

MEDIOLANUM GROUP

2022 Annual Financial Report



Banca Mediolanum S.p.A.

Parent Company of the Mediolanum Banking Group, listed in the Register of Banking Groups
Bank listed in the Register of Banks - Member of the National Guarantee Fund and the Interbank Deposit Protection Fund
Share capital €600,451,903.40 fully paid up - Tax code and Milan Companies Register no. 02124090164 - VAT no. I0540610960
of the Banca Mediolanum VAT Group

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Letter from the Chairman and Chief Executive Officer

Dear Shareholders,

In 2022, a year in which the Covid-19 pandemic finally appeared to be on the retreat, the unexpected war in Ukraine inflicted a fourth global shock on the fragile international order of the 21st century, following the attacks on the Twin Towers of 11 September 2001, the economic and financial crisis of 2007-08 and the pandemic that erupted in early 2020.

The return of war to European territory, for the first time in 70 years, was only the saddest and most regrettable of a series of “returns” that marked the year just ended. In addition, there was the return of inflation to levels not seen for 40 years, due to the buoyancy of post-pandemic growth and the surge in energy prices following the outbreak of the war. This also resulted in the return of restrictive monetary policies on the part of the major central banks, with a gradual increase in interest rates leading to the potential threat of recession.

In this complex environment, our country has shown a good level of resilience. On the economic front, GDP increased by 3.9% compared with 2021, a figure that exceeded the estimates of the government and the main international institutions. On the political front, the transition from the Draghi government to the Meloni government did not give rise to the feared shocks in terms of credibility and authority, with the new government confirming substantial continuity with the previous one.

Narrowing the scope of the analysis to our target sector, 2022 will be remembered as one of the most difficult of the new millennium for stock markets worldwide. After record highs in 2021, 2022 was characterised by steep declines across all the major financial markets, a situation that was exacerbated by the simultaneous collapse of the bond market.

Despite the complexity of this scenario, Banca Mediolanum recorded excellent results in 2022, ending a fully positive year in both economic and commercial terms, further consolidating the very favourable trend that has given it a definitive role as a leading player in the banking and financial sector.

We are therefore delighted to present company figures that can be described as exceptional, for which we would like to thank all the people of Banca Mediolanum, the Family Bankers and the other staff, who, together, have enabled us to achieve an extraordinary set of results.

In fact, we closed 2022 with an extremely solid net result, as the total expression of recurring business, with a profit of €522 million and a record operating margin of more than €680 million, up 35% compared with last year.

Total assets under management and administration reached €103.66 billion, down 4% on the previous year, due to the for mentioned collapse of the financial markets. However, mention should be made of the strong mitigation contributed by total net funding, which reached €8.3 billion.

The portfolio of loans to Group customers stood at €16.44 billion, up 14% compared with 2021, with a minimal incidence of net non-performing loans as a percentage of the Group's total loans of 0.68%.

The Common Equity Tier One Ratio, the bank's main strength index, has continued in a stable position at the system's highest levels of 20.6%.

All of this enables us to pursue a particularly generous dividend policy, proposing to the next Shareholders' Meeting a dividend per share of 50 euro cents (net of the interim dividend of 24 euro cents paid in November 2022), with a total dividend of approximately €369 million.

In November, it was also decided, in order to support all our employees in this particular period of high inflation and high energy prices, to make an extraordinary contribution totalling more than €1.5 million. This initiative is in addition to the extraordinary bonus of €2,000 paid in March to each Group employee and Family Banker for the record results achieved in 2021.

The excellent results shown here are also reflected in the employment capacity of Banca Mediolanum, which increased its workforce again in 2022. To date, the Group has 3,490 employees in total (up 5% compared with 2021), alongside the 6,054 Family Bankers in Italy and Spain (up 5% compared with 2021).

Also worthy of mention are the numbers relating to new customer acquisitions: the total number of banking customers now stands at 1,686,200, an increase of 6% compared with 2021.

It should be emphasised that 2022 also saw excellent levels of growth in the size and income of Banco Mediolanum, our Spanish subsidiary. In terms of size, it is now an absolute leader in Spain for financial advisors: with 1,620 Family Bankers, it represents one-fifth of all financial advisors in the country. On the income side, Banco Mediolanum made a record contribution to the Group's profit (€45.5 million) and registered a 49% increase in its operating margin compared with 2021.

The data highlighted thus far demonstrate, once again, the competitive strength of Banca Mediolanum's model, which in recent years has invested heavily in achieving ever-greater business diversification, with the aim of providing our customers with a 360-degree service via a service model that is as unique and comprehensive as possible.

This competitive strength was also recognised by some of the world's biggest ratings agencies in 2022. In July, S&P Global Ratings assigned Banca Mediolanum a long-term rating of "BBB" with a positive outlook. According to the agency, the Group benefits from an agile, diversified business model, with a consolidated presence in the profitable business of asset management in Italy. The Bank is also significantly less exposed to the high credit risk in Italy than the Italian commercial banks and has solid experience in managing operational and reputational risk effectively.

The year just ended also marked the entry of Banca Mediolanum into the category of significant banks in Europe, under the direct supervision of the European Central Bank. It should be noted that, following the periodic Supervisory Review and Evaluation Process (SREP) for 2022, the ECB announced that the Group's capital ratios were well above the minimum requirements and that it had been assessed overall as one of the very top supervised institutions in this regard.

Finally, 2022 was, unfortunately, the first year in which our Founder and Chairman, Ennio Doris, was absent. Several events were held in November to mark the first anniversary of his death, on 24 November 2021. To remember, first of all, the decision of Milan's municipal authorities to include Ennio Doris among the individuals

registered in the Famedio, the pantheon of the most illustrious citizens of Milan, in the city's cemetery, the Cimitero Monumentale. Alongside this was the initiative of the Basiglio municipal authorities to name the road leading to Banca Mediolanum after him: now, the new Via Ennio Doris takes employees and other staff to their workplace on a daily basis. The celebrations culminated on 1 December in Rome, with the unveiling of the Ennio Doris Foundation, created with the aim of gathering together the legacy of its founder, giving continuity to his work and projecting it into the future, and with the issue of a commemorative stamp in honour of Ennio Doris, the first Italian banker to be granted such recognition.

We would like to conclude by once again thanking all our staff, the Board of Directors, you, the shareholders, and all the stakeholders of Banca Mediolanum who once again have accompanied us this year, contributing to the achievement of the excellent results presented here.



Giovanni Pirovano
Chairman



Massimo Doris
Chief Executive Officer

Corporate officers of Banca Mediolanum S.p.A.



Corporate officers of Banca Mediolanum S.p.A.



Board of Statutory Auditors

Francesco Schiavone Panni	Chairman of the Board of Statutory Auditors
Antonella Lunardi	Standing Auditor
Gian Piero Sala	Standing Auditor

General Manager

Gianluca Bosisio

Financial Reporting Officer

Angelo Lietti

Board Secretary

Luca Maria Rovere

Independent Auditor

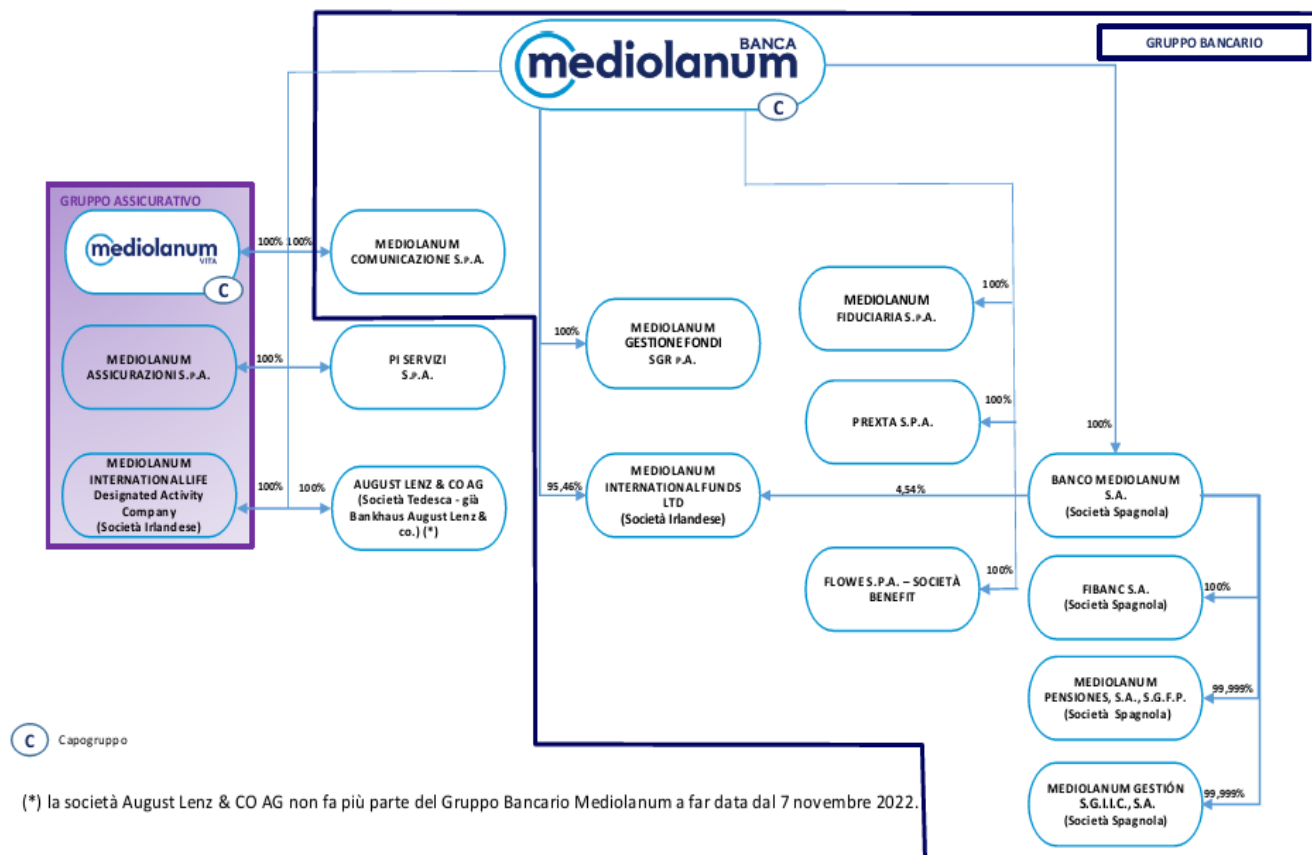
PricewaterhouseCoopers S.p.A.

Scope of consolidation at 31 December 2022



Scope of consolidation at 31 December 2022

CONGLOMERATO FINANZIARIO MEDIOLANUM - STRUTTURA SOCIETARIA AL 31/12/2022



2022 consolidated highlights



The main results of the Mediolanum Group at 31 December 2022

ECONOMIC PERFORMANCE

The Mediolanum Group recorded net income of €521.8 million for 2022 (31/12/2021: €713.1 million).

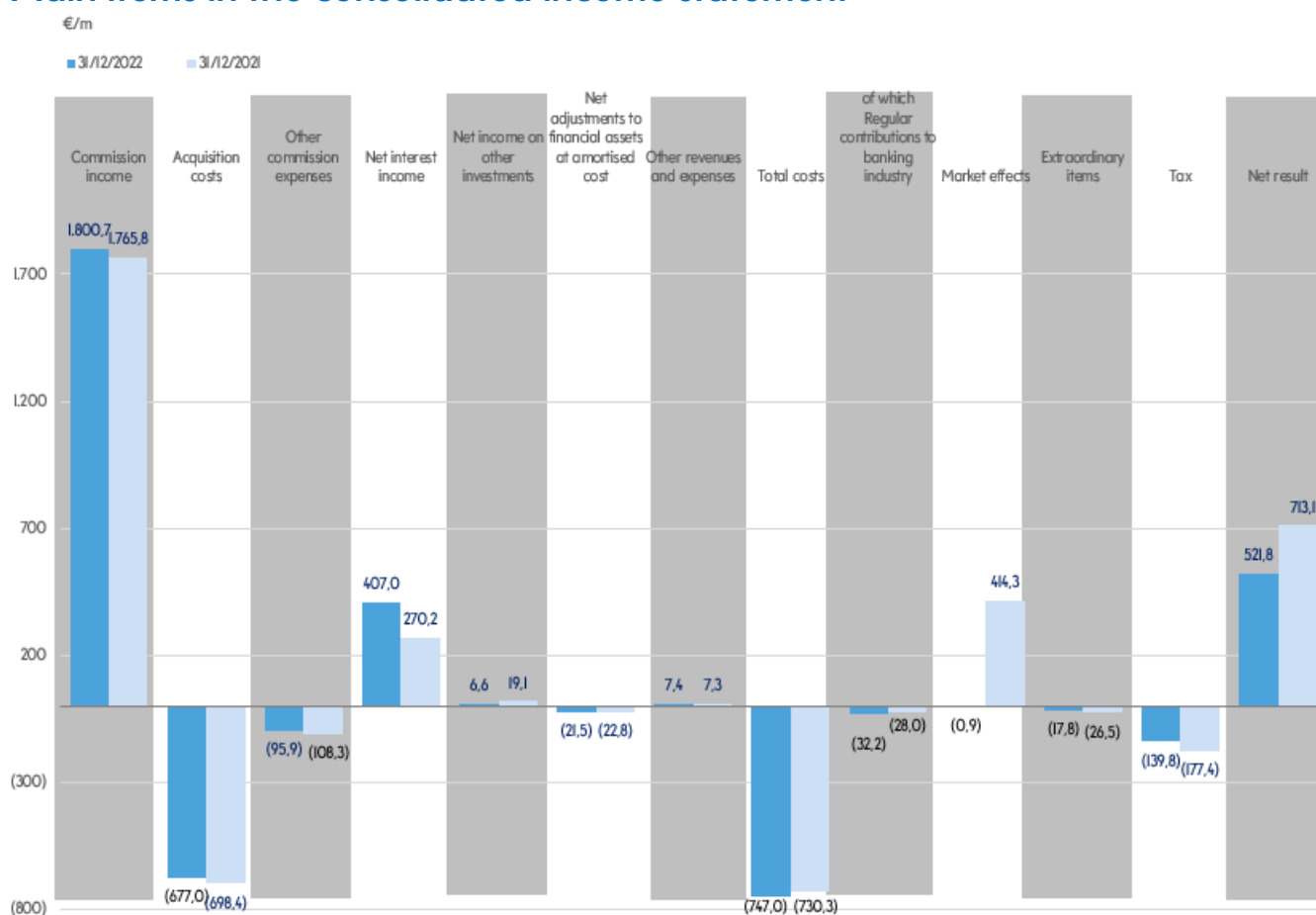
The operating margin increased by 35% in the period under review compared with 31 December 2021, due to the increase in the contribution margin (+€194.4 million). In particular, the bigger interest margin (+€136.8 million compared with the previous period) and greater net commission income (+€68.7 million compared with 31 December 2021) contributed to this result.

G&A expenses increased by 10% in the period, mainly due to new projects in progress and the rise in staff expenses resulting from the increase in the average headcount, while cost income, net of market effects, remained at 48%.

The period under review was also influenced by negative market effects: the market contracted by €415.2 million compared with the comparative period, mainly reflecting a decrease in performance fees (-€335 million compared with the previous year).

