MEDIOBANCA INTERNATIONAL
(LUXEMBOURG) S.A.

RCSL n. B112885

Interim Report
for the six months ended 31 December 2021

MEDIOBANCA INTERNATIONAL (Luxembourg)

SOCIÉTÉ ANONYME

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

Board of Directors meeting
1st February 2022

www.mediobancaint.lu

BOARD OF DIRECTORS

		Term expires	Location
GIOVANNI MANCUSO	CHAIRMAN	2023	LUXEMBOURG
ALESSANDRO RAGNI	MANAGING DIRECTOR & CEO	2023	LUXEMBOURG
MASSIMO AMATO	DIRECTOR	2023	LUXEMBOURG
STEPHANE BOSI	DIRECTOR	2023	LUXEMBOURG
PIERO PEZZATI	DIRECTOR	2023	ITALY
LARA PIZZIMIGLIA	DIRECTOR	2023	ITALY
JESSICA SPINA	DIRECTOR	2023	ITALY

INDEPENDENT AUDITOR

ERNST & YOUNG S.A.	LUXEMBOURG

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MANAGEMENT REPORT

Mediobanca International (Luxembourg) S.A.
Head Office: 4, Boulevard Joseph II, L-1840 Luxembourg
Mediobanca Banking Group
Share capital: € 10,000,000 fully paid up

FINANCIAL SITUATION AT 31 DECEMBER 2021
BOARD OF DIRECTORS' REVIEW OF OPERATIONS

The positive momentum reported by financial markets in the late spring of 2021 has continued in the first six months of the new financial year. This was helped by the strength of the economic recovery that has proved resilient to the new Covid-19 variants (Delta for the majority of the period and Omicron in the last weeks of the six months), in large part due to the effective roll-out of the vaccination campaign.

Although the global recovery continues to progress, it has lost momentum and is becoming increasingly imbalanced. Parts of the global economy are rebounding quickly but others are at risk of being left behind, particularly lower-income countries where vaccination rates are low, and firms and employees in contact-intensive sectors where demand has yet to recover fully. Momentum from the strong rebound after reopening is now easing in many countries amidst persisting supply bottlenecks, rising input costs and the continued effects of the pandemic. Stronger and longer-lasting inflation pressures have emerged in all economies at an unusually early stage of the cycle, and labour shortages are appearing even though employment and hours worked are still yet to recover fully. Food and energy costs have risen sharply, with the strongest impacts on low-income households, as well as prices in durable goods sectors where supply bottlenecks are most concentrated. These factors make the outlook more uncertain and raise considerable policy challenges.

Overall, the six months saw global economies continue to grow at a fast pace. In Europe, growth in 3Q 2021 was 2.3% QoQ, in the United States 0.6%, and in China 0.7%; whereas the Japanese economy shrank by 0.9% due to a new spike in the infection rates dealt with by targeted isolation measures.

The combination of strong economic activity and pressure on global production chains has greatly increased the speed of inflation. The United States saw the annualized inflation rate soar to 7% in December, and the first signs of a slowdown seen at the end of the six-month period were less reassuring because of the uncertainties over the wage trend. In the Eurozone annual inflation climbed to 5% in December on the back of the same issues attributable to the international system. This trajectory should correct itself in the course of 2022 returning, according to ECB estimates, to under the 2% target. In the Eurozone, these aspects form part of the new reference framework for monetary policy action. In July 2021 the ECB moved to a numerical inflation target (2% year-on-year), with positive and negative deviations from the target considered to be equally costly.

Most advanced economies are projected to return to their pre-pandemic output path by 2023 but with greater debt and still-subdued underlying growth potential. Inflation is also projected to be higher than it was prior to the pandemic in many countries, although generally remaining in line with central bank objectives. In the OECD economies as a whole, annual consumer price inflation is projected to fall to around 3½ per cent by the end of 2022, from close to 5% at the end of 2021, and ease to 3% in 2023. Employment and participation rates are projected to pick up gradually through 2022-23, though to a different extent across countries, with OECD-wide unemployment falling to just over 5%, below the pre-pandemic rate. Significant risks remain around these projections.

New, more transmissible COVID-19 variants of concern may continue to appear, especially if the speed of vaccine deployment and the effectiveness of existing vaccines wane, hitting growth prospects. Outcomes in China could also disappoint if the problems in the real estate sector and with power supply persist or intensify, with adverse effects on other economies, especially commodity exporters and in Asia. Inflation could continue to surprise on the upside, due to more persistent supply pressures than anticipated or a stronger and sustained surge in energy costs, triggering financial market repricing in anticipation of future monetary policy moves.

The top policy priority remains the need to ensure that vaccines are produced and deployed as quickly as possible throughout the world, including booster doses. This will save lives, preserve incomes, enable borders to reopen safely and help alleviate some supply constraints. Macroeconomic policy support continues to be needed whilst the near-term outlook is still uncertain and labour markets have not yet recovered, with the mix of policies dependent on economic developments in each country. Monetary policymakers should communicate clearly about the extent to which the overshooting of inflation from target will be tolerated to help prevent excessive fluctuations in long-term market interest rates. If the recovery proceeds as projected, sequential moves to gradually moderate support appear appropriate over the next two years in the major advanced economies, initially by tapering asset purchases and subsequently through higher policy interest rates.

Policy interest rates have already been raised in some smaller open advanced economies and many emerging-market economies to help dampen inflation pressures. Further increases may be necessary to ensure price stability as yields rise in the major advanced economies.

Fiscal policies should remain flexible, and an abrupt withdrawal of policy support should be avoided whilst the near-term outlook is still uncertain. Moderation in public spending in 2022 will come mainly from reductions in crisis-related spending as the economy strengthens, rather than substantial discretionary consolidation measures. As the focus of policy continues to switch from rescue to recovery, effective and well-targeted reforms are needed to enhance resilience, help deal with the legacies of the pandemic, and tackle longstanding structural challenges such as digitalisation and the need to lower carbon emissions sustainably.

In Europe, in addition to the ECB change of action strategy, the six months under review saw payment of the first tranche of the RRF[1] (Recovery and Resilience Facility) in all recipient countries with the exception of Poland and Hungary (until their respective governments complete the action plans to implement the agreements entered into with the European Commission). Economic activity has slowed, despite remaining vibrant. Part of the slowdown is the natural consequence of the acceleration recorded in 1H 2021, which was unsustainable, and reflects the difficulties in sourcing commodities and semi-finished products due to the global production chain conditions and inflationary pressures as a consequence.

The price of industrial raw materials in EUR rose by 11%, the annual change in the Industrial Producer Price Index (IPP) rose from 10.3% in June to 23.7% in November, the annual change in the Consumer Price Index (CPI) climbed from 1.9% in June to 5% in December. The factors underlying these tensions might not be temporary, particularly not at the cost stage, whereas the inflation expectations are influenced mostly by the wage bargaining during the year. Growth prospects remain solid for Europe, albeit mitigated by Omicron for the first quarter.

Analysing the euro area in more detail, the Luxembourg economy is set to strengthen further, growing to 3.7% in 2022 and to 3.1% in 2023. Investment is expected to rise, alongside stronger consumption, supporting growth even as financial and business services activity normalises. Employment and wage growth remain robust. Core inflation is forecast to rise steadily as growth remains high and spare capacity declines. Risks to growth are balanced. Spillover effects from EU-wide Next Generation EU funds may be larger than forecast, or price pressures higher. The unemployment rate is 5.1% at the end of 2021.

In Italy the strong 2021 rebound from COVID-19 is forecast to ease progressively in 2022 and 2023, with growth of 4.6% and 2.6%. The recovery is expected to benefit from supportive fiscal policy, including investment financed through Next Generation EU funds, and progressively normalising services activity. A gradual rise in employment should support steady consumption growth. The recent increase in

[1] *The so called NRRP (National Recovery and Resilience Plans) corresponds to the European Next Generation EU program.*

headline inflation is expected to moderate, but core inflation is forecast to rise as spare capacity declines and purchasing power increases. Italy's credit risk benefited throughout the six months from the high liquidity on the domestic government security market, the appealing yields offered, and the effective government action taken along the lines required by the European institutions. The BTP-Bund spread rose by approximately 35 bps during the period, to 135 bps, in response to the arrival of the Covid-19 variant Omicron and the possible consequences of the events involving the election of the new President of the Republic of Italy on government action.

In Germany the economy is projected to grow from 2.9% in 2021 to 4.1% in 2022 and 2.4% in 2023. The recovery is being hampered by shortages of key manufacturing inputs, although a large stock of unfilled orders signals a strong potential rebound as supply constraints ease. Private consumption will accelerate in 2022 as confidence improves. Solid investment will be underpinned by low interest rates and increasing capacity pressures. Inflation is likely to ease in 2022 but remain elevated. The rise in COVID-19 cases and persistent supply shortages in critical industries could slow the recovery.

In United Kingdom the economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Output is projected to rise by 6.9% in 2021, with growth moderating to 4.7% in 2022 and 2.1% in 2023. Consumption is the main driver of growth during the projection period. Business investment will improve but continues to be held back by uncertainty. Increased border costs following the exit from the EU Single Market are weighing on imports and exports. Unemployment will continue to decline. Inflation will keep increasing due to higher energy and commodity prices and continuing supply shortages. It is expected to peak at 4.9% in the first half of 2022 and then fall back towards the 2% target by the end of 2023.

In United States Real GDP is anticipated to grow by 5.6% in 2021, before rising by 3.7% and 2.4% in 2022 and 2023 respectively. Supply disruptions will gradually ease, facilitating a rebuild of business inventories and stronger consumption growth in the near-term. With the continued recovery in the labour market, nominal wage growth will pick up further. While price inflation is projected to moderate in some sectors as supply disruptions abate, higher wages, along with recent increases in housing rents and shipping rates, will lead to stronger overall consumer price growth than prior to the pandemic.

(Source: OECD economic outlook –December 2021)

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During the six months under review the Bank has reported a net profit of €5.8m compared with €-2.0m of net loss recorded in December 2020. A detailed analysis of the performance registered on the main income and financial items is made further in this report.

