1.2 Loans to Banks	—	—	—	—	—	—	—	—
1.3 Loans to customers	—	—	—	—	—	—	—	—
Total cash assets at 30/06/2024	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2. Cash liabilities								
2.1 Amounts due to Banks	—	—	—	—	—	—	—	—
2.2 Amounts due to customers	—	—	—	—	—	—	—	—
2.3 Debt securities in issue	—	—	—	—	—	—	—	—
Total cash liabilities at 30/06/2024	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others								
+ Long positions	—	342.119	575.498	18.683	118.722	78.082	—	—
+ Short positions	—	568.382	358.576	9.341	118.722	78.082	—	—

C.1b Regulatory trading book: breakdown by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products as at 30 June 2023 (in € k)

Type/Residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets								
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
1.2 Loans to Banks	—	—	—	—	—	—	—	—
1.3 Loans to customers	—	—	—	—	—	—	—	—
Total cash assets at 30/06/2023	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2. Cash liabilities								
2.1 Amounts due to Banks	—	—	—	—	—	—	—	—
2.2 Amounts due to customers	—	—	—	—	—	—	—	—
2.3 Debt securities in issue	—	—	—	—	—	—	—	—
Total cash liabilities at 30/06/2023	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others								
+ Long positions	—	1.596.349	373.655	—	53.789	—	—	—
+ Short positions	—	1.910.704	59.300	—	53.789	—	—	—

C.2a Regulatory banking book: breakdown by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products as at 30 June 2024 (in € k).

Type/Residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets								
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
1.2 Loans to Banks	374.722	2.316.080	73.976	453.138	186.689	—	—	—
1.3 Loans to customers	17.928	2.575.156	397.022	—	14.988	9.532		—
Total cash assets at 30/06/2024	**392.650**	**4.891.236**	**470.998**	**453.138**	**201.677**	**9.532**	**—**	**—**
2. Cash liabilities								
2.1 Amounts due to customers	—	45.209	15.084	1.133	—	—	849	—
2.2 Amounts due to Banks	159.429	1.481.029	49.414	—	—	—	—	—
2.3 Debt securities in issue	—	3.056.921	148.513	675.772	317.927	1.195	11.000	—
Total cash liabilities at 30/06/2024	**159.429**	**4.583.159**	**213.011**	**676.905**	**317.927**	**1.195**	**11.849**	**—**
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	800	350.000	1.236.300	336.631	1.201	—	—
+ Short positions	—	800	350.000	1.236.300	336.631	1.201	—	—
– Others								
+ Long positions	—	137.680	168.511	6.315	—	—	—	—
+ Short positions	—	311.325	—	1.182	—	—	—	—
4. Other off-balance sheet								
+ Long positions	—	339.655	1.724	—	1.206.733	168.998	—	—
+ Short positions	—	339.655	1.724	—	1.206.733	168.998	—	—

C.2b Regulatory banking book: breakdown by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products as at 30 June 2023 (in € k)

Type/Residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets								
1.1 Debt securities	—	451	—	—	444	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	451	—	—	444	—	—	—
1.2 Loans to Banks	148.982	1.607.678	246.772	4.878	—	—	—	—
1.3 Loans to customers	—	3.061.363	174.854	—	19.343	—		—
Total cash assets at 30/06/2023	**148.982**	**4.669.492**	**421.626**	**4.878**	**19.787**	**—**	**—**	**—**
2. Cash liabilities								
2.1 Amounts due to customers	—	1.003	—	1.224	—	—	—	—
2.2 Amounts due to Banks	4.575	1.765.905	332.646	—	—	—	—	—
2.3 Debt securities in issue	—	2.044.638	277.824	353.015	151.334	—	2.074	—
Total cash liabilities at 30/06/2023	**4.575**	**3.811.546**	**610.470**	**354.239**	**151.334**	**—**	**2.074**	**—**
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Others								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	20.000	733.413	209.023	400.000	—	—	—
+ Short positions	—	20.000	733.413	209.023	400.000	—	—	—
– Others								
+ Long positions	—	52.561	5.000	337.405	—	—	—	—
+ Short positions	—	393.801	—	1.165	—	—	—	—
4. Other off-balance sheet								
+ Long positions	—	526.664	32.276	—	942.460	5.000	—	—
+ Short positions	—	526.664	32.276	—	942.460	5.000	—	—

1.2.2 Exchange rate risk

QUALITATIVE INFORMATION

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Forex risk exposure is minimal. A continuous monitoring and a dynamic management of the liquidity allow the offsetting of the financial structure in terms of currency risk exposure.

Forex exposures are funded with financial liabilities in the same currencies and, whenever this kind of strategy results unrealizable in terms of costs/opportunity, specific hedging transactions (e.g. cross currency swap, forex swap) are negotiated with the treasury department of the Parent bank in order to put in place corrective actions if necessary.

As at 30 June 2024, the Bank has not registered any forex capital allowance.

During the year, there were no significant changes in the Bank's objectives, policies and process for managing its exchange rate risk.

QUANTITATIVE INFORMATION

D.1 Assets, liabilities and forex derivatives: breakdown by currency (in € k)

Line items	Currency				
	US dollars	**Pounds sterling**	**Swiss francs**	**Zloty**	**Other**
A. Assets					
A.1 Debt securities	—	—	—	—	—
A.2 Equities	—	—	—	—	—
A.3 Loans and advances to Banks	550.565	68.742	194.196	244	1.615
A.4 Loans and advances to customers	983.041	224.290	60.037	—	1.636
A.5 Other financial assets	4.215	472	22	—	—
B. Financial liabilities					
B.1 Due to Banks	-899.344	-213.510	—	—	—
B.2 Due to customers	—	—	—	—	—
B.3 Debt securities	-637.025	-21.167	-186.601	—	—
B.4 Other financial liabilities	-1.401	-1.403	-151	—	—
C. Financial Derivatives					
- Options					
+ long positions	1.441	500	—	—	—
+ short positions	-1.197	-516	—	—	—
- Other					
+ long positions	9.062	4.788	—	—	—
+ short positions	-7.934	-59.483	-67.115	—	-772
Total assets 30/06/2024	1.548.324	298.792	254.255	244	3.251
Total liabilities 30/06/2024	-1.546.901	-296.079	-253.867	—	-772
Difference (+/-) 30/06/2024	**1.423**	**2.713**	**388**	**244**	**2.479**
Total assets 30/06/2023	1.288.341	466.356	68.999	224	8.140
Total liabilities 30/06/2023	-1.281.943	-461.860	-66.715	—	-6.037
Difference (+/-) 30/06/2023	**6.398**	**4.496**	**2.284**	**224**	**2.103**

1.2.3 Derivative contracts

QUALITATIVE INFORMATION

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments may involve a degree of leverage and are volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over–the–counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk. During the year there were no significant changes in the Bank's objectives, policies and process for managing those risks.

The Bank enters into credit support annexes ("CSA") to master agreements in order to further reduce derivatives-related credit risk. These annexes generally provide risk mitigation through periodic, margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty's failure to honor a margin call.

QUANTITATIVE INFORMATION

FINANCIAL DERIVATIVES

E.1 Regulatory trading book: breakdown of notional values by type of transaction (in € k)

Type of transactions	30/06/2024		30/06/2023	
	Over-the-counter	**Listed**	**Over-the-counter**	**Listed**
1. Debt securities and interest rates	2.275.839	—	3.180.286	—
a) Options	1.195.620	—	1.538.259	—
b) Swap	1.080.219	—	1.642.027	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	33.588	—	18.729	—
a) Options	23.088	—	7.680	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	10.500	—	11.049	—
3. Exchange rates and Gold	130.595	—	263.466	—
a) Options	—	—	—	—
b) Swap	109.835	—	263.466	—
c) Forward	20.760	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	291.330	—	339.894	—
5. Other assets	—	—	—	—
Total	**2.731.352**	—	**3.802.375**	—

E.2 Regulatory banking book: breakdown of notional values by type of transaction (in € k)

Type of transactions	30/06/2024		30/06/2023	
	Over-the-counter	**Listed**	**Over-the-counter**	**Listed**
1. Debt securities and interest rates	1.472.014	—	346.109	—
a) Options	1.237.984	—	—	—
b) Swap	234.030	—	346.109	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	**1.472.014**	**—**	**346.109**	**—**

E.3 OTC financial derivatives: positive fair value (in € k)

Type of transactions	**Positive fair value**			
	30/06/2024		**30/06/2023**	
	Over-the-counter	**Listed**	**Over-the-counter**	**Listed**
A. Regulatory trading book	58.084	—	30.157	—
a) Options	26.740	—	9.420	—
b) Interest Rate Swap	26.936	—	5.063	—
c) Cross Currency Swap	1.366	—	2.468	—
d) Equity Swap	—	—	—	—
e) Forward	3.042	—	13.206	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	3.389	—	—	—
a) Options	2.474	—	—	—
b) Interest Rate Swap	915	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: Others derivatives	—	—	—	—
a) Options	—	—	—	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**61.473**	**—**	**30.157**	**—**

E.4 OTC financial derivatives: negative fair value (in € k)