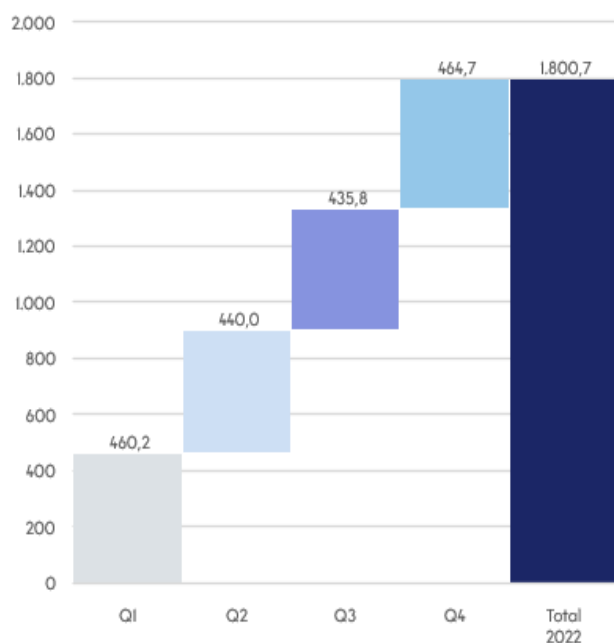
CONSOLIDATED INCOME STATEMENT DATA

Main items in the consolidated income statement

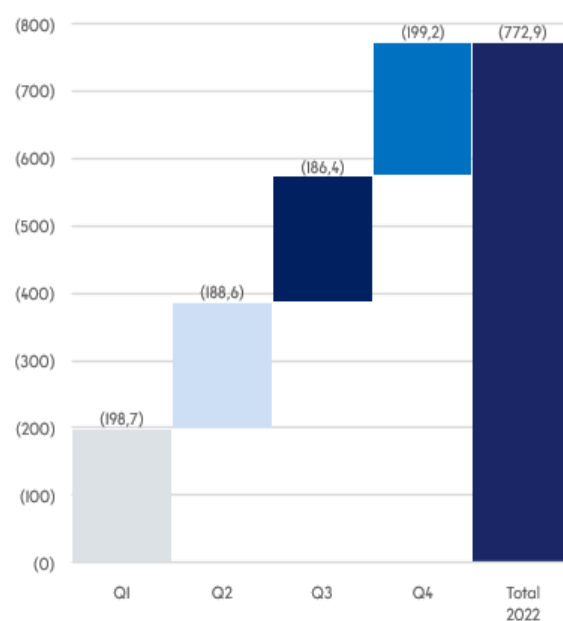


Quarterly changes in main consolidated operating data

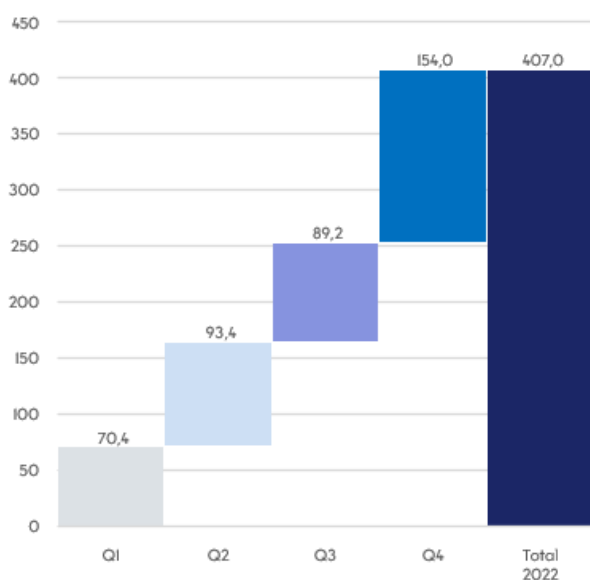
Commission income



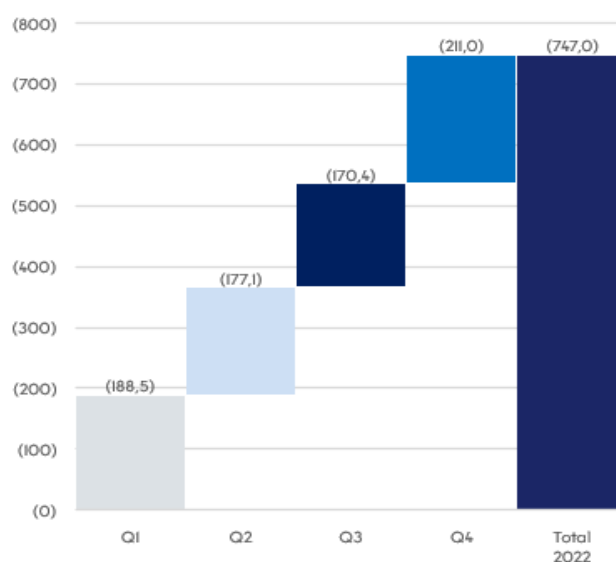
Commission expense



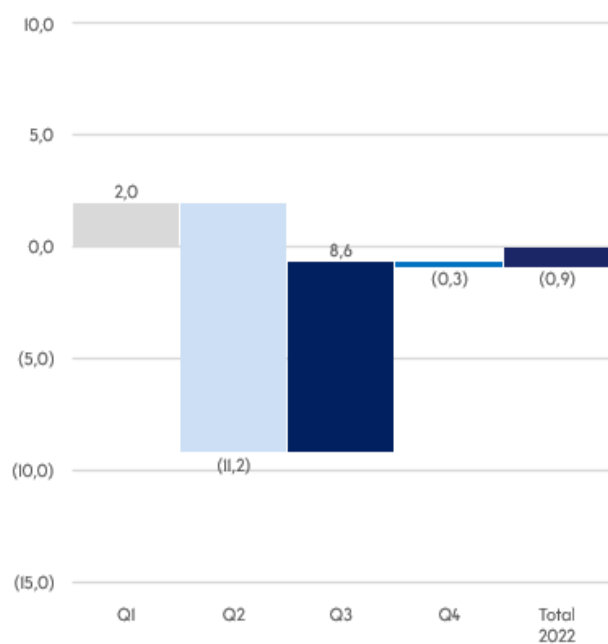
Net interest income



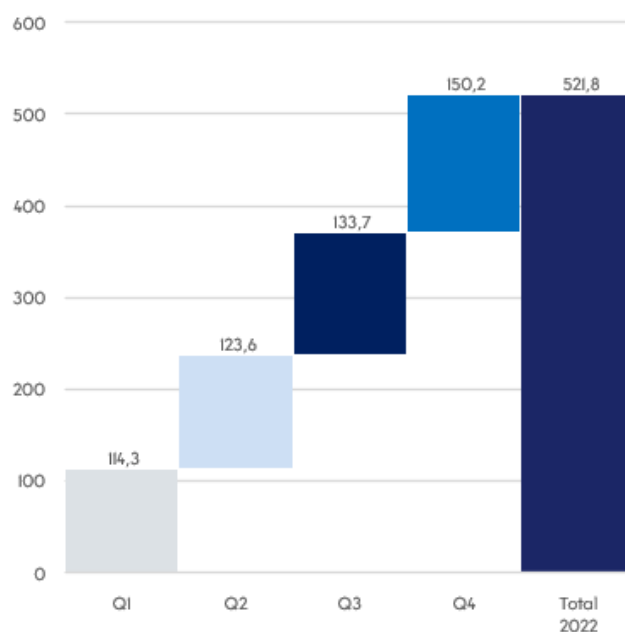
Total costs



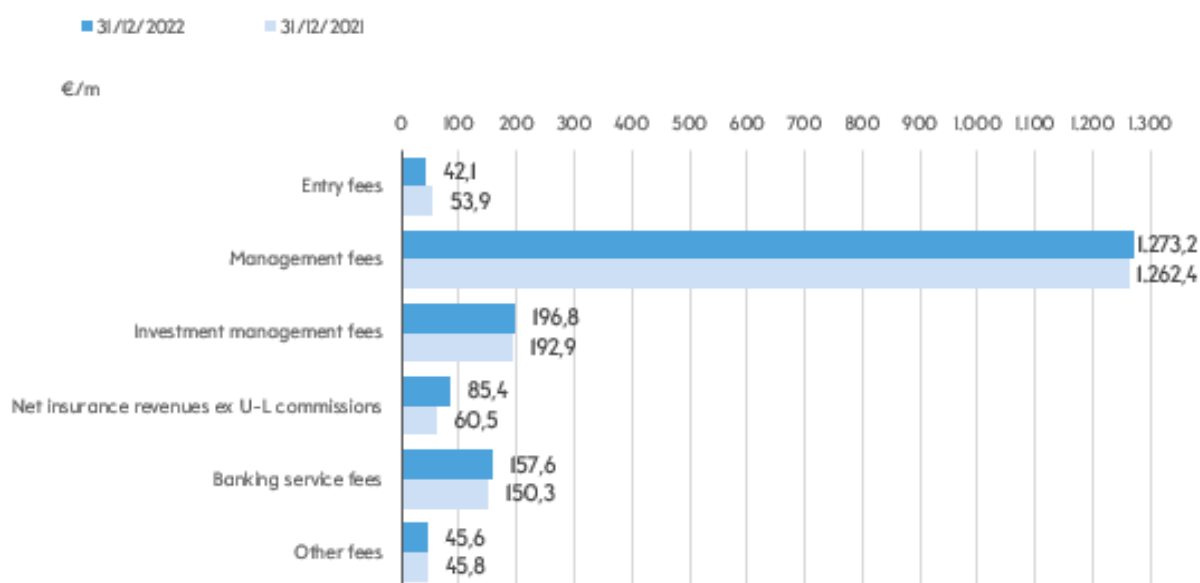
Market effects



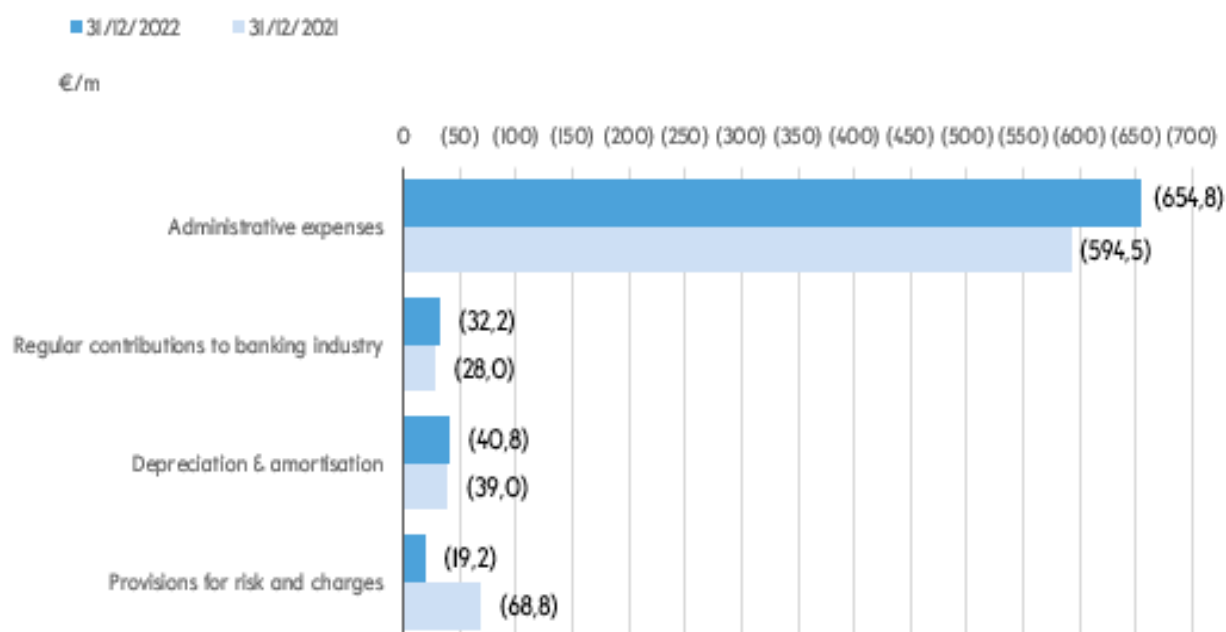
Net result



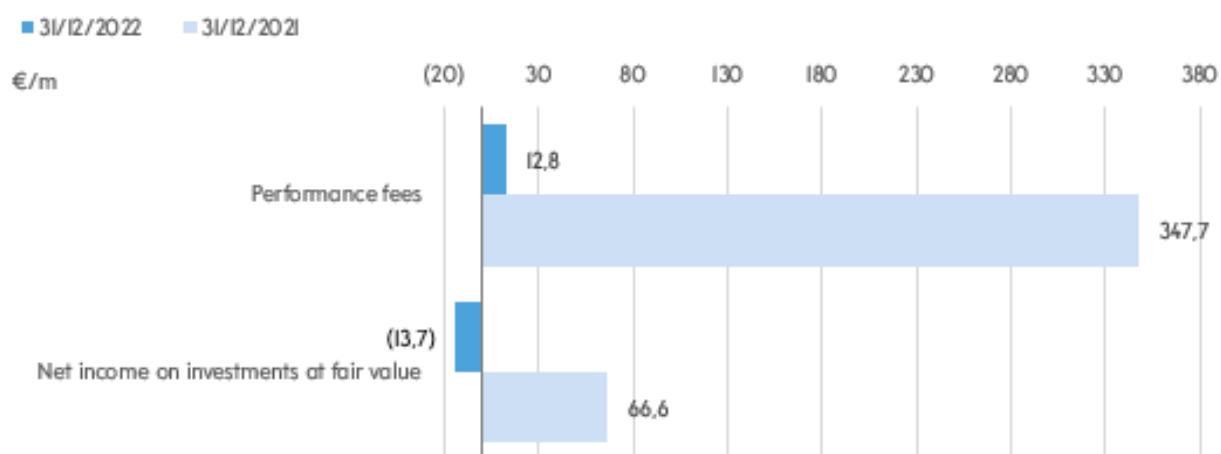
Commission income: breakdown by nature



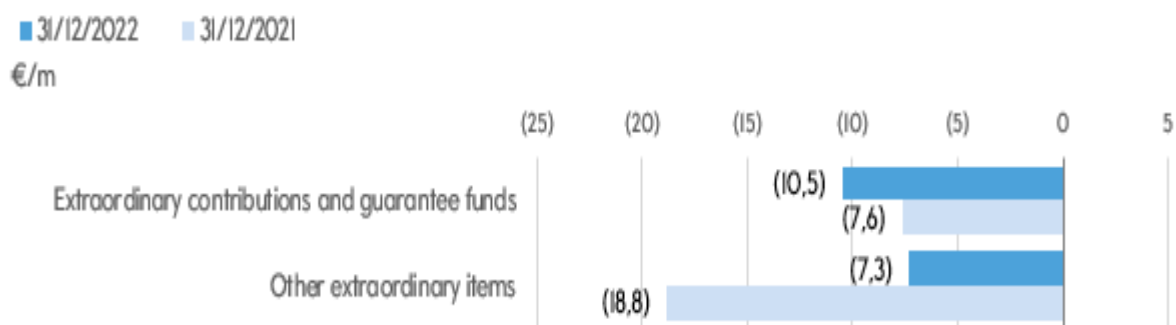
Costs: breakdown by type



Market effects: breakdown by type

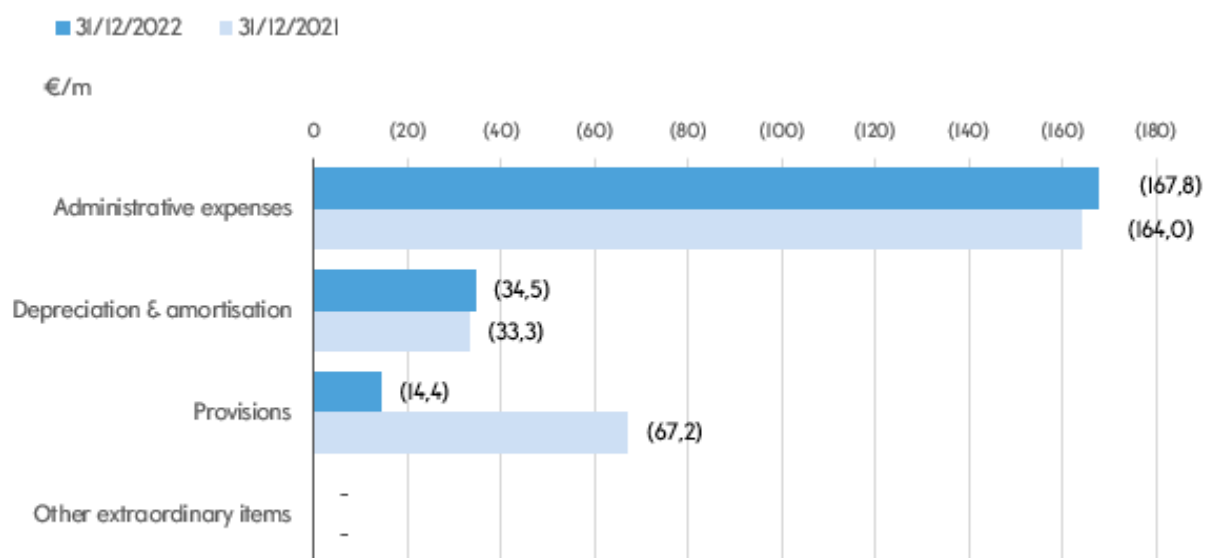


Extraordinary items: breakdown by type¹

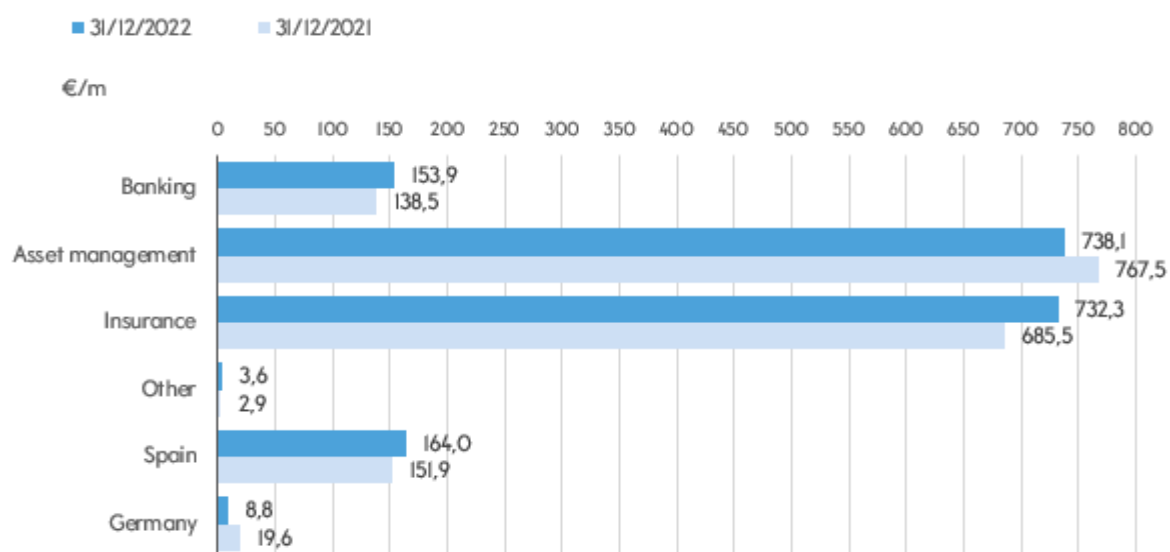


¹ The value of other extraordinary items refers to goodwill impairment of €7.3 million. For further details, see the specific paragraph in the Report on Operations.

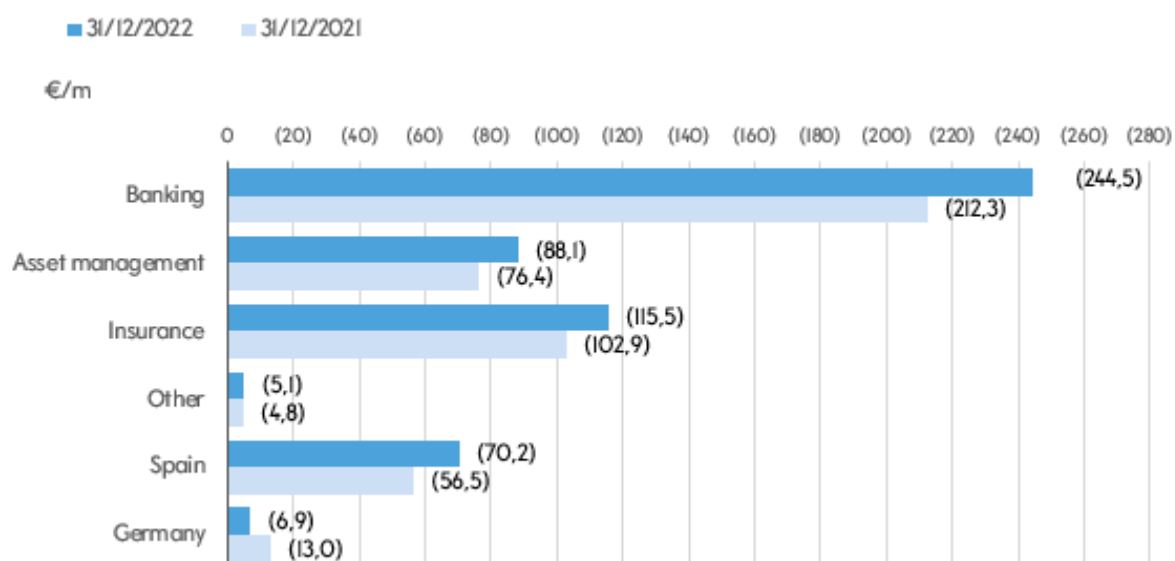
Unallocated costs: breakdown by type



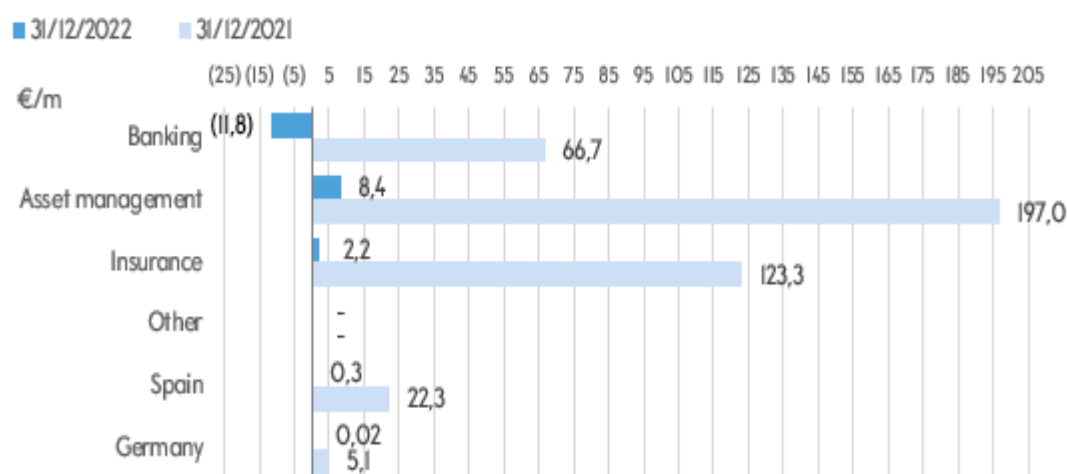
Commission income: breakdown by operating segment



Allocated costs²: breakdown by operating segment

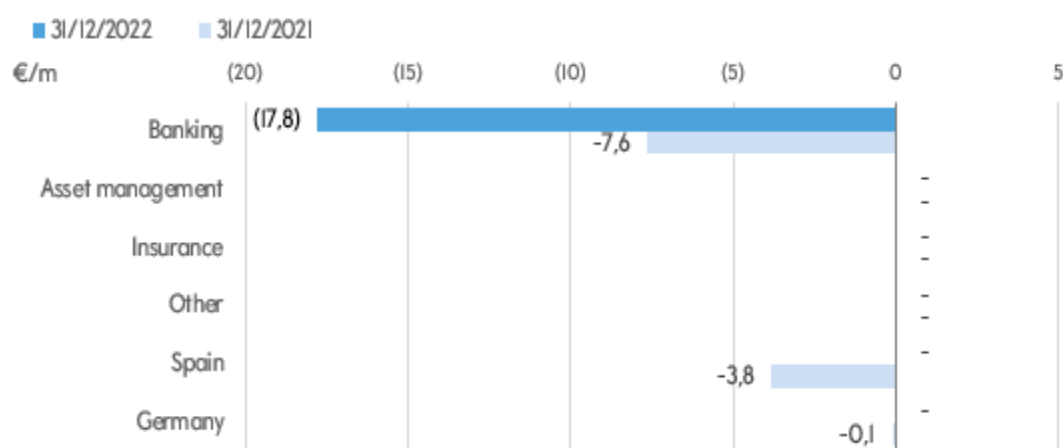


Market effects: breakdown by operating segment



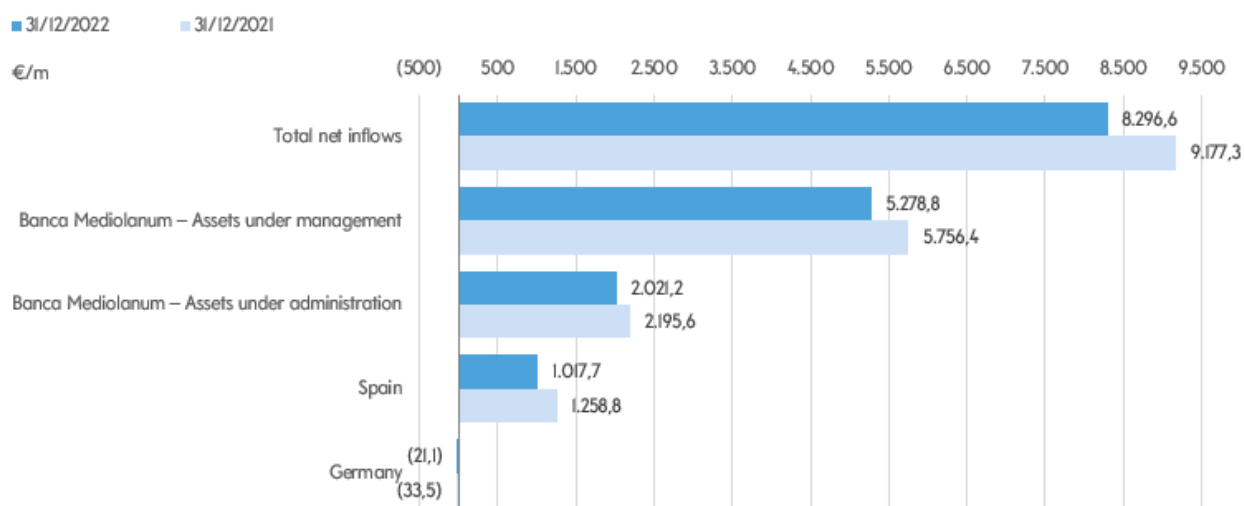
² For the Italian market (Banking, Asset Management, Insurance and Other segments) the allocated costs also include contributions to ordinary guarantee funds, while for the foreign market, they represent total costs for the segment (including depreciation, amortisation and provisions).

Extraordinary items: breakdown by operating segment

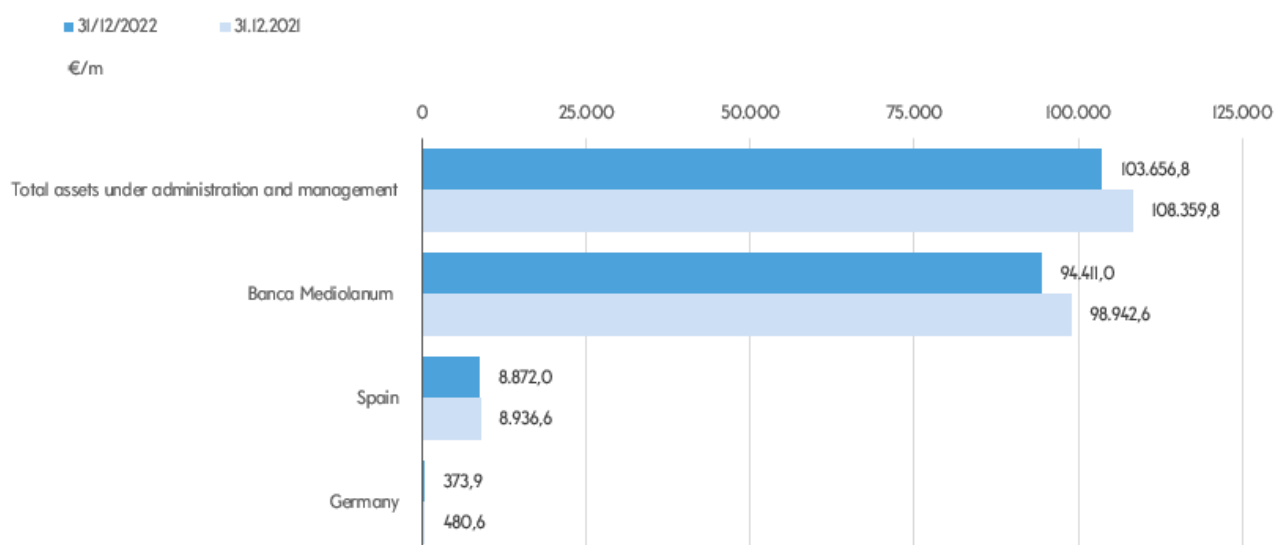


DATA ON INFLOWS AND ASSETS

Net inflows

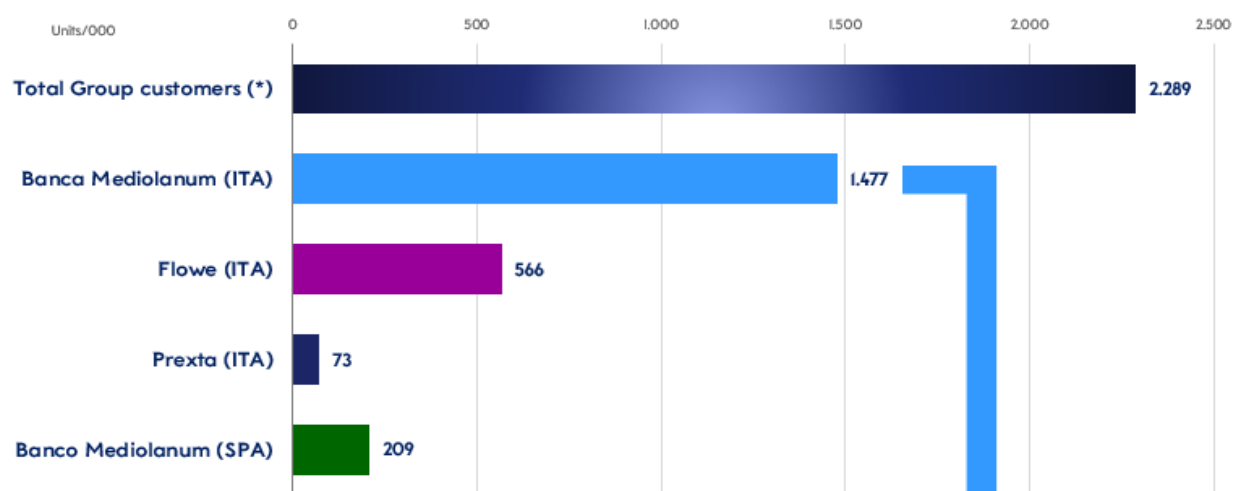


Assets under administration



CUSTOMERS

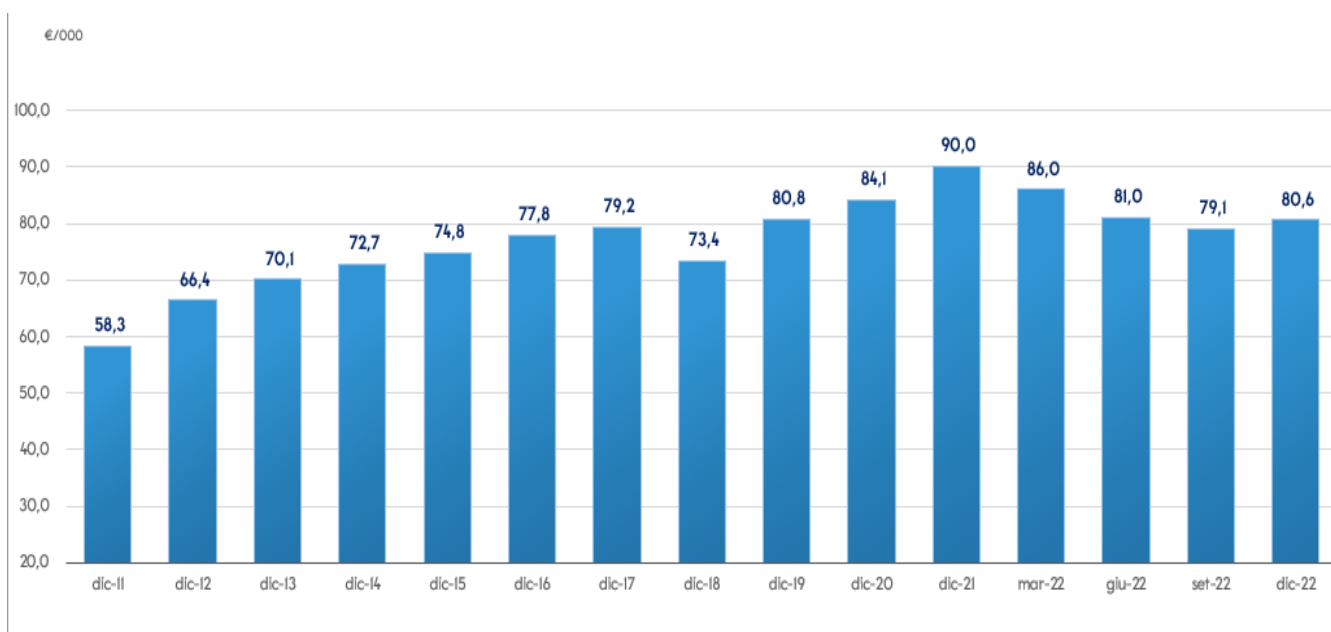
Trends in the customer base



(*) Total customers net of duplications

1,167 customers provided with bank access
of which 63% First Bank
of which 39% Only Bank

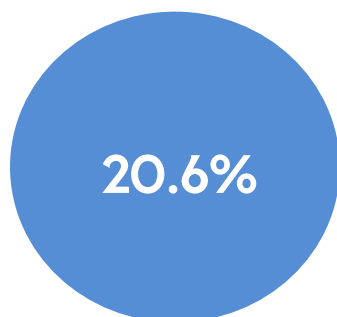
Average assets per customer



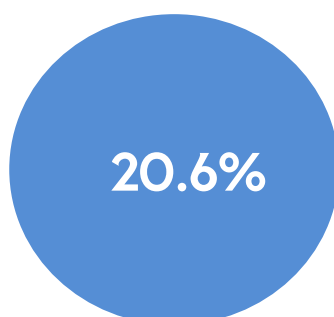
REGULATORY CAPITAL RATIOS

Consolidated capital ratios at 31 December 2022

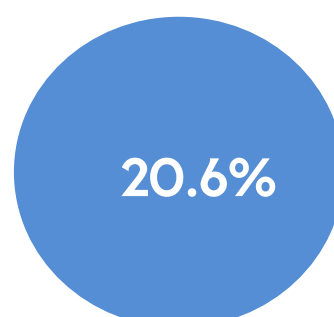
Common Equity Tier 1



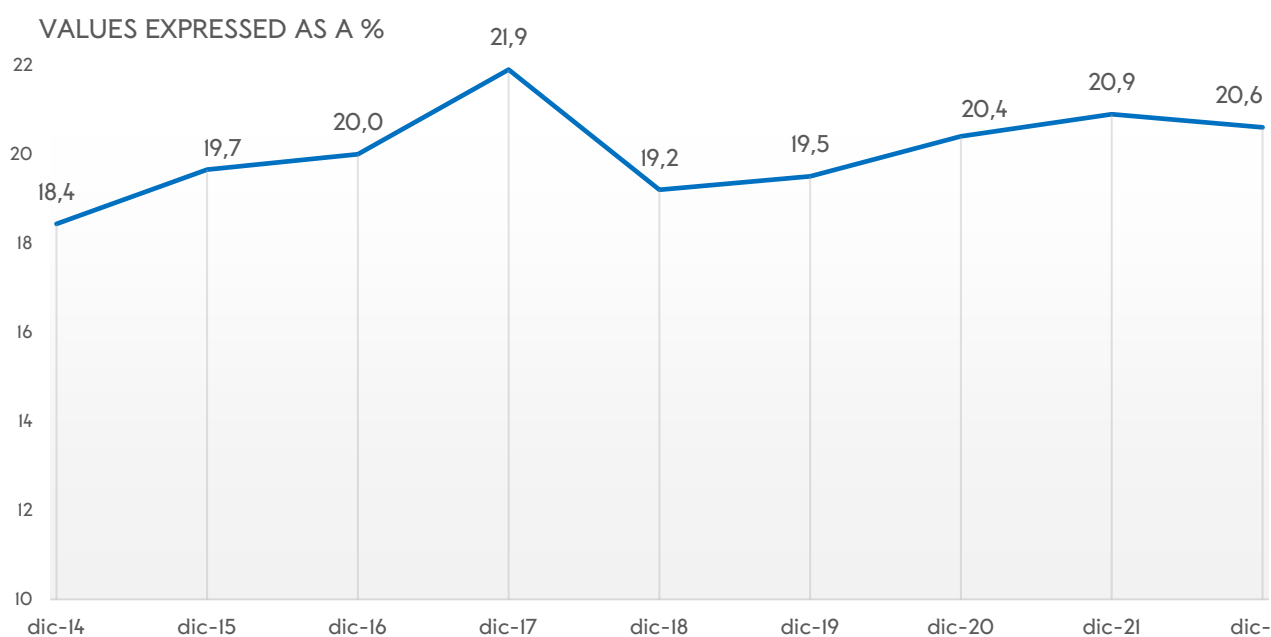
Tier 1



Total Capital Ratio



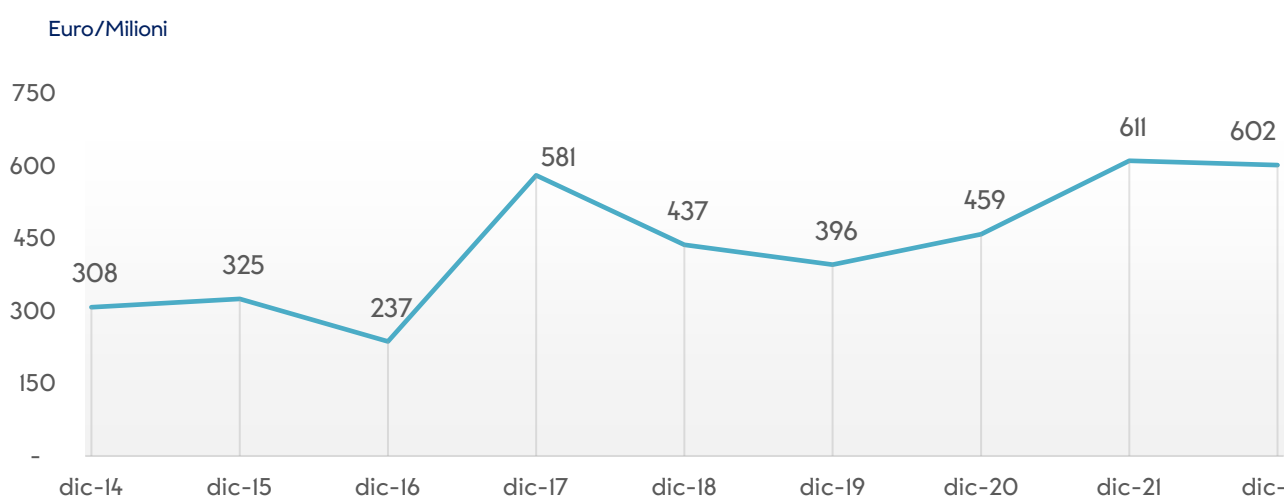
Evolution of the Common Equity Tier 1 Ratio



Capital adequacy of the Financial Conglomerate³

€/m	31/12/2022	31/12/2021
Financial conglomerate primarily engaged in banking		
Capital	2,940	2,869
Banking capital requirements	1,383	1,254
Insurance capital requirements	955	1,004
Capital surplus (deficit)	602	611

Changes in the capital surplus of the Financial Conglomerate



³ The values set out in this report may be updated during the supervisory authority reporting phase.