During the six months under review, the European Commission has adopted the following regulations, which incorporate some changes to the accounting standards currently in force: Commission Regulation (EU) 2021/1421 of 30 August 2021, and Commission Regulation (EU) 2021/2036 of 19 November 2021. In particular:

- Commission Regulation (EU) 2021/1421 adopted the amendments to IFRS 16 proposed by the IASB in the document entitled "Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021" of 31 March 2021. With this Regulation, the amendments to IFRS 16 have been extended to include payments due contractually until 30 June 2022 inclusive. These amendments are valid for the Group as from 1 July 2021;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 adopted IFRS 17 "Insurance contract" and also amended the following standards: IFRS 1, IFRS 3, IFRS 5, IFRS 7, IFRS 9, IFRS 15, IAS 1, IAS

7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38 and IAS 40. These amendments are valid for the Group starting from 1 July 2023;

- BRRD II: in order to ensure effective and credible application of the bail-in resolution tool to impose losses on banks' creditors in case of a banking crisis, banks are subject to the Minimum Requirement for own funds and Eligible Liabilities (MREL). CSSF notified the Bank about the determination from the Single Resolution Board (‘SRB’) of the MREL at individual level. In particular, the binding MREL determination is equal to 8% of TREA and 3% of LRE[2];
- Circular CSSF 21/785: replacement of the prior authorization obligation by a prior notification obligation in the case of material IT outsourcing;
- Circular CSSF 21/773: the purpose of this Circular on the management of climate-related and environmental risks is to raise credit institutions’ awareness on the need to consider and assess climate-related and environmental risks and to increase awareness of members of the management body and institutions’ staff about these risks.

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RESTATED 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 in the annual report (to which reference is made for further details).

	31/12/2021	30/06/2021	Chg.
	€m	€m	%
Financial assets at FVTPL	103,3	103,5	-0,2%
Treasury investments	2.521,2	1.726,7	46,0%
Debt securities - banking book	10,2	10,2	0,1%
Loans and advances	5.318,9	5.185,6	2,6%
Equity investments	4,2	4,2	0,0%
Tangible and intangible assets	1,4	1,6	-8,6%
Other assets	43,1	96,8	-55,4%
Total Assets	**8.002,3**	**7.128,5**	**12,3%**
Loans and borrowings	5.048,6	4.407,2	14,6%
Debt securities issued	2.272,4	2.156,0	5,4%
Treasury borrowings	174,9	183,1	-4,5%
Financial liabilities at FVTPL	29,8	28,2	5,9%
Other liabilities	33,1	16,1	106,2%
Provisions for risks and charges	1,7	1,9	-10,0%
Net equity	436,0	330,8	31,8%
Net profit	5,8	5,3	9,7%
Total Liabilities	**8.002,3**	**7.128,5**	**12,3%**

[2] TREA means the **total risk exposure amount** calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013. LRE “leverage ratio exposure” means the total exposure measure calculated in accordance with Articles 429 and 429a of Regulation (EU) 575/2013.

ASSETS

In the context of a general economic recovery, the Bank's total exposures increased appreciably throughout the semester, reaching at the end of December 2021 the carrying value of €8.0bn (+12,3% compared to June 2021).

The following variations are worth to be noted:

Financial assets at FVTPL – the carrying value of financial assets at fair value through profit or loss (FVTPL) remains on the same value accounted at the end of June 2021. It is worth mentioning this variation was de facto compensated by an equivalent increase of the financial liabilities valued at fair value through profit or loss (cf. infra).

Treasury investments – this item increased during the first semester of the financial year (+46,0%, from €1.726,7m to € 2.521,2m) mainly as a result of the reinvestment of the liquidity generated in conjunction with the need of supporting the

credit pipeline expected in Q3. In details:

- Reserve requirement at the Central Bank of Luxembourg increased by +9,6% (from €51,1m to €56,0m)[3].
- Demand deposits with third party credit institutions decreased by -11,0% (from €741,2m to €659,7m) by reason of a prudential liquidity management at the end of the year.
- Term deposits with the Parent Company amounts to €1.805,3m which corresponds to an increase of +93.2% compared to June 2021 when they stood at €934,2m, as a result of choices to rebalancing funding needs in order to be in line with managerial and regulatory liquidity metrics;
- The carrying value of repo transactions is nil at the reference date (same as previous financial year).
- Other money market operations refer to securities lending transactions and in terms of outstanding the carrying values are in line with June 2021).

	31/12/2021	30/06/2021	Chg.
	€m	€m	%
Reserve requirement at Central Bank	56,0	51,1	9,6%
Demand deposits	659,7	741,2	-11,0%
Term deposits	1.805,3	934,2	93,2%
Repo transactions	-	-	-
Other money market operations	0,2	0,2	11,3%
Treasury investments	**2.521,2**	**1.726,7**	**46,0%**

Loans and advances – the carrying value of loans and advances has increased by +2,6% compared to June 2021, from €5.185,6m to €5.318,9m) due to new exposures towards banks as well as to customers. The institution's net credit risk exposure (i.e. drawn amounts excluding the portion secured by financial

[3] Including Tiering, a two-tier system for reserve remuneration introduced by EBC as of 30 October 2019.

guarantees received from the Parent and/or third party insurers) moved from €1.172,1m at the end of June 2021 to €856m at the end of December 2021 (-27,0%).

The market environment continues to be affected by an increased risk of a lower predictivity of the macro-economic projections arising from a substantial degree of uncertainty about the pandemic evolution and the consequent uncertainty of predicting timing and extent of the economic recovery which may occur in future periods. In this contest, it is worth mentioning that the carrying value of *non-performing exposures* (i.e. net book value after any impairment recognition) remains stable and corresponds to €28,9m (€30,2m at the end of June 2021). This result confirms the institution' strong commitment to asset quality and risk control.

	31/12/2021	**30/06/2021**	**Chg.**
	€m	**€m**	**%**
Loans and receivables (banks)	945,6	876,0	7,9%
of which: non performing	-	-	
Loans and receivables (customers)	4.373,3	4.309,6	1,5%
of which: non performing	*28,9*	*30,2*	*-4,4%*
Loans and advances	**5.318,9**	**5.185,6**	**2,6%**

Equity investment – in September 2011, the Bank has 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 real estate company which owns 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 whether the carrying amount of the immovable property may be higher than its recoverable amount (as well as evaluating any impairment indicator). The final report has largely confirmed the fairness of the Bank's carrying amount.

Other assets – this item of the reclassified statement of financial position decreased from €96,8m at the end of June2021 to €43,1m at the end of December 2021 (-55,4% in percentage terms) and is composed by (i) fair value of hedging derivatives, (ii) tax assets, and (iii) other receivables. In detail:

	31/12/2021	**30/06/2021**	**Chg.**
	€m	**€m**	**%**
Hedging derivatives	25,4	25,4	-0,1%
Tax assets	10,9	13,6	-19,7%
Transitory accounts and other receivables	6,8	57,7	-88,2%
Other assets	**43,1**	**96,8**	**-55,4%**

Fair value of hedging derivative instruments remained stable. No material deviations to be reported with reference to the Tax assets. Transitory accounts and other receivables decreased as a result of the reduction of 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 between parties. The suspended amounts originated by these transactions are generally cleared in a very short period of time.

LIABILITIES

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

Loans and borrowings – this item increased by +14,6%, passing from €4.407,2m to €5.048,6m. In details:

- Amount due to banks increased by +10,6% passing from €3.563,1m to €3.940,2m. Such a trend is justified by the upward evolution of the assets volume as well as the need to rebalancing the maturities of medium-term funding to comply with managerial and regulatory liquidity indicators.
- Amount due to customers stable at €62,0m.
- Borrowings under the NEU CP and the Euro CP Programmes increased by 35,9% from €755,3m to €1.026,5m.
- Change in fair value of hedged debt instruments valued at amortized costs decreased from €26,9,1m at the end of June 2021 to €19,9m at the end of December 2021. As it can happens with reference to the dynamic of the fair value of hedging derivatives (asset side), one of the leading causes of this variation was the dynamic of the underlying input market parameters.

	31/12/2021	**30/06/2021**	**Chg.**
	€m	**€m**	**%**
Amount due to banks	3.940,2	3.563,1	10,6%
Amount due to customers	62,0	62,0	0,0%
Commercial papers	1.026,5	755,3	35,9%
CFV notes issued	19,9	26,9	-25,9%
Loans and borrowings	**5.048,6**	**4.407,2**	**14,6%**

Debt securities issued – this item increased by +5.4% passing from €2.156,0m in June 2021 to €2272,4m at the end of December 2021, primarily due to a non-structured bond issuance of approx. €110m.

	31/12/2021	**30/06/2021**	**Chg.**
	€m	**€m**	**%**
Debt securities issued - non structured	2.192,2	2.065,2	6,2%
Debt securities issued - structured	80,2	90,8	-11,7%
Debt securities issued	**2.272,4**	**2.156,0**	**5,4%**

Financial liabilities at FVTPL – the carrying value of financial liabilities at fair value through profit or loss (FVTPL) slightly increased by +5,9% (from €28,2m to €29,3m). No particular deviations to be reported.

Other liabilities – this item of the reclassified statement of financial position increased from €16,1m at the end of June 2021 to €33,1m at the end of December 2021 and is composed by *(i)* fair value of hedging derivatives, *(ii)* tax liabilities, and *(iii)* transitory accounts and other payables. In detail:

	31/12/2021	**30/06/2021**	**Chg.**
	€m	**€m**	**%**
Hedging derivatives	-	-	-
Tax liabilities	7,1	4,8	46,5%
Other payables	26,0	11,2	131,8%
Other liabilities	**33,1**	**16,1**	**106,2%**

Fair value of hedging derivative instruments equal to nil, in line with June 2021. Tax liabilities grew in terms of amounts, due to H1 positive results as well as the transitory accounts included in other payables.

Provisions for risks and charges – this item of the reclassified statement of financial position slightly decreased by 10,0% – from €-1,9m (June 2021) to €1,7m (December 2021) – demonstrating once again the growing risk sensitive approach of the Bank.

Net equity –the increase from € 330,8m to €436,0m (+31,8%) is entirely attributable to *a)* the allocation of the profit realized during the previous financial year to reserves, *b*) the issuance in December of € 100mln AT1 - Additional Tier1 instrument (fully subscribed by Parent Company) - which strengthen the capital structure of the Bank as for the purposes of regulatory capital requirement.

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 in the annual report (to which reference is made for further details).

In the reclassified statement of comprehensive income, revenues are indicated without sign whereas costs are preceded by the ‘minus’ sign.