Type of transactions	Negative fair value			
	30/06/2024		30/06/2023	
	Over-the-counter	Listed	Over-the-counter	Listed
A. Regulatory trading book	-45.873	—	-31.524	—
a) Options	-9.166	—	-3.965	—
b) Interest Rate Swap	-23.809	—	-5.175	—
c) Cross Currency Swap	-175	—	-1.349	—
d) Equity Swap	—	—	—	—
e) Forward	-2.820	—	-13.206	—
f) Futures	—	—	—	—
g) Others	-9.903	—	-7.829	—
B. Banking book: Hedge derivatives	-2.955	—	-2.737	—
a) Options	-2.502	—	—	—
b) Interest Rate Swap	-453	—	-2.737	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: Others derivatives	—	—	—	—
a) Options	—	—	—	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**-48.828**	**—**	**-34.261**	**—**

E.5 Regulatory trading book: counterparty and financial risk – OTC financial derivatives not included in netting or collateral agreements (in € k)

Contracts not forming part of netting arrangements	30/06/2024							30/06/2023
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—
2. Equities and share indexes								—
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—
3. Exchange rates and Gold			—	—				—
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—
4. Other assets			—	—				—
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—

E.6 Regulatory trading book: counterparty and financial risk – OTC financial derivatives included in netting or collateral agreements (in € k)

Contracts forming part of netting arrangements	30/06/2024							30/06/2023
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	2.175.839	100.000	—	—	—	3.180.286
- positive fair value	—	—	31.837	—	—	—	—	6.669
- negative fair value	—	—	32.863	112	—	—	—	9.141
2. Equities and share indexes								
- notional value	—	—	33.588	—	—	—	—	18.729
- positive fair value	—	—	21.839	—	—	—	—	7.814
- negative fair value	—	—	9.903	—	—	—	—	7.829
3. Exchange rates and Gold								
- notional value	—	—	130.595	—	—	—	—	263.466
- positive fair value	—	—	1.588	—	—	—	—	2.468
- negative fair value	—	—	175	—	—	—	—	1.349
4. Other assets								
- notional value	—	—	291.330	—	—	—	—	339.894
- positive fair value	—	—	2.820	—	—	—	—	13.206
- negative fair value	—	—	2.820	—	—	—	—	13.205

E.7 Regulatory banking book: counterparty and financial risk – OTC financial derivatives not included in netting or collateral agreements (in € k)

Contracts not forming part of netting arrangements	30/06/2024							30/06/2023
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—	—

E.8 Regulatory banking book: counterparty and financial risk – OTC financial derivatives included in netting or collateral agreements (in € k)

Contracts forming part of netting arrangements	30/06/2024							30/06/2023
	Governments and central Bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties	
1. Debt securities and interest rates								
- notional value	—	—	1.472.014	—	—	—	—	346.109
- positive fair value	—	—	3.389	—	—	—	—	—
- negative fair value	—	—	2.955	—	—	—	—	2.737
2. Equities and share indexes								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
3. Exchange rates and Gold								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—
4. Other assets								
- notional value	—	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—	—

E.9 Regulatory trading book: residual life – notional values (in € k)

Underlying/Residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
1. Financial derivatives on debt securities and interest rates	767.542	852.134	656.163	2.275.839
2. Financial derivatives on equities and share indexes	1.121	32.467	—	33.588
3. Financial derivatives on foreign currencies and gold	80.612	49.983	—	130.595
4. Financial derivatives on commodities	213.410	77.920	—	291.330
5. Other financial derivatives	—	—	—	—
Total at 30/06/2024	**1.062.685**	**1.012.504**	**656.163**	**2.731.352**
Total at 30/06/2023	**2.529.723**	**955.007**	**317.645**	**3.802.375**

E.10 Regulatory banking book: residual life – notional values (in € k)

Underlying/Residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
1. Financial derivatives on debt securities and interest rates	1.332.336	127.276	12.402	1.472.014
2. Financial derivatives on equities and share indexes	—	—	—	—
3. Financial derivatives on foreign currencies and gold	—	—	—	—
4. Financial derivatives on commodities	—	—	—	—
5. Other financial derivatives	—	—	—	—
Total at 30/06/2024	**1.332.336**	**127.276**	**12.402**	**1.472.014**
Total at 30/06/2023	**337.405**	**8.704**	**—**	**346.109**

CREDIT DERIVATIVES

F.1 Regulatory trading book: breakdown of notional values by type of transaction (in € k)

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Protection purchase				
a) Credit default	1.779.097	—	—	—
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 30/06/2024	**1.779.097**	**—**	**—**	**—**
Total at 30/06/2023	**1.414.170**	**—**	**—**	**—**
2. Protection sale				
a) Credit default	1.722.346	—	—	—
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total at 30/06/2024	**1.722.346**	**—**	**—**	**—**
Total at 30/06/2023	**1.359.225**	**—**	**—**	**—**

F.2 Regulatory trading book: positive and negative fair values (in € k)

Transaction categories	Fair Value	
	30/06/2024	**30/06/2023**
1. Positive fair value		
a) Credit default	10.375	35.413
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	**10.375**	**35.413**
2. Negative fair value		
a) Credit default	-8.030	-28.598
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	**-8.030**	**-28.598**

F.3 Regulatory trading book: settlement risk – OTC credit derivatives covered by clearing agreements (in € k)

	30/06/2024				30/06/2023
	Central counterparts	**Banks**	**Other financial companies**	**Other counterparties**	
OTC contracts not covered by clearing agreements					
1. Protection purchase					
- notional value	—	1.688.414	90.683	—	1.414.170
- positive fair value	—	3.189	851	—	11.704
- negative fair value	—	3.241	1.080	—	12.884
2. Protection sale					
- notional value	—	1.722.346	—	—	1.359.225
- positive fair value	—	6.335	—	—	23.709
- negative fair value	—	3.709	—	—	15.714
OTC contracts covered by clearing agreements					
1. Protection purchase					
- notional value	—	—	—	—	—
- positive fair value	—	—	—	—	—
- negative fair value	—	—	—	—	—
2. Protection sale		—			
- notional value	—	—	—	—	—
- positive fair value	—	—	—	—	—
- negative fair value	—	—	—	—	—

F.4 Regulatory trading book: residual life – notional values (in € k)

Transaction categories	Up to 1 year	From 1 to 5 years	Over 5 years	Total
1. Regulatory trading book				
a) Protection purchase	708.569	992.845	77.683	1.779.097
b) Protection sale	708.569	993.923	19.854	1.722.346
Total at 30/06/2024	**1.417.138**	**1.986.768**	**97.537**	**3.501.443**
Total at 30/06/2023	**1.582.756**	**1.117.926**	**72.713**	**2.773.395**

ACCOUNTING HEDGE

F.5 Financial hedging derivatives: gross positive and negative fair values by product (in € k)

	Positive and negative fair value								Change in value used to relieve hedging ineffectiveness	
	30/06/2024				30/06/2023				30/06/2024	30/06/2023
	Over the counter				Over the counter					
		Without Central Counterparties				Without Central Counterparties				
	With Central Counterparts	*With Clearing arrangement*	*Without Clearing arrangement*	Established markets	With Central Counterparts	*With Clearing arrangement*	*Without Clearing arrangement*	Established markets		
1. Positive Fair Value										
a) Options	—	2.474	—	—	—	—	—	—	—	—
b) Interest rate swap	—	915	—	—	—	—	—	—	—	—
c) Cross currency swap	—	—	—	—	—	—	—	—	—	—
d) Forward	—	—	—	—	—	—	—	—	—	—
e) Futures	—	—	—	—	—	—	—	—	—	—
h) Others	—	—	—	—	—	—	—	—	—	—
Total	**—**	**3.389**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2. Negative Fair Value										
a) Options	—	2.502	—	—	—	—	—	—	—	—
b) Interest rate swap	—	453	—	—	—	2.737	—	—	5.935	1.854
c) Cross currency swap	—	—	—	—	—	—	—	—	—	—
d) Forward	—	—	—	—	—	—	—	—	—	—
e) Futures	—	—	—	—	—	—	—	—	—	—
h) Others	—	—	—	—	—	—	—	—	—	—
Total	**—**	**2.955**	**—**	**—**	**—**	**2.737**	**—**	**—**	**5.935**	**1.854**

F.6 Fair value hedges (in € k)

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific Hedges			Generic hedges: Book value
			Accumulated changes in fair value of the hedged instrument	Ending of hedge: residual accumulated changes in fair value	Changes in value used to calculate the hedge ineffectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedges of:	-	-	-	-	-	-
1.1 Debt securities and interest rate	-	-	-	-	-	x
1.2 Equity securities and stock price indexes	-	-	-	-	-	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Credits	-	-	-	-	-	x
1.5 Other	-	-	-	-	-	x
2. Financial assets measured at amortized cost - hedges of:	-	-	-	-	-	-
2.1 Debt securities and interest rate	-	-	-	-	-	x
2.2 Equity securities and stock price indexes	-	-	-	-	-	x
2.3 Currencies and gold	-	-	-	-	-	x
2.4 Credits	-	-	-	-	-	x
2.5 Other	-	-	-	-	-	x
Total 30/06/2024	-	-	-	-	-	-
Total 30/06/2023	-	-	-	-	-	-
B. Liabilities						
1. Financial Liabilities measured at amortized cost - hedges of:	**235.352**	**-**	**657**	**-**	**5.935**	-
1.1 Debt securities and interest rate	235.352	-	657	-	5.935	x
1.2 Currencies and gold	-	-	-	-	-	x
1.3 Other	-	-	-	-	-	x
Total 30/06/2024	**235.352**	**-**	**657**	**-**	**5.935**	-
Total 30/06/2023	**342.628**	**-**	**-5.096**	**-**	**1.854**	-

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

Liquidity risk is defined as the risk that the Bank would encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

During the fiscal year, the Bank has performed ongoing monitoring and control of the regulatory liquidity metrics (cf. below) through the Asset Liability Management application (which is the same used by the Parent Bank). The liquidity risk management and monitoring model is divided in:

- Management of short-term liquidity with the purpose of managing events which might impact the bank's liquidity position (up to 30 days) and preserving in this way the Bank's ability to fulfill its ordinary and/or extraordinary payment obligations while minimizing the related funding costs. The Institution regularly monitors the Liquidity Coverage Ratio (hereinafter also referred to as "LCR") and the Additional Liquidity Monitoring Metrics (ALMM);
- Management of long-term liquidity focusing on events which might impair the bank's liquidity position beyond 1-year time horizon, with the primary goal of maintaining an adequate and efficient ratio between medium/long term liabilities and assets. The institution uses regulatory liquidity metrics, namely the Net Stable Funding Ratio (hereinafter also referred to as "NSFR") which became mandatory at 30.06.2021 with a minimum requirement of 100% (according to Regulation (UE) 2019/876 or "CRR2").