OTHER INDICATORS

Information on the stock

	31/12/2022	31/12/2021
Number of ordinary shares (units)	742,920,891	742,105,815
Price at end of period (€)	7.80	8.68
Market capitalisation (€/m)	5,795	6,441
Shareholders' equity (€/m)	2,935	2,883

Earnings per share (EPS)

Euro	31/12/2022	31/12/2021
Basic EPS	0.708	0.969
Diluted EPS	0.701	0.965

Credit indicators

Ratio	31/12/2022	31/12/2021
Gross NPLs (non-performing loans)	1.28%	1.35%
Net NPLs (non-performing loans)	0.68%	0.74%
Cost of risk	0.13%	0.15%

Cost indicators

Ratio	31/12/2022	31/12/2021
Cost/Income ratio	48.1%	50.5%
Acquisition costs/gross commission income ratio	37.6%	39.5%

Operational structure

Units	31/12/2022	31/12/2021
Number of employees	3,490	3,318
Number of financial advisors	6,054	5,762

Group profile



The history of the Group: key milestones

1982

Ennio Doris founds Programma Italia S.p.A. in partnership with the Fininvest Group. It is the first network in Italy to offer global advice on savings.

1996

Mediolanum S.p.A., the holding company for all activities in the sector, is created and listed on the Milan Stock Exchange on 3 June 1996.

1997

Banca Mediolanum is created. This innovative multi-channel bank makes use of all the opportunities offered by technology and multimedia. Mediolanum International Funds, a Dublin-based management company, is established.

2000

Mediolanum offers its first online trading services. Banca Mediolanum arrives in Spain and acquires the Fibanc Banking Group. Mediolanum enters the share capital of Mediobanca and subsequently establishes Banca Esperia, a leading joint venture in the provision of private banking services.

2001

The Group's European expansion continues with the acquisition of Bankhaus August Lenz & Co. in Germany and Gamax Holding AG in Luxembourg.

2004

Mediolanum Channel, the Group's satellite channel, starts broadcasting. Club PrimaFila, dedicated to high-net-worth customers, is launched.

2006

The Family Banker® is created as an evolution of the Global Advisor. As a further qualification to that of Financial Advisor, which is regulated by law, the Family Banker® has become the distinguishing feature of the Bank's sales network and a point of reference for its customers.

2009

Mediolanum Corporate University becomes an operational entity of the Mediolanum Group, as a leading training centre combining technology and a high educational capacity.

2013

Mediolanum Assicurazioni S.p.A. – active in the non-life segment – is acquired and joins the Mediolanum Group. Banca Mediolanum is the first to offer a cash transfer service via smartphone (receiving the “ABI” award for innovation in banking services).

2014

Mediolanum S.p.A. becomes the Parent Company of the Banking Group. Support for customers affected by natural disasters in the region continues, and this commitment is recognised by an ABI award for innovation in banking services; approximately €160 million is paid out in the form of donations.

2015

As of 30 December 2015, Banca Mediolanum becomes the Parent Company of the Banking Group and of the Mediolanum Financial Conglomerate. The circle, which has always represented the central place occupied by the customer and the values of solidity, seriousness and safety, becomes the key feature of Banca Mediolanum's new logo.

2016

In 2016, increasing importance is attached to financial solidity and stability. Banca Mediolanum undergoes a Comprehensive Assessment by the European Central Bank: the results of the assessment confirm that Banca Mediolanum is absolutely solid. The streamlining of the Group's structure continues. There is no longer any need to pursue the joint venture with Mediobanca in the private banking sector. On 16 November 2016, an agreement is signed with Mediobanca to sell the 50% stake in Banca Esperia.

2017

The focus on financial solidity and stability continues: CETI reaches 21.9% at 31 December 2017.

2018

Ten years have passed since the Lehman Brothers crisis, when Mediolanum intervened to protect and defend its customers by taking responsibility for losses on Mediolanum policies linked to the securities of the US investment bank. The Investment Banking department was created in order to contribute to the development of Italian small and medium-sized enterprises and to support business clients on all extraordinary finance matters relating to enterprises.

2019

On 1 April, the merger of Mediolanum Asset Management with Mediolanum International Funds becomes effective. On 19 July, the new company, FloWe S.p.A. - SB, is incorporated. This company, which is wholly owned by Banca Mediolanum, will be active in payment services.

2020

On 28 January, the Board of Directors of Banca Mediolanum decides that the elements for exercising significant influence over the equity investment in Mediobanca no longer exist and therefore agree to treat it as financial investment (IFRS 9), excluding it from the scope of consolidation. The commercial launch of new company Flowe- SB takes place in June. The Luxembourg company Gamax AG is merged with the Irish subsidiary Mediolanum International Funds.

2021

EuroCQS S.p.A., active in salary-backed loans, changes its name to PreXta S.p.A., partly to take account of the extension of the range of products offered to customers (personal loans).

On 13 October 2021, an official communication from the European Central Bank (ECB) is received, confirming the decision to classify Banca Mediolanum S.p.A. as a significant supervised entity at the maximum level of consolidation.

2022

International rating agencies S&P Global Ratings and Fitch Ratings assign their first ratings to the Bank: "BBB" and "Stable" respectively. It should be noted that the ratings assigned by these agencies are in line with the ratings assigned to Italian sovereign debt and to the largest banking players in the domestic market. The issuance of a Green Senior Preferred Bond is also completed. In the last quarter of 2022, the German subsidiary returns its banking licence to the German Supervisory Authority.

Vision, Mission, ...

Vision

We believe
in a better world,
built every day for people
and for the planet.

We believe in human connection and a
deep, freedom-oriented relationship.

We believe that our
conscious and positive view of the world and
of life
makes a real difference.

Mission

Building relationships
of in-depth knowledge with people
that last over time,
based on loyalty, commitment and
transparency.

Providing personalised, unique advice with
effective, life-long solutions.

Acting in an innovative and sustainable way
for the well-being of people,
families and
the community.

... our values

There is no greater value than **FREEDOM**

This is the value with which
Mediolanum
has changed the very idea of
banking.

The freedom of a genuine
relationship with people.

It is about feeling truly free
to achieve their goals and realise

People at the centre

Human relationship is the foundation
of every person working at Mediolanum.

Building a **RELATIONSHIP**
helps us to understand people's plans,
supporting them as they manage their savings and
achieve
well-being.

Becoming a personal reference
over time means growing
together.

ACCOUNTABILITY

We are people for people

We are fully aware
of our social role.

We know how to act ethically
and transparently, even when our
decisions go against the tide.

We are committed to solidarity and to
education and development projects,
implementing tangible measures with a
strong
social impact.

We believe in constant Improvement

We anticipate and meet the needs
of people, supported by
our history and our roots.

We develop innovative solutions
to encourage sustainable behaviours
in the interest of the community.

SUSTAINABLE INNOVATION is our
commitment.

POSITIVITY is making possible
what seems impossible

Underpinning this philosophy of life and business is the knowledge we have acquired, our track record and the certainty of our actions.

It is always remaining true to this value and conveying this spirit to people.

It is being able to seize opportunities where no one else sees them.

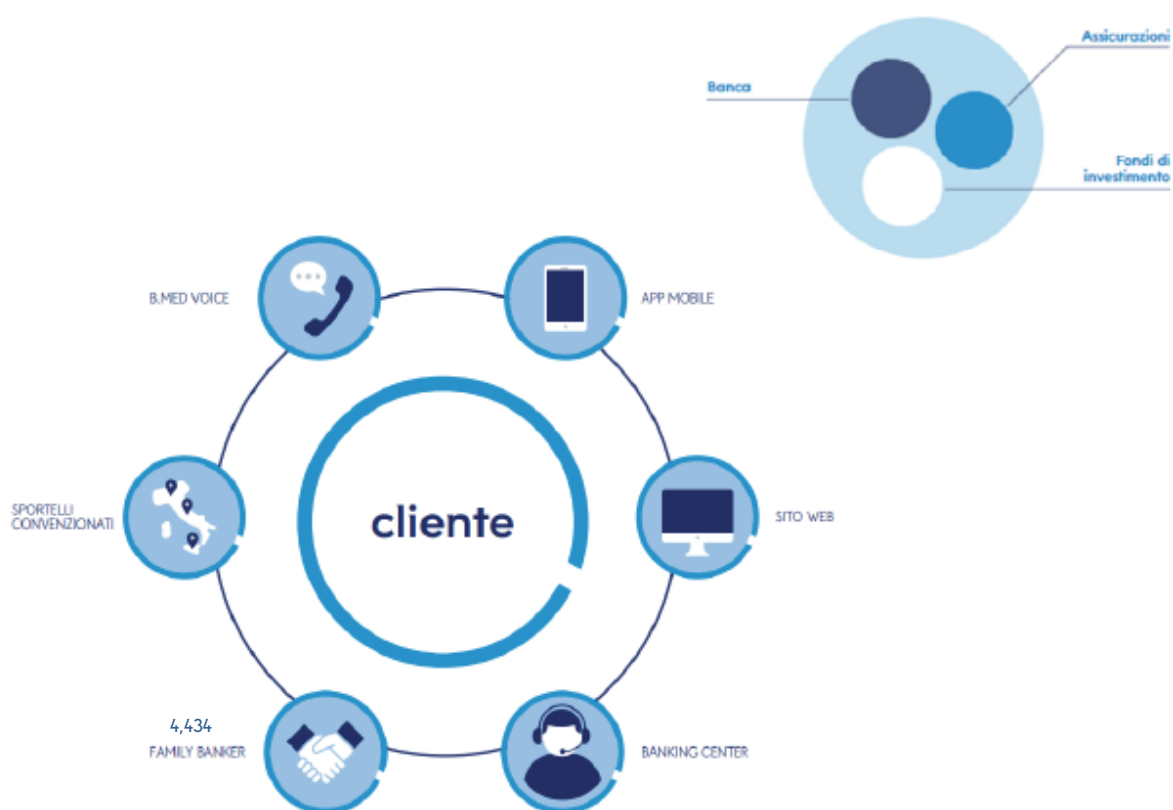
The Mediolanum Group's commercial business model

Banca Mediolanum's commercial business model is designed to meet the external and internal requirements of each customer. Thanks to its numerous communication channels, customers can choose how to "use" "their" bank, deciding on the timing and arrangements of their preferred relationship on an ad hoc basis. Banca Mediolanum offers simple, easy to access products and services that meet the needs of individuals and households, who are its main targets.

Through the Family Bankers®, listed in the Single Register of Financial Advisors, Banca Mediolanum helps its customers to manage their savings and provides investment advice in combination with the products and services it offers. Banca Mediolanum does not simply sell products: it offers solutions. This principle enables us to operate in the various business areas of financial services with the expertise and flexibility necessary to respond better to constant economic, taxation, financial and regulatory changes. The investment strategy is the result of careful study of the world markets and the high level of expertise that Mediolanum has developed in asset management, limiting investment concentration risk.

THE BANK BUILT AROUND THE CUSTOMER

Integrated Business Model – Banca Mediolanum



Consolidated Report on Operations



Report on Operations to the consolidated financial statements at 31 December 2022

THE MACROECONOMIC SCENARIO

2022 was heavily influenced by the restrictive monetary policy decisions implemented by central banks in order to contain the inflationary pressures triggered by post-Covid “bottlenecks” and by developments in the global geopolitical environment, with the invasion of Ukrainian territory by Russia, which brought back the horrors of war in Europe, causing problems with energy supplies and a sharp increase in commodity prices that even resulted in the prospect of recession. In an attempt to slow the rise in prices, the main central banks raised interest rates: the Fed to 4.50%, the ECB to 2.50% and the BoE to 3.5%. In this context, the International Monetary Fund (IMF) also lowered its growth forecasts for all the major economies, setting global GDP growth at just 2.7% in 2023.

On the US side, although the latest year-on-year inflation figure in December was a decrease to 6.5%, from 7.1% in November – the sixth month of decline – Powell confirmed that the Fed would implement further rate hikes in early 2023, but that these would be smaller in scope: a level of underlying caution is still clearly visible, aimed at avoiding a premature easing of financial conditions, which could make it harder to contain inflation. Many members of the Fed have confirmed that rates will probably reach the terminal rate at around 5%, higher than the level estimated in September (4.6%) and that they will be maintained at those levels for quite a long time.

The UK experienced some political vicissitudes last year. Following Liz Truss's appointment as prime minister and her announcement of a plan to revive the economy based on tax cuts fully funded by debt issuance, the market reaction forced the prime minister to resign after just 45 days in office. Her successor, the new prime minister, Rishi Sunak, a former financier with expertise in alternative investments, has stressed that his policy will be built on fiscal conservatism and his budgetary policy on prudence and accountability. Mr Sunak's arrival in Downing Street had a positive effect, resulting in the appreciation of the pound against the US dollar and a decrease in gilt yields.

In Europe, the European Central Bank (ECB), struggling with inflationary pressures, confirmed its commitment to raising rates further, at the cost of an economic slowdown or even a recession. In this context, energy commodities prices are stabilising: the price of natural gas in Europe have dropped significantly, and the reduced costs of energy and energy-intensive products may have a positive impact on central banks' price dynamics and future monetary policy choices.

In the euro area, headline inflation fell from 10.1% in November to 9.2% in December. The December decrease appears to be reinforcing the hypothesis that inflation is now close to a turning point. The drop in energy prices has been a major contributor to the fall in inflation in the euro area. They continue to play a very large role in European inflation, but are gradually decreasing. Price pressures have certainly become more widespread in recent months, with core inflation at a stable 5%, excluding energy and food, which are also still accelerating.

On the domestic front, the Italian economy was not left untouched by the inflationary trend generated by bottlenecks in the post-pandemic global production chain, exacerbated by Russian aggression against Ukraine: industrial production slowed, due to higher commodities prices and the scarcity of available parts to complete production processes. The services sector, which had been held back early in the year by the winter wave of Covid-19, had plenty of scope for recovery as restrictive measures eased in the second and third quarters of the year. The latest year-on-year inflation figure for December was 11.6%, decreasing from 11.8% previously, while the harmonised figure was 12.3%, decreasing year on year from 12.6% in November.

In terms of the political context, the results of the elections of September 25 were quite unambiguous: the vote delivered a very clear victory to the centre-right coalition, this time with Fratelli d'Italia, and the leader of the

party, Giorgia Meloni, as the current Prime Minister. With regard to reforms, less restrictive fiscal measures, a sharp reduction in current government spending on citizens' incomes and a reduction in the superbonus of 110% on restructuring expenditure. Pre-election uncertainty has thus given way to a less Eurosceptic scope of action than expected, even though this is in a global context of high inflation, rising interest rates and slowing growth that does not facilitate the management of a country characterised by high debt and low efficiency, with difficulties in obtaining resources without addressing the deficit, as Meloni himself indicated at his end-of-year press conference, with tax reform and a cut in the tax wedge for employees.

THE FINANCIAL MARKETS

Bond markets	Change (bps)		Yield		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
GOVERNMENT YIELDS					
United States					
2 years	14.71	370.14	4.43%	4.28%	0.72%
5 years	(8.61)	274.10	4.00%	4.09%	1.26%
10 years	4.62	236.65	3.87%	3.83%	1.51%
30 years	18.71	204.60	3.96%	3.78%	1.92%
Germany					
2 years	100.50	338.30	2.76%	1.76%	(0.62%)
5 years	61.50	303.10	2.58%	1.96%	(0.45%)
10 years	46.30	274.80	2.57%	2.11%	(0.18%)
30 years	45.30	234.80	2.55%	2.09%	0.20%
Italy					
2 years	42.90	338.00	3.31%	2.88%	(0.07%)
5 years	13.40	361.80	4.03%	3.90%	0.42%
10 years	19.60	354.30	4.72%	4.52%	1.17%
30 years	44.40	279.30	4.79%	4.34%	1.99%

Bond markets	Change (bps)		Yield		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
SPREADS					

Italy - Germany					
2 years	(57.68)	(0.35)	0.55%	1.12%	0.55%
10 years	(26.70)	79.49	2.14%	2.41%	1.35%
Spain - Germany					
2 years	(20.42)	15.84	0.16%	0.37%	0.00%
10 years	(8.89)	35.01	1.09%	1.18%	0.74%

	Change (bps)		Yield		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
Bond markets					
HY and EM					
High yield bonds					
BBG Barclays US Corporate High Yield Yield To Worst	(72.0)	476.0	8.96%	9.68%	4.20%
Emerging bonds					
J.P. Morgan EMBI Global Sovereign Yields	(87.20)	282.90	7.77%	8.65%	4.95%

The yields of government bonds in the main economic areas increased across all maturities in 2022. In the US, the yield on 2-year treasuries increased from less than 1% at the start of the year to 4.43% at the end of the year, reflecting a significant rise in inflation expectations and the resulting faster-than-expected rate hike cycle on the part of the Fed. The rise in yields affected the entire yield curve, with the short-term portion, which is more sensitive to monetary policy, more impacted. In fact, 10-year US bonds ended the year with a yield of just under 4%. The same trend was seen in German government bonds, with yields rising on all parts of the curve. Germany's 10-year bond yield, which was negative at the start of the year, rose to 2.57%, while, like the US government bonds, two-year German bonds increased further, to 2.76%. For Italian government bonds, the trend was similar, with the increase in yields exacerbated by the widening of the spread between BTPs and Bunds, which increased the 10-year yield to 4.72%. This general increase in yields led to a substantial drop in the price of outstanding bonds, to varying degrees, according to their average financial duration.

	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
Equity markets					
World indices					
MSCI All Country World	9.40%	(19.85%)	605.38	553.37	755.30
MSCI World	9.42%	(19.60%)	2,602.69	2,378.65	3,237.07
US indices					

Dow Jones I.A.	15.39%	(8.93%)	33,147.25	28,725.51	36,398.08
S&P 500	7.08%	(19.65%)	3,839.50	3,585.62	4,778.73
Nasdaq Comp.	(1.03%)	(33.51%)	10,466.48	10,575.62	15,741.56
European indices					
STOXX Europe 600	9.55%	(13.06%)	424.89	387.85	488.71
EURO STOXX	12.44%	(14.51%)	409.97	364.62	479.56
FTSE MIB	14.81%	(13.31%)	23,706.96	20,648.85	27,346.83
DAX	14.93%	(12.35%)	13,923.59	12,114.36	15,884.86
CAC 40	12.35%	(9.75%)	6,473.76	5,762.34	7,173.23
AEX	7.55%	(13.90%)	689.01	640.62	800.25
IBEX 35	11.71%	(5.56%)	8,229.10	7,366.80	8,713.80
SMI	4.50%	(16.67%)	10,729.40	10,267.55	12,875.66
FTSE 100	8.09%	0.66%	7,451.74	6,893.81	7,403.01
Asian indices					
NIKKEI 225	0.61%	(9.37%)	26,094.50	25,937.21	28,791.71
S&P/ASX 200	8.72%	(6.32%)	7,038.69	6,474.20	7,513.37
Hang Seng	14.86%	(14.41%)	19,781.41	17,222.83	23,112.01
Emerging market indices					
MSCI Emerging Markets	9.20%	(21.78%)	956.38	875.79	1,222.75

The aggregate performance of the global equity market was decidedly negative in the period, following a trend that persisted throughout 2022, amid heightened volatility. In a context of deterioration and extreme uncertainty in economic growth estimates, the negative returns of the main global equity indices were attributable to the resurgence of geopolitical tensions due to Russia's invasion of Ukraine and the concomitant rise in commodity prices, which led to an acceleration in inflation. In this context, the central banks pursued their plans to curb monetary stimulus by adopting a restrictive monetary policy stance in order to limit inflation: both the Federal Reserve and the European Central Bank raised policy rates by 450 bps and 250 bps respectively. A further key driver of global equity market risk-off phase was the introduction of new lockdown measures in China, which caused a sharp slowdown in economic growth estimates. At the geographic level, the European indices strongly outperformed the rest of the equity market. In the US, the S&P 500 index performed in line with the global aggregate index, supported by the decisive recovery of the companies most representative of the US economy in the last quarter. There was a significant drop in the technology component of the Nasdaq index, which reflected the correlation between the style of growth and current trends in policy rates. The emerging markets underperformed against the developed markets, primarily due to the negative contribution of the Chinese equity market, which priced in the aforementioned marked slowdown in growth due to the government's policy to curb the spread of Covid.

Currency	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
EUR USD	9.21%	(5.47%)	1.07	0.98	1.13
EUR GBP	0.89%	5.55%	0.89	0.88	0.84
EUR JPY	(1.04%)	7.76%	140.41	141.88	130.30

2022 was a particularly negative year for the single European currency, which also fell below par against the US dollar, only to partially recover towards the end of the year, closing with an overall depreciation of -5.5%. The start of the conflict between Russia and Ukraine – and the ensuing energy crisis, which has primarily affected the euro area – had a seriously negative impact on the currency, also providing a further boost to the inflationary pressures that were first reported earlier this year on the back of supply chain shortages.

Against this backdrop, a risk-off sentiment quickly spread through the markets, benefiting the dollar, long held to be a safe haven and also supported by particularly restrictive monetary policies implemented by the FED to curb the inflationary spiral.

By contrast, the euro appreciated strongly in 2022 (7.8%) against the Japanese yen. The Japanese currency suffered from the Bank of Japan's more passive anti-inflation stance. Although Japan's inflation figures are also on the rise, the central bank still regards this as a temporary phenomenon, unlike other economic areas, and therefore did not believe it appropriate to adjust its monetary policies, which have traditionally been very expansionary.

Political risk, a shrinking economy and further disagreements over Brexit made the pound one of the worst performing GIO currencies.

Commodities	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
Oil (Brent)	(1.37%)	8.08%	84.97	86.15	78.62
GOLD	9.84%	0.52%	1,824.02	1,660.61	1,814.67

As far as commodities are concerned, the return to social and economic normality after the pandemic drove up demand for oil, with crude appreciating by 8.1% since the beginning of the year.

Sectors (MSCI World AC)	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
Info Tech	5.55%	(31.96%)	392.50	371.85	576.89
Healthcare	12.90%	(7.54%)	342.38	303.26	370.29
Industrial	17.16%	(14.32%)	283.70	242.15	331.11
Material	15.84%	(14.39%)	311.77	269.15	364.16
Cons. Discr.	(0.92%)	(32.33%)	277.37	279.94	409.91
Financials	13.82%	(12.16%)	132.16	116.11	150.46
Cons. Staples	10.66%	(8.03%)	267.14	241.40	290.48
Utilities	9.79%	(6.69%)	151.56	138.05	162.42

Real Estate	5.20%	(26.50%)	907.14	862.28	1,234.25
Tel. Services	2.18%	(36.63%)	70.43	68.93	111.14
Energy	16.76%	27.94%	241.02	206.43	188.39
VIX Index	(31.47%)	25.0%	21.67	31.62	17.33

As various risk factors materialised and weighed on the global macroeconomic scenario, an overall increase in implied market volatility was seen that was higher, on average, than in the previous year.

At the global level, most sectors, despite a general rebound in the last quarter, ended the year in negative territory, reflecting the aforementioned economic and geopolitical tensions.

The only exception was the oil sector: energy commodities prices, which rose steeply due to the geopolitical tensions in Ukraine, benefited stocks in the sector, which were buoyed by a positive trend in corporate profits.

There was greater relative strength in defensive sectors, such as pharmaceuticals, utilities and consumer staples, which are relatively favoured in this type of macroeconomic scenario. Technology, meanwhile, was weaker, and trends in global monetary policy implementation, amplified by an environment of already high fundamental valuations, weighed on performance.

THE INSURANCE MARKET

LIFE PREMIUMS⁴

In December, the new individual life policies written in Italy by Italian companies and agencies of non-EU companies, including additional single premiums, amounted to €5.8 billion, the lowest amount for the same month in the last eight years and, in detail, down by 10.7% compared with the same month in 2021, when the volume of new policies written contracted by 17.6% compared with December 2020. In the full year, new life premiums written amounted to €73.2 billion, 14.0% less than in the same period of 2021, when an annual increase of 7.1% was recorded.

In December, 40% of companies, representing 49% of the market in terms of premiums, recorded higher premium income than in the same month of 2021, and 50% of companies (with a 66% share of total premiums) recorded a better performance than the average of all Italian and non-EU companies. (-10.7%).

Including the new life premiums of the sample of EU company agencies, which amounted to €721 million – down 34.4% compared with the same month in 2021 – total new life business in December came in at €6.5 billion (-14.1%), while in the full year it was €84.0 billion, down 17.7% compared with 2021.

With regard to premiums by class, the volume of new Class I premiums for individual policies for Italian and non-EU companies amounted to €4.2 billion in December (73% of total new life business, compared with 58% in December 2020), up (for the second month in a row) on the same month in 2021 (+13.7%), when a contraction of 25.7% was recorded. Of this figure, just 23% came from new premiums invested in separate management of multi-class products (policies combining Class I and Class III components), for which the premiums decreased by more than half. Class I premiums amounted to €48.9 billion in 2022, the lowest since 2014 and 3.1% down compared with 2021, when Class I premiums decreased by 6.4% year on year.

New premiums for Class V policies were negative, meanwhile (-25.3%, compared with December 2021), compared with an amount of €42 million which, when added to the premiums written in the last few months, totalled €486 million for the entire year, 5.0% less than 2021.

The remaining share of new life business, equal to 25% of the total, related to Class III (exclusively unit-linked) for €1.5 billion, down 44.7% compared with the same month of 2021; 48% of new Class III premiums collected were invested in the unit-linked component of multi-class contracts, which in turn was halved. In 2022, Class III new business premium income totalled €23.6 billion, 30.5% less than in the previous year (when an annual increase of 38.7% was recorded), which was weighed on by the high level of stock market instability due to the outbreak of the conflict in Ukraine.

For long-term health policies (Class IV), volumes of new premiums increased by 23.8% in December compared with the same month in 2021, for an amount of €7.7 million, which, added to premiums collected in the previous months, added up in the full year to €55.6 million (6.4% more than in 2021), the largest amount ever recorded.

Meanwhile, new contributions relating to the management of open-ended pension funds, after increasing substantially in November, decreased by 19.7% compared with the same month in 2021, for an amount of €33.9 million, thus reaching a total volume of €158.3 million in 2022, just 0.7% more than in 2021.

In 2022, the number of new policies/enrolments totalled €2.9 million, down by 1.6% compared with the previous year.

With regard to the various types of products marketed, it can be seen that in December, new premiums/contributions relating to individual pension schemes increased, for the second consecutive month, compared with the same month in 2021 (+3.3%), recording a premium income volume of €1.6 billion over the full-year, representing a year-on-year decrease of 4.3% compared with 2021. Just 10% of this total concerned

⁴ Source: ANIA TRENDS New Life Business – December 2022

new contributions relating to the management of open-ended pension funds (Class VI), with individual pension plans (PIPs) accounting for the remainder. Of these PIPs, almost half were subscribed through multi-class products (-2.4% compared with 2021).

New premium income from pure risk policies increased again compared with the same month in 2021 (+4.9%), reaching a total of €858 million during the year, 23.7% more than 2021. Of this total, more than 40% consisted of policies not linked to mortgages or consumer credit, which grew by 15.8%.

New premiums relating to multi-class products, excluding pension products and PIRs (Individual Savings Plans), amounted to €1.9 billion, the lowest amount for the two-year period 2021-2022 and almost half the amount for December 2021. Of these new premiums, 60% related to Class I and accounted for just 33% of the total new business for the month, i.e. 20 percentage points less than in December 2021. From January, these products reached €38.3 billion, down 17.9% compared with 2021. The portion of Class I premiums collected during the entire year through multi-class products makes up 52% of total new Class I premiums, while the same portion of Class III premiums makes up 55% of the total new business of that class.