	6 mths to 31/12/2021	6 mths to 31/12/2020	Chg.
	€m	€m	%
Net interest income	7,5	7,2	4,2%
Net trading income	1,4	1,5	-10,4%
Net fee and commission income	3,3	1,0	210,9%
TOTAL INCOME	**12,1**	**9,7**	**24,7%**
Wages and salaries	-1,3	-1,5	-15,8%
Other administrative expenses	-3,3	-2,9	14,3%
OPERATING COSTS	**-4,7**	**-4,5**	**4,0%**
Loans impairment	1,9	-7,9	-124,3%
Provisions for other financial assets	-0,5	0,1	-929,6%
Other profit (losses)	–	–	–
PROFIT BEFORE TAX	**8,8**	**-2,7**	**-432,5%**
Fiscal provision	-3,1	0,7	-565,9%
TOTAL COMPREHENSIVE INCOME	**5,8**	**2,0**	**-388,2%**

Total income for the first six months of the financial year increased at €9,7m, however the mix between interest, trading and commission margin has changed importantly. The following variations are in particular worth to be noted:

<u>Net interest income</u> – this item increased by +4,2% (from €7,2m to €7,5m) due to the followings:

- interest income from lending activities remains stable at €34,5m (€34,0m at December 2020) due to higher average volumes, compared to previous year, that compensate for a slightly lower running average yield;
- interest expense from borrowing activities decreased by 4,8% (from € -26,7m to € -25,4m) mostly as a consequence of lower average cost of funding, due also to the greater positive contribution of short-term funding deriving from Commercial Paper Program - higher volumes issued in Q2;
- the above effects are offset by the negative contribution from treasury activities (from € +0,2m at December 2020 to approx. € -1,7m), due to the excess liquidity reinvested with Parent (in particular, time deposits).

	6 mths to 31/12/2021	6 mths to 31/12/2020	Chg.
	€m	€m	%
Interest income - lending	34,5	34,0	1,5%
Interest expense - funding	-25,4	-26,7	-4,8%
Net interest income (expense) - Treasury	-1,7	-0,2	802,7%
Net interest income	**7,5**	**7,2**	**4,2%**

Net trading income – the contribution of the trading portfolio was significantly flat compared to the previous FY and remained approx. at €1,5m at the end of December 2021. This category is composed as follows:

	6 mths to 31/12/2021	6 mths to 31/12/2020	Chg.
	€m	€m	%
Derivatives - realised gains and losses	0,4	-0,2	-293,2%
Derivatives - unrealised gains and losses (mtm)	0,8	-0,4	-313,8%
Forex gains and losses	-0,6	0,9	-163,5%
Gain/loss on disposals/repurchases	0,1	0,0	n.a.
Securities lending/borrowing	0,7	1,2	-36,8%
Net trading income	**1,4**	**1,5**	**-10,4%**

- Realized gains and losses on financial instruments valued at FVTPL amounts to €+0,4m (€-0,2m at the end of December 2020);

- Unrealised mark to market valuation generated a profit of €+0,8m (€-0,4m at December 2020) which principally originates from derivative contracts negotiated with the Parent and/or embedded in other non-derivative instruments;

- Forex exposures has generated a loss of €-0,6m (whilst at December 2020 this item recorded a profit of €+0,9m);

- Other realized gains and losses primarily refer to securities lending transactions and to net gain on disposals of financial assets, which have generated a net contribution of €0,7m, in contraction compared to December 2020 (€1.2m).

Net fee and commission income – this item of the reclassified statement of comprehensive income, which is mostly driven by corporate lending and treasury services, turned from €1,0m at the end of December 2020 to €3,3m at the end of December 2021. Main reason for such an increase has been the rise in commission incomes (from €5,7m of December 2020 to €8,4m of December 2021) mainly due to unexpected positive contribution recorded in Q1 on corporate lending activity.

	6 mths to 31/12/2021	6 mths to 31/12/2020	Chg.
	€m	€m	%
Fee and commission income	8,4	5,7	**46**,0%
Fee and commission expense	-5,6	-4,4	26,8%
Other income/expense	0,5	-0,3	-277,4%
Net fee and commission income (expense)	**3,3**	**1,0**	**210,9%**

Operating costs – this item slightly increased at €-4,7m (€-4,5m at December 2020) where the higher other costs, increased by 14,3% mostly by reason of a non-recurrent expenses incurred with the Parent Company about projects put in place in the previous fiscal year, are almost offset by the item of wages and salaries decreased by -15,8%.

Loans impairment – impairment provisions for credit exposures worth a positive contribution of +€1,4m during the semester (€-7,8m at December 2020) mostly due to release of provision as a consequence of the sale of a Non-Performing Loans. As far as provisioning is concerned, a prudential stance has been kept on macroeconomic scenario maintaining the same risk parameters as at 30 June 2021 (more conservative than the ones expected at end 2021). The most recent developments of Omicron variant and the further increase on price of commodities were not factor in the GDP growth expectations potentially compromising the effects of the economic recovery[4].

pp. BOARD OF DIRECTORS
CHAIRMAN
(Mr. Giovanni Mancuso)

[4] In continuity with the policy adopted at end-June 2021, the Group has also set aside additional provisions, or overlays, in order ensure to that the uncertainties linked to the particular historical situation are reflected in the coverage levels

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the interim accounts of MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (the "Bank") give a true and fair view of the assets, liabilities, financial position and profit and loss of the Bank in accordance with applicable accounting standards. The Directors' report includes a fair view of (I) the Bank's development, (II) its position, and (III) a description of the opportunities and risks relevant to the Bank that arose during the period ended 31 December 2021.

Luxembourg, 1 February 2022

The Board of Directors

Giovanni Mancuso	Alessandro Ragni	Massimo Amato
Stephane Bosi	Piero Pezzati	Lara Pizzimiglia
Jessica Spina		

INTERIM ACCOUNTS

STATEMENT OF FINANCIAL POSITION

		(€)
Assets	**31/12/2021**	**30/06/2021**
10. Cash and cash equivalents	707.658.191	43.802.585
20. Financial assets valued at FVTPL	104.351.667	103.467.003
a) Financial assets held for trading	*103.304.283*	*103.467.003*
b) Financial assets designated at fair value	*1.047.384*	
40. Financial assets valued at amortised cost	7.141.566.291	6.878.695.415
a) Due from banks	*2.758.127.026*	*2.558.900.217*
b) Due from customers	*4.383.439.265*	*4.319.795.198*
50. Hedging derivatives	25.393.936	25.420.372
70. Equity investments	4.150.000	4.150.000
90. Property, plant and equipment	1.436.149	1.569.989
110. Tax assets	10.945.324	13.623.593
a) current	*7.553.038*	*10.231.307*
b) deferred	*3.392.286*	*3.392.286*
130. Other assets	6.785.418	57.723.057
Total assets	**8.002.286.976**	**7.128.452.014**

		(€)
Liabilities and equity	**31/12/2021**	**30/06/2021**
10. Financial liabilities valued at amortised cost	7.515.274.891	6.747.884.996
a) Due to banks	*4.134.075.616*	*3.746.133.843*
b) Due to customers	*63.429.640*	*63.553.407*
b) Debt securities in issue	*3.317.769.635*	*2.938.197.746*
20. Financial liabilities valued at FVTPL	29.846.534	28.172.958
30. Certificates FVO	1.046.000	—
40. Hedging derivatives	—	—
60. Tax liabilities	7.068.352	4.823.721
a) current	*7.068.352*	*4.823.721*
b) deferred	—	—
80. Other liabilities	5.570.046	9.673.431
100. Provisions for risks and charges	1.668.051	1.854.124
130. Capital instruments	100.000.000	—
150. Reserves	326.042.785	320.782.764
160. Share capital	10.000.000	10.000.000
200. Profit (Loss) of the year	5.770.317	5.260.020
Total liabilities and shareholders' equity	**8.002.286.976**	**7.128.452.014**

The accompanying notes form an integral part of the interim accounts.

STATEMENT OF COMPREHENSIVE INCOME

(€)

Items		31/12/2021	31/12/2020
010.	Interests and similar income	42.042.170	38.498.221
020.	Interest expense and similar charges	-33.463.331	-31.431.727
030.	**Net interest income**	**8.578.839**	**7.066.494**
040.	Fee and commission income	9.699.376	7.045.586
050.	Fee and commission expense	-6.181.279	-8.667.454
060.	**Net fee and commission income**	**3.518.097**	**-1.621.868**
080.	Net trading income (expense)	-575.394	353.620
090.	Net hedging income (expense)	28.558	63.669
100.	Gain or loss on disposal or repurchase of:	88.126	324.110
	a) financial assets valued at amortised cost	*88.126*	*226.647*
	b) financial assets valued at FVOCI	–	–
	c) financial liabilities	–	*97.463*
110	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	1.383	–
120.	**Total income**	**11.639.610**	**6.186.025**
130.	Adjustment for impairment to:	1.228.512	-6.095.142
	a) financial assets valued at amortised cost	*1.228.512*	*-6.095.142*
	b) financial assets valued at FVOCI	–	–
150.	**Net income from financial operations**	**12.868.122**	**90.884**
190.	Administrative expenses	-4.551.849	-4.346.285
	a) personnel costs	*-1.289.009*	*-1.531.787*
	b) other administrative expenses	*-3.262.840*	*-2.814.498*
200.	Net provisions for risks and charges	186.074	-1.780.004
210.	Value adjustments in respect of tangible assets	-102.763	-127.424
230.	Other operating income (expense)	451.729	3.511.252
290.	**Profit (loss) of the ordinary activity before tax**	**8.851.312**	**-2.651.578**
300.	Income tax on the ordinary activity	-3.080.995	661.304
330.	**Profit (loss) for the period**	**5.770.317**	**-1.990.275**
340.	Other comprehensive income, net of tax	—	—
350.	**Comprehensive income (loss) for the year, net of tax**	**5.770.317**	**-1.990.275**

The accompanying notes form an integral part of the interim accounts.

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2021 TO 31/12/2021

	Balance as of June 30, 2021	Allocation of the profit for the previous period		Changes during the reference period						Balance as of December 31, 2021
					Transactions involving equity					
		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	**320.782.764**	**5.260.020**	—	—	—	—	—	—	—	**326.042.784**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	—	1.000.000
b) free reserve	286.792.447	5.260.020	—	—	—	—	—	—	—	292.052.467
c) special reserve [1]	35.669.614	—	—	—	—	—	—	—	—	35.669.613,7
d) FTA reserve	-2.679.296	—	—	—	—	—	—	—	—	-2.679.296,4
Valuation reserves	—	—	—	—	—	—	—	—	—	—
a) AFS securities	—	—	—	—	—	—	—	—	—	—
b) cash flow hedges	—	—	—	—	—	—	—	—	—	—
c) special laws – others	—	—	—	—	—	—	—	—	—	—
Additional Tier 1	—	—	—	—	100.000.000	—	—	—	—	**100.000.000**
Own shares	—	—	—	—	—	—	—	—	—	—
Comprehensive income of the period	**5.260.020**	**-5.260.020**	—	—	—	—	—	—	**5.770.317**	**5.770.317**
Total equity	**336.042.784**	—	—	—	**100.000.000**	—	—	—	**5.770.317**	**441.813.101**

The accompanying notes form an integral part of the interim accounts.