The goal of the institution is to keep maintaining a level of liquidity that enables the payment of commitments undertaken, being it ordinary or extraordinary. In this regard, the Group has adopted a specific approach for the short-term and long-term managerial metrics which foresees the settlement of the cash flows in two analysis scenarios, namely the "Standard" and the "Stressed" scenarios. Potential stress scenario includes: stress on market-wide factors, consisting of the combined occurrence of political, macroeconomic and other extraordinary events that have a negative impact on market conditions, reduction in cash inflow due to default flows scenario and drawdown in credit lines granted to customers; idiosyncratic factors referring to specific stress events and a combination of both. The liquidity risk tolerance thresholds are defined as the maximum exposure to risk deemed sustainable by the management in the normal course of business, as well as "stress situations". The bank has implemented tailored stressed scenarios (market, idiosyncratic and combined) at individual level in line with the Group framework.

The objectives and metrics described above are addressed through the preparation of the Risk Appetite Framework (RAF), which involves defining the Institution's appetite for risk on regulatory indicators (LCR and NSFR) and through the preparation of the Internal Capital Adequacy Assessment Process (ICAAP), which includes the assessment of liquidity risk profile under baseline and stressed conditions.

Contingency Funding Plan

The Group treasury department acts as lender of last resort for the Group legal entities, including Mediobanca International (Luxembourg) S.A., guarantees their solvency both in the short and the medium/long term, and is responsible to activate the Contingency Funding Plan ('CFP') aimed at safeguarding the continuity of ordinary operations during a liquidity crisis. Even though the Bank is included in the Group CFP, in addition to the risk management and governance guidelines for the normal course of business, the Bank has adopted a Contingency Funding Plan at individual level that includes guidelines and processes to be followed in the event of liquidity emergency conditions. On this extent, the Bank is responsible for activating its local Contingency Funding Plan (CFP).

The Bank CFP governs the following processes: the definition of liquidity tension situations, the alarm system and identification of operating scenario, the procedure for monitoring risk indicators and reporting flows, roles and responsibilities of the company units, communication and testing procedures and prompt actions to be taken in order to resolve the emergency situations as well the regular revision of the framework.

The Bank, through the Risk Management and Treasury, measures and monitors the value of the specific warning indicators in order to detect any exceeding of the defined thresholds and to predict the occurrence of a potential alarm situation in case the emergency persists for a certain period deemed critical. No emergency situation it has been verified along the year. Further review and enhancement will be carried out on CFP in the next fiscal year.

QUANTITATIVE INFORMATION

G.1 Financial assets and liabilities by outstanding life as at 30 June 2024 (in € k)

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**596.508**	**4.484**	**11.043**	**277.584**	**624.461**	**156.307**	**787.909**	**2.737.206**	**1.677.559**	**8.841**
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	—	—	—	—	—	72.699	—	—
A.4 OICR units	—	—	—	—	—	—	—	84.734	—	—
A.5 Loans and advances	596.508	4.484	11.043	277.584	624.461	156.307	787.909	2.579.773	1.677.559	8.841
– to Banks	596.508	250	—	—	517.014	98.927	507.607	493.936	1.482.191	8.841
– to customers	—	4.234	11.043	277.584	107.447	57.380	280.302	2.085.837	195.368	—
Cash liabilities	**18.607**	**33.690**	**—**	**31.566**	**579.814**	**406.594**	**1.022.867**	**2.352.630**	**1.929.707**	**—**
B.1 Deposits	18.607	—	—	—	—	107.656	—	—	—	—
– to banks	18.607	—	—	—	—	47.363	—	—	—	—
– to customers	—	—	—	—	—	60.293	—	—	—	—
B.2 Debt securities	—	27.535	—	692	522.512	207.137	797.115	918.557	1.928.858	—
B.3 Other liabilities	—	6.155	—	30.874	57.302	91.801	225.752	1.434.073	849	—
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	—	—	—	777	—	—	8.673	4.726	—	—
– short positions	—	—	—	21.525	—	59.075	—	81.888	1.201	—
C.2 Financial derivatives without exch. of principal										
– long positions	2.987.858	18	28	684	1.931	3.517	5.464	—	—	—
– short positions	2.999.424	19	134	604	3.138	3.422	5.632	—	—	—
C.3 Irrevocable commitments to disburse funds										
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.5 Credit derivatives with exchange of principal										
– long positions	—	—	—	—	—	—	—	14.078	110.538	—
– short positions	—	—	—	—	—	—	—	27.078	97.538	—
C.6 Credit derivatives without exchange of principal										
– long positions	630.805	—	—	—	—	—	—	—	—	—
– short positions	628.738	—	—	—	—	—	—	—	—	—

G.2 Financial assets and liabilities by outstanding life as at 30 June 2023 (in € k)

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Unlimited
Cash assets	**372.604**	**19.034**	**105.092**	**455.898**	**700.617**	**420.747**	**330.066**	**2.974.918**	**291.255**	**6.926**
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	71.509	—
A.3 Other debt securities	—	—	—	—	—	—	—	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	372.604	19.034	105.092	455.898	700.617	420.747	330.066	2.974.918	219.746	6.926
– to Banks	372.604	224	—	245.430	563.524	255.582	22.515	800.000	—	6.926
– to customers	—	18.810	105.092	210.468	137.093	165.165	307.551	2.174.918	219.746	—
Cash liabilities	**4.575**	**260.503**	**—**	**236.869**	**309.664**	**768.650**	**721.013**	**2.746.935**	**65.000**	**—**
B.1 Deposits	4.575	—	—	—	—	—	—	—	—	—
– to banks	4.575	—	—	—	—	—	—	—	—	—
– to customers	—	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	208.812	298.121	698.041	395.752	1.351.478	—	—
B.3 Other liabilities	—	260.503	—	28.057	11.543	70.609	325.261	1.395.457	65.000	—
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	—	—	—	—	992	—	—	4.660	—	—
– short positions	—	—	—	—	118.991	—	—	139.815	—	—
C.2 Financial derivatives without exch. of principal										
– long positions	1.545.623	—	23	153	426	456	17.347	—	—	—
– short positions	1.542.764	—	34	210	6.737	6.815	8.024	—	—	—
C.3 Irrevocable commitments to disburse funds										
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.5 Credit derivatives with exchange of principal										
– long positions	—	—	—	—	—	—	1.200	1.000	85.713	—
– short positions	—	—	—	—	—	—	1.200	14.000	72.713	—
C.6 Credit derivatives without exchange of principal										
– long positions	615.393	—	—	—	—	—	—	—	—	—
– short positions	613.634	—	—	—	—	—	—	—	—	—

1.4 OPERATIONAL RISK

QUALITATIVE INFORMATION

Through the quarterly monitoring of the Risk Appetite Framework, the RM function reports to the Credit Committee and to the Board of Directors any operational loss recorded during the period. In this respect it is worth noting that the Board of Directors has also defined a specific risk tolerance threshold on operational risk, and in case of breach of the aforementioned trigger the CRO, supported by responsible Functions/Departments of the Bank and/or of the Parent Bank, and after discussion with the Credit Committee, shall inform the Board about the reasons for overshooting the pre-established ceiling. Such information shall take place at the first available meeting after that date.

With reference to the possibility of losses caused by interruptions in operations or due to systems being unavailable, the Bank has drawn up operating continuity and disaster recovery plans to ensure that activity is able to continue and to limit the operating losses in the event of prolonged interruptions. The Bank regularly reviews the operating continuity and disaster recovery plans with a view to ensuring that they are consistent with its activities and current operating strategies.

Control of internal access (individual system users) and external access (IT attacks) is carried out via the relevant computer and observation tools. Insurance policies have been taken out to cover the most valuable staff members and assets.

As for the possibility of risk deriving from outsourcing activities, the Bank has implemented a continuous monitoring and regular review system to assess the care taken in performing these activities by the Parent Bank, Group’s IT Consortium entity and external providers.