The volume of new premiums relating to PIR contracts, mostly brokered through bank and post office branches of a small number of companies, was €8 million in December, compared with €25 million in new premiums collected in the same month of 2021; including the premiums collected in the previous months, the total volume of premiums was €388 million in 2022 (0.5% of total new business), up by another 4.0% compared with the previous year.

NON-LIFE PREMIUMS⁵

At the end of the third quarter of 2022, the total premiums (Italian companies and representative offices) of the Italian direct portfolio in the non-life sector amounted to €29.0 billion, up 6.3% compared with the end of the third quarter of 2021, when the sector recorded growth of 2.8%. This was the seventh consecutive positive interim change that resulted in premium income touching €30 billion for the first time at the end of the first nine months of the year. The increase in total non-life premiums recorded at the end of September 2022 was due, in particular, to the development of the Non-Motor segment (+11.6%, the biggest increase ever recorded); in contrast, premiums in the Motor segment decreased slightly (-0.5%). Specifically, Motor Vehicle Liability Motor recorded a further 2% decrease in premiums, while Land Vehicle class premiums increased by 5.1%.

The gross premiums of the Italian direct portfolio recorded in the non-life segment shown in the following table are provided quarterly by insurance companies operating in Italy and by the representations in Italy of companies having their registered offices in European and non-European countries. This included almost all national companies and around 40 representative offices of European companies representing more than 90% of total earned premiums in terms of market share. In the case of all Italian companies and EU and non-EU representative offices, premiums recorded at the end of the third quarter of 2022 amounted to 29,037 million, up 6.3% compared with the end of the third quarter of 2021, when earned premiums amounted to 27,285 million, up by 2.8%, after the sharp decrease recorded in 2020 due to the negative effects of the pandemic.

The year-on-year increase in total non-life premiums in the first nine months of 2022 (compared with the same period of 2021) is due to:

- a slight decrease of 0.5% in the Motor sector, following the 0.6% decrease at the end of the second quarter of 2022;
- sustained growth in the other non-life classes, where premiums rose by 11.6%, the biggest increase on record, and at least 6 percentage points more than in the first nine months of 2021, when the segment grew by 5.9%.

⁵ Source: ANIA TRENDS Quarterly Non-Life Premiums – Q3 2022 data

The other non-life classes were positively influenced by the recovery in national production. The overall growth of this segment was 11.6%, the biggest increase on record. All the main insurance classes contributed to the recovery: the Accident and Sickness classes, with premium volumes of around €2.7 billion and €2.6 billion respectively, up by 5.4% and 14.5%, the Fire class, which grew by 7.1% to €2.0 billion, the Other Damage to Property class, which grew by 10.6% to around €2.8 billion, and, lastly, the General TPL class, which grew by 12.1% with a volume of just over €3.4 billion (the biggest increase among the non-life classes). Although they represent only a modest proportion of the total Non-Motor non-life business, growth was recorded in Credit (+30%) and Suretyship (+9.6%). In particular, the boost that the National Recovery and Resilience Plan (NRRP) has given to the procurement sector has contributed to the development of suretyship premiums, while for the credit class, the increase in premiums is linked to the possibility for insurance companies to join a fund (worth €2 billion), established in 2020 through an agreement entered into with SACE, which has allowed insurers to continue to provide insurance cover to companies experiencing cash crises due to the pandemic. The representative offices of companies with registered offices in European countries alone recorded premiums of €4.0 billion in the first nine months of 2022, up 16.7% compared with the same period in 2021. The proportion of earned premiums of the agencies of European companies was around 13.9% of the total, an increase on the previous quarters, when they accounted for 12% on average: specifically, they constituted 7.3% of the Motor class and 18.5% of the other non-life classes. For some classes, the proportion was more than 40%: Goods in Transit (41.8%), Aircraft TPL (51.7%) and Credit, for which the proportion of these companies was more than 85%. However, the proportion remained particularly low (less than 10%) in Railway Rolling Stock, where it was absent, and in Sickness (4.6%), Motor TPL (6.9%), Land Vehicles (8.4%), Fire (8.7%) and Assistance (10.4%). Motor premium income increased by 9.8% (around 17% at the end of 2021). Motor TPL premiums rose (+10.0%), bucking the trend among Italian companies, and Land Vehicles class premiums also increased, by 9.5%. Non-Motor premiums increased by around 19%. In particular, General TPL, where the premium income of representative companies makes up more or less one-third of the total (€992 million), recorded an increase of more 15% at the end of September of 2022. Among the most representative classes, which account for more than 300 million, there was an increase in the Accident class (€343 million, +11.5%) and the Credit class (€505 million, +27.8%).

THE BANKING MARKET⁶

BANK FUNDING

According to initial estimates by SI-ABI, in December 2022, customer funding of all banks operating in Italy – represented by deposits of resident customers (current account deposits, term deposits net of deposits related to loan assignments, notice deposits and repurchase agreements; deposits are net of transactions with central counterparties) and bonds (net of those repurchased by banks) – amounted to €2,044.4 billion, down 1.2% compared with the same period of the previous year.

In particular, resident customer deposits (current account deposits, term deposits net of deposits related to receivables assignments, notice deposits and repurchase agreements net of transactions with central counterparties) showed a downward trend of 1.3% in December 2022, with a decrease in absolute value on an annual basis of around €24.1 billion, bringing the amount of deposits to €1,835.4 billion. The decrease in deposits is mainly attributable to companies (–€33.4 billion between July and November 2022), which had recorded an increase in deposits of more than €130 billion between December 2019 and July 2022, while indirect funding, i.e. investments in securities held with banks (both under management and directly held by customers) increased by a much greater amount of approximately €82 billion between July and November 2022, of which €56.7 billion was attributable to households, €7 billion to businesses and the remainder to other sectors (financial companies, insurance companies and general government).

The annual change in bonds was flat (–1.3% in the previous month). Bonds amounted to €209 billion.

Foreign deposits increased in November 2022, year on year: in particular, Italian bank deposits amounted to approximately €322.2 billion, 5.8% more than a year earlier. Foreign deposits accounted for 12.0% of total funding (11.5% a year earlier). Net funding inflows from abroad between November 2021 and November 2022 were positive at around €17.8 billion. In November 2022, net foreign deposits (foreign deposits minus foreign loans) amounted to approximately €66.4 billion (+29.6%). They represented 3.7% of total domestic lending (2.9% a year earlier), while foreign loans – on the same date – amounted to approximately €255.8 billion. The ratio of foreign loans to foreign deposits was 79.4% (83.2% a year earlier).

BANK LENDING

In December 2022, total bank loans to households and businesses increased. According to initial SI-ABI estimates, total loans to Italian residents (private sector plus general government, net of repurchase agreements with central counterparties) stood at €1,732.8 billion in December 2022, with an annual change – calculated including loans not recognised in bank balance sheets because they are securitised and net of changes in stocks not linked to transactions (for example, changes due to exchange rate fluctuations, value adjustments or reclassifications) – of +1.1% (+3.1% in the previous month).

In the same month, loans to Italian residents in the private sector amounted to €1,479 billion, up by 1.8% compared with one year earlier. Loans to households and non-financial corporations amounted to €1,340 billion. According to estimates based on data published by the Bank of Italy, the annual change in loans to households and businesses calculated with the inclusion of loans not reported in bank balance sheets as they are securitised, and net of changes in amounts not related to transactions (e.g. changes due to exchange rate fluctuations, value adjustments or reclassifications) was an increase of 2.1%, down compared with the previous month (+3.3%).

⁶ Source: ABI MONTHLY OUTLOOK – January 2023 – Summary

INTEREST RATE SPREADS

In December 2022, the spread between interest rates on loans and deposit rates was wider. The spread between the average rate on loans and the average rate on funding for households and non-financial corporations was 260 basis points in December 2022 (238 bps in the previous month). Before the financial crisis began, the spread was more than 300 points (335 bps at the end of 2007). The spread on bank loans to businesses in the main European countries (calculated as the difference between bank interest rates for new loans and a weighted average rate of new deposits of households and non-financial corporations) was, in November 2022, 136 bps in Italy, narrower than the 170 bps in Germany, 197 bps in Spain and 120 bps in France. For households, the spread was 149 bps in Italy, lower than the 217 bps in Germany and 159 bps in Spain and higher than the 2 bps in France. The spread between the average rate on interest-bearing assets denominated in euro relating to households and non-financial corporations and the average rate in euro on customer deposits (held by households and non-financial corporations) was 2.34 percentage points in December 2022 (2.02 percentage points in the previous month).

This spread is the result of the average interest rate on interest-bearing assets of 2.96% and the average cost of customer deposits of 0.62%.

NON-PERFORMING BANK LOANS

Net non-performing loans amounted to €16.3 billion in November 2022. Non-performing loans, net of write-downs and provisions already made by banks with their own resources, amounted to €16.3 billion in November 2022, down slightly compared with the previous month (-2.1%) and by around €1.3 billion (-7.4%) compared with the previous year. The decrease was around €72.6 billion (-81.7%) compared with the highest level of net non-performing loans reached in November 2015 (€88.8 billion).

The ratio of net bad loans to total loans stood at 0.92% (compared with 1.02% in November 2021).

SECURITIES PORTFOLIO

Based on SI-ABI initial estimates in December 2022, the total securities in the portfolio of banks operating in Italy amounted to €597.7 billion, up from the previous month (€581.5 billion).

According to official Bank of Italy figures, updated in November 2022, the value of government bonds on bank balance sheets was €389.6 billion, corresponding to approximately 67.0% of the total portfolio. The ratio of net bad loans to total loans stood at 0.92% (compared with 1.02% in November 2021).

HARMONISED INTEREST RATES IN ITALY AND THE EURO AREA

Interest rates on new business in the euro area and in Italy increased in November 2022. The latest available data on interest rates applied in the euro area indicate that the rate on new bank loans of up to €1 million granted to non-financial corporations was 3.37% in November 2022 (3.05% in the previous month; 1.70% in October 2021), compared with the 3.37% recorded in Italy (3.14% in the previous month; 1.67% a year earlier). The rates applied to new loans to non-financial corporations of amounts in excess of €1 million in the same month were 2.99% on average in the euro area (2.54% in the previous month; 1.11% a year earlier), compared with 2.67% in Italy (2.19% in the previous month; 0.70% a year earlier). Finally, in the same month, the rate on current accounts and revolving loans to households was 5.78% in the euro area (5.58% in the previous month and 4.82% a year earlier) and 3.99% in Italy (3.82% in the previous month; 3.09% a year earlier).

TREASURY MANAGEMENT

Banca Mediolanum

€/m	31/12/2022	31/12/2021	Change
Financial assets held for trading	1,070	113	957
Financial assets measured at fair value through other comprehensive income	308	347	(39)
Financial assets measured at amortised cost - Debt securities	14,492	12,955	1,537
Total	15,870	13,415	2,455

Trading activities include the equity security Nexi for approximately €56 million, whereas assets measured at fair value through other comprehensive income include the Mediobanca security for €203 million.

The increase in retail funding not used in retail loans drove an increase in the banking book, which, together with the total reinvestment of securities reaching natural maturity during the year, saw a significant increase in the stock of the HTC strategic portfolio.

On the other hand, the predominant classification of new assets to the above portfolio meant that the stock of the HTC portfolio was almost unchanged.

Trading activities ended the year with a portfolio unusually populated by securities due to the conditions that arose in the bond market in the second half of 2022, which forced operators to maintain open positions pending a decrease in yields.

The following guidelines were taken into account for new banking book investments in 2022:

- 1) a focus on government securities issued by the Italian government;
- 2) predominant purchases of fixed-rate securities;
- 3) the total classification of purchases in the HTC portfolio.

Strategically, the purchases made in 2022 focused on fixed-rate securities, thus seizing the opportunity of rising bond yields.

Of the total investments classified as HTC, only 20% were variable-rate securities.

The HTC portfolio, measured at amortised cost and considered under the investment policies as the preferred classification for investments in securities, increased by €1,537 million.

All 2022 purchases were, in fact, classified in the same portfolio.

HTCS (Held to Collect and Sell) securities, measured at fair value through other comprehensive income, decreased by €39 million as, since it was no longer considered the preferred portfolio for classifying investment financial instruments, all purchases were placed in the HTC strategic portfolio, excluding securities purchased to replace guarantees given to settlement bodies that were classified to the same maturity portfolio.

The stock at the end of 2022 remained almost unchanged at 308 million, compared with 347 million at the end of 2021.

The valuation reserve recognised in the financial statements is -€41 million (after tax), compared with +€15.8 million at the end of 2021. The change was mainly due to the negative effect of market performance in 2022.

The balance of the debt securities trading portfolios, measured at fair value through profit or loss (financial assets held for trading and financial liabilities held for trading) was significantly higher than at the end of the previous year.

The strong repricing of Italian government bond yields put pressure on long trading positions, which were kept completely open to ensure that capital losses at the end of 2022 could be recovered due to the depreciation of the bonds purchased.

The short average residual life of the securities in the trading book (almost the entire portfolio will mature in 2023) will allow for the full recovery of capital losses.

With regard to equity securities, there are only two significant positions and these are classified in different portfolios, consistent with the strategic view on the two securities.

As a result, the interest in Mediobanca is classified in the HTCS portfolio, while the investment in Nexi's capital is placed in the trading book pending the opportunity to exploit the market in order to liquidate the position.

Overall, government securities made up 99.3% of total owned portfolios, in line with the value at the end of 2021, while the remainder was divided between ABSs and financials.

The breakdown of portfolios by rate type is 62% variable rate and 38% fixed rate.

All investment instruments are denominated in euro with no exposure to currency risk.

The average portfolio duration, which was 0.79, compared with 0.60 at the end of 2021, remained consistent with the Group's traditionally low risk profile.

€/m	31/12/2022	31/12/2021	Change
Net interest income	319.0	221.2	97.8
Net gains (losses) from trading	(15.0)	61.9	(76.9)
Net gains (losses) from hedging	1.7	(1)	2.7
Total	305.7	282.1	23.6

At the end of 2022, the financial margin increased from €282.1 million to €305.7 million at the end of 2021 (+€23.6 million) due to the significant contribution of net interest income, which benefited from the increase in the average return on the banking book due to new purchases and the repricing of variable-rate securities, which were affected by the rise in the Euribor. Net interest income increased from €221.2 million at the end of 2021 to €319.0 million at the end of 2022 (+€97.8 million).

Banco Mediolanum

€/m	31/12/2022	31/12/2021	Change
Financial assets measured at amortised cost (HTC securities)	2,080.1	1,838.5	241.6
Financial assets measured at fair value through other comprehensive income	48.4	199.6	- 151.2
Total	2,128.5	2,040.1	88.4

With regard to Banco Mediolanum's treasury management, the total investment in securities at the end of 2022 was €2,128.5 million, an increase of €88.4 million compared with the end of 2021 (€2,040.1 million).

Net interest income increased from €19.1 million at the end of 2021 to €34.5 million at the end of 2022 (+€15.4 million).

TRADING IN CUSTOMER SECURITIES

2022 was a difficult year for the markets, which had to grapple with the consequences of the war in Ukraine, the rally in energy commodities and uncomfortable inflation scenarios.

The equity indices generally registered double-digit declines: in Europe, the FTSE MIB was down 14.5%, the Euro STOXX 50 12.4%, the DAX 13% and the CAC 40 10%, while overseas, in the US, the Dow Jones was down 9.4% and the Nasdaq 33.9%.

The government bond market has seen an increase in interest, due in part to the trend in inflation and the consequent increase in rates, meaning lower prices and higher yields, which have more than doubled since early 2022.

Total volumes traded for retail customers decreased slightly compared with the previous year, to just over €7 billion, compared with almost €8.5 billion in 2021 (-16.75%); 665,000 trades were executed, down by 25% compared with 888,000 in the previous year.

The total value brokered on the Italian stock market was just under €4 billion, down 14.5% compared with 2021. The total value brokered on foreign equity markets decreased by half, to €0.87 billion, compared with €1.91 billion in 2021. The value of government bonds traded more than doubled, from €0.52 billion in 2021 to €1.23 billion in 2022.

The total value of assets under administration held by retail customers was approximately €6 billion at the end of 2022, an increase of 22% compared with December 2021.

Specifically, the stock of government bonds increased from €0.765 billion at the end of 2021 to €1.27 billion. While corporate and bank bonds decreased overall from €0.38 billion to €0.34 billion, the stock of Certificate MedPlus rose from €1.432 billion to €2.02 billion.

The value securities in the equities sector remained largely unchanged, reaching €2 billion, compared with €2.1 billion in the previous year, with the Italian sector at €1,594 million and the foreign sector at €513 million.

At the end of December 2021, repurchase agreements for approximately €18 million were in place with customers.

During the year, a total of 64 Medplus Certificate placement transactions were carried out (including 28 personalised issues), for a total value of €1.01 billion.

The value of the MY STYLE managed assets almost doubled, from €751 million in 2021 to €915 million in 2022. The Chorus managed assets (no longer marketed) have a residual value of €5 million.

NEW PRODUCTS AND MAIN INITIATIVES DURING THE YEAR

The 2022 financial year began with an ongoing pandemic situation and rising tensions between Ukraine and Russia that later escalated into armed conflict in February.

The geopolitical and financial tensions that began in the first few months of the year continued in the fourth quarter of 2022. Far from confirming the New Year forecasts of a period of substantial transition and “normalisation” after the imbalances caused by Covid-19, 2022 proved to be another extraordinary year. Further shocks to the international geopolitical and economic environment, starting with the outbreak of war between Russia and Ukraine and the problematic handling of the pandemic in China, also strongly influenced the financial markets, mainly via the further inflationary surge that has prompted central banks to implement a sharp change of course in their monetary policies.

Banking services

During 2022, Banca Mediolanum remained close to its customers, through promotions (related to current account interest rates and the Double Chance product) and with the management of sustainability and inclusion events (natural disasters).

In the fourth quarter, Banca Mediolanum also confirmed its closeness to its customers with new promotions on the Double Chance investment strategy, offering the following to customers in the period from 2 September to 30 November:

- a lending rate of 2% gross per annum on 3-, 6- and 12-month durations and 1.5% on 18- and 24-month durations in the equities segment;
- a lending rate of 1.5% gross per annum on 3-, 6- and 12-month durations and 1% on 18- and 24-month durations in the bond segment.

Banca Mediolanum’s interest rate offer also extended to new customers who opened a new “Conto Mediolanum” or “Selfy Conto” current account between 19 September and 16 November. Under the initiative, the possibility of applying for 6-month time deposits by 31/01/2023 was offered, for a maximum total value of €200,000 at the gross annual promotional rate of 2%.

Customers who opened Mediolanum accounts between 2 September and 31 October also benefited from the “premium” promo, which provided, for new investments of a minimum of €25,000 in asset management products by 31 October, a promotional rate of 2% gross per annum on new time deposits with a duration of six months, for a total amount equal to or less than the value of new investments. The offer was also valid for customers who already had a Conto Mediolanum account.

As well as an increasingly competitive interest rate offer, Banca Mediolanum will continue to offer Black and Elite customers the promotional lending rate of 0.2% gross per annum on free current account stocks throughout the period (offer valid until 07/11/22).

Banca Mediolanum also continued its commitment to customers living in areas affected by natural disasters in Liguria, Tuscany and Emilia-Romagna in August and in Marche in September, through a series of benefits on the Conto Mediolanum Account.

With regard to the new payment services and systems, the process of scouting possible uses of the Check IBAN service (i.e. online matching of the IBAN code and the tax/VAT code provided by a user/customer to a corporate or to general government) has continued in relation to both general government and retail customers, while activity relating to the use of the SPID (Public Digital Identity System) during the process of onboarding Banca Mediolanum customers is being defined. This service, in particular, provides customers with significant time

savings in the confirmation of their identity and provides the Bank with a series of savings in the underwriting process compared with the current normal channels.

E-money area

In 2022, Banca Mediolanum implemented commercial initiatives to expand the offering of Conto Mediolanum and SelfyConto for new and existing customers through prize competitions and co-marketing activities. In particular, these included promotional offers for new credit card subscribers, implemented through the collaboration with Nexi and American Express, aimed at encouraging the penetration and use of digital payments within the entire customer base.

Credit services

Mortgages area

During 2022, with the macro-objective of continuing to support overall disbursement and support customers, the Smart+ 30K Campaign was renewed for pre-selected customers with assets of €30k to €100k, with improved pricing compared with the standard terms; it should also be noted that, from the third quarter of 2022, the wealth gate for the promotional campaign was changed from €30k to €50k.

The new Mediolanum Bioedilizia+ mortgage, a medium/long-term loan secured by a first mortgage on property intended solely for purchase or exchange and with S.A.L.E., CASA CLIMA or ARCA certification for houses constructed in wood, was launched in January.

Also with regard to the legislative developments of the “Sostegni bis” decree, the Bank decided to improve the positioning of its current product dedicated to young people, also with a view to providing a complementary solution to the Mediolanum Fondo Prima Casa (First Home) mortgage product launched in December 2021. Two promotions were renewed for the first quarter, offering an increase in LTV (loan to value) of up to 95% for the Mediolanum Young Mortgage and a discount of 10 bps on the currently listed spread, and for Black, Elite and Privilege customers.

In view of the difficult macroeconomic context, particularly in the second half of the year (increases in energy prices, inflation and the consequent manoeuvres of the central authorities), Banca Mediolanum, always close to its customers and a point of reference for Italian households, sought to mitigate the adverse effects on its customers by first launching a promotion for new mortgage applications, which includes a grace period of six months, at the customer's discretion.

In addition, to provide practical support to customers with loans already in place and to ease their monthly commitments, given that many floating-rate loans in stock already contractually provide for an automatic reduction of the spread with jumps of 20 bps, with an increase in the 3-month Euribor value beyond certain thresholds, in December, Banca Mediolanum implemented a commercial manoeuvre to temporarily (for 12 months) reduce the spread by 25 bps on approximately 1,300 loans of potentially less loyal customers for levels of assets with Banca Mediolanum up to €25k that also show a tense debt-to-income ratio.

Loans area

As far as loans are concerned, in 2022 the focus was in line with that of previous years, i.e. the speedy disbursement of financing in line with customer needs.

The Guaranteed Pre-approved Loan campaign remained active, targeting pre-selected customers with dedicated pricing, while the SelfyCredit Instant and Shopforyou products were boosted by refining the credit rules and developing the related services, increasing both the duration and the maximum amount that can be applied for. In addition, timed initiatives were implemented on the spread applied, to coincide with specific events or holidays.

Given the difficult macroeconomic context and on the basis of the reasoning set out in the above paragraph on mortgages, a promotion was launched for new loan applications that offer customers the option of a grace period of three months and the possibility of secured loans on a gross basis offering the improved terms provided for secured loans on a net basis.

In addition, in order to support asset management inflows, a campaign offering improved pricing terms for New Cash loan applications until the maximum limits have been exhausted, remained active.

Investment services

Asset management area

The monetary policies implemented by the central banks due to the scenario – in effect, the most rapid, substantial and synchronised in recent decades – resulted in a steep rise in government yields globally, especially short-term yields, and significant downward adjustments across all the bond segments.

The equity markets also suffered greatly throughout the year, impacted by the strong wave of sell-offs triggered by monetary tightening and the consequent resurgence of global market yields. Not surprisingly, the sectors that suffered most were those most sensitive to interest rate hikes and with the highest values at the start of the year, notably technology and the growth sector in general, which had been strongly favoured during 2020 and 2021. By contrast, energy was the best performer by a long way, as the only global sector to end the year in positive territory thanks to the energy crisis and the related rise in commodity prices; overall, the defensive and value sectors outperformed the others.

The Funds area

2022 was particularly dense in terms of commercial activities aimed at transferring to customers the value that arose in the market from time to time, through:

- the marketing of the Mediolanum Private Markets Italia fund, the alternative PIR of subsidiary Mediolanum Gestione Fondi;
- a new sub-fund of the Best Brands fund of Mediolanum International Fund named “Mediolanum Circular Economy Opportunities”. A global equity strategy of seeking long-term value by selecting companies capable of exploiting the potential offered by the circular economy;
- Subsequently, in order to take advantage of the current economic environment, characterised by the return of inflation, the sale of two new sub-funds of the Best Brands fund of the Irish subsidiary, Mediolanum International Fund: “Mediolanum Multi Asset ESG Selection” and “Mediolanum Energy Transition”.

Wealth management area

In 2022, a new product was launched that includes a new “Premium” family, consisting of three lines, with equity exposure and a profile of increasing risk: Premium Conservative, Premium Balanced and Premium Dynamic. The three strategies are designed to capture major market opportunities dynamically through:

- a maximum volatility limit to allow for flexible and reactive management, able to address even the most complex market phases;
- a careful selection of funds and equities, identified from a long-term perspective, in order to also benefit from direct investment in individual companies with high potential;
- a new “open architecture” approach.

Insurance area

In 2022, Italian company Mediolanum Vita, in order to further support its customers in accessing the equity markets and to benefit from gradual access at lower prices than in previous quarters, reduced the restrictions on activation of the Big Chance Programme.

Investment products in combination with banking products

Mediolanum Medplus Certificate

Throughout 2022, Banca Mediolanum continued to sell certificates, with various pay-offs and different durations, in order to give customers the option of receiving a specific service within an equally well-defined time frame.

Protection services

Despite the uncertain scenario, the insurance sector continued to grow and is characterised by positive forecasts for the next few years, especially in the home, family and health sectors. The focus on the need to cover these assets is a natural consequence of the sensitivity that the market has traditionally developed, recently exacerbated by the pandemic situation experienced and the current conflict.

During the year, Banca Mediolanum continued to provide support and services to its customers through product offerings, digitalisation and communication, also overcoming the resistances still present in the current social context, which is nevertheless recovering.

The range of products on offer has been enhanced with a **Mediolanum Capitale Casa e Famiglia** policy, developed with a modular approach to customisation of cover, to provide home and contents protection and respond to a range of typical household needs: third-party liability and legal protection (both in the areas of Real Estate, Private Life and Guests), catastrophe cover for both earthquake and flood, property services cover (e.g. tradespeople for emergency work) and home services cover (e.g. babysitters, home helps, etc.). Assistance and Legal Protection represent Banca Mediolanum's desire to offer an ecosystem of services to support the customer, like the promotional initiative launched at the start of distribution, which rewarded the first customers taking out policies with an intelligent and eco-friendly personal assistant, with functions such as, for example, the activation of home automation products and devices, sharing content and music, etc.

In addition, as part of the SelfyCare line, dedicated to a digital insurance offering, the placement on the app of **SelfyCare LifeProject** was launched. This is a term life insurance policy, available in three predefined formulas, which allow the customer to protect the achievement of the specific life projects of themselves and their loved ones, involving a decreasing financial commitment.

Lastly, to make it easier for customers to take up the services offered by the **Mediolanum Capitale Salute** medical expenses reimbursement policy, customer communications on the services provided were streamlined by means of a digital welcome kit. The contents of the kit, which are also available on the pages of the Banca Mediolanum website dedicated to individual customers, enable the product owners to easily access the website of the partner that manages the network of affiliated structures, useful contacts, a dedicated product tutorial and tools to support operations, and Mediolanum Carta Salute in digital format.

In line with the Group's sustainability objectives, the Bank has carried out various initiatives to promote the **digitalisation** process. In this area, the expansion of the range of products supported by direct and innovative purchasing methods (SelfyCare LifeProject) and the rationalisation of services (Mediolanum Capitale Salute), the consolidation of distance communication techniques (introduced during the pandemic emergency period) to support constant and solid Sales Network and customer support capacity, and the completion of the dematerialisation of communications relating to protection products.

Several commercial initiatives during the year supported the proposal and distribution of non-life insurance products in terms of **communication** and the dissemination of the theme of the importance of protection as a foundation for family estate planning.