[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.

STATEMENT OF CHANGES IN EQUITY FROM 01/07/2020 TO 31/12/2020

	Balance as of June 30, 2020	Allocation of the profit for the previous period		Changes during the reference period					Balance as of December 31, 2020
					Transactions involving equity				
		Reserves	Dividends and other fund applications	Changes in reserves	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	**331.470.435**	**-10.784.702**	—	—	—	—	**27.723**	—	**320.713.455**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	1.000.000
b) free reserve	297.480.117	-10.784.702	—	—	—	—	—	—	286.695.415,3
c) special reserve [1]	35.669.614	—	—	—	—	—	—	—	35.669.613,7
d) other [2]	-2.679.296	—	—	—	—	—	27.723	—	-2.651.573,6
Valuation reserves	—	—	—	—	—	—	—	—	—
a) AFS securities	—	—	—	—	—	—	—	—	—
b) cash flow hedges	—	—	—	—	—	—	—	—	—
c) special laws – others	—	—	—	—	—	—	—	—	—
Own shares	—	—	—	—	—	—	—	—	—
Comprehensive income of the period	**-10.784.702**	**10.784.702**	—	—	—	—	—	**-1.990.275**	**-1.990.275**
Total equity	**330.685.733**	—	—	—	—	—	**27.723**	**-1.990.275**	**328.723.180**

The accompanying notes form an integral part of the interim accounts.

[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.

CASH FLOW STATEMENT - Direct Method (in € k)

		Amount	
		31/12/2021	**31/12/2020**
A.	**Cash flow from operating activity**	**-177.350**	**6.778**
1.	**Operating activity**	**31.213**	**2.785**
	– interests received (+)	43.182	44.999
	– interests paid (-)	-16.926	-22.044
	– net fees and commissions received/paid (+/-)	11.132	5.503
	– dividends and similar income (+)	—	—
	– net premiums collected (+)	—	—
	– personnel expenses (-)	-1.131	-1.588
	– other income (expenses) (+/-)	-6.467	-22.267
	– taxes and duties (+/-)	1.423	-1.818
2.	**Cash generated/absorbed by financial assets**	**-778.526**	**-486.966**
	– financial assets valued at FVTPL	1.755	-51.588
	– financial assets designated at FVTPL	-1.046	—
	– financial assets valued at FVOCI	—	—
	– financial assets valued at amortised cost	-779.411	-204.671
	– other assets	176	-230.707
3.	**Cash generated/absorbed by financial liabilities**	**569.963**	**490.959**
	– financial liabilities valued at FVTPL	-10.457	-2.771
	– financial liabilities designated at fair value	1.046	—
	– financial liabilities valued at amortised cost	579.355	493.922
	– other liabilities	19	-192
B.	**Cash flow from investing activity**	—	—
	– disposal/purchase of shareholdings	—	—
	– disposal/purchase of tangible assets	—	—
	– disposal/purchase of intangible assets	—	—
2.	**Cash flow from funding activityabsorbed by:**	**100.000**	**—**
	– issue/redemption of T1 capital instruments	100.000	—
	– issue/redemption of T2 capital instruments	—	—
	Net cash inflow (outflow) during the fiscal year	**-77.350**	**6.778**

	Amount	
	31/12/2021	**31/12/2020**
Cash and cash equivalents: balance at 31 December	785.008	-6.778
Total cash inflow (outflow) during year	-77.350	6.778
Cash and cash equivalents: balance at 31 December	**707.658**	**—**

NOTES TO THE INTERIM ACCOUNTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1

Statement of compliance with the International Accounting Standards

The interim financial statements of the Bank are prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), adopted by the European Commission in accordance with the procedure laid down in Article 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. Account has been taken in particular of IAS 34 on interim financial reporting and the financial statements have been prepared based on the template of the Parent company which, in turn, was based on the "Instructions for drawing up separate and consolidated financial statements for banks and financial companies that head banking groups", issued by the Banca d'Italia (Bank of Italy) through Circular no. 262 of 22 December 2005 – 7th update issued on 29 October 2021, as amended – which sets out the financial statements layouts and compilation methods, as well as the content of the explanatory notes.

Section 2

General principles for preparation

The interim accounts comprise:

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

All the statements have been drawn up in conformity with the general principles provided for under the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) provided for under IFRS as adopted by EU and the accounting policies illustrated in section 5 and show data for the reference period compared with that for the previous financial year in the case of balance-sheet figures, or with that for corresponding period of the previous financial year in the case of profit-and-loss data.

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

Regulatory and supervisory authority announcements were also made regarding the most suitable methods for applying accounting standards in relation to the COVID-19 emergency. Some of the most significant, issued primarily with reference to periodic reporting include:

ESMA:

– Public Statement of 29 October 2021, "*European common enforcement priorities for 2021 annual financial reports*", setting out priorities on which listed companies must focus in preparing their financial statements for the year ended 31 December 2021. ESMA underlines the responsibility of management and supervisory bodies of issuers as well as the importance of the oversight role of audit committees which is key to ensure the overall internal consistency of the annual financial report and contribute to high-quality annual financial reports; in particular, ESMA recommends that disclosure is provided in the IFRS-compliant financial statements for 2021 regarding the following topics:

a) Longer-term impacts of the Covid-19 pandemic and the recovery from Covid-19, with careful assessment and transparency of accounting;

b) Climate-related matters[5], impacts, estimates and strategies implemented to mitigate them and indicate how the company is positioned relative to its sustainability objectives;

c) Measurement of Expected Credit Losses (ECL), including sensitivity analysis and details of management overlays (provided and used), material adjustments and significant increases in credit risk (SICR);

d) Taxonomy-related disclosures and disclosure of the taxonomy alignment of economic activities in accordance with the obligations set out in Article 8 of Regulation (EU) 2020/852.

EBA:

Monitoring Report of 24 November 2021 (EBA/REP/2021/35) "*IFRS9 Implementation by EU institutions*" summarizing the results of the monitoring activity of implementation of the International Financial Reporting Standards (IFRS 9) by the European Union institutions in the context of the current pandemic. The findings of the analysis carried out by the EBA are meant to assist supervisors' evaluation of the quality and adequacy of application of the IFRS 9 framework, also considering the high expert judgement levels adopted by the banks concerned in terms of the level of provisioning (and overlays) and classifications as stage 2 and stage 3.

The EBA reminded banks that the use of overlays should assume a temporary measure, necessary in cases where the ECL models are unable to address the specific situation, and should not be used for the long term; it is therefore crucial that the overlays should be complemented by good governance measures to ensure that the credit risk is correctly reflected in the metrics of provisioning used.

CSSF:

FAQ and update on operational working arrangements[6] related to COVID-19.

This interim report was not audited nor reviewed by the statutory auditor.

[5] ESMA expects the impact of climate-related matters to be taken into consideration by entities in relation to IFRS, with reference in particular to the scope of application of IAS 16, IAS 36 and IAS 38.

[6] Circular CSSF 21/769 on telework, which was due to enter into force on 30 September 2021, will only apply as from the end of the pandemic, in accordance with Article 66 of the circular.

Section 3

Interest rates benchmark transition: Group project

In the six months under review, all the activities required to complete the transition to the new interbank benchmark rates by the start of 2022 have basically been completed. The discontinued index-linked products have all been amended without any problems being noted through the transition to Ester (for the Euro) Saron (for CHF), Sonia (for GBP) and Tonar (for JPY).

An assessment is currently underway to map the actions relating to the Libor USD, for completion by end-June 2023, when the interest rate is expected to be discontinued definitively, whereas from 1 January 2022, the Libor USD interest rates will still be provided, but only to allow positions opened before 31 December 2021 to be managed.

Section 4

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 amortized 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.

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and short-term highly liquid investments with maturities of three months or less when purchased. Cash as referred to in the cash flow statement comprises only cash on hand and non–restricted current accounts with Central Banks, therefore mandatory deposit with the Central Bank of Luxembourg, which is not available for use in the Bank's day–to–day operations, is not considered as cash on hand in the cash flow statement.

Financial assets designated at fair value through profit and loss (FVTPL)

Financial assets designated at fair value through profit and loss include financial assets held for trading and other financial assets mandatorily measured at fair value.

Financial assets held for trading include those financial assets which have been acquired or issued principally for the purpose of being traded. They include debt securities, equity securities, loans subject to trading and the positive value of derivative contracts held for trading, including those incorporated in complex financial instruments (such as, for example, structured bonds), which are recognized separately.

Financial assets mandatorily measured at fair value include those financial assets that are not held for trading but that are mandatorily measured at fair value through profit or loss because they do not meet the requirements for classification at amortised cost.

At the settlement date for securities and loans and at the date of execution for derivative contracts, they are recognized at fair value without considering the transaction costs or income directly attributed to the instrument itself, which are recognized in the statement of comprehensive income. After the initial recognition, they continue to be measured at fair value and changes in fair value are recognized in the statement of comprehensive income. Interest on instruments mandatorily measured at fair value are recognized using the contractual rate. Dividends deriving from equity instruments are recognized in the statement of comprehensive income when the right to collect them arises.

Equity instruments and correlated derivatives for which it is not possible to reliably determine the fair value using the methods indicated above are measured at amortised cost (this category is also included in Level 3). If impairment arises, these assets are appropriately written down to their current value.

The profits and losses realised on sale or repayment and the (positive and negative) effects deriving from periodic changes in fair value are recognized in the statement of comprehensive income under the heading 'net trading income'.

Assets held for trading mandatorily measured at fair value also include loans that do not guarantee repayment of the entire principal in case of financial hardship of the counterparty and which therefore do not pass the SPPI test. The process of impairment of these positions is in line with that of the other loans, on the grounds that the exposure is basically attributable to credit risk, with both the gross exposure and related provisioning stated.

Financial assets measured at amortized 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. 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 amortized cost, i.e. the initial value minus/plus principal repayments, write-downs/write-backs and amortisation - 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.

After initial recognition, all financial assets recognized at amortized cost 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.

In accordance with IFRS 9, financial assets 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 recognise 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 (amortized 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.

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) comprises loans that are already impaired at the time of purchase or disbursement. At the date of first-time application, they are recognized at amortised cost, based on the internal rate of return, calculated on the estimate of expected debt collection flows. The interest is then determined by applying an internal rate of return adapted to the circumstances. Expected credit losses are recognized and released only the amount in which changes are verified. For financial instruments that are considered in default, the Group recognises an expected loss on the residual maturity of the instrument (similar to that indicated for stage 2 above). Value adjustments are determined for all exposures, broken down into the various categories, taking account of the forward-looking information that considers macroeconomic factor.