In addition, the Group has constantly strengthened its security strategy in order to guarantee the confidentiality, integrity and availability of information and data. It has adopted a system of principles and rules aimed at identifying and measuring the IT and Cyber risk to which company assets are exposed, assessing the existing security measures and controls, identifying the proper risk response (risk treatment in line with the operational risks management process). Security activities and IT risk analyses are continuously performed in order to guarantee adequate organizational and technological security measures and controls, on the whole Group’s perimeter.

As at 30 June 2024, the Bank does not face any litigation risk.

1.5 OTHER RISKS

QUALITATIVE INFORMATION

The implementation of the Internal Capital Adequacy Assessment Process (ICAAP) consists of sound, effective and complete strategies and processes allowing the Bank to assess and maintain, on an on-going basis, the amounts, types and distribution of internal capital that the Bank considers adequate to cover the nature and level of the risk to which they are or might be exposed. The identification of relevant risks of Mediobanca International in the ICAAP is structured into 4 (four) distinct phases.

Phase 1 – Definition of the potential risks: The Bank identifies the risks starting from the regulatory requirements and related guidelines, i.e. the SSM Risk Map which has been locally integrated with additional risk categories valued as appropriate by the management.

Phase 2 – Risk Map definition: The Bank applies a filtering of the potential risk list based on its own peculiarities and business.

Phase 3 – Definition of criteria for relevant risks: where possible, Key Performance Indicator (“KPI”), based on risk indicators adapted to the type of risk, are selected. For each KPI a materiality threshold is defined based on historical observations related to the bank. The identification of relevant risk is executed comparing the value of KPIs at the reference date with the identified materiality threshold. Where KPIs adoption is not possible, due to non-measurability of the risk itself, assessment is made on a qualitative basis.

Phase 4 – The final materiality assessment is supported by qualitative considerations in order to identify and correct misleading outcomes (if any). Therefore, some risk may be judgmentally considered as “not relevant” even though the identified KPI at the reference date is higher than the materiality threshold.

Following the identification of relevant risk, capital requirement quantification is performed on risks not covered by the Pillar I framework. In case the management shall consider that some risks are underestimated and not entirely covered by the minimum capital requirements of Pillar I, an additional discretionary capital II add-on may be calculated and allocated. The adequacy of the risk measurement methodologies supporting the ICAAP, including stress testing and risk aggregation, is checked by internal validation. Measuring the risk profile is a fundamental element of the Internal Capital Adequacy Assessment Process under Basel II Pillar II.

Capital adequacy is assessed considering the balance between the assumed risk, both Pillar I and Pillar II, and the available capital. The internal economic capital measurements and the resulting Risk-Taking Capacity showed an adequate capitalization at 30 June 2023. In detail, the Bank reported an amount of € 501,6 million of available own funds, which was above the internal capital estimates in the ordinary scenario (€ 244,2 million) leaving a capital surplus of € 257 million.

The ICAAP process for the exercise ended 30 June 2024 is currently being implemented.

ESG and Climate Risk

The Mediobanca Group has always placed great importance on environmental issues and is strongly committed to playing an active role in the ecological transition process. The Group is member of the Net-Zero Banking Alliance (NZBA), the initiative promoted by the United Nations, with the objective of accelerating the sustainable transition of the international banking sector. The NZBA brings together a global alliance of over 140 banks that are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. The Group has consolidated its decarbonization roadmap, confirming its use of energy obtained 100% from renewable resources, and offsetting the GHG emissions generated directly by company assets (Scope 1) and those indirectly deriving from the procurement of energy (Scope 2 market-based), in accordance with the objectives set as part of the 2023-26 Strategic Plan. In light of a rapidly changing regulatory scenario with the European Union adopting an ambitious package of measures to encourage flows of capital towards sustainable activities throughout the EU, the Group has launched a programme for integration of ESG risks, disclosure and financial sustainability of products and of adaptation to the European taxonomy. The “ESG Programme” continued along the year its main strands (Proprietary, Clients and Markets, Non-Financial disclosure) for a progressive adaptation of the Group to the new regulations in the ESG area.

As part of the 2023-2026 "One Brand - One Culture" Strategic Plan, the Group has renewed its commitment in relation to Climate and Environmental issues, setting the goal of supporting customers in ESG transition strategies with ad hoc advisory activities and allocate capital with an ESG focus. The new strategic plan contains specific targets relating to environmental issues. The intention to achieve carbon neutrality by 2050 is confirmed, with an approximately 35% reduction in financed emissions intensity, this based on GHG emissions for CIB loan by 2030 (-18% by 2026).

The commitments are consistent with the Group's Sustainability and ESG Policies, in place as well at Bank level, which transpose detailed sectoral guidelines by introducing restrictions on operators with a negative impact on the climate. The achievement of the strategic objectives is also guaranteed by the implementation of new metrics in the Group's Risk Appetite Framework and at local level as well, aimed at promoting responsible business activities, while maintaining a low profile in terms of exposure to climate risk. It should be noted that the Bank has no significant exposures to counterparties with high climate and environmental risk. The exposure to high-risk counterparties for the credit lending portfolio was less than 0.5% (data as at 31 March 2024), as shown by the analysis conducted in the recalibrated ESG heatmap.

Greenhouse gas emission reduction targets were also formalized for counterparties operating in the sectors identified by the NZBA, the initiative promoted by the United Nations with the aim of accelerating the sustainable transition of the international banking sector and with the adhesion to the Principles for Responsible Banking (PRB), promoted by the United Nations Environment Programme Finance Initiative (UNEP FI).

The Group has also launched ad-hoc training for employees in order to strengthening the culture sustainability within the Group and the Bank.

PART G – CAPITAL MANAGEMENT

Section 1

Regulatory and supervisory capital requirements

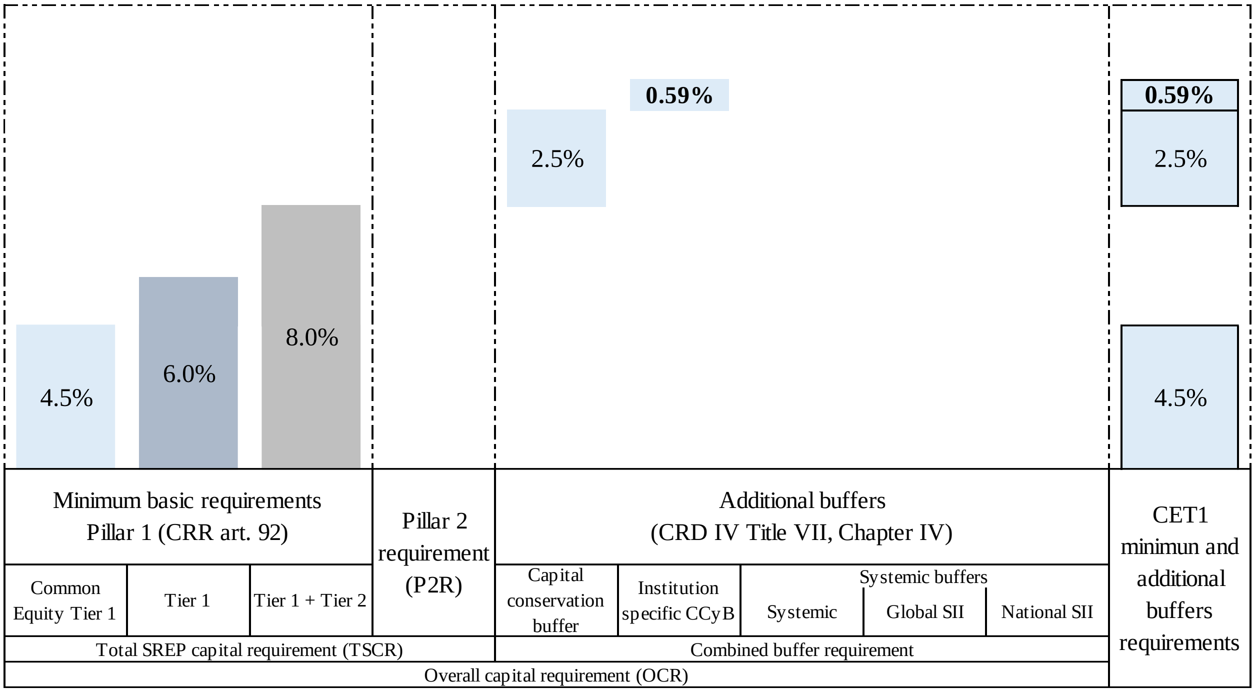
Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply.

Since its inception, one of the distinguishing features of the Italian Banking Group Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the comfortable margin emerging from the Internal Capital Adequacy Assessment Process (ICAAP) and the process performed by the regulator as part of the supervisory review and evaluation process (SREP).

The Bank maintains locally an actively managed capital base to cover risks inherent to its business. The adequacy of the capital has been monitored on the basis of the reference EU Regulation (i.e. EU Regulation n. 2021/558 - Amendment of Regulation (EU) No 575/2013 – CRR and EU Directive n. 36/2013 – CRD IV as amended from time to time) and in conjunction with CSSF Regulation n. 18-03 about the implementation of certain discretions contained in Regulation (EU) n. 575/2013.