In this regard, a new scientific and/or informative digital event, **“Protect Your Tomorrow”** took place, organised by Banca Mediolanum in collaboration with accredited partners and guests to emphasise the importance of financial and asset management advice, including in the area of insurance, in order to protect savings and the financial and emotional stability of households, especially at specific times, such as the context of the pandemic and the war that we are currently experiencing.

In line with this proposed model, which has always set Banca Mediolanum apart, the usual training meetings for the Sales Network continued, both remotely and, where possible, in person, to support the technical and commercial offering to customers.

In addition, the taking out of Protection products continued to offer customers the opportunity to receive certain **benefits**. These include, for example, an option for existing customers to claim a free mobile phone by introducing new eligible customers, also by taking out a new Protection policy. In addition, the initiative to promote the protection of individuals from major risks, such as death and permanent disability due to accident and illness, which rewarded reporting customers with electric mobility vehicles and new customers taking out products to cover these risks with vouchers. Finally, the chance to take part in a competition and win prizes, such as laptops and vouchers for customers taking out a policy in the SelfyCare digital line (SelfyCare Pet, SelfyCare Travel or SelfyCare LifeProject) offered through a Banca Mediolanum app.

Other initiatives were the renewal of the promotion to cancel the fee on the SelfyConto account if a Protection product is held, and keeping the holding of Protection products as one of the requirements for customer promotional profiles.

The **“Virtual Hospital”** rewards operation, launched last year, continued, giving the best customers who have taken out a stand-alone personal protection policy access to a package of services provided by the partner, Blue Assistance, such as video/teleconsults, a 24/7 general practitioner, access to a network of contracted health and well-being facilities, home services at negotiated rates and home delivery of medicines. In addition, access to medical consultation videos has been extended to all other customers at reduced rates or, in some promotional periods, free of charge and together with the application of a specific discount on purchases of lenses and frames at a third-party partner.

Finally, the now customary fundraising of Banca Mediolanum and the Mediolanum Onlus Foundation for 2022 focused its commitment on three associations active in paediatric oncology, making a donation when a Group product is taken out (for Protection, a donation of €50 for each Mediolanum Capitale Salute policy taken out).

Sustainability of products and services

In the first quarter of 2022, Banca Mediolanum developed all the responsible finance themes in which it is involved as a market participant and a distributor.

In particular, activities were carried out to prepare for the legal requirements of the main regulations in this area, such as the collection of data on the adverse effects of investments on sustainability factors (Principal Adverse Impacts, pursuant to Reg. 2019/2088 of the SFDR), the incorporation of sustainability preferences into customer financial profiling questionnaires and the provision of ESG adequacy checks (pursuant to MiFID II).

In order to ensure the progressive involvement of the sales network in responsible finance issues, during the first quarter of 2022, the Bank launched a digital training course (via webinar) for financial advisors, delivered by internal and external teachers (collaboration with the Catholic University of the Sacred Heart of Milan) entitled “The value of sustainable finance: market, strategies and positioning of Banca Mediolanum”. The sustainability preferences were then incorporated into the customer profiling questionnaires and the preparation of ESG adequacy checks was launched (pursuant to MiFID II). In the second half of 2022, planning began of additional

training media for the Sales Network on the themes of responsible finance, particularly with regard to the new suitability provisions in the advisory process, and new sustainable investment products from the Group were launched.

In the first half of 2022, Banca Mediolanum completed its ESG materiality matrix and ESG Rating Model for banking, credit and protection products built in collaboration with the Catholic University of the Sacred Heart of Milan. By using this model, the Bank is able to assess the positioning of the entire offering with respect to environmental, social and governance factors and characteristics.

In April and May 2022, Banca Mediolanum was the subject of a Thematic Review of Climate and Environmental Risks by the European Central Bank. During the review, Banca Mediolanum had an opportunity to describe the current ESG safeguards on the product offering to the Joint Supervisory Team (JST).

The Group companies that operate as financial market participants have worked on integrating the consideration of the adverse impacts of investments (PAIs) into their investment processes. With regard to the PAIs, the quarterly observations required by the legislation were also made (pursuant to Article 4 of the SFDR). Preparation began on the annexes required by the RTS (regulatory technical standards) relating to regulations 2019/2088 (SFDR) and 2020/852 (the Taxonomy) for investment products classified pursuant to Articles 8 and 9 of the SFDR.

In the fourth quarter of 2022, all Group Companies operating as Financial Market Participants updated their responsible investment policies, mainly in order to represent the negative effects of investments, the definition of the precise list of indicators considered and the definition of priority indicators.

In the same period, a decision was taken by various Group Companies to adhere to the United Nations Principles for Responsible Investment (UN PRI) protocol, which promotes the objective of encouraging the dissemination of responsible investment among institutional investors.

Following the Thematic Review carried out by the Joint Supervisory Team of the European Central Bank in this area, the Bank launched a programme to develop safeguards dedicated to climate and environmental risk, at both strategic and business level and at organisational and risk management level.

In accordance with Italian Law 220/2021 containing "Measures to combat the financing of companies producing anti-personnel landmines and cluster munitions and sub-munitions", the Mediolanum Group has implemented appropriate controls that provide for:

- the identification of the companies subject to the ban;
- the exclusion of the list of banned companies from the investment process;
- the ongoing monitoring of the portfolios.

In late 2022, a new Sales Network training initiative was launched, through an online course dedicated to Responsible Finance themes and regulatory requirements that impact investment processes and advice.

OPERATING PERFORMANCE

NET INFLOWS AND ASSETS UNDER ADMINISTRATION AND MANAGEMENT

Net inflows

€/m	31/12/2022	31/12/2021	Change	Change (%)
ITALY				
Fund and unit-linked products	4,287.6	5,887.2	(1,599.6)	(27.2%)
of which directly in funds	1,879.2	1,607.0	272.2	16.9%
of which "My Life" unit-linked	1,624.3	3,029.1	(1,404.8)	(46.4%)
of which other unit-linked	784.1	1,251.0	(466.9)	(37.3%)
Other insurance products - Life	(9.8)	(2.2)	(7.5)	n.s.
Total managed	4,277.9	5,885.0	(1,607.1)	(27.3%)
Third-party structured notes	1,000.9	(128.6)	1,129.5	n.s.
Total managed + Structured notes	5,278.8	5,756.4	(477.6)	(8.3%)
Total administered	2,021.2	2,195.6	(174.3)	(7.9%)
BANCA MEDIOLANUM	7,300.0	7,952.0	(652.0)	(8.2%)
SPAIN	1,017.7	1,258.8	(241.1)	(19.2%)
GERMANY	(21.1)	(33.5)	12.4	(37.0%)
TOTAL FOREIGN MARKET	996.5	1,225.2	(228.7)	(18.7%)
TOTAL NET INFLOWS	8,296.6	9,177.2	(880.7)	(9.6%)

Total net inflows amounted to €8,296.6 million at 31 December 2022, a decrease of €880.7 million on the comparative period (31/12/2021: €9,177.2 million).

In particular, net inflows on the domestic market reached €7,300.0 million compared with €7,952.0 million at 31 December 2021.

More specifically, net inflows into mutual funds, both through direct investments and investments in unit-linked policies, amounted to €4,287.6 million, down by 27.2% compared with 2021 (31/12/2021: +€5,887.2 million).

Assets under administration decreased by €174.3 million compared with the comparative period, to €2,021.2 million.

Foreign market net inflows decreased by €228.7 million compared with the previous year, to €996.5 million (31/12/2021: €1,225.2 million).

Assets under administration and management

€/m	31/12/2022	31/12/2021	Change (%)
ITALY			
Funds and management and unit-linked policies	63,072.9	69,743.0	(9.6%)
Other insurance products	1,861.4	1,778.0	4.7%
Bank funding	29,476.7	27,421.6	7.5%
BANCA MEDIOLANUM	94,411.0	98,942.6	(4.6%)
SPAIN	8,872.0	8,936.6	(0.7%)
GERMANY	373.9	480.6	(22.2%)
TOTAL FOREIGN	9,245.8	9,417.2	(1.8%)
TOTAL ASSETS UNDER ADMINISTRATION AND MANAGEMENT	103,656.8	108,359.8	(4.3%)

At 31 December 2022, assets under administration stood at €103,656.8 million, a decrease on the figure at the end of 2021 (31/12/2021: €108,359.8 million).

The change is mainly due to the decrease in "Funds and management and unit-linked policies" of €4,531.6 million compared with 31 December 2021, due to the tensions on the financial markets during 2022.

INFLOWS AND ASSETS BY OPERATING SEGMENT

A breakdown of inflow volumes and assets under administration in relation to the operating segments is provided below.

ITALY – Banking

The breakdown of assets under administration, amounting to €29,476.7 million, summarised using management criteria, is as follows:

€/m	31/12/2022	31/12/2021	Change (%)
Current account deposits	23,337.8	22,388.4	4.2%
Banca Mediolanum bonds	-	-	n.s.
Third party structured bonds	2,125.2	1,432.1	48.4%
Securities custody and administration	3,993.4	3,583.1	11.5%
Repurchase agreements	20.3	18.0	12.8%
Total assets under administration	29,476.7	27,421.6	7.5%

The number of current accounts was 1,254,408, including 89,159 deposit accounts, up by 70,985 compared with the figure for 2021 (1,183,423).

ITALY – Asset management

Net inflows

€/m	31/12/2022	31/12/2021	Change (%)
"Best Brands" funds of funds	1,183.8	1,234.4	(4.1%)
"Challenge" funds	428.1	516.1	(17.0%)
Other Italian mutual funds	(433.5)	(1,079.7)	(59.8%)
Third-party funds and other management	700.8	936.2	(25.1%)
Total direct inflows in mutual funds	1,879.2	1,607.0	16.9%
Funds included in "My Life" unit-linked	1,624.3	3,029.1	(46.4%)
Funds included in other unit-linked	784.1	1,251.0	(37.3%)
Total indirect inflows in mutual funds	2,408.4	4,280.2	(43.7%)
Total mutual funds and management	4,287.6	5,887.2	(27.2%)

Total net inflows in mutual funds and management amounted to €4,287.6 million, down compared with the previous year (31/12/2021: +€5,887.2 million).

The change was mainly due to higher indirect net inflows into the mutual funds included in My Life and into the other unit-linked products registered in the last year.

Assets managed

Assets under management in mutual funds, summarised using management criteria, can be broken down as follows:

€/m	31/12/2022	31/12/2021	Change (%)
"Best Brands" funds of funds	24,229.6	26,211.6	(7.6%)
"Portfolio" funds of funds	-	-	n.s.
"Challenge" funds	18,028.9	19,699.4	(8.5%)
Hedge funds of funds	36.6	40.1	(8.7%)
Other Italian mutual funds	6,773.3	8,325.8	(18.6%)
Real estate funds	205.2	244.3	(16.0%)
Third-party funds and other management	6,529.6	6,877.2	(5.1%)
Adjustments for Group funds included in funds of funds and management	(490.1)	(409.2)	19.8%
<i>Funds included in "My Life" unit-linked</i>	<i>12,295.3</i>	<i>12,750.3</i>	<i>(3.6%)</i>
<i>Funds included in other unit-linked</i>	<i>17,533.3</i>	<i>19,665.1</i>	<i>(10.8%)</i>
Sub-total unit-linked funds	29,828.5	32,415.4	(8.0%)
Adjustments for own funds included in unit-linked	(22,068.7)	(23,661.3)	(6.7%)
Total assets mutual funds and management	63,072.9	69,743.2	(9.6%)

At 31 December 2022, assets under management amounted to €63,072.9 million, a decrease compared with the end of 2021 (31/12/2021: €69,743.2 million).

The change is primarily due to the negative performance of the financial markets in 2022, net of the positive effect of the net inflows recorded during the year.

ITALY – Insurance

INSURANCE

Assets managed

€/m	31/12/2022	31/12/2021	Change (%)
Unit-linked products	29,828.5	32,415.0	(8.0%)
Traditional products	1,861.4	1,778.0	4.7%
Total life assets	31,689.9	34,193.0	(7.3%)

Total assets managed amounted to €31,689.9 million, down 7.3% compared with the previous year (31/12/2021: €34,193.0 million).

The table below shows the breakdown of insurance business at 31 December 2022:

Insurance business

€/m	31/12/2022	31/12/2021	Chge (%)
Multi-year and recurring premiums	107.8	107.1	0.6%
Single premium and group policies	3,198.7	5,205.8	(38.6%)
Total new business	3,306.5	5,312.9	(37.8%)
Subsequent premiums – pension plans	585.5	556.5	5.2%
Subsequent premiums – other products	395.4	397.3	(0.5%)
Total portfolio	980.9	953.8	2.8%
Total gross premiums	4,287.4	6,266.7	(31.6%)

New business amounted to €3,306.5 million, down compared with the previous period (by €5,312.9 million). It should be noted that the gross premiums shown in the table include premium income relating to “financial” products.

Insurance settlements

The table below details the settlements recorded at the end of the year under review:

€/m	31/12/2022	31/12/2021	Chge (%)
Claims	265.8	245.8	8.1%
Coupons	58.1	57.6	0.8%
Expired	596.2	527.1	13.1%
Surrenders	968.7	1,158.3	(16.4%)
Total settlements	1,888.7	1,988.8	(5.0%)

It should be noted that the settlements shown in the table include those relating to “financial” products.

NON-LIFE

Inflows from direct premiums written breaks down as follows:

€/m	31/12/2022	31/12/2021	Change	Chge (%)
Class - 01 Accident	27.5	25.5	2.0	7.8%
Class - 02 Sickness	69.9	62.3	7.6	12.2%
Class - 08 Fire	14.0	12.9	1.1	8.5%
Class - 09 Other Damage to Property	5.3	4.6	0.7	15.2%
Class - 13 General TPL	5.0	4.4	0.6	13.6%
Class - 16 Miscellaneous Financial Loss	3.2	3.0	0.2	6.7%
Class - 17 Legal Protection	0.3	-	0.3	n.s.
Class - 18 Assistance	2.1	1.7	0.4	23.5%
Total direct premiums written	127.3	114.4	12.9	11.3%

At 31 December 2022, the volume of premiums written was €127.3 million (31/12/2021: €114.4 million), an increase of 11.3%.

SPAIN

€/m	31/12/2022	31/12/2021	Change vs Dec-2021	Change (%) vs Dec-2021
Assets under administration:	8,872.0	8,936.6	(64.6)	(0.7%)
<i>Assets under management</i>	<i>6,092.0</i>	<i>6,523.5</i>	<i>(431.5)</i>	<i>(6.6%)</i>
<i>Assets under administration</i>	<i>2,779.9</i>	<i>2,413.1</i>	<i>366.8</i>	<i>15.2%</i>
	31/12/2022	31/12/2021	Change vs Dec-2021	Change (%) vs Dec-2021
Gross inflows assets under management:	2,475.5	2,608.0	(132.5)	(5.1%)
Net inflows:	1,017.7	1,258.8	(241.1)	(19.2%)
<i>Assets under management</i>	<i>689.6</i>	<i>935.0</i>	<i>(245.3)</i>	<i>(26.2%)</i>
<i>Assets under administration</i>	<i>328.1</i>	<i>323.8</i>	<i>4.3</i>	<i>1.3%</i>

Assets under administration amounted to €8,872.0 million, compared with €8,936.6 million at 31 December 2021, a decrease of 0.7%.

Net inflows at the end of the period came to €1,017.7 million, down compared with the previous year (31/12/2021: €1,258.8 million).

GERMANY

€/m	31/12/2022	31/12/2021	Change	Change (%)
Assets under administration:	373.9	480.6	(106.7)	(22.2%)
<i>Assets under management</i>	<i>373.9</i>	<i>480.6</i>	<i>(106.7)</i>	<i>(22.2%)</i>
	31/12/2022	31/12/2021	Change	Change (%)
Net inflows:	(21.1)	(33.5)	12.4	(37.0%)
<i>Assets under management</i>	<i>(21.1)</i>	<i>(33.5)</i>	<i>12.4</i>	<i>(37.0%)</i>

Assets under administration amounted to €373.9 million, down 22.2% compared with the end of 2021 (31/12/2021: €480.6 million).

Net inflows came in at -€21.1 million, an improvement on the figure for the comparative period (31/12/2021: -€33.5 million).

With regard to the German subsidiary, it should be recalled that the company returned its banking licence to the German Supervisory Authority on 7 November 2022. For more information, see the relevant section of the Report on Operations.

THE SALES NETWORKS

Units	31/12/2022	31/12/2021	Change	Change (%)
ITALY - BANCA MEDIOLANUM	4,434	4,258	176	4.1%
SPAIN	1,620	1,504	116	7.7%
Total	6,054	5,762	292	5.1%

Overall, the sales network comprised 6,054 individuals (31/12/2021: 5,762 individuals).

As at 31 December 2022, the financial advisors of Banca Mediolanum S.p.A. numbered 4,434, an increase compared with the end of 2021 (4,258 individuals).

RECLASSIFIED CONSOLIDATED INCOME STATEMENT AT 31 December 2022*

€/000	31/12/2022	31/12/2021	Change	
			value c=a-b	(%) c/b
	a	b		
Entry fees	42,209	54,002	(11,793)	(21.8%)
Management fees	1,273,188	1,262,369	10,819	0.9%
Investment management fees	196,767	192,887	3,880	2.0%
Net insurance revenues (ex U-L commissions)	85,385	60,500	24,885	41.1%
Banking service fees	157,567	150,298	7,269	4.8%
Other fees	45,603	45,763	(160)	(0.4%)
Gross commission income	1,800,719	1,765,819	34,900	2.0%
Acquisition costs	(676,990)	(698,384)	21,394	(3.1%)
Other commission expenses	(95,893)	(108,292)	12,399	(11.4%)
Total commission expense	(772,883)	(806,676)	33,793	(4.2%)
Net commission income	1,027,836	959,143	68,693	7.2%
Net interest income	406,998	270,180	136,818	50.6%
Net income on other investments	6,610	19,104	(12,494)	(65.4%)
LLP (impairment on loans)	(21,481)	(22,824)	1,343	(5.9%)
Other revenues and expenses	7,359	7,323	36	0.5%
CONTRIBUTION MARGIN	1,427,322	1,232,927	194,395	15.8%
G&A expenses	(654,843)	(594,506)	(60,337)	10.1%
Regular contributions to banking industry	(32,224)	(28,048)	(4,176)	14.9%
Depreciation & amortization	(40,794)	(39,013)	(1,781)	4.6%
Provisions for risk and charges	(19,173)	(68,776)	49,603	(72.1%)
TOTAL COSTS	(747,034)	(730,343)	(16,691)	2.3%
OPERATING MARGIN	680,288	502,584	177,704	35.4%
Performance fees	12,753	347,743	(334,990)	(96.3%)
Net income on investments at fair value	(13,691)	66,594	(80,285)	n.s.
MARKET EFFECTS	(938)	414,337	(415,275)	n.s.
Extraordinary contributions and guarantee funds	(10,465)	(7,627)	(2,838)	37.2%
Other extraordinary items	(7,300)	(18,824)	11,524	(61.2%)
EXTRAORDINARY ITEMS	(17,765)	(26,451)	8,686	(32.8%)
PROFIT BEFORE TAX	661,585	890,470	(228,885)	(25.7%)
Taxes for the year	(139,782)	(177,414)	37,632	(21.2%)
NET INCOME	521,803	713,056	(191,253)	(26.8%)

(*) This income statement has been prepared in a format that reflects the Group's management system, which provides for the reclassification of the components of profit before tax by type, presenting financial revenues and expenses relating to assets and liabilities for which the investment risk is borne by policyholders under "Net insurance income".

It should also be noted that for a correct reading of the tables relating to economic performance, an increase in cost items will have an absolute negative change and a positive percentage change; conversely, a decrease in cost items will have an absolute positive change and a negative percentage change.

Summary of operating performance in 2022

€/m	31/12/2022	31/12/2021	Change	Change (%)
Net income for the year	521.8	713.1	(191.3)	(26.8%)
of which:				
Commission income	1,800.7	1,765.8	34.9	2.0%

Commission income for the year was €1,800.7 million, compared with €1,765.8 million in the comparative period. In particular, net insurance income increased (+€24.9 million compared with the previous year), mainly due to the release of technical provisions for life products, due to the increase in interest rates. Recurring revenues also increased (+€14.7 million), as did fees from banking services and the distribution of certificates by Banca Mediolanum (+€7.3 million).

Acquisition costs	(677.0)	(698.4)	21.4	(3.1%)

Acquisition costs decreased slightly, by €21.4 million, compared with the comparative period, primarily due to fewer forms of incentive commensurate with the achievement of commercial objectives.

Net interest income	407.0	270.2	136.8	50.6%

Net interest income increased sharply compared with the previous period (+€136.8 million). The change was primarily due to the trend in market rates on retail loans (+€68.0 million), the growth in average loans and, with regard to assets from treasury loans (+€62.8 million), the trend in yields and, secondarily, the growth of the securities portfolio.

Net income on other investments	6.6	19.1	(12.5)	(65.4%)

The decrease in the item **Net income on other investments** is mainly due to the write-downs on certain properties owned by the Group, including a write-down of €16.4 million on the property in Rome owned by subsidiary Mediolanum Vita.

LLP (impairment on loans)	(21.5)	(22.8)	1.3	(5.9%)

Impairment on loans decreased by €1.3 million compared with 2021. In particular, there were lower individual write-downs of non-performing loans, partially offset by greater collective write-downs in relation to the increase in volumes.

G&A expenses	(654.8)	(594.5)	(60.3)	10.1%

G&A expenses increased by €60.3 million compared with the comparative period. In particular, there were higher staff costs (+€18.2 million compared with the comparative period), due in particular to the increased average headcount (+€233 resources) and higher administrative expenses, mainly related to technology, for the development of new design areas, and expenses for commercial support initiatives.

Provisions for risk and charges	(19.2)	(68.8)	49.6	(72.1%)

Net provisions for risk and charges decreased by €49.6 million on the previous period. The change mainly reflects the increase in discounting rates in 2022.

Market effects	(0.9)	414.3	(415.3)	n.s.
of which:				
Performance fees	12.8	347.7	(335.0)	(96.3%)
Net income on investments at fair value	(13.7)	66.6	(80.3)	n.s.

Market effects as a whole decreased significantly due to negative trends in the financial markets, which also affected lower performance fees recognised in the period under review (-€335 million compared with the previous period). Note that the previous period benefited from the revaluation of the NEXI S.p.A. equity interest of +€44.6 million held by Banca Mediolanum (-€50.2 million at 31 December 2022).

Extraordinary items	(17.8)	(26.5)	8.7	(32.8%)
of which:				
Extraordinary contributions and guarantee funds	(10.5)	(7.6)	(2.8)	37.2%
Other extraordinary items	(7.3)	(18.8)	11.5	(61.2%)

Extraordinary items improved by €8.7 million compared with the previous year. Note that other extraordinary items include the write-down following the impairment testing of the goodwill allocated to the Prexta CGU. For more information, see the relevant section of the Report on Operations.

Note that the previous period included the one-off production bonus set aside for all employees and contractors due to the results achieved.

INCOME STATEMENT AT 31 December 2022 BY COUNTRY AND BUSINESS AREA

Comments on the changes in the income statement by country and business area, with any reclassification of comparatives, are provided below. While revenues can be originally and directly allocated to products and, through aggregation, to the Areas of Responsibility (AoR), costs underwent an allocation process according to the varying degrees to which they could be assigned to the products and the nature of the underlying processes:

- **Direct costs**, which can be attributed to the products according to the individual processed parts.
- **Indirect costs allocated to the Result Areas**, assigned to the products according to their correlation with the production of commercial volumes: costs related to the marketing and commercial support processes.
- **Unallocated indirect costs**: costs of a strictly administrative nature, or costs related to control or infrastructure processes, the allocation of which to the products/Result Areas entailed the use of estimates.

The details of IFRS 8 are set out in the relevant section of the notes (Part L – Segment reporting).

ITALY – BANKING SEGMENT

€/000	31/12/2022	31/12/2021	Change	Chge (%)
Banking service fees	149,086	133,809	15,277	11.42%
Other fees	4,799	4,642	157	3.4%
Gross commission income	153,885	138,451	15,434	11.1%
Acquisition costs	(101,608)	(94,429)	(7,179)	7.6%
Other commission expenses	(31,204)	(29,916)	(1,288)	4.3%
Total commission expense	(132,812)	(124,345)	(8,467)	6.8%
Net commission income	21,073	14,106	6,967	49.4%
Net interest income	369,505	263,115	106,390	40.4%
Net income on other investments	(789)	657	(1,446)	n.s.
LLP (impairment on loans)	(20,393)	(22,275)	1,882	(8.4%)
Other revenues and expenses	(2,768)	(3,100)	332	(10.7%)
LEVEL I CONTRIBUTION MARGIN	366,628	252,502	114,126	45.2%
Allocated costs	(215,903)	(187,190)	(28,713)	15.3%
Regular contributions to banking industry	(28,574)	(25,140)	(3,434)	13.7%
LEVEL II CONTRIBUTION MARGIN	122,151	40,172	81,979	n.s.
OPERATING MARGIN	122,151	40,172	81,979	n.s.
Net income on investments at fair value	(11,826)	66,708	(78,534)	n.s.
MARKET EFFECTS	(11,826)	66,708	(78,534)	n.s.
Extraordinary contributions and guarantee funds	(10,465)	(7,627)	(2,838)	37.2%
Other extraordinary items	(7,300)	-	(7,300)	n.s.
EXTRAORDINARY ITEMS	(17,765)	(7,627)	(10,138)	n.s.
PROFIT BEFORE TAX	92,560	99,253	(6,693)	(6.7%)

Profit before tax for the Italy – Banking segment was €92.6 million, compared with €99.3 million in 2021. This decrease was mainly due to the revaluation of the shares of Nexi S.p.A. (formerly SIA S.p.A.) in the comparative period (+€44.6 million), recorded under net income on investments at fair value, largely offset by the growth in net interest income (+€106.4 million).

Commission income stood at €153.9 million, up by €15.4 million year on year. The increase was mainly due to the distribution of certificates of €1,095 million, compared with the distribution of €871 million in 2021.

Acquisition costs increased by €7.2 million, primarily due to the following effects: the increase of €1.3 million in commissions relating to the placement of structured bonds and the increase of €4.0 million in recurring commission expenses paid on products in the administered segment, due to the growth in retail deposits.

Net interest income stood at €369.5 million, up by €106.4 million compared with the previous period, buoyed by the increase in loans to customers and the treasury portfolio.

Allocated costs increased by €28.7 million. These reflect an increase in the costs related to commercial volumes and the bond issue of €10.6 million (certificate distribution, receivables stock, customer services of the customer banking centre). In addition, expenses relating to subsidiaries Flowe and Prexta increased by €6.6 million and €1.0 million, respectively. Lastly, there was an increase due to higher marketing and support costs for the sales network, in line with commercial trends in the period (€4.0 million), as well as an increase in IT costs due to the growth of the customer base (€5.8 million).

The item **Regular contributions to banking industry** increased by €3.4 million due to requests for contributions from the Single Resolution Fund (€2.3 million) and the Interbank Deposit Protection Fund (€1.1 million) due to higher contribution requests received for 2022.

Market effects were approximately -€11.8 million, down by €78.5 million compared with 2021. The decrease compared with the comparative period is mainly due to the different contribution of the NEXI stock, which in 2021 had an effect of +€44.6 million, while in 2022 it had a negative contribution of €50.2 million, partially offset by revenues from trading, which benefited from the trend in rates.

Extraordinary items, up by €10 million euros compared with the comparative period, include the write-down of goodwill allocated to the Prexta CGU of 7.3 million euros and an increase in extraordinary contributions and guarantee funds of €2.8 million paid to rescue banks in difficulty.