Hedging transactions

With reference to hedging transactions, the Group chose to adopt the provisions of IFRS 9 from 1 July 2018 onwards and not to apply the allowed exception (i.e. continuing to apply the rules of IAS 39 to such transactions).

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

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

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

- *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;
- *Cash flow hedging*: the changes in fair value are recognized in net equity in the amount of the effective portion of the hedging, while the gain or loss deriving from the ineffective portion is recognized through the statement of comprehensive income only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

As at 31 December 2021, the Bank does not hold any cash flow hedged transaction.

Equity investments

The item includes the stakes held in subsidiaries.

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

Tangible assets

These include land, business and investment properties, technical plants, furniture, furnishings and equipment of any type as well as assets used within financial lease agreements, although the lessor remains their legal owner.

They are recognized at the cost, which includes, in addition to the price paid, any additional charges directly attributable to the purchase and installation of the asset. Extraordinary maintenance expenses are recognized as increases to the value of the assets: ordinary maintenance expenses are recognized in the statement of comprehensive income.

Fixed assets are depreciated throughout their useful life, on a straight-line basis, with the exception of land, which has indefinite useful life.

At the closing date of each set of financial statement or interim report, if it is determined that an asset may have undergone an impairment loss, the carrying amount is compared with the revised value, equal to the higher of the fair value, net of any selling costs, and the related value in use. Any adjustments are recognized in the statement of comprehensive income. If subsequently the reasons that led to the recognition of the loss cease to apply, a write-back is applied, which may not exceed the value the asset would have had net of depreciation calculated in the absence of previous impairment losses.

Leasing (IFRS 16)

The classification of an agreement as a lease[7] (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 amortized 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 behaviours, 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.

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[7] Lease agreements in which the Group 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.

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.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Overall, the fair value of a financial guarantee is zero at the time a contract is issued, since for market standards, the consideration received is generally equal to the value of the obligation assumed. Guarantees given are recognized in the off balance sheet (within “guarantees and commitments”) at the nominal value, while premiums receivables are recognized over the life of the assets in the financial statement (within “other assets”) and in the statement of comprehensive income (within “net fee and commission income”). Subsequent to initial recognition, the bank’s exposure under each guarantee is tested to show whether or not there is evidence of expenditure required to settle any financial obligation arising as a result of the guarantee or any other evidence of impairment. Items reflecting such evidence are then subjected to analytical testing, and, if appropriate, adjusted to reflect the increase in the liability related to financial guarantee; accounts for which there are no objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Financial guarantees are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Value adjustments are credited or charged to the comprehensive income, as appropriate.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized 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 amortized 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 and 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 recognized at fair value

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

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

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

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

Tax assets and liabilities

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

Deferred tax assets are recorded in the 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.

Contribution to resolution funds are accounted for according to IFRIC 21.

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 IFRS 9.

In such cases the same staging and expected loss calculation criteria are used for both financial assets recognized at amortized 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 recognised under IAS 19.

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 IFRS 9. 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, recognised 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 recognised.

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 securitisation, repurchase and securities lending transactions.

In case of renegotiation of the financial assets measured at amortised cost, the Bank eliminates the instrument solely if the renegotiation entails such a change that the initial instrument has substantially become a new instrument. In these cases, the differences between the carrying amount of the original instrument and the fair value of the new instrument is recognised 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 recognise 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).

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 recognised amounts and the transactions are intended to be settled on a net basis or realise 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.

"Day1" profit or loss

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

Fair Value hierarchy

In accordance with IFRS 13, fair value must be presented according to a hierarchy based on the quality of the inputs used[8] to determine it.

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

In particular, the following levels are distinguished:

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

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

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

1. Fair value levels: valuation techniques

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

However, all instruments within which the component attributable to unobservable inputs (such as implicit volatility beyond certain observability thresholds, or equity and credit correlation) is prevalent within fair value, or where there are adjustments that significantly modify the most liquid input parameters used, are classified to Level 3[9].

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

2. Inputs used to determine fair value levels

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

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

– *Prices*: the instruments traded on a regulated market or for which quoted prices are available for bilateral trades are valued using prices taken from info-providers;

– *Interest rates / Inflation swap rates*: these are valuation inputs for derivative instruments that involve an exchange of flows between two counterparties. Interest rates represent market expectations of future rate performance and are quoted for various maturities. Inflation swap rates represent the market's expectations of future inflation performance. The illiquidity of such inputs has a direct impact on the measurement of a debt security or derivative;

– *Repo rates*: interest rates applied to repurchase agreements on securities;

– *Volatility*: this is a measurement of expectations regarding the variability of quoted market prices in respect of certain parameters. They may be quoted directly or derived from the prices of quoted instruments. Volatility may refer to, inter alia, various types of underlying (shares/indices, interest rates: caps/floors or swaptions, exchange rates, inflation);

– *Correlation*: it measures the relationship that exists between movements of two variables and is an input in the valuation of a derivative product, where the payoff is determined by multiple risk factors/underlying;

[9] *See paragraphs 73 and 75 of IFRS 13.*

– *Dividends*: the dividend yields of equity instruments are an estimate of the possible yields that such instruments will offer in the future in terms of cash flows. The yield and periodicity of the dividends is the most significant parameter for determining the fair value of instruments sensible to the forward price of a share;

– *Credit spreads*: these are the estimate of the risk of insolvency of a counterparty and are quoted with respect to a benchmark; credit spreads refer to a wide range of underlying (indices and single names), regions, sectors, maturities and credit qualities (high yield and investment grade). The wide range of this category is the reason for the breadth of ranges of unobservable inputs.

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

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

Level 1

This level comprises all instruments quoted on active markets or for which quotations are available on an ongoing basis. The former instance covers cash equity instruments, funds and listed derivatives18 (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official closing price was available. The second instance covers liquid debt securities for which quotations are available on an ongoing basis, and ABS and CLOs for which tradable quotations are available at the reporting date.

Level 2

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

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

  – Plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap &

floor, credit default swaps and credit default indexes as underlying;

- Exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by Mediobanca whose characteristics replicate those referred to above;
- Issues of certificates with credit derivatives or shares as underlying (basket or single name), including the issuer credit risk which is thus factored into the total calculation of the fair value.

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

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

Level 3

- Bonds: instruments whose fair value is determined using prices that cannot be corroborated are classified as Level 3, as are instruments not traded on active markets which are marked to model using the credit spread curves implicitly derived from Level 1 or Level 2 instruments, to which a spread Notes to the accounts | Part A - Accounting policies 157 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: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 when there are no quoted prices or when quoted prices have been suspended indefinitely and for which an internal model is used in order to determine the fair value. Some residual equities for which fair value cannot be established reliably using the methods described above are recognized at cost;
- Derivatives: when the valuation of an OTC derivative has been materially affected by unobservable parameters it is classified as Level 3. Such derivatives include:
  - Plain vanilla instruments, such as options with equity as the underlying and long expiries, or dividends on which there is no market consensus and options on equity baskets (indexes and single name);
  - Equity certificates for which the valuation inputs show a high degree of uncertainty (as it emerges

during the Independent Price Verification process) in terms of volatility or future dividends[10];

- Exotic instruments that use certain payoffs (ie. Knock-in/Knock-out reverse notes) on a single security (or baskets) for which the valuation inputs are not directly observable;
- Bespoke CDO tranches.

Securities lending and borrowing

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

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

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

Interest income and expenses

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

Fee and commission income and expenses

Fee and commission incomes arise on financial services provided by the bank. Fee and commission incomes are recognised when the corresponding service is provided.

Fee and commission expenses arise on financial services received by the Bank in relation to its lending activity. They are recognized when the corresponding service is received or on an accrued basis for guarantees received on loans.

Fees included in amortized cost used to calculate effective interest rates are not included under fees and commissions, since they are part of the effective interest rate.

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.

[10] New rules application in order to establish whether an instrument is level 3 and the consequent DOP deferral are in force starting from January 2021.

Related parties

Related parties are defined by IAS 24 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 3% 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, management makes estimates and assumptions concerning the future and the amounts recognized in the interim accounts. 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 interim accounts continue to be prepared on the going concern basis.

<u>Fair value of financial instruments</u>

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 5.

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 income statement. 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.

PART B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1

Heading 10 – Cash and cash equivalents

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

	31/12/2021	30/06/2021
a) Cash	1	—
b) Demand deposit held at Central Banks	48.007	43.802
c) Current accounts and Demand deposits	659.650	741.206
Total	**707.658**	**785.008**

(*) The amount of the current accounts as of 30/06/2021 have been restated in order to compliant to the Bank of Italy circular 262/2005, VII update.

Section 2

Heading 20 – Financial assets valued at FVTPL

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

Item/Values	31/12/2021			30/06/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	—	—	71.920	—	73.421	—
1.1 Structured			51.681	—	62.485	—
1.2 Other debt securities			20.239	—	10.936	—
2. Equities	—	—	—	—	—	—
3. UCITS units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	**—**	**—**	**71.920**	**—**	**73.421**	**—**
B. Derivative products						
1. Financial derivatives	—	16.433	1.414	—	15.430	2.976
1.1 Trading	—	16.433	1.414	—	15.430	2.976
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—
2. Credit derivatives	—	13.537	—	—	11.640	—
2.1 Trading	—	13.537	—	—	11.640	—
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	**—**	**29.970**	**1.414**	**—**	**27.070**	**2.976**
Total (A+B)	**—**	**29.970**	**73.334**	**—**	**100.491**	**2.976**

2.2 Financial assets valued at FVTPL: breakdown by counterparty (in € k)

Item/Value	31/12/2021	30/06/2021
A. CASH ASSETS		
1. Debt securities	71.920	73.421
2. Equities	—	—
3. UCITS units	—	—
4. Loans and advances	—	—
Total A	**71.920**	**73.421**
B. DERIVATIVE PRODUCTS		
a. Banks	—	—
- *Fair value*	—	—
b. Customers	31.384	30.046
- *Fair value*	31.384	30.046
Total B	**31.384**	**30.046**
Total A+B	**103.304**	**103.467**

Section 4

Heading 40 – Financial assets valued at amortised cost

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

Type of transactions/Values	Total 31/12/2021						Total 30/06/2021					
	Carrying value			Fair value			Carrying value			Fair value		
	Stage1 and stage2	Stage3	of which: non performing acquired or originated	Level 1	Level 2	Level 3	Stage1 and stage2	Stage3	of which: non performing acquired or originated	Level 1	Level 2	Level 3
A. Due from Central Banks	8.001	—	—	—	7.300	—	7.300	—	—	—	7.300	—
1. Term deposits	—	—	—	X	X	X	—	—	—	X	X	X
2. Compulsory reserve	8.001	—	—	X	X	X	7.300	—	—	X	X	X
3. Repos	—	—	—	X	X	X	—	—	—	X	X	X
4. Others	—	—	—	X	X	X	—	—	—	X	X	X
B. Due from banks	2.750.126	—	—	—	2.752.718	—	1.810.394	—	—	—	1.821.172	—
1. Loans and advances	2.750.126	—	—	—	2.752.718	—	1.810.394	—	—	—	1.821.172	—
1.1 Current accounts and demand deposits *	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Term deposits	1.805.315	—	—	X	X	X	934.189	—	—	X	X	X
1.3 Other financings:	944.811	—	—	X	X	X	876.205	—	—	X	X	X
- Repos	—	—	—	X	X	X	—	—	—	X	X	X
- Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
- Others	944.811	—	—	X	X	X	876.205	—	—	X	X	X
2. Debt securities	0	—	—	—	—	—	0	—	—	—	—	—
2.1 Structured debt securiti	0	—	—	X	X	X	0	—	—	X	X	X
2.2 Other debt securities	—	—	—	X	X	X	—	—	—	X	X	X
Total	**2.758.127**	—	—	—	**2.760.018**	—	**1.817.694**	—	—	—	**1.828.472**	—

(*) Values of the current accounts (€ 741m) as of 30/06/2021 have been restated in order to be compliant to the Bank of Italy Circular 262/2005, amended in 11/2021.