The governing Council of the European Central Bank (ECB), having regard to EU Council Regulation n. 1024/2013 conferring specific tasks on the ECB concerning the prudential supervision of credit institution, has adopted on 25 November 2019 a formal decision on the prudential requirements that the Bank shall at all-time satisfy. This decision has been established on the basis of the harmonised SREP developed by the ECB which implements Guidelines EBA/GL/2014/13 of the European Banking Authority (EBA), with a view to ensuring consistency across the institutions supervised by the ECB.

Based on the above, the institution must always comply with the minimum basic requirement set forth in art. 92 of the CRR Regulation, and with the minimum combined buffer requirement specified in Chapter 4 of Title VII of the CRD IV Directive. Considering the absence of pillar 2 requirement (P2R) and of pillar 2 guidance (P2G), the minimum capital requirement imposed at June 2023 to the Bank can be summarized as follows:



Section 2

Capital adequacy – quantitative information

Common Equity Tier 1 (CET1) capital is the core measure of a bank's financial strength from a Regulator's point of view. It consists of paid up capital, retained earnings and the profit of the year (net of the dividend, if any).

The structure of capital is made up of:

- a Tier 2 subordinated loan for €65m with a maturity of 10 years, issued during the financial year ended 30 June 2019 with the Parent Bank as the sole counterparty. The Tier 2 instrument reach a residual life of less than 5 years, that's why it is computed in a reduced manner in the Total Own Funds in proportion to the residual life (so-called regulatory amortization) and it is equal to €55m;
- an additional Tier 1 (AT1 instrument), equals to €100m, has been issued by the Bank during the first semester of the FY20-21; the AT1, fully paid up by Mediobanca Spa, is qualified as instrument to enhance the Tier 1 ratio of the Bank.

It is worth mentioning that, during the Board meeting held in July 2024 board members were asked to consider the proposal to pay-out up to 100% of the current year profit in the form of the dividend to the Parent Company, after evaluation of the impacts on the capital ratios as part of the self-assessment process required by the recommendation of the ECB on dividend distribution policies.

In this scenario, **Total Own Funds (TOF)** item at reporting date is assumed net of any foreseeable charge or dividend, according to art. 26 of the CRR; without considering net profit for the current fiscal year, this means TOF equal to €485,3m.

2.1 Total own funds: breakdown (in € k)

	30/06/2024	30/06/2023
A. Common Equity Tier 1 (CET1) before application of the prudential filters	329.730	337.033
a.1 Share capital	10.000	10.000
a.2 Share premium reserve	—	—
a.3 Reserves	321.642	327.316
a.4 Equity instruments	—	—
a.5 Treasury shares	—	—
a.6 Valuation reserves	-1.912	-282
a.7 Net profit (loss) for the period	—	—
B. CET1 prudential filters (+/-)	426	-1.081
C. Items to be deducted from CET1	—	—
D. Phase-in regime impact on CET1 (+/-)	—	670
E. Total Common Equity Tier 1 (CET1)	**330.156**	**336.622**
F. Additional Tier 1 (AT1) instruments	100.000	100.000
G. Items to be deducted from AT1	—	—
H. Phase-in regime impact on AT1 (+/-)	—	—
I. Total Additional Tier 1 (AT1)	**100.000**	**100.000**
J. Tier 2 (T2) instruments	55.170	65.000
K. Items to be deducted from T2	—	—
L. Phase-in regime impact on T2 (+/-)	—	—
M. Total Tier 2 (T2)	**55.170**	**65.000**
N. Total own funds (E+I+M)	**485.326**	**501.622**

Capital adequacy – qualitative information

The primary objectives of capital management are to ensure that the Bank complies with the regulatory capital requirements while maintaining healthy capital ratios in order to support its business and to maximize shareholders' value. Capital management is nonetheless under the constant scrutiny of the bank's Board of Directors and management.

The Bank manages its capital structure and makes adjustments to it (when/if needed) in light of changes in the economic conditions and/or in the risk profile of its activities. No significant changes have been made to date in the objectives, policies and processes from the previous years.

At the end of June 2024, taking into account the current capital structure as well as the dividend pay-out scenario mentioned above, the Bank complies with all imposed capital ratios and additional buffers. In detail:

- Common Equity Tier 1 (CET1) capital ratio: 13,4% (15,0% at June 2023)
- Tier 1 capital ratio: 17,5% (19,5% at June 2023);
- Total capital ratio: 19,8% (22,4% at June 2023).

During the fiscal year, the Leverage Ratio decreased from 6,9% (June 2023) to 5,2% (June 2024), well above the regulatory limit of 3%.

(in € K)	**30/06/2024**	**30/06/2023**
A. Total own funds		
A.1 CET1 capital	330.156	336.622
A.2 T1 capital	430.156	436.622
A.3 Own funds	485.326	501.622
B. Total Risk Weighted Assets (RWA)	2.456.437	2.238.067
B.1 Credit and counterparty risk (standard methodology)	2.285.900	2.144.564
B.2 Credit valuation risk	1.846	2.346
B.3 Settlement risk	—	—
B.4 Market risk (standard methodology)	114.625	44.729
B.5 Operational risk (basic indicator approach)	54.066	46.429
B.6 Other	—	—
C. Regulatory ratios		
C.1 CET1 capital ratio (CET1 Capital/RWA)	13,4%	15,0%
C.2 T1 capital ratio (T1 Capital/RWA)	17,5%	19,5%
C.3 Total capital ratio (own funds/RWA)	19,8%	22,4%

PART H – RELATED PARTIES' DISCLOSURES

Related parties' disclosures

Accounts with related parties fall within the ordinary operations of the Bank, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No atypical or unusual transaction with related parties is to be reported for the financial year ended on 30 June 2024. Related parties for the purpose hereof include local strategic management, Parent Bank, entities of the Group and its Directors and executive officers (and any company owned by them).

Further details on the definition of related parties adopted by the Group are contained in part B – section 5 of the notes to the financial statements (accounting policies). The following tables contain separate disclosure of the balances with the Parent and the other related parties, as required by IAS 24:

Assets and liabilities (in € K)	30/06/2024	
	Parent Bank	Other related parties
Cash and cash equivalents	373.343	—
Financial assets measured at fair value through profit or loss	37.506	—
Financial assets measured at amortised cost	3.025.648	—
Hedging derivatives	3.389	—
Other assets	627	—
Total assets	**3.440.513**	**—**
Financial liabilities measured at amortised cost	2.712.896	242.119
Financial liabilities measured at fair value through profit or loss	53.551	—
Hedging derivatives	2.955	—
Tax liabilities	—	—
Other liabilities	5.058	174
Provisions for risks and charges	-1.777	3
Total liabilities and shareholders' equity	**2.772.683**	**242.296**

Comprehensive income (in € K)	30/06/2024	
	Parent Bank	Other related parties
Interest and similar income	112.671	—
Interest and similar charges	-159.064	-8.662
Fee and commission income	5.589	1
Fee and commission expenses	-16.643	-575
Net trading income (expenses)	1.951	—
Net hedging income (expenses)	6.054	—
Administrative expenses	-2.587	-2.101
Other oparating income (expenses)	1.510	12
Total comprehensive income	**-50.519**	**-11.325**

The tables below show the amounts as at 30 June 2023.

Assets and liabilities (in € K)	30/06/2023	
	Parent Bank	Other related parties
Cash and cash equivalents	146.393	—
Financial assets valued at FVTPL	22.225	—
Financial assets valued at amortised cost	1.864.712	—
Hedging derivatives	—	—
Other assets	718	—
Total assets	**2.034.048**	**—**
Financial liabilities valued at amortised cost	2.900.713	191.816
Financial liabilities valued at FVTPL	54.222	—
Hedging derivatives	2.737	—
Tax liabilities	—	—
Other liabilities	9.777	307
Provisions for risks and charges	-1.389	—
Total liabilities and shareholders' equity	**2.966.060**	**192.123**

Comprehensive income (in € K)	30/06/2023	
	Parent Bank	Other related parties
Interest and similar income	31.216	196
Interest expenses and similar charges	-140.274	-3.945
Fee and commission income	4.350	33
Fee and commission expenses	-6.977	-679
Net trading income (expense)	-7.953	—
Net hedging income (expense)	-5.128	—
Administrative expenses	-1.637	-1.887
Other income	-941	12
Total comprehensive income	**-127.344**	**-6.270**

The expenses incurred by the Bank with respect to the remuneration of the members of the administrative, management and supervisory bodies are as follows:

in € k	30/06/2024	30/06/2023
Administrative bodies	175	474
Key management personnel	568	503
Total	**743**	**977**

As at 30 June 2024 and 2023, neither advances nor guarantees were granted to Directors or senior management. Remuneration to key management personnel includes salary, benefits and bonus.

PART I – OTHER INFORMATION

Audit fees

As at 30 June 2024 expenses incurred in connection with the statutory audit of the accounts and the other related services provided by the external independent auditors of the Bank can be summarized as follows (in €):

	30/06/2024	30/06/2023
Audit fees	274.641	224.044
Audit related fees	63.802	111.820
Other fees	-	-
Total	**338.443**	**335.869**

In the table above the first item shows the aggregate fees payable and paid to Ernst & Young S.A. in relation to professional services rendered as external auditors equal to €274.6k, which includes €31.5k of additional fees related to prior year audit that have been billed during this fiscal year. As at 30 June 2024, a sum of €101.3k remains unbilled in relation to statutory audit for the same period.