ITALY SEGMENT – ASSET MANAGEMENT

€/000	31/12/2022	31/12/2021	Change	Chge (%)
Entry fees	29,009	38,251	(9,242)	(24.2%)
Management fees	579,860	599,504	(19,644)	(3.3%)
Investment management fees	106,064	104,911	1,152	1.1%
Other fees	23,169	24,789	(1,620)	(6.5%)
Gross commission income	738,102	767,456	(29,354)	(3.8%)
Acquisition costs	(245,079)	(255,016)	9,937	(3.9%)
Other commission expenses	(29,566)	(34,607)	5,041	(14.6%)
Total commission expense	(274,645)	(289,622)	14,978	(5.2%)
Net commission income	463,457	477,834	(14,377)	(3.0%)
Net interest income	(14,515)	(13,360)	(1,155)	8.6%
Net income on other investments	139	129	11	8.4%
Other revenues and expenses	(1,300)	(1,072)	(227)	21.2%
LEVEL I CONTRIBUTION MARGIN	447,782	463,530	(15,748)	(3.4%)
Allocated costs	(88,120)	(76,378)	(11,742)	15.4%
LEVEL II CONTRIBUTION MARGIN	359,662	387,152	(27,490)	(7.1%)
OPERATING MARGIN	359,662	387,152	(27,490)	(7.1%)
Performance fees	8,404	197,120	(188,715)	(95.7%)
Net income on investments at fair value	(29)	(121)	92	(75.7%)
MARKET EFFECTS	8,375	196,998	(188,623)	(95.7%)
SEGMENT MARGIN BEFORE TAX	368,037	584,150	(216,113)	(37.0%)

The **profit before tax** of the Italy - Asset Management segment came in at €368.0 million, compared with the previous year's result of €584.2 million. The delta was mainly due to a decrease in performance fees (-€188.7 million).

Commission income for the period was €738.1 million, down €29.4 million compared with 2021. The decrease was due to lower entry fees, representing lower segment inflows, in addition to lower management fees, which in turn were affected by lower assets under management compared with the comparative period.

Acquisition costs decreased by €9.9 million compared with the previous period. The decrease was almost entirely related to the decrease in entry fees of €5.9 million and the decrease in the recurring remuneration of the sales network.

Allocated costs increased by €11.7 million compared with the comparative period, reflecting the increase of €7.8 million in the cost of marketing and support for the sales network, in line with commercial trends in the period, as well as the increase in the costs of the Irish subsidiary of €3.3 million.

Market effects decreased by €188.6 million compared with the same period a year earlier, due to lower performance fees.

ITALY SEGMENT – INSURANCE

€/000	31/12/2022	31/12/2021	Change	Chge (%)
Management fees	587,265	561,765	25,500	4.5%
Investment management fees	74,788	72,746	2,043	2.8%
Net insurance revenues (ex U-L commissions)	59,167	40,301	18,866	46.8%
Other fees	11,108	10,694	414	3.9%
Gross commission income	732,328	685,505	46,823	6.8%
Acquisition costs	(259,553)	(276,779)	17,225	(6.2%)
Other commission expenses	(23,369)	(23,827)	458	(1.9%)
Total commission expense	(282,922)	(300,606)	17,684	(5.9%)
Net commission income	449,406	384,900	64,507	16.8%
Net interest income	17,280	1,823	15,458	n.s.
Net income on other investments	(10,369)	2,379	(12,749)	n.s.
Other revenues and expenses	2,274	3,525	(1,251)	(35.5%)
LEVEL I CONTRIBUTION MARGIN	458,591	392,627	65,964	16.8%
Allocated costs	(115,498)	(102,855)	(12,644)	12.3%
LEVEL II CONTRIBUTION MARGIN	343,093	289,772	53,321	18.4%
OPERATING MARGIN	343,093	289,772	53,321	18.4%
Performance fees	3,822	123,953.4	(120,132)	(96.9%)
Net income on investments at fair value	(1,663)	(702.3)	(961)	n.s.
MARKET EFFECTS	2,158	123,251	(121,093)	(98.2%)
SEGMENT MARGIN BEFORE TAX	345,251	413,023	(67,772)	(16.4%)

The **profit before tax** of the Italy - Insurance segment came in at €345.3 million, down by €67.8 million compared with €413.0 million in 2021. The decrease was mainly due to the decrease in performance fees of €120.1 million, partially offset by the increase in net commission income (€64.5 million).

Commission income for the period was €732.3 million, up by €46.8 million compared with the previous period. Of the increase, €27.5 million was due to recurring commissions, as a result of the increase in the assets under management of the segment and the net result of insurance income (+€18.9 million), which was mainly due to a positive trend in life technical provisions related to the increase in interest rates.

Net interest income increased by €15.5 million compared with 2021, due to greater contributions from coupon interest.

Acquisition costs decreased by €17.2 million compared with the comparative period. This was mainly due to lower commission expenses allocated to the incentive remuneration of €22.4 million, partially offset by higher management fees on existing policies of €10.6 million.

Allocated costs increased by €12.6 million compared with the comparative period, reflecting the increase of €8.5 million in the cost of marketing and support for the sales network, in line with commercial trends in the period, as well as the increase in the costs of the Irish subsidiary of €3.4 million. Finally, there was an increase in the cost of supervisory contributions of approximately €1.0 million.

Market effects decreased by €121.1 million, mainly due to lower performance fees.

ITALY SEGMENT– OTHER

€/000	31/12/2022	31/12/2021	Change	Chge (%)
Other fees	3,560	2,891	669	23.1%
Acquisition costs	(50)	768	(818)	n.s.
Net commission income	3,510	3,659	(149)	(4.1%)
Net interest income	6	-	6	n.s.
Net income on other investments	17,685	15,844	1,840	11.6%
Other revenues and expenses	4,245	3,444	801	23.2%
LEVEL I CONTRIBUTION MARGIN	25,445	22,948	2,497	10.9%
Allocated costs	(5,093)	(4,766)	(328)	6.9%
LEVEL II CONTRIBUTION MARGIN	20,352	18,182	2,170	11.9%
OPERATING MARGIN	20,352	18,182	2,170	11.9%
SEGMENT MARGIN BEFORE TAX	20,352	18,182	2,170	11.9%

The **Italy – Other segment** comprises miscellaneous financial items not directly attributable to the other lines of business or relating to common activities. The segment increased by €2.2 million due to the higher dividend received by Mediobanca (+€2.0 million).

SPAIN SEGMENT

€/000	31/12/2022	31/12/2021	Change	Chge (%)
Entry fees	13,200	15,751	(2,551)	(16.2%)
Management fees	98,455	92,185	6,270	6.8%
Investment management fees	14,765	13,866	899	6.5%
Net insurance revenues (ex U-L commissions)	26,526	20,130	6,396	31.8%
Banking service fees	8,423	7,626	797	10.5%
Other fees	2,639	2,353	286	12.2%
Gross commission income	164,008	151,911	12,097	8.0%
Acquisition costs	(67,645)	(69,006)	1,361	(2.0%)
Other commission expenses	(10,913)	(12,177)	1,264	(10.4%)
Total commission expense	(78,558)	(81,183)	2,625	(3.2%)
Net commission income	85,450	70,728	14,722	20.8%
Net interest income	34,602	19,096	15,506	81.2%
Net income on other investments	(134)	95	(229)	n.s.
LLP (impairment on loans)	(1,051)	(646)	(405)	62.7%
Other revenues and expenses	4,556	3,023	1,533	50.7%
LEVEL I CONTRIBUTION MARGIN	123,423	92,296	31,127	33.7%
Allocated costs	(55,688)	(46,892)	(8,796)	18.8%
Regular contributions to banking industry	(3,614)	(2,709)	(905)	33.4%
LEVEL II CONTRIBUTION MARGIN	64,121	42,695	21,426	50.2%
Depreciation & amortization	(6,164)	(5,347)	(817)	15.3%
Provisions for risk and charges	(4,763)	(1,574)	(3,189)	n.s.
OPERATING MARGIN	53,194	35,774	17,420	48.7%
Performance fees	492	21,591	(21,099)	(97.7%)
Net income on investments at fair value	(160)	722	(882)	n.s.
MARKET EFFECTS	332	22,313	(21,981)	(98.5%)
Other extraordinary items	-	(3,825)	3,825	n.s.
EXTRAORDINARY ITEMS	-	(3,825)	3,825	n.s.
SEGMENT MARGIN BEFORE TAX	53,526	54,262	(736)	(1.4%)

The **pre-tax profit** of the Spain segment was €53.5 million, in line with the result for the comparative period.

Commission income rose from €151.9 million in 2021 to €164.0 million in the reporting period. This trend was mainly due to the increase in recurring commissions (+€7.3 million), driven by the increase in assets under management and net insurance revenues (+€6.4 million), due to the favourable trend in technical provisions and the commercial results of insurance business products.

Commission expense grew in line with the growth in revenues and sales results for the period.

Net interest income amounted to approximately €34.6 million, up €15.5 million compared with the comparative period, driven by growth in treasury portfolio yields and credit volumes.

Allocated costs, which represent the total G&A expenses for the segment, increased by €8.8 million on the previous year. This difference is mainly attributable to: higher staff costs of €1.5 million (an average of 26 additional resources), an increase in commercial costs of €1.1 million due to the resumption of in-person

marketing and training activities and an increase of €4,9 million in operations, outsourced services, credit disbursement and IT.

GERMANY SEGMENT

€/000	31/12/2022	31/12/2021	Change	Chge (%)
Management fees	7,608	8,915	(1,307)	(14.7%)
Investment management fees	1,150	1,364	(214)	(15.7%)
Net insurance revenues (ex U-L commissions)	(308)	69	(377)	n.s.
Banking service fees	58	8,863	(8,805)	(99.3%)
Other fees	328	394	(66)	(16.8%)
Gross commission income	8,836	19,605	(10,769)	(54.9%)
Acquisition costs	(3,055)	(3,923)	868	(22.1%)
Other commission expenses	(841)	(7,765)	6,924	(89.2%)
Total commission expense	(3,896)	(11,688)	7,792	(66.7%)
Net commission income	4,940	7,917	(2,977)	(37.6%)
Net interest income	119	(494)	613	n.s.
Net income on other investments	79	-	79	n.s.
LLP (impairment on loans)	(37)	97	(134)	n.s.
Other revenues and expenses	352	1,504	(1,152)	(76.6%)
LEVEL I CONTRIBUTION MARGIN	5,453	9,024	(3,571)	(39.6%)
Allocated costs	(6,720)	(12,433)	5,713	(46.0%)
Regular contributions to banking industry	(36)	(199)	163	(81.9%)
LEVEL II CONTRIBUTION MARGIN	(1,303)	(3,608)	2,305	(63.9%)
Depreciation & amortization	(126)	(409)	283	(69.2%)
OPERATING MARGIN	(1,429)	(4,017)	2,588	(64.4%)
Performance fees	35	5,079	(5,044)	(99.3%)
Net income on investments at fair value	(12)	(12)	-	0.0%
MARKET EFFECTS	23	5,067	(5,044)	(99.5%)
Other extraordinary items	-	(121)	121	n.s.
EXTRAORDINARY ITEMS	-	(121)	121	n.s.
SEGMENT MARGIN BEFORE TAX	(1,406)	929	(2,335)	n.s.

The margin before tax of the Germany segment was -€1.4 million, compared with the result for 2021 of +€0.9 million. In June 2022, the sale of the ATM Payment Services business unit of the German subsidiary was completed. This transaction is reflected in this report and mainly affected banking service fees, other commission expenses and allocated costs.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Transactions with related parties, including intercompany transactions, cannot be classed as atypical or unusual, as they are part of the normal course of Group operations. These transactions are settled under market conditions, taking into account the characteristics of the goods and services provided. In accordance with the provisions of Article 2391-bis of the Italian Civil Code, Article 71-bis of Consob Regulation 11971/99 (Regulation for Issuers) and the recommendations of the Corporate Governance Code, adopted by the Company by specific resolutions of the Board of Directors, the treatment of transactions with related parties is described in the relevant section of the notes.

SHAREHOLDERS' EQUITY, TREASURY SHARES AND DIVIDENDS

At 31 December 2022, the share capital amounted to €600,452 thousand (31/12/2021: €600,370 thousand) divided into 742,105,815 shares with no par value. The number of treasury shares in the portfolio was 4,858,190 shares for a total of €33,146 thousand (31/12/2021: -€38,644 thousand).

Shareholders' equity at the end of the 2022 financial year was €2,935 million, compared with €2,883 million a year earlier.

With regard to the allocation of earnings for 2021, it should be recalled that the Shareholders' Meeting of 7 April 2022 resolved to distribute a dividend of €0.58, of which €0.23 had already been distributed as an interim dividend in November 2021.

On 26 April 2022, the balance of €0.35 per eligible ordinary share was therefore distributed.

CAPITAL ADEQUACY OF THE MEDIOLANUM FINANCIAL CONGLOMERATE AND OWN FUNDS AT 31 DECEMBER 2022⁷

The current level of own funds and risk-weighted assets allows the Mediolanum Group to comply with both the regulatory thresholds and the specific thresholds required by the Supervisory Body after carrying out the Supervisory Review and Evaluation Process (SREP). The Group's capital adequacy is based on the continuous monitoring and management of capital ratios in order to verify compliance with regulatory limits and ensure the maintenance of the minimum capitalisation levels required by the Supervisory Authority.

At 31 December 2022, the calculation of the capital adequacy of the Financial Conglomerate, Banca Mediolanum S.p.A., determined in accordance with the additional supervisory provisions in force, showed that, with capital requirements of €2,338 million, the capital resources of the conglomerate to cover the required margin amounted to €2,940 million, with a surplus of €602 million (€611 million at 31 December 2021).

The Mediolanum Group determined consolidated own funds for supervisory purposes and the related capital ratios in accordance with the regulations in force (Regulation (EU) 575/2013, the Basel 3 regulations, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR2) of 20 May 2019). At the end of 2022, the Common Equity Tier 1 Ratio (CET1) was 20.6% (20.9% at 31 December 2021). Own funds totalled €2,555.7 million (31/12/2021: €2,361.4 million) while RWAs (risk-weighted assets) amounted to €12,405.6 million (31/12/2021: €11,273.5 million).

CET1 was determined by considering the profit for the year of €521.8 million, net of the planned distribution of dividends of €369.0 million. The profit for the year calculated therefore amounted to €152.8 million.

⁷ The values set out in this report may be updated during the supervisory authority reporting phase.

Reconciliation between the shareholders' equity of the Parent Company and consolidated shareholders' equity

€/000	Share capital and reserves	Profit	Shareholders' equity
Financial statements of the Parent Company at 31/12/2022	2,417,198	516,777	2,933,975
Derecognition of intercompany transaction effects	-	239	239
Other transactions	(3,622)	4,787	1,165
Consolidated financial statements at 31/12/2022	2,413,576	521,803	2,935,380

OTHER INFORMATION

Impairment testing - Goodwill

The goodwill recorded in the consolidated financial statements relates to the Spain, Italy (life) and Prexta (formerly EuroCQS S.p.A.) Cash Generating Units (CGUs), in accordance with the Group's business reporting system.

In particular, as in previous years, impairment testing at the level of the consolidated financial statements was performed on the following CGUs:

- > Spain CGU: the goodwill allocated to the CGU includes goodwill relating to Banco Mediolanum of €102.8 million;
- > Italy CGU (life): total goodwill allocated to the CGU of €22.8 million;
- > Prexta CGU: total goodwill allocated to the CGU is €7.3 million.

The assistance of an independent expert was requested for impairment testing for the period ended 31 December 2022. Valuations were therefore made on the basis of estimated future cash flows and up-to-date projections, using methodology criteria from those proposed by the prevailing doctrine and used in professional practice that were deemed most suitable for the purpose and applicable to the case in question, taking into account the recommendations of the relevant accounting standards.

The impairment process was specifically approved by the Board.

The report issued by the independent expert and adopted by the Bank states that, in the light of the results obtained, it is necessary to write down in full the goodwill relating to the PREXTA CGU (equal to €7.3 million) recognised in the consolidated financial statements of the Mediolanum Group.

For the sake of completeness, it should be noted that, with respect to the Italy Life CGU, recoverability was verified, as a practical expedient, by referring to fair value, i.e. the overall price of the Banca Mediolanum stock, as was also done in 2021.

Equity investment in the German subsidiary, August Lenz

With regard to the equity investment in the German subsidiary, August Lenz, note that an agreement was signed in December 2021 for the sale of the ATM Payment Services business unit. This transaction was completed in June 2022.

It should also be noted that, with effect from 7 November 2022, the company – which, on 12 October 2022, gave up its banking licences pursuant to Section 32 of the German Banking Act – was cancelled by the Mediolanum Group.

At 31 December 2022, the costs incurred by the company to meet disposal costs were €3.1 million. These were absorbed by the provision for risk and charges, the remainder of which was €14.6 million at 31 December 2022, which is consistent with the hypothetical scenarios. For this reason, it was not deemed necessary to make further provisions.

Tax dispute

Banca Mediolanum

With regard to the tax dispute reported in previous financial statements, on 24 April 2020 the Major Taxpayers Office of the Regional Tax Department for Lombardy served Banca Mediolanum with assessment notices for IRES (corporate income tax) and IRAP (regional production tax) purposes concerning transfer prices for 2015. These assessment notices – which present identical charges to those of previous years – claim total additional taxable income of €94.6 million, including €23.5 million due to a recalculation from 57.43% to 64.25% of the retrocession of the management fees of the mutual funds promoted by the subsidiary Mediolanum International Funds and placed in Italy by the bank, as well as additional taxable income of €70.3 million deriving from the allocation to the bank of 23.83% of the performance fees. In total, additional taxes of €31.2 million were charged (including IRES of €26.0 million and IRAP of €5.2 million). Subsequently, on 8 May 2020, further assessment notices were served for the year 2016, claiming total additional taxable income of €70.6 million, including €24.4 million due to a recalculation from 57.43% to 64.25% of the retrocession of management fees, as well as an additional taxable income of €46.2 million deriving from the allocation to the bank of 21.1% of the performance fees. In total, additional taxes of €23.3 million were charged (including IRES of €19.4 million and IRAP of €3.9 million).

In view of the subjective nature of the charges and the diligent work done by the Company, which prepared the documentation provided for by transfer pricing legislation, the Italian Agency of Revenue has ruled that the administrative tax penalties do not apply. The Company appealed the assessment notices before the Milan Provincial Tax Commission.

These assessment notices were also issued under the framework settlement agreement signed on 18 December 2018 between the companies of the Mediolanum Group concerned and the Revenue Agency. Accordingly, the receipt of the assessment notices was expected and does not change the risk assessment and the consequent provisioning, as also determined at the time of approval of the previous financial statements. The Company therefore continued to provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.

It should be noted that no allocation has been made in relation to the allocation of performance fees to the bank.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for initiation of the Mutual Agreement Procedure ("MAP") provided for by the European Arbitration Convention 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.

With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy. This application was declared admissible by the competent Italian authorities on 11 November 2020.

For the years 2019 to 2023, recourse was instead made to the Advanced Pricing Agreement (by application submitted on 1 August 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.

No updates were made to the above during 2022.

As at 31 December 2022, the total provision set aside by Banca Mediolanum in connection with the above dispute was €39.2 million and the charge for the period in question was €5.4 million.

Mediolanum Vita

On 5 May 2020, Mediolanum Vita was served IRES and IRAP assessment notices for the year 2015, claiming higher taxable income of approximately €12.8 million, due to the recalculation from 57.43% to 64.25% of the retrocession of the management fees paid to the company by the associate Mediolanum International Funds, corresponding to total taxes of €4.4 million, including €3.5 million in IRES and €0.9 million in IRAP, without the application of penalties. On 8 May 2020, IRES and IRAP assessment notices were then served for 2016. In these notices, the Italian Revenue Agency claims total higher taxes of €4.5 million, of which €3.6 million of IRES and €0.9 million of IRAP. The company has appealed the assessment notices before the Milan Provincial Tax Commission.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for initiation of the Mutual Agreement Procedure ("MAP") provided for by the European Arbitration Convention 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.

With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy.

For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 24 December 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.

As in the preceding year, the Company continued to make provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.

Mediolanum Vita has therefore set aside a provision of €12.9 million, and the charge for the period in question amounts to €1 million.

Finally, it should be recalled that Mediolanum Vita and its Parent Company, Banca Mediolanum, were the subject of a previous inspection procedure relating to the matter in question and concerning the years from 2005 to 2014, which was settled in December 2015 by paying a total of €120.2 million in taxes. Mediolanum International Funds applied to the Irish tax authority – thus far to no avail – for a refund of taxes paid corresponding to the higher taxable amounts assessed in Italy, for a maximum value of approximately €41 million.

Therefore, the Mediolanum Group has set aside a provision of €52.1 million for the tax dispute described and incurred a charge for 2022 of €6.4 million.

Information referred to in Bank of Italy/Consob/ISVAP document 4 of 3 March 2010

With regard to the joint document No. 4 of 03/03/2010 issued by the controlling bodies Bank of Italy, Consob and ISVAP, which calls directors' attention to full compliance with regulations governing the financial statements and the rules contained in international accounting standards, in order to provide financial information that clearly, fully and promptly reports the risks and uncertainties to which the companies are exposed, the equity available to them and their ability to generate income, the following should be noted:

The Directors of Banca Mediolanum S.p.A. believe that they may reasonably expect that the Company, as well as the companies belonging to the Group in question, will continue to operate as a going concern for the foreseeable future, and therefore the consolidated financial statements for 2022 have been prepared on a going concern basis. They also specify that they have not found any cause for doubt regarding the going concern principle in the Group's financial position or operating performance.

As regards the impairment of assets (IAS 36), as described above, the impairment process adopted required a valuation by an independent expert on the basis of up-to-date multi-annual plans previously approved by the Board of Directors of the subsidiaries and of the Bank. The impairment process was subsequently approved by the Board. In addition to the "Impairment testing of goodwill" section above.

Main risks and uncertainties

Information about the risks and uncertainties to which the Mediolanum Group is exposed is provided in this Report on Operations and in the consolidated notes.

In particular, the risks associated with the performance of the world's economies and financial markets are set out in the Report on Operations in the sections entitled "The macroeconomic scenario" and "The financial markets", and in the "Business outlook" section below.

The "Other information" section and "Part B" of the notes contain a breakdown of the assumptions on which the valuations and forecasts prepared for impairment testing are based.

The main Pillar I risks – already covered by the regulatory requirement required by the supervisory authority – are as follows:

- > credit risk: risk of losses due to default by a counterparty to which there is credit exposure. The definition also includes counterparty risk, which is a particular case in point, and is the risk that the counterparty to a transaction may be in default before the final settlement of the cash flows of a transaction;
- > market risk: risk of changes in the market value of the financial assets in the portfolio due to unexpected changes in market conditions and the issuer's credit rating;

- > liquidity risk: risk of default on payment commitments caused by the inability to procure funds or find them at costs higher than market costs and the presence of limitations on the liquidation of assets;
- > operational risk: risk of losses resulting from the inadequacy or dysfunction of internal procedures, human resources or systems, or from external events;
- > insurance company risk: risk associated with uncertainty around the amount and timing of insurance commitments relating to the business produced by the Group's insurance companies;
- > climate change: climate change is responsible for the increase in extreme natural events and is very likely to have permanent effects on climate conditions, which may inevitably entail significant economic, environmental and social costs. Such events, which create a loss of wealth and income for businesses and households, potentially affect the financial system. Banks play a key role and have a higher level of responsibility for climate change because they are able to direct financing and investment towards environmentally sound businesses and to work towards awareness and risk containment.

Details of financial and operational risks are provided in Part E of the notes.

Banca Mediolanum – Rating assignment

It should be noted that on 13 July 2022, Banca Mediolanum obtained the first rating for the Bank from international rating agencies S&P Global Ratings and Fitch Ratings.

S&P Global Ratings assigned the Bank a “BBB” level for the long-term Issuer Credit Rating (ICR) with a positive outlook.

Fitch Ratings assigned the Bank the “BBB” level for the long-term Issuer Default Rating (IDR), with a stable outlook. It should be noted that the ratings assigned by these agencies are in line with the ratings assigned to Italian sovereign debt and to the largest banking players in the domestic market.

Banca Mediolanum – Issue of Green Senior Preferred Bond

On 15 November 2022, Banca Mediolanum successfully completed the inaugural issue of a Green Senior Preferred Bond maturing in four years and two months (January 2027 and first call date in January 2026) for a total amount of €300 million. The issue, dedicated exclusively to institutional investors, was conducted under the €1 billion Euro Medium-Term Note programme set up in September 2022, with expected ratings of BBB, in line with the ratings that the issuer obtained for the first time in July 2022 from S&P Global Ratings and Fitch Ratings. The bond complies with the principles outlined in the Green, Social & Sustainability Bond Framework, which is aligned to ICMA (International Capital Market Association) principles, and has obtained a second-party opinion from ISS.

ESG. The operation received a lot of market interest, with demand of approximately 2.7 times supply. Despite an extremely volatile climate, the Green Senior Preferred Bond was priced at 5.04%, or 225 bps above the benchmark mid swap rate.

The main institutional investors in Europe took part in the placement; the distribution of the bond, 35% of which took place outside Italy, testifies to the strong appreciation of Banca Mediolanum at the international level. The percentage of investors with ESG mandates is over 70%.

Consolidated Non-Financial Statement

The Mediolanum Group has prepared a consolidated non-financial statement pursuant to Legislative Decree 254/16 as a separate report to this Report on Operations.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events that could have a material effect on the Group's financial position and earnings results took place after 31 December 2022.

BUSINESS OUTLOOK

After an unexpected surge during the year, inflation started to show some signs of easing in the final three months, favoured by the fall in commodities and the gradual resolution of imbalances and bottlenecks in global supply chains. In the US, the annual change in the consumer price index decreased to 6.5% in December from a peak of 9.1% in June, while in the euro area it fell slightly, to 9.2%, from 10.1% in November. In the coming months, the forecasts point to a further deceleration, with a decrease to around 3% towards the end of the year. This should enable the central banks to slow the pace of policy rate hikes. In the latest monetary policy meeting in December, both the US Fed and European Central Bank were already no longer announcing hikes of 75 basis points – as in their previous meetings – but of 50 basis points, to 4.25-4.50% and 2.00-2.50% respectively. Although the rhetoric is currently still very tight, the already large cumulative increases (450 basis points for the Fed and 250 basis points for the ECB), combined with signs of economic cooling and inflationary pressures, suggest that most of the tightening is now behind us: market expectations suggest that the target should be reached by the end of the first half of 2023, hovering around 5% in the US and just above 3% in the euro area.

Meanwhile, growth slowed across the board, but remained more resilient than expected overall. In the US, it fell below potential but remained positive, thanks in particular to resilient consumption and the strong labour market, paving the way for a possible “soft landing” of the economy during 2023. In Europe, the economy suffered most from the energy crisis, but continued to grow at a good rate during 2022. This was also the case in Italy, where growth exceeded expectations in the aftermath of the outbreak of the Russian-Ukrainian conflict: GDP growth at the end of Q3 was 3.9%. Companies have shown a good level of resilience to various economic and geopolitical shocks, as evidenced by resilient industrial production and export growth. The unemployment rate fell significantly, supporting consumption, albeit amid a rise in prices. The impact of the energy crisis may have caused a moderate downturn in economic activity in Q4, which could continue into the early months of 2023. However, this slowdown should be rather moderate, as the business sentiment indicators that anticipate the economic cycle also suggest, although they already improved partially in November and December, while remaining below the expansion threshold. In China, growth was also impacted by the government’s strict pandemic containment policy and limited economic support. The rapid reopening phase that began at the end of the year then caused another surge in infections and a further slowdown in economic activity, but at the same time pointed to a more rapid and sustained recovery after the initial problems had been overcome.

Overall, global growth is expected to be below average, but still positive during 2023, at around 2-2.5%.