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

Type of transactions/Values	Total 31/12/2021						Total 30/06/2021					
	Carrying value			Fair Value			Carrying value			Fair Value		
	Stage1	Stage2	Stage3	Level 1	Level 2	Level 3	Stage1	Stage2	Stage3	Level 1	Level 2	Level 3
1. Loans and advances	4.025.562	318.792	28.909	—	4.574.295	—	4.002.837	276.554	30.234	—	4.522.174	—
1.1 Current accounts	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Repos	—	—	—	X	X	X	—	—	—	X	X	X
1.3 Term loans	4.025.562	318.792	28.909	X	X	X	4.002.837	276.554	30.234	X	X	X
1.4 Credit cards and personal loar	—	—	—	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	10.177	—	—	—	10.082	—	10.170	—	—	—	10.110	—
2.1 Structured debt securities	—	—	—	X	X	X	—	—	—	X	X	X
2.2 Other debt securities	10.177	—	—	X	10.082,00	X	10.170	—	—	X	10110	X
Total	**4.035.739**	**318.792**	**28.909**	**—**	**4.584.377**	**—**	**4.013.007**	**276.554**	**30.234**	**—**	**4.532.284**	**—**

Section 5

Heading 50 – Hedging derivatives

5.1 Hedging derivatives by type of hedging and levels (in € k)

	31/12/2021			Notional value	30/06/2021			Notional value
	Fair value				*Fair value*			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives								
1) Fair value	—	25.394	—	468.895	—	25.420	—	495.024
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives								
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**25.394**	**—**	**468.895**	**—**	**25.420**	**—**	**495.024**

5.2 Hedging derivatives by type of hedging and levels (in € k)

31/12/2021 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign subsidiaries
	Micro					Macro	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	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	25.394	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**25.394**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

30/06/2021 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign subsidiaries
	Micro					Macro	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	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	25.420	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**25.420**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

Section 7

Heading 70 – Equity investments

7.1 Equity investments: disclosure on shareholdings

Company Name	Registered office	Control Type	Ownership		Voting rights (%)
			Controlling entity	% shareholding	
Mediobanca International Immobiliere S.à r.l.	Luxembourg	3	Mediobanca International (Luxembourg) S.A.	100	100

7.2 Equity investments: financial information (in € k)

Company Name	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Carrying value
Mediobanca International Immobiliere S.à r.l.	1.997	95	37	1.972	4.150

Section 9

Heading 90 – Property, plant and equipment

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

Assets/value	31/12/2021	30/06/2021
1. Assets owned by Bank	1	3
a) land	—	—
b) buildings	—	—
c) furniture and fitting	—	—
d) electronic equipment	—	—
e) other assets	1	3
2. Right-of-use assets	1.435	1.567
a) land	—	—
b) buildings	1.402	1.488
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	33	79
Total	**1.436**	**1.570**

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	**7.325**	**2.855**	**51**	**10.231**
Increase of the period (+)	**-**	**4**	**888**	**892**
- advances paid	-	-	853	853
- transfers	-	4	-	4
- others	-	-	35	35
Decrease of the period (-)	**-2.429**	**-1.141**	**-**	**-3.570**
- releases of the year (assessments)	-2.429	-1.141	-	-3.570
- transfers	-	-	-	-
- others	-	-	-	-
Balance at the end of the fiscal year	**4.896**	**1.718**	**939**	**7.553**

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

11.2 Deferred tax assets: composition (in € k)

	31/12/2021	31/12/2020
- Deferred tax assets recognised in the statement of comprehensive income	903	3.151
- Deferred tax assets recognised in the net equity	2.489	903
Total	**3.392**	**4.054**

Section 13

Heading 130 – Other assets

13.1 Other assets: composition (in € k)

	31/12/2021	30/06/2021
1. Gold, silver and precious metal	—	—
2. Accrued income other than capitalized income	1.119	1.076
3. Trade receivables or invoice to be issued	—	—
4. Amount due from tax revenue Authorities (not attributed to heading 110)	16	16
5. Other	5.651	56.631
- transitory accounts	*5.651*	*56.545*
- prepayments		*86*
Total	**6.786**	**57.723**

LIABILITIES

Section 1

Heading 10 – Financial liabilities valued at amortised cost

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

Type of transactions/Values	31/12/2021				30/06/2021			
	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	4.134.074	X	X	X	3.746.133	X	X	X
2.1 Current accounts and demand deposits	30.510	X	X	X	40.860	X	X	X
2.2 Term deposits	144.269	X	X	X	142.110	X	X	X
2.3 Loans	3.940.157	X	X	X	3.563.064	X	X	X
2.3.1 Repos	—	X	X	X	—	X	X	X
2.3.2 Others	3.940.157	X	X	X	3.563.065	X	X	X
2.4 Liabilities in respect of commitments	—	X	X	X	—	X	X	X
2.5 Other liabilities	19.138	X	X	X	99	X	X	X
Total	**4.134.074**	—	**4.134.076**	—	**3.746.133**	—	**3.761.874**	—

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

Type of transactions/Values	31/12/2021				30/06/2021			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	—	X	X	X	—	X	X	X
2. Term deposits	—	X	X	X	—	X	X	X
3. Loans	61.990	X	X	X	61.985	X	X	X
3.1 Repos	—	X	X	X	—	X	X	X
3.2 Others	61.990	X	X	X	61.985	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease payables	1.440	X	X	X	1568	X	X	X
6. Other liabilities	—	X	X	X	—	X	X	X
Total	**63.430**	**—**	**63.430**	**—**	**63.553**	**—**	**63.553**	**—**

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

Type of transactions/Values	31/12/2021				30/06/2021			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debt securities								
1. Bonds	2.291.273	—	2.338.732	—	2.182.917	—	2.191.602	—
1.1 Structured	79.160	—	80.027	—	90.849	—	91.945	—
1.2 Other	2.212.113	—	2.258.705	—	2.092.068	—	2.099.657	—
2. Other securities	1.026.497	—	1.026.497	—	755.281	—	755.281	—
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Other	1.026.497	—	1.026.497	—	755.281	—	755.281	—
Total	**3.317.770**	**—**	**3.365.229**	**—**	**2.938.198**	**—**	**2.946.883**	**—**

Section 2

Heading 20 – Financial liabilities valued at FVTPL

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

Transaction type/Values	31/12/2021				30/06/2021			
	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	1.800.321	—	16.349	1.414	1.771.087	—	13.706	2976
1.1 Trading	1.800.321	—	16.349	1.414	1.771.087	—	13.706	2976
1.2 Related to the fair value option	—	—	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—	—	—
2. Credit derivatives	1.372.110	—	11.295	789	1.355.179	—	11.491	—
2.1 Trading	1.372.110	—	11.295	789	1.355.179	—	11.491	—
2.2 Related to the fair value option	—	—	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—	—	—
Total (B)	**3.172.431**	**—**	**27.644**	**2.203**	**3.126.266**	**—**	**25.197**	**2976**
Total (A+B)	**3.172.431**	**—**	**27.644**	**2.203**	**3.126.266**	**—**	**25.197**	**2976**

Section 4

Heading 40 – Hedging derivatives

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

Items/Values	31/12/2021				30/06/2021			
	Notional value	Fair value			Notional value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—

Section 6

Heading 60 – Tax liabilities

6.1 Tax liabilities: current tax liabilities (in € k)

	CIT	MBT	Other	Total
Balance at the beginning of the year	**1.403**	**519**	**2.770**	**4.692**
Increase of the period (+)	**1.738**	**644**	**846**	**3.228**
- provisions of the year	1.738	644	829	3.211
- transfers	—	—	—	—
- others	—	—	17	17
Decrease of the period (-)	**—**	**—**	**-853**	**-853**
- releases of the year (fiscal assessments)	—	—	-853	-853
- transfers	—	—	—	—
- others	—	—	—	—
Balance at the end of the fiscal year	**3.141**	**1.163**	**2.763**	**7.067**

6.2 Tax liabilities: deferred tax liabilities (in € k

	Deferred tax liabilities	31/12/2021	30/06/2021
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		—	**—**

Section 8

Heading 80 – Other liabilities

8.1 Other liabilities: composition (in € k)

	31/12/2021	30/06/2021
1. Payment agreements (IFRS 2)	—	—
2. Impaired endorsements	—	—
3. Working capital payables and invoices pending receipt	2.778	4.216
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Amounts due to revenue authorities	—	—
6. Amounts due to staff	200	295
7. Other items:	2.592	5.162
- bills for collection	—	—
- coupons and dividends pending collection	—	—
- available sums payable to third parties	2.592	5.162
- premiums, grants and other items in respect of lending transactions	—	—
- credit notes to be issued	—	—
- other	—	—
Total	**5.570**	**9.673**

Section 10

Heading 100 – Provisions for risks and charges

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

Items / Values	31/12/2021	30/06/2021
1. Provisions for credit risk related to commitments and financial guarantees issued	1.668	1.854
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	**1.668**	**1.854**

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

Provisions for credit risk related to financial obligations and guarantees issued	31/12/2021				30/06/2021			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Commitments to distribute funds	1.227	177	—	1.404	1.507	344	—	1.851
Financial guarantees issued	264		—	264	3		—	3
Total	**1.491**	**177**	**—**	**1.668**	**1.510**	**344**	**—**	**1.854**

Section 15

Heading 150 - Reserves

15.1 Reserves: composition (in € k)

	31/12/2021	30/06/2021
A. Reserves	**326.044**	**320.783**
A.1 Legal reserve (A)	1.000	1.000
A.2 Free reserve	292.053	286.792
A.3 NWT reserve (B)	35.670	35.670
A.4 Other (C)	-2.679	-2.679

(A): 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.