Staff number

As at 30 June 2024 and 2023, the bank's staff is as follows:

	30/06/2024	30/06/2023
Employees	19	19
a) senior executives	4	3
b) executives	1	2
c) other employees	14	14
Other staff	2	1
Total	**21**	**20**

Senior management as at June 30^{th} consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and the Chief Compliance Officer.

PART J - SUBSEQUENT EVENTS

The Bank is not aware of any subsequent events (other than those already reflected in the financial statement), that occurred between 30 June 2024 and the date when the present financial statements were authorised for issue.

ANNEX I

RECONCILIATION BETWEEN OFFICIAL AND RESTATED 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 financial year. 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 30 June 2024 (in € k)

30/06/2024		Total assets (restated)						
		Financial assets at FVTPL	**Treasury Investments**	**Debt securities - banking book**	**Loans and advances**	**Equity Investments**	**Tangible assets**	**Other assets**
10. Cash and cash equivalents	596.507	—	596.507	—	—	—	—	—
20. Financial assets measured at fair value through profit or loss	235.424	141.158	—	—	9.532	84.734	—	—
40. Financial assets measured at amortised cost	6.049.971	—	1.027.645	—	5.022.326	—	—	—
50. Hedging derivatives	3.389	—	—	—	—	—	—	3.389
70. Equity investments	4.150	—	—	—	—	4.150	—	—
90. Property, plant and equipment	1.120	—	—	—	—	—	1.120	—
110. Tax assets	2.601	—	—	—	—	—	—	2.601
130. Other assets	10.289	—	—	—	—	—	—	10.289
Total assets	**6.903.451**	**141.158**	**1.624.152**	**—**	**5.031.858**	**88.884**	**1.120**	**16.279**

30/06/2024		Total liabilities (restated)						
		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 measured at amortised cost	6.250.831	3.050.654	3.062.766	127.200	—	10.211	—	—
20. Trading liabilities	53.902	—	—	—	53.902	—	—	—
30. Financial liabilities designated at fair value	124.644	—	124.644	—	—	—	—	—
40. Hedging derivatives	2.955	—	—	—	—	2.955	—	—
60. Tax liabilities	12.094	—	—	—	—	12.094	—	—
80. Other liabilities	8.796	—	—		—	8.796	—	—
100. Provisions for risks and charges	801	—	—	—	—	—	801	—
120. Valuation Reserves	-1.912	—	—	—	—	—	—	-1.912
140. Equity instruments	100.000	—	—	—	—	—	—	100.000
150. Reserves	321.642	—	—	—	—	—	—	321.642
170. Share capital	10.000	—	—	—	—	—	—	10.000
200. Profit (Loss) of the year	19.698	—	—	—	—	—	—	19.698
Total liabilities and shareholders' equity	**6.903.451**	**3.050.654**	**3.187.410**	**127.200**	**53.902**	**34.056**	**801**	**449.428**

1.2 Statement of financial position as at 30 June 2023 (in € k)

30/06/2023		Total assets (restated)						
		Financial assets at FVTPL	**Treasury Investments**	**Debt securities - banking book**	**Loans and advances**	**Equity Investments**	**Tangible assets**	**Other assets**
10. Cash and cash equivalents	372.426	—	372.426	—	—	—	—	—
20. Financial assets measured at fair value through profit or loss	144.262	131.716	—	—	12.546	—	—	—
40. Financial assets measured at amortised cost	5.041.606	—	1.058.806	896	3.981.904	—	—	—
50. Hedging derivatives	—	—	—	—	—	—	—	—
70. Investments	4.150	—	—	—	—	4.150	—	—
90. Tangible assets	1.215	—	—	—	—	—	1.215	—
110. Tax assets	1.834	—	—	—	—	—	—	1.834
130. Other assets	10.896	—	—	—	—	—	—	10.896
Total assets	**5.576.389**	**131.716**	**1.431.232**	**896**	**3.994.450**	**4.150**	**1.215**	**12.730**

30/06/2023		Total liabilities (restated)						
		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 measured at amortised cost	4.972.744	2.834.486	2.131.602	5.432	—	1.224	—	—
20. Trading liabilities	60.124	—	—	—	60.124	—	—	—
30. Financial liabilities designated at fair value	64.721	—	64.721	—	—	—	—	—
40. Hedging derivatives	2.737	—	—	—	—	2.737	—	—
60. Tax liabilities	9.005	—	—	—	—	9.005	—	—
80. Other liabilities	10.596	—	—	—	—	10.596	—	—
100. Provisions for risks and charges	839	—	—	—	—	—	839	—
120. Revalution reserves	-282	—	—	—	—	—	—	-282
140. Equity instruments	100.000	—	—	—	—	—	—	100.000
150. Reserves	327.316	—	—	—	—	—	—	327.316
170. Share capital	10.000	—	—	—	—	—	—	10.000
200. Profit (Loss) of the year	18.589	—	—	—	—	—	—	18.589
Total liabilities and shareholders' equity	**5.576.389**	**2.834.486**	**2.196.323**	**5.432**	**60.124**	**23.562**	**839**	**455.623**

2.1 *Statement of comprehensive income as at 30 June 2024 (in € k)*

30/06/2024		Statement of comprehensive income (restated)							
		Net interest income	**Net trading income**	**Net fee and commission income**	**Overheads**	**Net (Value adjustments to) write-backs of**	**Provision for other financial assets**	**Other gains (losses)**	**Fiscal provision**
010. Interests and similar income	319.633	319.633	—	—	—	—	—	—	—
020. Interest expense and similar charges	-287.740	-287.740	—	—	—	—	—	—	—
030. Net interest income	**31.893**	**31.893**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
040. Fee and commission income	18.613	—	3.085	15.528	—	—	—	—	—
050. Fee and commission expense	-18.227	—	-1.154	-17.073	—	—	—	—	—
060. Net fee and commission income	**386**	**—**	**1.931**	**-1.545**	**—**	**—**	**—**	**—**	**—**
080. Net trading income (expense)	-3.025	-2.239	-786	—	—	—	—	—	—
090. Net hedging income (expense)	158	158	—	—	—	—	—	—	—
100. Gain or loss on disposal or repurchase of:	555	—	555	—	—	—	—	—	—
110. Gain or loss on instruments designated at FVTPL	3.985	—	-277	—	—	—	—	4.262	—
120. Total income	**33.952**	**29.812**	**1.423**	**-1.545**	—	—	—	**4.262**	—
130. Adjustment for impairment to:	-115	—	—	—	—	231	-345		—
150. Net income from financial operations	**33.837**	**29.812**	**1.423**	**-1.545**	**—**	**231**	**-345**	**4.262**	**—**
190. Administrative expenses	-11.412	—	—	—	-11.412	—	—	—	—
a) personnel costs	-3.307	—	—	—	*-3.307*	—	—	—	—
b) other administrative expenses	-8.105	—	—	—	*-8.105*	—	—	—	—
200. Net provisions for risks and charges	38	—	—	—	—	38	—	—	—
210. Value adjustments in respect of tangible assets *	-215	—	—	—	-215	—	—	—	—
230. Other operating income (expense) **	1.479	—	—	1.532	-53	—	—	—	—
290. Profit (loss) of the ordinary activity before tax	**23.727**	**29.812**	**1.423**	**-13**	**-11.680**	**268**	**-345**	**4.262**	**—**
300. Income tax on the ordinary activity	-4.028	—	—	—	—	—	—	—	-4.028
330. Profit (loss) for the period	**19.699**	**29.812**	**1.423**	**-13**	**-11.680**	**268**	**-345**	**4.262**	**-4.028**
340. Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—
350. Comprehensive income (loss) for the year, net of tax	**19.699**	**29.812**	**1.423**	**-13**	**-11.680**	**268**	**-345**	**4.262**	**-4.028**

(*) € 215k tangible assets amortisation.

(**) € 1532k relate to fees and commissions with Parent Bank.

2.2 *Statement of comprehensive income as at 30 June 2023 (in € k)*

30/06/2023		Statement of comprehensive income (restated)							
		Net interest income	**Net trading income**	**Net fee and commission income**	**Overheads**	**Net (Value adjustments to) write-backs of**	**Provision for other financial assets**	**Other gains (losses)**	**Fiscal provision**
010. Interests and similar income	219.316	219.316	—	—	—	—	—	—	—
020. Interest expense and similar charges	-190.794	-190.794	—	—	—	—	—	—	—
030. Net interest income	**28.522**	**28.522**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
040. Fee and commission income	17.897	—	2.671	15.226	—	—	—	—	—
050. Fee and commission expense	-7.860	—	-675	-7.185	—	—	—	—	—
060. Net fee and commission income	**10.037**	**—**	**1.996**	**8.041**	**—**	**—**	**—**	**—**	**—**
080. Net trading income (expense)	-8.940	-3.200	-5.740	—	—	—	—	—	—
090. Net hedging income (expense)	144	144	—	—	—	—	—	—	—
100. Gain or loss on disposal or repurchase of:	486	—	486	—	—	—	—	—	—
110. Gain or loss on instruments designated at FVTPL	1.278	—	1.278	—	—	—	—	—	—
120. Total income	**31.527**	**25.466**	**-1.980**	**8.041**	**—**	**—**	**—**	**—**	**—**
130. Adjustment for impairment to:	3.651	—	—	—	—	3.487	164	—	—
150. Net income from financial operations	**35.178**	**25.466**	**-1.980**	**8.041**	**—**	**3.487**	**164**	**—**	**—**
190. Administrative expenses	-11.415	—	—	—	-11.415	—	—	—	—
a) personnel costs	-2.742	—	—	—	*-2.742*	—	—	—	—
b) other administrative expenses	-8.672	—	—	—	*-8.672*	—	—	—	—
200. Net provisions for risks and charges	621	—	—	—	—	621	—	—	—
210. Value adjustments in respect of tangible assets *	-206	—	—	—	-206	—	—	—	—
230. Other operating income (expense) **	644	—	—	894	-250	—	—	—	—
290. Profit (loss) of the ordinary activity before tax	**24.822**	**25.466**	**-1.980**	**8.935**	**-11.871**	**4.108**	**164**	**—**	**—**
300. Income tax on the ordinary activity	-6.234	—	—	—	—	—	—	—	-6.234
330. Profit (loss) for the period	**18.589**	**25.466**	**-1.980**	**8.935**	**-11.871**	**4.108**	**164**	**—**	**-6.234**
340. Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—
350. Comprehensive income (loss) for the year, net of tax	**18.589**	**25.466**	**-1.980**	**8.935**	**-11.871**	**4.108**	**164**	**—**	**-6.234**

(*) € 205k tangible assets amortisation.