In the light of the above situation, it is reasonable to believe that the process of rising government bond yields that began in 2022 is now very mature. In particular, the peak appears to have been reached and probably surpassed, so from here on we could see more stabilisation, if not a partial descent. This will largely depend on inflation continuing to ease and central banks effectively making their way to the end of the current monetary tightening path. If there is a significant unexpected decrease in growth, with a slowdown that is longer than expected, then yields could fall even further. Taking these considerations into account, fixed-income investment currently appears to be an attractive alternative for investors with low risk appetite or, in any case, short/medium-term investment objectives, to be taken advantage of relatively quickly, particularly in relation to government bonds and the more conservative bond segments in general. The more speculative segments, on the other hand, could be appropriately approached with a more fractional strategy, in view of the uncertainty characterising the growth outlook and, consequently, the possibility of witnessing a widening of credit spreads in the coming months. However, the carry effect of these securities, linked to the reinvestment of high average coupons, does not outweigh the benefit.

Finally, as regards the equity market, it is interesting to note that the dispersion of expectations is particularly high at the threshold of this new year. This highlights a high level of uncertainty, mainly related to the course of the

economic cycle in the coming months. While 2022 has seen a broad correction in market valuations, triggered by monetary tightening and a rise in interest rates, 2023 will be more focused on ascertaining the resilience of fundamentals, particularly corporate earnings, in the context of an expected economic slowdown. Valuations have indeed returned to the historical average at the global level, and expectations have been partially revised downwards in recent months, already incorporating a rather modest growth scenario: however, it remains to be seen whether these adjustments will be more or less sufficient in comparison with the actual data that will gradually emerge. Having said that, there are two main aspects that need to be taken into account. First, reaching a peak in inflation and interest rates is typically also a support factor for the equity markets. Second, different timescales characterise the financial markets compared with the real economy: the former are much faster than the latter, and tend to recover well in advance of the recovery of macroeconomic indicators. Therefore, especially with regard to medium/long-term investment objectives, it is important at this stage to maintain positions and possibly to take advantage of current market levels in order to increase them. This is in view of the recovery, which – although with a certain degree of uncertainty over timing – will certainly take place in the future and will be driven by the development linked to the major changes taking place, particularly in the energy, technological and digital areas.

Given the risks typical of the sector to which it belongs and the occurrence of events that are exceptional or that depend on variables that cannot essentially be controlled by the Directors and management (which are currently not possible in any case), a positive operating performance is expected for 2023.

Basiglio, 07 March 2023

For and on behalf of the Board of
Directors

The Chief Executive Officer
Massimo Antonio Doris

Consolidated financial statements



STATEMENT OF FINANCIAL POSITION

Asset items

€/000		31/12/2022	31/12/2021
10.	Cash and cash equivalents	2,351,741	519,025
20.	Financial assets at fair value through profit or loss	32,003,209	33,450,324
	a) Financial assets held for trading	1,148,437	244,300
	b) Financial assets designated at fair value	30,667,223	33,024,615
	c) Other financial assets mandatorily measured at fair value	187,549	181,409
30.	Financial assets measured at fair value through other comprehensive income	1,089,785	1,432,635
40.	Financial assets measured at amortised cost	36,132,707	36,308,486
	a) Loans to banks	455,358	4,890,861
	b) Loans to customers	35,677,349	31,417,625
50.	Hedging derivatives	430	63
80.	Reinsurers' share of technical provisions	71,825	70,136
90.	Tangible assets	229,248	249,095
100.	Intangible assets	207,782	210,912
	of which:		
	- goodwill	125,625	132,925
110.	Tax assets	589,083	546,710
	a) current	496,940	452,167
	b) deferred	92,143	94,543
120.	Non-current assets and disposal groups	2,010	208
130.	Other assets	921,070	734,776
TOTAL ASSETS		73,598,890	73,522,370

Liabilities and shareholders' equity

€/000	31/12/2022	31/12/2021
10. Financial liabilities measured at amortised cost	36,297,889	33,509,845
a) Payables to banks	370,622	1,091,777
b) Payables to customers	35,626,824	32,418,068
c) Debt securities in issue	300,443	-
20. Financial liabilities held for trading	11,952	60,818
30. Financial liabilities designated at fair value	13,086,968	13,568,459
40. Hedging derivatives	2,594	19,936
60. Tax liabilities	138,788	164,165
a) current	115,327	133,605
b) deferred	23,461	30,560
80. Other liabilities	830,636	1,003,286
90. Employee severance benefits	11,657	13,259
100. Provisions for risk and charges	313,202	336,975
a) commitments and guarantees given	658	395
b) pensions and similar obligations	499	545
c) other provisions for risk and charges	312,045	336,035
110. Technical provisions	19,969,825	21,962,812
120. Valuation reserves	(41,109)	14,612
150. Reserves	2,059,215	1,758,439
155. Interim dividends	(177,133)	(169,381)
160. Issue premiums	5,297	4,364
170. Capital	600,452	600,370
180. Treasury shares (-)	(33,146)	(38,644)
200. Net income for the year (+/-)	521,803	713,055
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	73,598,890	73,522,370

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

INCOME STATEMENT

€/000	31/12/2022	31/12/2021
10. Interest income and similar income	552,927	406,300
of which: interest income calculated using the effective interest method	503,871	351,310
20. Interest expense and similar expenses	(80,143)	(53,757)
30. Net interest income	472,784	352,543
40. Commission income	1,829,922	2,145,928
50. Commission expense	(767,297)	(820,067)
60. Net commission income	1,062,625	1,325,861
70. Dividends and similar income	25,421	22,664
80. Net gains (losses) from trading	(15,183)	62,506
90. Net gains (losses) from hedging	1,702	(1,046)
100. Gains (losses) from disposal or repurchase of:	1,798	910
a) financial assets measured at amortised cost	(144)	13
b) financial assets measured at fair value through other comprehensive income	1,942	897
110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	(3,107,530)	2,004,569
a) financial assets and liabilities designated at fair value	(3,107,146)	1,999,209
b) other financial assets mandatorily measured at fair value	(384)	5,360
120. Operating income	(1,558,383)	3,768,007
130. Credit-risk induced net value adjustments/write-backs relating to:	(22,424)	(26,770)
a) financial assets measured at amortised cost	(22,600)	(27,078)
b) financial assets measured at fair value through other comprehensive income	176	308
150. Net gain (loss) from financial operations	(1,580,807)	3,741,237
160. Net premiums	2,206,984	2,616,371
170. Balance of other revenues/expenses from insurance operations	792,792	(4,758,695)
180. Net gain (loss) from financial and insurance operations	1,418,969	1,598,913
190. Administrative expenses:	(673,353)	(613,030)
a) staff costs	(276,000)	(257,724)
b) other administrative expenses	(397,353)	(355,306)
200. Net provisions for risk and charges	(14,535)	(46,469)
a) commitments and guarantees given	(277)	98
b) other net provisions	(14,258)	(46,567)
210. Net value adjustments/write-backs of tangible assets	(33,659)	(17,784)
220. Net value adjustments/write-backs of intangible assets	(33,537)	(31,120)
230. Other operating income/expenses	826	(421)
240. Operating costs	(754,258)	(708,824)
270. Goodwill value adjustments	(7,300)	-
280. Gains (losses) on disposal of investments	4,175	378
290. Net income from continuing operations before tax	661,586	890,467
300. Taxes on income from continuing operations	(139,783)	(177,412)
310. Net income from continuing operations after tax	521,803	713,055
330. Net income for the year	521,803	713,055
350. Net income attributable to the Parent Company	521,803	713,055

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

STATEMENT OF COMPREHENSIVE INCOME

€/000	31/12/2022	31/12/2021
10. Net income for the year	521,803	713,055
Other income net of taxes without reversal to the income statement		
20. Equity securities designated at fair value through other comprehensive income	(32,320)	16,709
70. Defined benefit plans	1,494	(684)
90. Share of valuation reserves of equity investments measured at equity		
Other income net of taxes with reversal to the income statement		
140. - Financial assets (other than equity securities) measured at fair value through other comprehensive income	(24,895)	(6,332)
160. Share of valuation reserves of equity investments measured at equity		
170. Total other income net of taxes	(55,721)	9,693
180. Comprehensive income (Item 10+170)	466,082	722,748
190. Consolidated comprehensive income attributable to minority interests		
200. Consolidated comprehensive income attributable to the Parent Company	466,082	722,748

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2021

€/000	Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021	Allocation of previous year's result		Changes during the year										Shareholders' equity at 31/12/2021
				Reserves	Dividends and other destinations	Change s in reserves	Transactions on shareholders' equity							Comprehensiv e income at 31/12/2021		
							Issue of new share s	Share buyback s	Interim dividend s	Extraordinar y dividend distribution	Change in equity instrument s	Derivative s on treasury shares	Stock options and performanc e shares			
Capital:																
a) ordinary shares	600,297		600,297				73									600,370
b) other shares																-
Issue premiums	3,626		3,626				738									4,364
Reserves:																
a) earnings	1,694,865		1,694,865	110,490	-	148,803				(250,354)						1,703,804
b) other	43,932		43,932										10,703			54,635
Valuation reserves	4,919		4,919											9,693		14,612
Equity instruments																-
Interim dividends	-		-						(169,381)							(169,381)
Treasury shares	(43,570)		(43,570)				4,926									(38,644)
Net income for the year	434,462		434,462	(110,490)	(323,972)									713,055		713,055
Shareholders' equity attributable to the Group	2,738,531	-	2,738,531	-	(323,972)	148,803	5,737	-	(169,381)	(250,354)	-	-	10,703	722,748		2,882,815
Shareholders' equity attributable to minorities	-		-			-	-	-		-	-	-	-	-		-

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2022

€/000				Allocation of previous year's result		Changes during the year									Shareholders' equity at 31/12/2022
						Change s in reserves	Transactions on shareholders' equity							Comprehensiv e income at 31/12/2022	
							Issue of new share s	Share buyback s	Interim dividend s	Extraordinar y dividend distribution	Change in equity instrument s	Derivative s on treasury shares	Stock options and performanc e shares		
Capital:															
a) ordinary shares	600,370		600,370				82								600,452
b) other shares	-														-
Issue premiums	4,364		4,364				933								5,297
Reserves:															
a) earnings	1,703,804		1,703,804	285,630	-	176				-					1,989,610
b) other	54,635		54,635										14,969		69,605
Valuation reserves	14,612		14,612											(55,721)	(41,109)
Equity instruments	-														-
Interim dividends	(169,381)		(169,381)		169,381				(177,133)						(177,133)
Treasury shares	(38,644)		(38,644)				5,498								(33,146)
Net income for the year	713,055		713,055	(285,630)	(427,425)									521,803	521,803
Shareholders' equity attributable to the Group	2,882,815	-	2,882,815	-	(258,044)	176	6,513	-	(177,133)	-	-	-	14,969	466,082	2,935,379
Shareholders' equity attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method

€/000	31/12/2022	31/12/2021
A. OPERATING ACTIVITIES		
1. Management	811,217	3,196,979
- profit (loss) for the year (+/-)	521,803	713,055
- capital gains (losses) on financial assets held for trading and on other assets/liabilities at fair value through profit or loss (-/+)	2,245,499	(1,035,242)
- capital gains (losses) on hedging activities (-/+)	(1,702)	1,046
- credit-risk induced net value adjustments/write-backs (+/-)	22,424	26,770
- net value adjustments/write-backs of tangible and intangible assets (+/-)	67,196	48,904
- net provisions for risk and charges and other costs/revenues (+/-)	14,535	46,469
- net unearned premiums (-)	(1,044)	(1,884)
- other uncollected insurance revenues/expenses (-/+)	(2,004,715)	3,373,082
- unpaid taxes, duties and tax credits (+/-)	(67,750)	14,076
- other adjustments (+/-)	14,970	10,703
2. Cash generated by/utilised for financial assets	(553,598)	(13,171,816)
- financial assets held for trading	(932,068)	122,269
- financial assets designated at fair value	139,857	(5,995,053)
- other assets mandatorily measured at fair value	(6,540)	7,212
- financial assets measured at fair value through other comprehensive income	287,305	535,121
- financial assets measured at amortised cost	153,179	(7,662,106)
- other assets	(195,331)	(179,259)
3. Cash generated by/utilised for financial liabilities	2,037,824	10,884,137
- financial liabilities measured at amortised cost	2,788,044	6,737,525
- financial liabilities held for trading	(48,866)	(17,504)
- financial liabilities designated at fair value	(481,491)	4,535,058
- other liabilities	(219,863)	(370,942)
Net cash generated by/utilised for operating activities	2,295,443	909,301
B. INVESTMENT ACTIVITIES		
1. Cash generated by	22,635	2,973
- dividends received on equity investments/securities	25,421	22,664
- sales of tangible assets	(2,786)	(19,691)
2. Cash utilised for	(56,697)	(41,117)
- purchases of tangible assets	(19,241)	(3,556)
- purchases of intangible assets	(37,456)	(37,561)
Net cash generated by/utilised for investment activities	(34,062)	(38,144)
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	5,580	4,999
- issues/purchases of equity instruments	933	738
- dividend distribution and other purposes	(435,177)	(743,706)
- third-party controlling sale/purchase	-	-
Net cash generated by/utilised for financing activities	(428,664)	(737,969)
NET CASH GENERATED/UTILISED DURING THE YEAR	1,832,716	133,188

Key: (+) generated (-) utilised

RECONCILIATION

€/000	31/12/2022	31/12/2021
Line items		
Cash and cash equivalents at beginning of year	519,025	385,837
Total net cash generated/utilised during the year	1,832,716	133,188
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of year	2,351,741	519,025

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

Notes to the financial statements



Notes to the financial statements

The Notes to the financial statements are divided into the following parts:

Part A - Accounting policies

Part B - Information on the consolidated statement of financial position

Part C - Information on the consolidated income statement

Part D - Consolidated comprehensive income

Part E - Information on risks and the related hedging policies

Part F - Information on consolidated capital

Part G - Business combinations involving businesses or business units

Part H - Related party transactions

Part I - Share-based payment agreements

Part L - Segment reporting

Part M - Lease reporting

Part A – Accounting policies

A.1 – GENERAL PART

SECTION 1 – Declaration of Compliance with International Accounting Standards

The consolidated financial statements of the Mediolanum Group for the year ended 31 December 2022 have been prepared in application of Legislative Decree 38 of 28 February 2005, in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission, as established in Community Regulation (EC) No 1606 of 19 July 2002, as subsequently updated.

The Mediolanum Group, in accordance with the provisions of Legislative Decree 142 of 30 May 2005, is a financial conglomerate primarily engaged in banking.

These financial statements of the Mediolanum Group for the year ended 31 December 2022 have been prepared on the basis of the “Instructions for the preparation of the financial statements of banks and financial parent companies of banking groups” issued by the Bank of Italy, in the exercise of the powers established by Article 9 of Legislative Decree 38/2005 with Circular 262 of 22 December 2005, as subsequently updated.

These instructions set out in a binding manner the formats of the financial statements and the methods for compiling them, as well as the contents of the notes.

The financial statements have been prepared using the approved IAS/IRFS international accounting standards in force as at 31 December 2022 (including the SIC and IFRIC interpretation documents).

SECTION 2 – General basis of preparation

The financial statements consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements. They are also accompanied by a directors' Report on Operations.

In accordance with the provisions of Article 5 of Legislative Decree 38 of 28 February 2005, the financial statements have been prepared using the euro as the reporting currency.

The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2021. In order to improve the representation of the balances in the comparative period, the statement of financial position and income statement components of certain insurance products have been reclassified.

The financial statements have been prepared in accordance with the following general principles:

- > going concern: the financial statements have been prepared on a going concern basis. In light of key economic and financial indicators, the directors have the reasonable expectation that the Group will continue to operate in the foreseeable future;
- > accrual basis accounting: the financial statements have been prepared according to the accrual principle;
- > relevance and aggregation: the balance sheet and income statement consist of items, sub-items and further details. The formats comply with those defined by the Bank of Italy in Circular 262 of 22 December 2005, as subsequently updated. New items may be added to these formats if their content is not attributable to any of the items already covered by the formats and only if they consist of significant amounts. The balance sheet, income statement and statement of comprehensive income do not include accounts with zero amounts, either for the year to which the financial statements refer or for the previous year;
- > presentation: the classification of balance sheet items is constant over the years, unless there are changes that may occur as a result of a new standard or interpretation that require an amendment for which specific information is provided in the notes. For each balance sheet and income statement account, comparative information relating to the previous year is provided, unless an accounting standard or interpretation does not allow it or provides otherwise;
- > prevalence of substance over form: operations and other events are recognised and represented in accordance with their substance and economic reality.

The Directors of Banca Mediolanum S.p.A. believe that they may reasonably expect that the Company, as well as the companies belonging to the Group in question, will continue to operate as a going concern for the foreseeable future, and therefore the consolidated financial statements for 2022 have been prepared on a going concern basis. They also specify that they have not found any cause for doubt regarding the going concern principle in the Group's financial position or operating performance.

Contents of the consolidated financial statements

Consolidated statement of financial position and income statement

The statement of financial position and the income statement consist of items, sub-items and more detailed information (the “of which” within items and sub-items). With respect to the formats defined by the Bank of Italy, items with zero amounts have not been presented, either for the year to which the financial statements relate or for the previous year. In the income statement, revenues are indicated with no sign, whereas costs are shown in parentheses.

Consolidated statement of comprehensive income

The statement of comprehensive income consists of items that show the changes in the value of the assets recorded during the year as balancing items of the valuation reserves, net of the relevant tax effect. Negative amounts are presented in parentheses.

Consolidated statement of changes in shareholders' equity

The table shows the breakdown of and changes in the shareholders' equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves and reserves from the valuation of assets or liabilities in the statement of financial position and the income statement. No equity instruments other than ordinary and savings shares were issued.

Consolidated statement of cash flows

The statement of cash flows for the reporting year and the previous year has been prepared using the indirect method, whereby cash flows from operating activities are represented by the net result for the year adjusted for the effects of non-monetary transactions. Cash flows are divided between operating activities, investment activities and financing activities. The table shows the flows generated during the year with no sign, while utilised flows are shown in parentheses.

Contents of the notes to the financial statements

The notes include the information required by the international accounting standards and Circular 262/2005 of the Bank of Italy, as subsequently updated. With respect to the formats defined by the Bank of Italy, the headings of the sections relating to financial statement items with zero amounts have not been presented, for either the year to which the financial statements relate or for the previous year. In the tables relating to the income statement items, revenues are indicated with no sign, whereas costs are shown in parentheses.

SECTION 3 –Scope and methods of consolidation

The consolidated financial statements include Banca Mediolanum S.p.A. and its direct or indirect subsidiaries, pursuant to IFRS 10. The control requirement, as defined by the standard, underpins the consolidation of all types of entities and occurs when at the same time an investor:

- > has the power to decide on the entity's significant activities;
- > is exposed to or benefits from variable returns arising from their relationship with the entity;
- > has the ability to exert their power to influence the amount of their returns (link between power and returns).

IFRS 10 therefore establishes that in order to hold control, investors must have the ability to direct the entity's significant activities, as a result of a legal right or simply a de facto situation, and also be exposed to variability in the results deriving from that power. The following table shows the equity investments included in the scope of consolidation:

1. List of equity investments in Group companies owned directly by Banca Mediolanum S.p.A., included in the consolidation on a line-by-line basis:

Company	Share capital (€/000)	Ownership percentage	Registered office/Operational HQ	Type of relationship*	Business
Mediolanum Vita S.p.A.	207,720	100.00%	Basiglio	1	Life insurance
Mediolanum Comunicazione S.p.A.	775	100.00%	Basiglio	1	Audiovisual production
PI Servizi S.p.A.	517	100.00%	Basiglio	1	Real estate activity
Mediolanum International Life DAC	1,395	100.00%	Dublin	1	Life insurance
Mediolanum Assicurazioni S.p.A.	25,800	100.00%	Basiglio	1	Non-life insurance
Mediolanum Gestione Fondi SGR p.A.	5,165	100.00%	Basiglio	1	Mutual fund management
Mediolanum International Funds Ltd**	165	95.46%	Dublin	1	Mutual fund management
Mediolanum Fiduciaria S.p.A.	240	100.00%	Basiglio	1	Trust management
PreXta S.p.A.	2,040	100.00%	Basiglio	1	Financial intermediation
FloWe S.p.A. – SB	10,000	100.00%	Basiglio	1	Payment services
August Lenz & Co. AG***	20,000	100.00%	Munich	1	Residual assets
Banco Mediolanum S.A.	86,032	100.00%	Valencia/Barcelona	1	Banking

(**) The remaining 4.54% interest is held indirectly by Banca Mediolanum through Banco Mediolanum.

(***) The German subsidiary reissued its banking licence on 7 November 2022. For more information, see the relevant section of the Report on Operations.

List of equity investments in Group companies owned indirectly by Banca Mediolanum S.p.A., through Banco Mediolanum S.A., included in the consolidation on a line-by-line basis:

Company	Share capital (€/000)	Ownership %	Registered office/Operational HQ	Type of relationship*	Business
Mediolanum Gestión S.A. S.G.I.I.C.	2,506	100.00%	Valencia/Barcelona	1	Mutual fund management
Fibanc S.A.	301	100.00%	Valencia/Barcelona	1	Financial advice
Mediolanum Pensiones S.A. S.G.F.P.	902	100.00%	Valencia/Barcelona	1	Pension fund management

(*) Type of relationship:
 1 = majority of voting rights at the ordinary shareholders' meeting
 2 = dominant influence at the ordinary shareholders' meeting
 3 = agreements with other shareholders
 4 = other forms of control
 5 = single management pursuant to Article 39(1) of "Legislative Decree 136/2015"
 6 = single management pursuant to Article 39(2) of "Legislative Decree 136/2015"

Consolidation methods

Equity investments in subsidiaries are consolidated on a line-by-line basis.

Line-by-line consolidation

The subsidiaries are consolidated as of the date on which control is acquired, according to the purchase method, and cease to be consolidated when the situation of control no longer exists.

Full consolidation is the line-by-line acquisition of the aggregates of the subsidiaries' statements of financial position and income statements. Following the allocation to minority shareholders of their interests, where present, in a specific item, in equity and in the result for the year, the value of the equity investment is eliminated against the residual value of the subsidiary's equity. Any resulting difference, if positive – after allocation to the assets or liabilities of the subsidiary, where applicable – is recognised as goodwill under Intangible assets or fair value differences on assets and liabilities still carried on the date of initial consolidation and under Other reserves thereafter. Negative differences on the date of initial consolidation are taken to the income statement.

Assets, liabilities, income and expenses between consolidated companies are fully eliminated.

To prepare the consolidated financial statements for the year ended 31 December 2022, all the exclusively controlled subsidiaries prepared a balance sheet and income statement in accordance with the Group's accounting principles.

2. Significant valuations and assumptions for determining the scope of consolidation

A summary of the main assessments performed in determining the scope of consolidation is provided below. The Mediolanum Group does not believe that it controls the “unit-linked” internal insurance funds (of which it holds 100% of the outstanding units) and the promoted funds (investment, real estate and SICAVs) because not all the conditions provided by IFRS 10 are simultaneously met. With regard to the unit-linked funds, the Mediolanum Group believes that:

- > it does not exercise full power over the unit-linked entity as it is limited by the requirements of the fund regulations in terms of asset allocation and management policies;
- > it is not significantly exposed to the variable returns of the investee entity.

In fact, the gains or losses relating to the valuation of assets in the unit-linked funds are fully attributed to policyholders through the change in financial liabilities, with the only change still attributable to the Group being the related impact on commissions (impact related to the variability of the flows of the entity and assessed as insignificant).

With regard to the funds, the Mediolanum Group believes that:

- > it does not own the majority of the outstanding units and does not bear their investment risk (e.g. unit funds holding units in managed funds the risk of which is borne by policyholders);
- > it does not exercise full power over the investee entity (the funds) as it is limited by the requirements of the fund regulations in terms of asset allocation and management policies;
- > it is not significantly exposed to the variable returns of the investee entity as it does not hold, or holds only marginal units of the funds, or holds units the risk of which it does not bear.

The exposure to changes in the value of the funds, i.e. gains or losses relating to the valuation of the assets, is attributable to the investors, while the Group remains solely responsible for the change in the related impact on commissions. In particular, the Group is exposed to the risk of fluctuations in entry fees and premium loading related to inflow performance, management fees relating to assets under management and incentive fees associated with the performance of the funds under management, as well as operational, compliance and reputational risks typical of the sector in which the Group operates.

Business combinations

Business combinations are accounted for using the purchase method.

Goodwill acquired in a business combination is initially measured at cost, represented by the excess of the cost of the business combination (consideration) over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities (of the acquiree).

The consideration includes the monetary elements that express the fair value of the equity investment/business on the date on which control was acquired. The consideration may also include a contingent component related to events and circumstances that may occur in the future (contingent consideration). The contingent consideration normally represents a buyer's obligation to transfer additional assets (cash and cash equivalents) as part of the price for control if specific future events or conditions occur/are met. Contingent considerations are measured at fair value on the date of acquisition of control and may be changed on the basis of additional information relating to events and circumstances existing at the purchase date and which are known within one

year from that date (purchase price allocation). Conversely, changes in contingent considerations identified in subsequent periods, or changes that do not depend on facts and circumstances existing at the acquisition date, do not change the measurement of the contingent consideration. The balancing item of the contingent consideration may be a debt or an item of shareholders' equity depending on the means of payment defined. After initial recognition, goodwill is measured at cost net of cumulative impairment. In order to verify the presence of impairment, goodwill acquired in a business combination is allocated, at the acquisition date, to the individual cash generating units of the Group or to the groups of cash generating units that should benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to such units or groups of units.

When goodwill forms part of a cash generating unit (or group of cash generating units) and part of the asset within that unit is transferred, the goodwill associated with this asset is included in the carrying amount of the asset in order to determine the gain or loss on the sale. The goodwill transferred in these circumstances is measured on the basis of the respective values of the asset transferred and the portion of the unit retained. The earnings results of a subsidiary acquired during the period are included in the consolidated financial statements from the date of its acquisition. Conversely, the earnings results of a transferred subsidiary are included in the consolidated financial statements until the date on which control ceases. The difference between the consideration for the transfer and the carrying amount at the disposal date is recognised in the income statement. The financial statements of the Parent Company and the other companies used to prepare the consolidated financial statements refer to the same date. Where necessary, any financial statements of the consolidated companies prepared on the basis of different accounting policies are brought into compliance with the Group's accounting principles.

SECTION 4 – Events after the reporting date

No events that could have a material effect on the Group's financial position and earnings results took place after 31 December 2022.

SECTION 5 – Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

The Risk Management Function of the Banca Mediolanum Group companies focused closely on market performance, constantly monitoring the possible effects of market indicators on the portfolios of the individual companies and customers, where present, based on their operating policies.

The adoption of a securities portfolio business model with a prevalence of sovereign bonds classified as "held to maturity" did not lead to significant impairment of the securities held at consolidated level by the Parent Company, also in 2022. Particular attention has been paid to the fall-out from the geopolitical tensions caused by the conflict between Russia and Ukraine, the resulting inflationary pressures generated by higher commodity prices, especially energy prices, and the reaction of the central banks, which promptly and decisively tightened their policies, pushing government yields higher worldwide and causing substantial declines in all bond sectors. In light of the above, the monitoring measures adopted by all Group companies, in accordance with the Parent Company's guidelines on market risks, did not show significant evidence of post-pandemic impacts and the direct consequences of the Russia-Ukraine conflict in terms of symptomatic influence on the value of the portfolios owned.

1) Contractual amendments and accounting write-offs (IFRS 9)

For further information, see the specific tables in the notes and the Risks section in the paragraph entitled "Impacts of the Covid-19 pandemic".