(B): 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.

(C): the account comprises: *a)* the FTA reserve created on the transition to IFRS9, *b)* the performance shares granted starting from the current fiscal year.

Section 16

Heading 160 – Share capital

16.1 Share capital

As of 31 December 2021, same as June 2021, the issued capital of the Bank amounts to € 10.000.000 and is divided into 1 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			3/12//2021	Nominal value of commitments and financial guarantees			30/06/2021
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
1. Commitments to disburse funds	**1.940.510**	**94.417**	**—**	**2.034.927**	**1.839.864**	**114.457**	**681,0**	**1.955.002**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	—	—	—	—	—	—	—	—
d) Other financial companies	255.880	81.185	—	337.065	162.183	82852	—	245.035
e) Non-financial companies	1.684.630	13.232	—	1.697.862	1.677.681	31.605	681	1.709.967
f) Retail clients	—	—	—	—	—	—	—	—
2. Financial guarantees given	**86.936**	**—**	**—**	**86.936**	**2.863**	**—**	**—**	**2.863**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	—	—	—	—	—	—	—	—
d) Other financial companies	—	—	—	—	—	—	—	—
e) Non-financial companies	86.936	—	—	86.936	2.863	—	—	2.863
f) Retail clients	—	—	—	—	—	—	—	—

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

Portfolios	**Amount**	
	31/12/2021	**30/06/2021**
Financial instruments valued at FVTPL	—	—
Financial instruments valued at FVOCI	—	—
Financial instruments valued at amortised cost	1.060.035	1.068.430
Tangible assets	—	—
Total	**1.060.035**	**1.068.430**

As at 31 December 2021, the Bank has pledged collateral in form of securities and loans for an amount of € 1.316m of which € 1.060m originated by the Bank itself, whereas € 256m represents the re-use of collateral borrowed from the Parent Bank.

Among the secured financing operations which are outstanding as at 31 December 2021 it might be reported the issue of a senior unsecured floating rate note due 10 March 2022 for a nominal value of USD 100m guaranteed by the Parent (ISIN XS1496191864). This note has been issued in contemplation of its subsequent sale by Mediobanca S.p.A. to Titanium DAC (an Irish special purpose vehicle) in the context of a total return swap transaction whereby, inter alia, Mediobanca S.p.A. has undertaken to repurchase the note from Titanium DAC upon contractual maturity. Mediobanca S.p.A.'s obligation to repurchase the note is collateralized by a portfolio of assets with a market value on any day greater than the principal amount of the note. The market value of the collateral pool at the reporting date is equal to approx. USD 128m (USD 102m post-haircut).

PART C - NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Section 1

Headings 10 and 20 – Net interest income

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

Items/Technical forms	31/12/2021				31/12/2020			
	Debt securities	Loans	Other operations	Total	Debt securities	Loans	Other operations	Total
1. Financial assets valued at FVTPL:	1.889	—	—	1.889	—	—	—	—
1.1. Financial assets held for trading	—	—	—	—	—	—	—	—
1.2. Financial assets designated at fair value	—	—	—	—	—	—	—	—
1.3. Other financial assets mandatorily at fair value	—	—	—	—	—	—	—	—
2. Financial assets valued at FVOCI	—	—	—	—	—	—	—	—
3. Financial assets at amortized cost	—	34.646	X	34.646	531	34.132	X	34.663
3.1 Due from banks	—	1.564	X	1.564	477	815	X	1.292
3.2 Due from customers	—	33.082	X	33.082	54	33.317	X	33.371
4. Hedging derivatives	X	X	5.429	5.429	X	X	3.822	3.822
5. Other assets	X	X	—	—	X	X	—	—
6. Financial liabilities bearing negative interests	X	X	X	78	X	X	X	13
Total	**1.889**	**34.646**	**5.429**	**42.042**	**531**	**34.132**	**3.822**	**38.498**

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

Items/Technical forms	31/12/2021				31/12/2020			
	Borrowings	Securities issued	Other operations	Total	Borrowings	Securities issued	Other operations	Total
1. Financial liabilities at amortized cost	-16.819	-14.215	—	-31.034	-14.819	-16.047	—	-30.866
1.1 Due to central banks	—	X	X	—	—	X	X	—
1.2 Due to banks	-16.815	X	X	-16.815	-14.630	X	X	-14.630
1.3 Due to customers	-4	X	X	-4	-189	X	X	-189
1.4 Debt securities in issue	X	-14.215	X	-14.215	X	-16.047	X	-16.047
2. Trading financial liabilities	—	—	—	—	—	—	—	—
3. Financial liabilities designated at fair	—	—	—	—	—	—	—	—
4. Other liabilities and funds	X	X	—	—	X	X	—	—
5. Hedging derivatives	X	X	—	—	X	X	—	—
6. Financial assets bearing negative int	X	X	X	-2.429	X	X	X	-565
Total	**-16.819**	**-14.215**	**—**	**-33.463**	**-14.819**	**-16.047**	**—**	**-31.431**

Section 2

Headings 40 and 50 – Net fee and commission income

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

Type of service/Values				31/12/2021	31/12/2020
a)	guarantees given			45	—
b)	credit derivatives			—	—
c)	management and brokerage services			—	—
	1.	trading in financial instruments		—	—
	2.	currency trading		—	—
	3.	portfolio management		—	—
	4.	securities custody and administration		—	—
	5.	custodian bank		—	—
	6.	placement of financial instruments		—	—
	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			9.654	7.046
Total				**9.699**	**7.046**

Fee and commission expense: composition (in € k)

Services/Amounts			**31/12/2021**	**31/12/2020**
a)	guarantees received		—	—
b)	credit derivatives		—	—
c)	management and brokerage services		-2.471	-4.330
	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	-2.471	-4.330
	6.	off-site distribution of financial instruments, products and services	—	—
d)	collection and payment services		-431	-1056
e)	other services		-3.279	-3.281
Total			**-6.181**	**-8.667**

Section 3

Heading 80 – Net trading income (expense)

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

Transactions / Income	Unrealized profit (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net Profit 31/12/2021	Net Profit 31/12/2020
1. Financial trading assets	85	764	-311	-285	253	793
1.1 Debt securities	85	182	-311	-285	-329	793
1.2. Equity	—	582	—	—	582	—
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	3.650	4.551
4. Derivatives	20.326	9.384	-23.341	-6.622	-4.479	-4.991
4.1 Financial derivatives:	8.756	9.377	-13.047	-5.475	-4.615	-2.929
4.1.1 on debt securities and interest rates	558	4.171	-918	-3.971	-160	118
4.1.2 on equity securities and shares indexe	1.566	5.206	-5.497	-1.504	-229	597
4.1.3 on currencies and gold	X	X	X	X	-4.226	-3.644
4.1.4 other	6.632	—	-6.632	—	—	—
4.2. Credit derivatives	11.570	7	-10.294	-1.147	136	-2.062
Total	**20.411**	**10.148**	**-23.652**	**-6.907**	**-576**	**353**

Section 4

Heading 90 – Net hedging income (expense)

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

	31/12/2021	31/12/2020
A. Income from:		
A.1 Fair value hedge derivatives	—	—
A.2 Financial assets hedged (fair value)	—	—
A.3 Financial liabilities hedged (fair value)	7.267	9.813
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	7.267	9.813
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-6.286	-6.285
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-952	-3.464
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	-7.238	-9.749
C. Net hedging income (A-B)	**29**	**64**

Section 5

Heading 100 – Net gain (loss) on disposals/repurchases

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

Items/Income		31/12/2021			31/12/2020		
		Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A	Financial assets						
1.	Financial assets valued at amortized cost	450	-362	88	371	-144	227
	1.1 Loans and receivables from banks	188	-198	-10	—	—	—
	1.2 Loans and receivables from customers	262	-164	98	371	-144	227
2.	Financial assets valued at FVOCI	—	—	—	—	—	—
	2.1 Debt securities	—	—	—	—	—	—
	2.2 Loans	—	—	—	—	—	—
Total assets (A)		**450**	**-362**	**88**	**371**	**-144**	**227**
B	Financial liabilities valued at amortized cost						
1.	Deposits with banks	—	—	—	—	—	—
2.	Deposits with customers	—	—	—	—	—	—
3.	Debt securities in issue	—	—	—	2.531	-2.434	97
Total liabilities (B)		**—**	**—**	**—**	**2.531**	**-2.434**	**97**

Section 6

Heading 130 – Net value adjustments for credit risk

6.1 Adjustment for impairment: breakdown (in € k)

Items/Income		Writedowns (1)			Writebacks (2)		31/12/2021 (1)+(2)	31/12/2020
		Stage1 and Stage2	Stage3		Stage1 and Stega2	Stage3		
			Write-off	Others				
A	Loans and receivables with banks	-633	—	—	201	—	-432	-122
	- Loans and receivables	-633	—	—	201	—	-432	-122
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
B	Loans and receivables with customers	-25.102	—	-1.935	27.599	1.099	1.661	-5.973
	- Loans and receivables	-25.102	—	-1.935	27.597	1.099	1.659	-6.071
	- Notes	—	—	—	2	—	2	98
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
Total		**-25.735**	**—**	**-1.935**	**27.800**	**1.099**	**1.229**	**-6.095**

Section 7

Heading 190 – Administrative expenses

7.1 Personnel costs: breakdown (in € k)

Type of expense/Amounts	31/12/2021	31/12/2020
1.Employees	-1.114	-1.297
a) wages and salaries	-930	-1.015
b) social security contributions	-98	-96
c) severance indemnities	—	-33
d) pension contributions	—	—
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to outside complementary pension schemes:	-69	-93
– defined contribution	-69	-93
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	—	-28
i) other staff benefits	-17	-32
2. Other staff	—	—
3. Board members	-175	-235
Total	**-1.289**	**-1.532**

7.2 Average number of employees by category

	31/12/2021	31/12/2020
Employees	18	17
a) senior executives	3	4
b) executives	2	2
c) other employees	13	11
Other staff	—	1
Total	**18**	**18**