(**) € 894k relate to fees and commissions with Parent Bank.

ANNEX II

GUIDELINES ON ALTERNATIVE PERFORMANCE MEASURES

Executive summary

The management report contains some Alternative Performance Measures ('APMs') which are deemed useful and appropriate to provide additional qualitative and quantitative metrics on the performance achieved by the institution over the financial year. Although some of the above-mentioned information are not directly traceable to the financial statements, a description of their content is provided hereunder so as a reconciliation with the method of calculation in line with the ESMA guidelines published on 5 October 2015 (ref. ESMA 2015/1415).

Alternative performance measures

APMs used in the management report as at June 30th are as follows:

- Texas Ratio (cf. p. 13 of the management report) which compares the net book value (i.e. after impairment and/or depreciation) of the exposures reported as non-performing with the tangible common equity (i.e. the subset of shareholders' equity which is not preferred equity and not intangible assets).

(in €/K)		30/06/2024	30/06/2023
Texas ratio =	Non-Performing Exposures (net book value)	12.761	4.689
	Tangible Common Equity	349.428	355.622
	ratio %	**3,7**	**1,3**

The goal of the Texas ratio is to assess whether the tangible common equity is large enough to stand any possible loan losses on non-performing assets. In the simplest terms, the Texas ratio measures a bank's likelihood of failure by comparing its bad assets to available capital. When this ratio exceeds 100 percent, a bank's capital cushion is no longer adequate to absorb potential losses from troubled assets (i.e. greater risk of default). By contrast, a level of the ratio close to zero percent is synonymous with high credit quality and capital strength. At the end of June 2024, the standard Texas ratio is equals to 3.7% but, considering the guarantee received from the Italian Export Credit Agency (SACE) covering all the exposure involved, the ratio adjusted should be nil.

- Return On Equity (ROE, cf. p. 20 of the management report) is the amount of net income returned as a percentage of the shareholders' equity.

(in €/k)			30/06/2024	30/06/2023
Return on equity	=	Net income	19.697.804	18.589
		Shareholders' equity	329.730.077	337.033
		ratio %	**5,97**	**5,52**

The ROE is a pure profitability metric, which compares the profit available to shareholders with the capital provided by shareholders. It determines how efficiently the institution is turning the cash put into the business by the shareholders into growth for the company and the investors.

The ROE is also useful for comparing the profitability of companies in the same industry.

- Return On Assets (ROA, cf. p. 20 of the management report) is the amount of net income returned as a percentage of the average total assets.

(in €/k)			30/06/2024	30/06/2023
Return on assets	=	Net income	19.697.804	18.589
		Average Total Assets	6.043.086.752	6.681.179
		ratio %	**0,33**	**0,28**

As with the ROE (cf. above), the ROA is a pure profitability metric which is useful for comparing revenues of companies within the same industry. It shows how profitable a company's assets are in generating income.

ANNEX III

GLOSSARY

Executive summary

A list (non-exhaustive) of certain technical terms is provided below in the meaning adopted in the financial statements as at June 30th.

* * *

ABS – Asset Backed Security

Financial security whose yield and redemption are guaranteed by a pool of underlying assets (collateral) such as loans, mortgages, leases, royalties or other receivables. This kind of securities are generally issued by a Special Purpose Vehicle and the pool of underlying assets is typically a group of small and illiquid assets which are unable to be sold individually.

ALM – Asset and Liability Management

Integrated management of assets and liabilities to optimize allocation of resources on a risk/return basis.

APM – Alternative Performance Measures

Cf. Annex II – Guidelines on Alternative Performance Measures.

ASF – Available Stable Funding

Available Stable Funding (ASF) is an input to the calculation of the net stable funding ratio (NSFR) for Bank prudential management purposes. ASF is the bank's liabilities, weighted according to their expected stability (which is, in turn, determined by the funding tenor, type and counterparty).

AT1 – Additional Tier 1

Additional Tier 1 capital is defined as instruments with undetermined/continuous duration that are not common equity but are eligible to be included in this tier.

Basel Accords

Guidelines on capital requirements for banks, compiled by the Basel Committee with a view to establishing standard, harmonized regulation of banking supervision at supranational level. The first accord published by the Basel Committee was in 1988 and introduced a set of minimum capital requirements for banks to reduce credit and market risk deriving from the possibility of assets losing their value excessively.

a) Basel II: The short name given to the document entitled International Convergence of Capital Measurement and Capital Standards signed in Basel in 2004 which came into force in 2008.

b) Basel III: This name refers to the new prudential requirements introduced at European level by the CRD IV/CRR package.

c) Basel IV: New regulatory framework which includes a revision of Basel III provisions and standards; it will enter into force by different stages.

Certificates

Certificates are financial instruments which in contractual terms are equivalent to derivatives with an option component, and which replicate the performance of an underlying asset. In acquiring a certificate, the investor obtains the right to receive a sum linked to the value of the underlying instrument at a given date.

CDO - Collateralized Debt Obligation

CDOs are fixed-income securities which have a portfolio of bonds, loans and other debt instruments as their collateral.

CLO - Collateralized Loan Obligation

A particular type of CDO (see definition), in which the collateral is made up by receivables.

CET1 – Common Equity Tier 1

Bank's core capital which primarily consists of ordinary shares, retained earnings and certain reserves.

CET1 Ratio – Common Equity Tier1 Ratio

The ratio of Common Equity Tier 1 capital (CET1) to total risk-weighted assets.

Commercial Paper

Short-term financing instrument with duration generally of one year or less.

Contingency Funding Plan

Set of operating procedures developed internally by a bank in order to manage liquidity crisis (short-term and/or medium-/long- term).

CoR - Cost of Risk

Ratio between loan loss provisions and average net volumes of loans to customers.

CRD – Capital Requirement Directive

EU Directives n. 2006/48 and 2006/49, implemented by the Bank of Italy with circular no. 263/2006 and subsequent updates, which introduce the decisions taken within the framework of the Community legal system "Basel 3" agreements (see entry). In particular, the CRD IV "Package" repeals the two Directives mentioned and is composed of the EU Directive 2013/36 on access to the activity of credit institutions and on prudential supervision and by the Regulation EU 575/2013 relating to prudential requirements, implemented by the Bank of Italy with the circular no. 285 of 17 December 2013 and subsequent updates.

CRR/CRR2 – Capital Requirement Regulation

EU Regulation 575/2013, and subsequent updates, relating to the prudential requirements for credit institutions and investment firms. It was adopted in response to the crisis of financial institution that erupted in year 2007, and aims to decrease the probability of bankruptcy of financial institutions by increasing their capital endowments, decreasing exposure to risk and decreasing the financial leverage used.

CSSF – Commission de Surveillance du Secteur Financier

The CSSF is a public institution which supervises the professionals and products of the Luxembourg financial sector. It supervises, regulates, authorizes, informs, and, where appropriate, carries out on-site inspections and issues sanctions. Moreover, it is in charge of promoting transparency, simplicity and fairness in the markets of financial products and services and is responsible for the enforcement of laws on financial consumer protection and on the fight against money laundering and terrorist financing (http://www.cssf.lu/en/about-the-cssf/about-the-cssf/).

EBA – European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

EBIT – Earnings Before Interest and Taxes

Earnings Before Interest and Taxes (EBIT) is an indicator of a company's profitability.

ECB – European Central Bank

The ECB is the central bank responsible for monetary policy of those European Union member countries which have adopted the euro currency (https://www.ecb.europa.eu/home/html/index.en.html). The European Central Bank is also the European body responsible for banking supervision. In conjunction with national supervisors, it operates what is called the Single Supervisory Mechanism (SSM).

ESEF - European Single Electronic Format

This acronym indicates the name of the new harmonized reporting format across the entire EU.

ESG - Environmental, Social, Governance

The definition indicates non-financial criteria used to assess and measure the environmental, social and governance impact of corporations. Considering these parameters, it is also possible to rank corporations according to their degree of adaptation to these criteria.

ESMA – European Security and Markets Authority

The ESMA is an independent European Authority that contributes to safeguarding the stability of the European Union's financial system by enhancing the protection of investors and promoting stable and orderly financial markets (https://www.esma.europa.eu/about-esma/who-we-are).