7.3 Other administrative expenses: composition (in € k)

Type of expense/Amounts	31/12/2021	31/12/2020
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	-457	-494
– loan recovery activity	—	—
– marketing and communication	-3	-1
– property expenses	-34	-21
– IT and data processing	-926	-1.010
– Info-provider	-21	-20
– bank charges, collection and payment fees	-20	-14
– operating expenses	-1.408	-856
– other staff expenses	-19	-17
– other costs	-65	-84
– indirect and other taxes	-310	-297
Total	**-3.263**	**-2.814**

Section 8

Heading 200 – Net provisions for risks and charges

8.1 Net provisions for risks and charges: breakdown (in € k)

	31/12/2021			31/12/2020		
	Net provisions	Net releases of surplus	Total	Net provisions	Net releases of surplus	Total
Loan commitments	186	—	186	-1.780	—	-1780
Financial guarantees issued	—	—	—	—	—	—
Total	**186**	**0**	**186**	**-1780**	**0**	**-1780**

Section 9

Heading 210 – Net adjustments to 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	-103	—	—	-103
- Owned	-2	—	—	-2
- Licences acquired through leases	-101	—	—	-101
2 Held for investment purpose	—	—	—	—
- Owned	—	—	—	—
- Licences acquired through leases	—	—	—	—
Total 31/12/2021	**-103**	**—**	**—**	**-103**
Total 31/12/2020	**-128**	**—**	**—**	**-128**

Section 10

Heading 230 – Other operating income (expense)

10.1 Other operating income: breakdown (in € k)

	31/12/2021	31/12/2020
a) Leasing activity	—	—
b) Other expenses	-30	—
Total expense	**-30**	**—**
a) Amounts recovered from customers	—	—
b) Leasing activity	—	—
c) Other income	482	3.511
Total income	**482**	**3511**
Net income (expense)	**452**	**3511**

Section 11

Heading 300 – Income tax on the ordinary activity

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

	31/12/2021	31/12/2020
1. Current tax expenses	-3.081	—
2. Changes in current tax expenses of the previous years	-	—
3. Changes of deferred tax assets	-	661
4. Changes of deferred tax liabilities	-	—
Total	**-3.081**	**661**

PART D – 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. Upper 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, export finance, 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	391.889	-	311.727	4.043	-
20.	Financial assets valued at FVTPL	57.208	-	45.506	590	-
30.	Financial assets valued at FVO	580	-	461	6	
40.	Financial assets valued at amortised cost	3.954.873	-	3.145.894	40.799	-
	a) Due from banks	*1.527.402*	-	*1.214.968*	*15.757*	-
	b) Due from customers	*2.427.471*	-	*1.930.926*	*25.042*	-
50.	Hedging derivatives	14.063	-	11.186	145	-
70.	Equity investments	-	-	-	-	4.150
90.	Property, plant and equipments	-	-	-	-	1.436
110.	Tax assets	6.062	-	4.821	62	-
	a) current	*4.183*	-	3.327	43	-
	b) deferred	*1.879*	-	1.494	19	-
130.	Other assets	3.758	-	2.989	39	-
	Total assets at 31/12/2021	**4.428.433**	-	**3.522.584**	**45.684**	**5.586**
	Total assets at 30/06/2021	**4.059.117**	-	**3.014.447**	**49.166**	**5.720**
10.	Financial liabilities valued at amortised cost	-4.151.286	-	-3.302.130	-42.825	-
	a) Due to banks	*-2.278.838*	-	*-1.812.696*	*-23.509*	-
	b) Due to customers	*-35.126*	-	*-27.941*	*-362*	-
	c) Debt securities in issue	*-1.837.322*	-	*-1.461.493*	*-18.954*	-
20.	Financial liabilities valued at FVTPL	-16.528	-	-13.148	-171	-
30.	Financial liabilities valued at FVO	-579	-	-461	-6	-
40.	Hedging derivatives	-	-	-	-	-
60.	Tax liabilities	-3.914	-	-3.114	-40	-
	a) current	*-3.914*	-	*-3.114*	*-40*	-
	b) deferred	-	-	-	-	-
80.	Other liabilities	-13.625	-	-10.838	-141	-
100.	Provisions for risks and charges	-924	-	-735	-10	-
130.	Capital instruments	-55.378	-	-44.050	-571	-
150.	Reserves	-180.557	-	-143.623	-1.863	-
170.	Share capital	-5.538	-	-4.405	-57	-
	Total liabilities at 31/12/2021 *	**-4.428.329**	-	**-3.522.504**	**-45.684**	-
	Total liabilities at 30/06/2021 *	**-4.059.379**	-	**-3.014.642**	**-49.170**	-

(*) Profit for the period excluded

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

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.

	Items	CORPORATE LENDING	EXPORT FINANCE	LEVERAGE FINANCE	PROJECT FINANCE	OTHER
010.	Interests and similar income	23.282	0	18.520	240	0
020.	Interest expense and similar charges	-18.531	0	-14.741	-191	0
030.	**Net interest income**	**4.751**	**0**	**3.779**	**49**	**0**
040.	Fee and commission income	5.371	0	4.273	55	0
050.	Fee and commission expense	-3.423	0	-2.723	-35	0
060.	**Net fee and commission income**	**1.948**	**0**	**1.550**	**20**	**0**
080.	Net trading income/expense	-319	0	-253	-3	0
090.	Net hedging income/expense	16	0	13	0	0
100.	Gain or loss on disposal or repurchase of:	50	0	39	1	0
	a) financial assets valued at amortised cost	49	0	39	1	0
	b) financial assets valued at FVOCI	1	0	1	0	0
	c) financial liabilities	0	0	0	0	0
120.	**Total income**	**6.446**	**0**	**5.127**	**66**	**0**
130.	Adjustment for impairment to:	680	0	541	7	0
	a) financial assets valued at amortised cost	680	0	541	7	0
	b) financial assets valued at FVOCI	0	0	0	0	0
150.	**Net income from financial operations**	**7.126**	**0**	**5.668**	**74**	**0**
190.	Administrative expenses	-2.521	0	-2.005	-26	0
	a) personnel costs	-714	0	-568	-7	0
	b) other administrative expenses	-1.807	0	-1.437	-19	0
200.	Net provisions for risks and charges	103	0	82	1	0
210.	Value adjustments in respect of tangible assets	-57	0	-45	-1	0
230.	Other operating income/expense	250	0	199	3	0
290.	**Profit (loss) of the ordinary activity before tax**	**4.902**	**0**	**3.899**	**51**	**0**
300.	Income tax on the ordinary activity	-1.706	0	-1.357	-18	0
330.	**Profit (loss) for the period**	**3.195**	**0**	**2.542**	**33**	**0**
340.	Other comprehensive income, net of tax	–	–	–	–	–
350.	**Profit (Loss) of the year at 31/12/2021**	**3.195**	**0**	**2.542**	**33**	**0**
	Profit (Loss) of the year 30/06/2021	**2.996**	**–**	**2.227**	**37**	**–**

B. SECONDARY SEGMENT REPORTING

The Bank operates in four geographical markets: Luxembourg, Other EU Countries, Americas and Asia. The following tables show the distribution of the Bank's financial and income statements based on the location of the customers for the mid years ended 31 December 2021.

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

		LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA
10.	Cash and cash equivalents	50.942	656.717	—	—
20.	Financial assets valued at FVTPL	73.830	29.475	—	—
30.	Financial assets valued at FVO	1.047	—	—	—
40.	Financial assets valued at amortised cost	672.111	4.936.050	1.383.620	149.786
	a) Due from banks	*8.212*	*2.749.915*	—	—
	b) Due from customers	*663.899*	*2.186.135*	*1.383.620*	*149.786*
50.	Hedging derivatives	—	25.394	—	—
70.	Equity investments	4.150	—	—	—
90.	Property, plant and equipments	1.436	—	—	—
110.	Tax assets	10.945	—	—	—
	a) current	*7.553*	—	—	—
	b) deferred	*3.392*	—	—	—
130.	Other assets	65	1.262	5.458	—
	A. Total assets at 31/12/2021	**814.525**	**5.648.897**	**1.389.079**	**149.786**
	A. Total assets at 30/06/2021	**949.170**	**5.169.739**	**866.514**	**143.028**
10.	Financial liabilities valued at amortised cost	-3.381.206	-4.115.035	—	—
	a) Due to banks	*-7*	*-4.115.035*	—	—
	b) Due to customers	*-63.430*	—	—	—
	c) Debt securities in issue	*-3.317.770*	—	—	—
20.	Financial liabilities valued at FVTPL	-10.100	-18.958	-788	—
30.	Financial liabilities valued at FVO	-1.046	—	—	—
40.	Hedging derivatives	—	—	—	—
60.	Tax liabilities	-7.068	—	—	—
	a) current	*-7.068*	—	—	—
	b) deferred	—	—	—	—
80.	Other liabilities	-264	-24.339	*-0*	—
100.	Provisions for risks and charges	-53	-1.444	-116	-54
150.	Reserves	-327.328	1.173	-31	144
170.	Share capital	-10.000	—	—	—
130.	Capital instruments	-100.000	—	—	—
	B. Total liabilities at 31/12/2021 (1)	**-3.837.067**	**-4.158.604**	**-936**	**90**
	B. Total liabilities at 30/06/2021 (1)	**-3.357.215**	**-3.766.835**	**858**	**—**

(1) Profit for the period excluded

B.2 Income statement by geographical region (in € k)

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA
Net interest income	-2.092	-1.446	11.148	968
Net fee and commission income	1.018	1.380	1.122	-2
Net trading income/expense	329	-3.139	1.590	644
Net hedging income/expense	6.315	-6.286	—	—
Gain or loss on disposal or repurchase of:	0	78	11	—
Value Adjustments - impairment	867	1.564	-670	-533
Administrative expenses	-1.792	-2.649	-111	—
Net provisions for risks and charges	19	164	3	—
Value adjustments in respect of tangible assets	-103	—	—	—
Other operating income/expense	55	397	—	—
Income tax	-3.081	—	—	—
Profit (Loss) of the year 31/12/2021	**1.535**	**-9.937**	**13.094**	**1.077**
Profit (Loss) of the year 30/06/2021	**-33.155**	**17.122**	**25.418**	**-4.124**

PART E - SUBSEQUENT EVENTS

The bank is not aware of any subsequent events (other than those already reflected in the financial statement), that occurred between 31 December 2021 and the date when the present financial statements were authorised for issue.

It should be noted that after the reference date of the financial statement, a military invasion of Ukraine by Russia has occurred on the 24 of February 2022, without involving changes to the interim report and accounts. The market activities will be carefully monitored in relation to the possible consequences of economic outlook and geopolitical risk.