FED – Federal Reserve System

The FED is the central bank of the United States of America. It promotes the effective operation of the U.S. economy and, more generally, the public interest (https://www.federalreserve.gov/aboutthefed.htm).

FINREP - Financial Reporting Standards

A document issued by the CEBS (Committee of European Banking Supervisors), a body which provides advisory services to the European Commission on banking regulations. The CEBS also promotes co-operation and convergence of regulatory practices within the European Union. In 2011 the EBA (European Banking Authority – see entry) began to define harmonized supervisory reporting schemes with statistical content. FINREP itself came into force in 2014.

Forborne Exposures

Forborne exposures are defined as debt contracts in which concessions have been granted to a borrower which is in, or is shortly to find itself in, a situation where it is unable to meet its financial commitments (referred to as “financial difficulties”). This situation may apply to both performing and non-performing contracts.

FVO – Fair Value Option

Fair Value Option is an option for the classification of a financial instrument. Using this classification also an instrument which is not a derivative and not held for trading can be valued at fair value with an impact in the P&L.

GDP – Gross Domestic Product

The GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

HQLA – High Quality Liquid Assets

Unencumbered assets which can be included as part of the bank’s LCR evaluation thanks to their high liquidity (which is considered to stay preserved also during time of stress). Ideally, HQLA are eligible for discounting with the central bank.

IMF – International Monetary Fund

The IMF is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Created in 1945, the IMF is governed by and accountable to the 189 countries that make up its near-global membership (http://www.imf.org/en/About).

IAS/IFRS – International Accounting Standards

The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB – International Accounting Standard Board

The IASB is the entity responsible for issuing international accounting standards (IAS/IFRS). The Board is composed by a group of independent experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education.

ICAAP – Internal Capital Adequacy Assessment Process

Pillar II of the Basel Accords (see definition) requires all intermediaries to put in place a process for ongoing assessment of the adequacy of their internal capital (ICAAP). The process must be formalized, documented and approved by the relevant bodies and submitted to internal review on a regular basis.

ICC – Impôt Commercial Communal

Communal business tax levied on the profits of Luxembourg commercial companies.

IF - Impôt sur la Fortune

Public limited companies in Luxembourg are subject to a net wealth tax established by assessing the taxable wealth (in other words, net assets as they appear on the balance sheet at the end of a tax period).

IFRIC – International Financial Reporting Interpretations Committee

A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IRC - Impôt sur le Revenu des Collectivités

Corporate income tax levied on gains made by certain Luxembourg corporations (including capital companies) during the financial year.

Leverage Ratio

The ratio of Common Equity Tier 1 capital (CET1) to total assets and certain off-balance sheet exposures. Similarly, to CET1 Ratio, the Leverage Ratio is used as indicator of the institution’s capital adequacy.

LCR – Liquidity Coverage Ratio

Ratio which refers to the amount of High-Quality Liquid Assets (HQLA) held by the institution to meet its short-term liquidity obligations (30 days). LCR is a generic stress test, which aims to ensure that banks have the necessary assets on hand to ride out any short-term liquidity disruptions.

MREL - Minimum Requirement for own funds and Eligible Liabilities

MREL is a requirement introduced by the BRRD Directive (see definition), the purpose of which is to ensure that the bail-in mechanism works smoothly by increasing the Bank’s capacity to absorb losses. The MREL indicator is calculated as follows:

(own funds + eligible liabilities) / (total liabilities + own funds)

New regulatory provisions require a MREL ratio of 21.85% on risk-weighted assets (RWAs, see definition) and of 5.91% on the leverage exposure.

NAV – Net Asset Value

NAV is the net value of an investment fund's assets less its liabilities, divided by the number of shares outstanding. This value is calculated at the end of each trading period based on the closing market prices of the portfolio's securities. The trading period is daily in the case of open-end funds, and monthly for close-end funds.

Non-performing

Non performing exposures are debt instruments and off-balance sheet exposures which satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past-due; (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral (regardless of the existence of any past-due amount or of the number of days past due).

NSFR – Net Stable Funding Ratio

The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ASF is defined as the portion of equity and liabilities considered to be reliable over the time horizon considered by the NSFR, i.e. one year. The amount of RSF required for a specific bank depends on its liquidity characteristics and the outstanding maturities of the various on- and off-balance-sheet assets held by it. The ratio must remain at a level of at least 100% on an ongoing basis.

OECD – Organization for the Economic Co-Operation and Development

The OECD is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade (further information https://www.oecd.org/about/).

Overlay ("overlay adjustment")

The term overlay indicates a provision outside the IFRS9 model, for the purposes of determining value adjustments on credits. According to indications of the IFRS9 accounting standard, and the recommendations of the main competent authorities (ECB, EBA and IASB), the quantification of expected losses, in addition to having to consider historical, current and prospective information, allows for the possibility of resorting to post-financial managerial adjustments (the so-called "post-model overlay or adjustment"). This is allowed if the models are not able to fully reflect the effects of the Covid-19 crisis, and related government support measures.

P2G – Pillar 2 Guidance

Additional non-binding capital requirement which might be required by supervisors in order to have sufficient capital as a buffer to withstand stressed situations.

P2R – Pillar 2 Requirement

Additional binding capital requirement which might be imposed by the supervisors to cover those risks that are not fully targeted by the capital requirements and buffers dictated by CRR and CRD IV (e.g. unexpected losses, under-provisioned expected losses, deficiencies in risk measurement models, deficiencies in governance and internal controls).

Payout Ratio

The payout ratio is the percentage of net profit distributed to shareholders in the form of a dividend. This share depends chiefly on the company's need to retain earnings in order to finance its own activities and the returns expected by the shareholders on their investment.

Provisioning (loans)

This term refers to transfer to provisions made in order to cover the expected credit loss. In particular:

– if at the reporting date there is no significant increase in the financial asset credit risk since its initial recognition, the corresponding provision should be valued for 12-months expected losses;

– if at the reporting date there is a significant increase in the financial asset credit risk since its initial recognition, the corresponding provision should be valued for its lifetime expected losses.

ROA – Return On Assets

ROA is the amount of net income returned as a percentage of the average total assets.

ROE – Return On Equity

ROE is a measure of the profitability of a company's own equity, calculated as the amount of net income returned as a percentage of the shareholders' equity.

RWA – Risk Weighted Assets

On-balance sheet assets and off-balance sheet assets are classified and weighted by different coefficients referring to risks (following banking rules issued by local Supervisors to calculate solvency ratios) in order to express a more accurate measurement of their value. The riskier the asset is, the higher will be the risk weight assigned.

RSF – Required Stable Funding

Required Stable Funding (RSF) is an input to the calculation of the net stable funding ratio (NSFR) for Bank prudential management purposes. A bank's Required Stable Funding is calculated from its assets, weighted according to their maturity, credit quality and liquidity, together with an amount in relation to off balance sheet commitments.

SPPI – Solely Payments of Principal and Interest

Test prescribed by the accounting standard IFRS 9 which must be carried out on an instrument by instrument basis to assess whether the contractual terms of a given financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding (i.e. cash flows that are consistent with a basic lending arrangement).

SPV – Special Purpose Vehicle

A legal entity established to facilitate a single transaction or purpose.

SRB – Single Resolution Board

Authority operational since January 2015 for the resolution of banking crises, within the framework of the SRM (see description below) and the European Banking Union. The authority aims to orderly resolve financial difficulties of banks, with minimal impact on the real economy and public finances of participating EU countries.

SREP - Supervisory Review and Evaluation Process

Evaluation activity carried out by the supervisors once a year to assess and measure the risks for each bank. In SREP decisions, the supervisory authority can require each bank to hold additional capital and/or set qualitative requisites (known as Pillar II).

SRM – Single Resolution Mechanism

Represents the second pillar of the process of unifying the European Banking System. This is introduced by the Single Resolution Mechanism Regulation 806/2014/EU issued the 15 July 2014, and it is made up of two interconnected bodies: the Single Resolution Board (see description above), as a central authority, and the Single Resolution Fund (DIF - Deposit Insurance Fund), as a supranational fund.

Tier 1

Tier 1 equity includes Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1).

Tier 2

Tier 2 capital includes eligible subordinated debt and certain hybrid instruments. Tier 2 is of lower loss-absorbing quality than Tier 1 capital, and its eligible amount for capital adequacy calculation purposes is restricted accordingly.

TLTROs – Targeted Longer-Term Refinancing Operation

The Targeted Longer-Term Refinancing Operations (TLTROs) are Euro system operations that provide financing to credit institutions for periods of up to four years. They offer long-term funding at attractive conditions to banks in order to further ease private sector credit conditions and stimulate bank lending to the real economy.

Total Capital Ratio

The ratio of the bank's total capital (Tier 1 plus Tier 2) to its RWA.

WL Ratio – Watch List Ratio

Ratio which compares the exposures reported within the credit watch list of the institution at the reporting date with the total credit exposure amount (drawn and undrawn commitments, always net of any financial guarantee received from the Parent Bank and/or third-party insurers).

ZLB – Zero Lower Bound

Macroeconomic problem that occurs when the short-term nominal interest rate is at (or near) zero, causing a liquidity trap and limiting the capacity that the central banks have to stimulate economic growth.