2) Amendment to accounting standard IFRS 16

With respect to lease agreements, it should be noted that Group companies did not apply the "practical expedient" provided for by Regulation (EU) No 2020/1434 following amendments to the term of the loans.

Targeted Longer-Term Refinancing Operations - TLTRO Report

On 18 June 2020, as part of the European Central Bank Targeted Longer-Term Refinancing Operations III (known as TLTRO III), Banca Mediolanum was allocated €950 million. Subsequently, on 18 March 2021, Banca Mediolanum participated in the seventh operation and, in accordance with the new provisions issued by the European Central Bank, an additional €100 million was requested and obtained.

In these financial statements, the operation was recorded in accordance with IFRS 9, as it was recognised as a financial liability and not as a contribution, and therefore measurement of the liability related to the finance received has been recognised by application of the amortised cost on the basis of "expected cash flows", considering that the benchmark forecasts of cumulative net lending have been reached according to the financial projections available to the Bank.

On 25 November 2022, Banca Mediolanum repaid its loan.

The interest recognised on an accrual basis at 31 December 2022 amounted to approximately €6.6 million. The rate applied is 1% per annum by virtue of achievement of the net disbursement volumes targets provided for by the scheme.

Use of estimates

These consolidated financial statements entailed the use of complex valuations and estimates which had an impact on the assets, liabilities, costs and revenues recognised and on the identification and quantification of potential assets and liabilities.

The production of such estimates involved the use of the available information and the adoption of subjective assessments, also based on historical experience, which was used to make reasonable assumptions for the recognition of events during the year. By their nature, the estimates and assumptions used may vary from one year to the next and, it cannot be ruled out that in subsequent years the values recognised in the financial statements may also vary significantly as a result of changes in the subjective assessments used.

If there are more significant uncertainties and/or activities subject to measurement of particular materiality, the valuation is supported by external experts.

The main circumstances in which subjective assessments are most required are:

- > the quantification of impairment losses on loans, equity investments and other financial assets in general;
- > the use of valuation models to recognise the fair value of financial instruments not listed on active markets;
- > the assessment of the appropriateness of the value of goodwill and other intangible assets;
- > The quantification of staff provisions and provisions for other risk and charges;
- > the estimate of tax liabilities and the assessment of the related risk of an unfavourable outcome;
- > estimates and assumptions regarding the recoverability of deferred tax assets;
- > the demographic and financial assumptions used in the valuation of insurance products and definition of the bases for calculating the additional reserves provided for by insurance law, as well as the shadow reserves and liability adjustment tests provided for by IFRS 4.

For some of the cases listed above, the main factors that are estimated by the Group and therefore are involved in determining the carrying value of assets and liabilities may be identified.

It should be noted that:

- > for the determination of the fair value of financial instruments not listed on active markets, if it is necessary to use parameters that cannot be inferred from the market, the main estimates concern trends in future financial flows (or income flows, in the case of shares), possibly contingent on future events, as well as the level of certain input parameters not listed on active markets;
- > for allocation to the three credit risk stages provided for by IFRS 9 of receivables and debt securities classified among financial assets at amortised cost and financial assets measured at fair value, with an impact on comprehensive income and calculation of the relevant expected losses, the main estimates concern: either determination of the parameters for a significant increase in credit risk, based essentially on models for measuring the probability of default (PD) at the origination of financial assets and the reporting date; the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD; or determination of the probability of the sale of impaired financial assets;
- > for the determination of the estimates of future cash flows from non-performing loans, certain elements are taken into account: expected recovery times, the presumed realisable value of any guarantees and the costs that are expected to be incurred for recovery of the credit exposure;
- > for the determination of the value in use of intangible assets with an indefinite useful life in relation to the Cash Generating Units (CGUs) of which the Group is composed, separate and appropriately discounted

estimates are made of future cash flows in the analytical forecast period and of flows used to determine the terminal value generated by the CGU. The cost of capital is included among the items assessed;

- > for appraisals of real estate, rents, sale prices, discount rates and capitalisation rates are estimated.
- > for the quantification of provisions for risk and charges, where possible the estimate process includes the amount of the disbursements necessary to fulfil the obligations, as well as the relative probability and timing of their occurrence;
- > for the determination of the items relating to deferred taxation, the probability of actual future tax liability (taxable temporary differences) is estimated, along with the degree of reasonable certainty – if any – of future taxable amounts at the time tax deductibility applies (deductible temporary differences and tax losses carried forward).

The directors periodically monitor the estimates and assessments made on the basis of historical performance, pandemic developments and other factors considered to be reasonable. Due to the uncertainty inherent in these financial statement items, the actual values may differ from estimates made due to unexpected factors not known at the time the estimates were produced.

A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS

Accounting principles

This section describes the accounting principles used to prepare the consolidated financial statements for the year ended 31 December 2022. With regard to the classification, recognition, measurement and derecognition of the various assets and liabilities, and the method of recognising revenues and costs, these principles are the same as those adopted by the Mediolanum Group when preparing the financial statements for the year ended 31 December 2021.

The following information is provided below:

- the IFRS accounting standards, amendments and interpretations applied as of 01 January 2022;
- the IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union not yet mandatorily applicable that had not been adopted early by the Group as at 31 December 2022;
- the IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union.

IFRS accounting standards, amendments and interpretations applied as of 1 January 2022

The following table shows the new international accounting standards or amendments to accounting standards that came into force in 2022.

Title of document issued by the IASB	Date of publication of the IASB document	Number and date of EU approval regulation	Effective Date
Property, plant and equipment – Income before intended use (Amendments to IAS 16)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022
Onerous contracts – Costs necessary to fulfil a contract (Amendments to IAS 37)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022
Annual Improvements to IFRSs (2018–2020 Cycle)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022

Property, plant and equipment – Income before intended use (Amendments to IAS 16)

With the financial statements for annual periods beginning on or after 1 January 2022, it is no longer possible to deduct from the cost of an item of property, plant and equipment the income deriving from the sale of goods produced using the asset, before the asset is in the location and conditions necessary for its operation in the manner intended by corporate management (the testing phase). The amendments to IAS 16 must be applied retroactively only for assets that have been commissioned as intended by corporate management, since the first comparative year presented. The effect of first-time adoption is recognised in shareholders' equity at the start of the first comparative year presented.

Onerous contracts – Costs necessary to fulfil a contract (Amendments to IAS 37)

With the financial statements for annual periods beginning on or after 1 January 2022, all costs directly related to the contract must be considered as costs necessary for the fulfilment of the contract. Consequently, the assessment of any onerousness of a contract includes not only incremental costs, i.e. costs that would not have been incurred without the contract (such as the cost of raw materials and direct labour), but also a share of all other costs that, although not incremental, are directly related to the contract (such as the depreciation rate of the machinery used to fulfil the contract). The amendments to IAS 37 must be applied retroactively only for contracts whose fulfilment has not yet been completed at the start date of the year in which the amendments to IAS 37 are applied for the first time (e.g. 1 January 2022). The effect of first-time adoption is recognised in shareholders' equity at the start of the year without recalculating the comparative data.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments to IFRS 3, which aim to update the reference to the Conceptual Framework in the version revised in March 2018, entered into effect in the financial statements for annual reporting periods starting on or after 1 January 2022. Following this update, it was clarified that as part of a business combination, the acquiree's assets and liabilities must be identified with reference to the definitions included in the Conceptual Framework published in March 2018, with the sole exception of the liabilities assumed in the acquiree which, after the acquisition date, are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The amendments to IFRS 3 are applied prospectively.

Annual Improvements to IFRSs (2018–2020 Cycle)

The amendments concerned the following standards:

- IFRS 1: the amendments simplify the first-time adoption of IFRS by a subsidiary/associate/joint venture that becomes a first-time adopter after its parent/controlling company in relation to the measurement of the translation reserve on the date of transition to IFRS;
- IFRS 9: the amendments clarify which fees must be included in the 10% test to assess whether the amendment to the contractual terms of a financial liability are substantially different from those of the original financial liability;
- IAS 41: the amendments eliminated the obligation to exclude tax-related cash flows from the measurement of the fair value of biological assets, thus aligning the fair value measurement requirements of IAS 41 with those of the other IFRS;
- IFRS 16: the amendments refer to the illustrative example 13 of IFRS 16 in which a potential erroneous interpretation of lease incentives has been eliminated. This amendment, which concerns an illustrative example of IFRS 16 and is not an integral part of the standard, has not been approved by the European Union.

The adoption of these amendments, as well as the changes introduced by the above 2018–2020 annual improvements, had no significant effects on the Group's consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union not yet mandatorily applicable that had not been adopted early by the Group as at 31 December 2022

The following table shows the new international accounting standards, amendments to accounting standards and interpretations already approved by the European Union but not yet applicable as at 31 December 2022 and for which the Group had not decided early adoption.

Title of document issued by the IASB	Date of publication of the IASB document	Approval date	Effective Date
IFRS 17 Insurance Contracts and subsequent amendments	18 May 2017 and 25 June 2020	19 November 2021	1 January 2023
Amendments to IAS 8: Definition of accounting estimates	12 February 2021	02 March 2022	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Information about accounting policies	12 February 2021	02 March 2022	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07 May 2021	11 August 2022	1 January 2023
Amendments to IFRS 17: Comparative information within the scope of initial application of IFRS 17 and IFRS 9	09 December 2021	08 September 2022	1 January 2023

On 18 May 2017, the IASB published **IFRS 17 – Insurance Contracts**, replacing IFRS 4 – Insurance Contracts.

In this context, given the particular significance for the Group's financial statements, IFRS 17 Insurance Contracts, published by the IASB in May 2017 and subsequently amended on 25 June 2020, and approved on 19 November 2021, has been noted. The date of first-time adoption of the standard is 1 January 2023.

IFRS 17 applies to all types of insurance contracts, including reinsurance contracts and DPF (discretionary participation feature) investment contracts.

The aim of the new standard is to ensure that entities provide relevant information that faithfully reflects the rights and obligations arising from the insurance contracts they write. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework. The new standard also establishes presentation and reporting requirements to improve comparability between entities operating in this sector.

IFRS 17 measures contract groups on the basis of a General Model or a variant thereof (known as the Variable Fee Approach), which must be used to measure contracts with direct participation. There is also the option for a simplified version of the General Model (PAA or Premium Allocation Approach) to be applied, provided certain eligibility criteria are met.

The main features of the General Model are:

- the estimates and assumptions of future cash flows are always updated;
- the measurement reflects the time value of money;
- the estimates envisage the extensive use of information available in the market;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition;
- contract valuation based on groups of contracts defined based on similar portfolios, annual cohorts (signing year) and profitability level; and
- the expected profit is recognised at initial recognition for groups of contracts and released to the income statement over their duration, taking into account adjustments due to changes in the operating assumptions relating to the cash flows of each group of contracts.

In the event that the Variable Fee Approach is adopted, the expected profit is also adjusted due to the portion of the change in the fair value of the underlying assets pertaining to the Company (variable fee).

With regard to the presentation in the financial statements, in the statement of financial income and the income statement, the following would be recognised pursuant to IAS 1:

- insurance (and reinsurance) contracts written among the assets and/or liabilities of the statement of financial position;
- the economic effects of insurance contracts written presented in the item “Result of insurance services”, which includes: a) insurance revenues from insurance contracts written; b) costs for insurance services arising from insurance contracts written; c) insurance revenues arising from cessions to reinsurance; and d) costs for insurance services arising from cessions to reinsurance.
- the economic effects of financial management that include:
 - a) net financial costs/revenues relating to insurance contracts written and b) net financial revenues/costs relating to reinsurance.
- other components recognised in shareholders’ equity attributable to changes in financial variables.

As already described in the consolidated half-year report at 30 June 2022, due to the expected operational complexity deriving from the new standard, the Group, in order to implement the new IFRS 17 requirements, promptly launched a specific project involving the Group’s interested entities, including the Parent Company, Banca Mediolanum.

The main methodological decisions adopted by the Group at the date of preparation of this report are set out below.

Level of aggregation

The level of aggregation for IFRS 17 purposes provides for a distinction between the non-life and life businesses and a further aggregation in groups of contracts that takes into account:

- for the life business, the types of products (pure risk products, linked products and products with discretionary profit-sharing) and, for the linked business, the main contractual features of the products (aggregation into families of linked products) and, where relevant, the reference market.
- for the non-life business, the ministerial class and business line values defined according to Solvency II.

The annual cohort requirement will be applied to all IFRS 17 portfolios, with the exception of contracts characterised by inter-generational mutuality, in application of the option introduced by Regulation (EU) 2021/2036.

In particular, contracts relating to the Medinvest separate management portfolio of subsidiary Mediolanum Vita will represent a single group of contracts for the purposes of IFRS 17, without using the annual cohort as a significant value for the aggregation of contracts into groups.

Accounting models

The accounting model applied will be:

- the General Model for the non-life business and products purely at the risk of the life business;
- the Variable Fee Approach for direct participating products (i.e. linked products and products with discretionary profit-sharing).

Therefore, in view of the products offered by the Companies, the main model used is the Variable Fee Approach. At present, the simplified accounting model (premium allocation approach) is not applied.

Coverage Units

For the purposes of representing profitability profiles over time (“depreciation pattern”), the following values have been identified (“Coverage Units”):

- Life business: sums insured (pure risk products) or commitments to policyholders (direct participating products);
- Non-life business: expected claims.

These values were defined on the basis of the specific nature of the business analysed, in order to represent the “provision of the service” by the company over time as consistently as possible.

Financial margin

Mediolanum opted to apply the “accounting choice” which permits recognition in other comprehensive income (OCI option) of:

- any mismatches arising from the revaluation of assets and liabilities (IFRS 17, para. 89) – for products within the scope of the Variable Fee Approach;
- changes in liabilities related to the updating of financial conditions over time (IFRS 17, para. 88) – for products within the scope of the General Model.

Based on the methodology defined, the financial result for insurance products will be represented:

- for contracts within the scope of the VFA, from an equal and opposite amount (“mirroring”) to the booked financial result of the underlying assets;
- for contracts within the scope of the General Model, an amount equal to the change in the insurance liability deriving from the application of the curve at the date of first valuation of the group of contracts (locked-in curve).

To minimise the effects of accounting mismatch, Mediolanum revised the designation of securities at amortised cost under separate management, according to the option granted by IFRS 17 (paragraph C29), classifying them with the FVOCI accounting destination. This different designation will be shown retroactively by re-presenting the comparative period.

Discount curve

Mediolanum identified a bottom-up approach for calculating the IFRS 17 discount curve, which requires the adjustment of the risk free curve for an illiquidity premium.

This adjustment was determined for separate management on the basis of the securities covering the reserves of Medinvest separate management and the market data relating to them. For the remaining business, reference was made to a European portfolio considered substantially representative.

Risk adjustment

The approach identified by Mediolanum to define the risk adjustment includes the value at risk (VaR) risk measurement estimation technique with an 80th percentile level of confidence. With regard to the life business and the definition of stresses, the approach makes reference to the shocks used in the Standard Formula, recalibrated on the percentile identified.

Other aspects

With regard to estimated liabilities to policyholders and the contractual service margin, in accordance with the business model adopted by the Group, which provides for the distribution of insurance products by the banks Banca Mediolanum and Banco Mediolanum through the respective Family Banker networks, account was taken of the remuneration of the latter for the part strictly connected to the products rather than remuneration between

the Companies and the distribution companies, as also mentioned in the “enforcement priorities” for the 2022 annual financial statements issued by ESMA on 28 October 2022.

With reference to points of contact with the prudential Solvency II regulations, it should be noted that the undiscounted cash flows used to estimate fulfilment cash flows do not differ significantly from those used to estimate best estimate liabilities according to the prudential framework.

On 09 December 2021, the IASB published an amendment entitled “Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information”. The amendment is a transition option relating to comparative information on financial assets presented at the date of first-time adoption of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, thus improving the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the adoption of IFRS 17.

Note that the insurance companies of the Mediolanum Group have applied IFRS 9 to financial instruments as of 1 January 2018. In this regard, as indicated in greater detail, the business model was reassessed, which involved a portion of the securities in the portfolio relating to separate management with a re-presentation of the comparative balances. There are no further impacts relating to this amendment.

Transition strategy

The definition of the Transition strategy was guided, in the first instance, by the assessment of the possibility of applying a full retrospective approach.

This approach requires the reconstruction of historical data for all contracts within the scope of IFRS 17 from the date of their signature.

Application of the full retrospective approach is not required if retroactive redetermination is impracticable.

The portfolio analysis performed revealed the following limitations in relation to the possibility of applying a full retrospective approach:

- the lack of a historical registration system for accounting data that is consistent with the required level of granularity;
- the impossibility of obtaining objective information regarding the circumstances existing at previous assessment dates;
- the high computational effort in the reconstruction of historical data due to the different granularity of the required information.

The Mediolanum Group considered the application of the full retrospective approach to be impracticable in a sufficiently reliable way for a substantial portion of the portfolio, and oriented its Transition strategy as shown below:

- ✓ the application of the full retrospective method for linked products launched for sale from 2021;
- ✓ the application of the modified retrospective approach for pure risk products;
- ✓ the application of the fair value method for the direct participating products of the life business, excluding linked marketed products from 2021, and for the non-life business.

With regard to the estimated fair value of the life business, the “Cost of Capital” methodology was used, based on an estimate of the profitability of the portfolio that a third party would pay the Group, determined according to the level of capital considered adequate and the related opportunity cost. With regard to the estimated fair value of the non-life business, an approach was adopted based on the evidence obtained from the analysis of some (albeit limited) transactions observed in the market, which provides for the valuation of the business already written, equal to the value of the premium reserve adjusted to take into account the non-linearity of the risks covered during the period of cover.

Impact on the income statement and on the balance sheet

On the basis of the calculations performed, the impacts on shareholders' equity at 1 January 2022 are to be regarded as not material, albeit with offsetting effects among company contributions, amounting to a positive €15 million net of tax, which is less than 1% of the shareholders' equity recorded at 31 December 2021. This effect includes, *inter alia*, the positive effect of the reassessment of the business model of subsidiary Mediolanum Vita according to IFRS 9, which resulted in the reclassification of the securities – from amortised cost to FVTOCI – in Medinvest separate management. The value of the contractual service margin (CSM) on 1 January 2022 would amount to approximately €1.2 billion.

Based on the figures to date, the expected impact on shareholders' equity on the date of first-time adoption of the standard (1 January 2023) is expected to be in line with 1 January 2022, due to the substantial consistency of the results observed when preparing the 2022 comparative year with the results expressed in accordance with the current accounting framework. In particular, shareholders' equity measured at 1 January 2023 would be around 1% higher than the value at 31 December 2022 according to the current standards of preparation, due, in addition to the impacts recorded at 1 January 2022 and described above, to the positive performance of the valuation reserve, in part, and the lower contribution to the income statement in 2022, both of these effects being immaterial. It should also be noted that the CSM at 31 December 2022 is expected to increase significantly compared with 1 January 2022, by approximately 60%, mainly due to the contribution of new business during the year, unit-linked products, pure risk products and non-life products, as well as the positive effect of the increase in interest rates, which boosted all products, and in particular Medinvest separate management.

It should be noted that the activities to calculate the balances of the income statement and the statement of financial position for the comparative period on the basis of the information systems adopted at full operation include some simplifications considered not material. It should be noted that the validation process is still ongoing and therefore full disclosure of the impacts of first-time adoption of IFRS 17 at 1 January 2023 and the economic effects of the comparative period will be provided at the time of the preparation of the consolidated interim financial report as at 31 March 2023.

Apart from the above provisions regarding IFRS 17, with regard to the other new standards, no material impacts on the consolidated financial statements are expected.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

Finally, the following table shows the new international accounting standards, amendments to accounting standards and interpretations not yet approved by the European Union and effective in the future.

Accounting standards or amendments	Date of IASB publication	Approval date	Effective Date
Amendments to IAS 1: Presentation of liabilities as current or non-current and subsequent – deferral of first application date	23 January 2020 and 15 July 2020	---	---
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22 September 2022	---	1 January 2024

The Group will adopt these amendments on the relevant date of application and will assess their potential impacts when they are approved by the European Union.

1 – Financial assets measured at fair value through profit or loss

Classification criteria

Item “20. Financial assets measured at fair value through profit or loss” includes:

- > Financial assets held for trading;
- > Financial assets designated at fair value;
- > Other financial assets mandatorily measured at fair value.

This category includes debt securities or loans with an “other” business model, i.e. a method of managing financial assets not intended to collect contractual cash flows (“held to collect”) or to collect contractual cash flows and sell financial assets (“held to collect and sell”), debt securities, loans and UCI units that do not pass the SPPI (Solely Payments of Principal and Interest) test and non-qualifying equity instruments for exclusive control, connection and joint control, held for trading purposes or for which, on initial recognition, no option was exercised to classify them as “financial assets measured at fair value through other comprehensive income”.

Financial assets held for trading

A financial asset is recognised under this item if it is acquired primarily with the aim of realising cash flows from its sale (the “Other” business model) in order to take advantage of profit opportunities. The item also includes derivative contracts with a positive fair value that are not designated in the context of an accounting hedging relationship.

Financial assets designated at fair value

Financial assets (debt securities and loans) can be designated at fair value with the results of the valuation recognised in the income statement on the basis of the fair value option recognised by IFRS 9. Designation at fair value is only permitted if it significantly eliminates or reduces the accounting asymmetry that would result from the valuation/recognition of gains (losses) on different bases for assets or liabilities that are linked on a management basis.

Other financial assets mandatorily measured at fair value

A financial asset (debt security, UCI units and loans) is recognised under this item if it is a financial instrument where the return is measured on the basis of fair value and, in contractual terms, has no cash flows on pre-established dates that represent solely payments of capital and interest on the capital to be repaid, i.e. if it fails the Solely Payment of Principal and Interest (SPPI) SPPI test) is failed.

Recognition criteria

Such instruments are initially recognised at the time of settlement if they are debt securities, equity securities or loans. The initial value is equal to the fair value of the instrument (generally the same as the consideration paid), without considering any transaction costs or income directly attributable to the instruments.

Measurement criteria

After initial recognition, the valuation is made at fair value with the relevant changes recognised in the income statement. In particular:

- > in Item "80. Net gains (losses) from trading" for financial assets recognised in item "20.a Financial assets held for trading";
- > in item "110. a) Net gain (loss) from other financial assets and liabilities measured at fair value through profit or loss: financial assets and liabilities designated at fair value for financial assets recognised in Item "20.b) Financial assets designated at fair value";
- > in Item "110. b) Net result of other financial assets and liabilities at fair value through profit or loss: other financial assets mandatorily measured at fair value", for financial assets recognised in Item "20. c) Other financial assets mandatorily measured at fair value".

The fair value of financial assets is determined based on prices recorded in active markets or on internal valuation models generally used in financial practice as described in more detail in Part A.4 "Fair value reporting".

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when financial assets are transferred along with substantially all related risks and rewards and rewards.

Reclassification criteria

Financial assets measured at fair value through profit or loss, other than equity securities, may be reclassified to "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost". Reclassification may occur in the rare event that the entity decides to change its business model for the management of financial assets. The transfer value is represented by the fair value on the reclassification date, with forward-looking effects as of that date.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

This item includes financial assets with contractual terms that provide for cash flows on pre-established dates that represent only payments of capital and interest on the capital to be repaid, and which have therefore passed the SPPI test, and with the Held to Collect and Sell business model, the aim of which is to manage short-term financial instruments solely to meet liquidity needs.

This category also includes equity securities not held for trading purposes and not qualifying as being under exclusive control, connection or joint control, to which the option to classify them among financial assets measured at fair value through other comprehensive income applies. This option, which may be exercised at the time of initial recognition of the individual financial instrument, is irrevocable.

Recognition criteria

Initial recognition takes place on the settlement date for debt securities and equities and on the disbursement date for loans. Initial recognition takes place only when the Company becomes a party to the contractual clauses of the instrument, i.e. at the time of settlement. The carrying value is equal to the fair value, generally the same as the cost of the instrument including directly attributable transaction costs/revenues.

Measurement criteria

After initial recognition, these assets continue to be measured at fair value, with changes in value recognised in Item "120. Valuation reserves".

Value adjustments are recognised in the income statement in item "130. Credit-risk induced net value adjustments/write-backs", balancing item "120. Valuation reserves". Write-backs are recognised when there is an improvement in the creditworthiness of the asset. For the methods of determining fair value, see the criteria described above for "Financial assets measured at fair value through profit or loss" and "Part A.4 – Fair value reporting" below.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the financial assets are sold with the transfer of substantially all the associated risks/benefits. If it is not possible to ascertain the transfer of risks and rewards, financial assets are derecognised where no control over them is retained. Lastly, transferred assets are derecognised if the contractual right to receive the cash flows from the assets is maintained, but at the same time a contractual obligation is undertaken to pay only such flows received to a third party without delay.

Reclassification criteria

Financial assets measured at fair value through other comprehensive income other than equity securities may be reclassified to the accounting categories "Financial assets measured at fair value through profit or loss" and "Financial assets measured at amortised cost". Reclassification may take place in the very rare circumstances in which a decision is made to change the business model. The transfer value is the fair value as at the reclassification date.

In the event of reclassification to "Financial assets measured at amortised cost", the gain/loss accumulated in the valuation reserve is eliminated against an adjustment of the fair value of the financial asset as at the reclassification date.

In the event of reclassification to "Financial assets measured at fair value through profit or loss", the gain (loss) accumulated in the valuation reserve is reclassified from shareholders' equity to the income statement.

3 – Financial assets measured at amortised cost

Classification criteria

Item "40. Financial assets measured at amortised cost" includes financial assets (debt securities and loans) whose contractual terms include cash flows on pre-established dates that represent only payments of capital and interest on the capital to be repaid, and which have therefore passed the SPPI test (Held to Collect business model), held with the aim of collecting financial cash flows in the medium to long term.

In particular, the following are recognised under this item:

- a) loans to banks;
- b) loans to customers.

Loans to customers include both loans granted to customers and investments in securities – mainly government securities – as part of the management of the Group's banking book.

Recognition criteria

Initial recognition of the financial asset takes place on the settlement date for debt securities and on the disbursement date for loans.

Upon initial recognition, financial assets are recognised at fair value, which corresponds to the consideration paid, including any costs and income directly attributable to the instrument.

Measurement criteria

After initial recognition, the financial assets in question are measured at amortised cost. Such financial instruments are measured by using the effective interest rate criterion, i.e. the rate that exactly discounts future payments or receipts estimated over the expected life of the financial instrument. In order to determine the effective interest rate, cash flows must be measured taking into account all the contractual terms of the financial instrument.

The carrying value is adjusted to take into account any provision to cover expected losses at each annual or interim reporting date. Such assets are tested for impairment to estimate the expected losses recognised through the income statement in item "130. Net credit risk-induced adjustments/write-backs".

The impairment model involves three separate stages based on changes to the borrower's creditworthiness, corresponding to different criteria for measuring expected losses:

- > Stage 1: includes performing financial assets for which there has been no significant decrease in credit risk since the date of initial recognition or whose credit risk is considered low. Impairment is based on the estimated expected loss with a time horizon of one year;
- > Stage 2: includes performing financial assets that have suffered a significant deterioration in credit risk since initial recognition. Impairment is based on an estimate of the expected loss over a time horizon representing the entire residual life of the financial asset;
- > Stage 3: includes non-performing financial assets to be measured on the basis of an estimate of the expected loss over the entire life of the instrument.

For stage 1 and 2 assets, expected losses are determined according to a process that takes into account certain risk parameters consisting of the probability of default (PD), the loss rate in the event of default (LGD) and the exposure value (EAD), deriving from internal regulatory credit risk calculation models that take into account the specific requirements of accounting regulations.

For level 3 assets, impairment is quantified on the basis of a measurement process - analytical or lump-sum based on homogeneous risk categories - aimed at determining the present value of expected recoverable future flows, discounted on the basis of the original effective interest rate or a reasonable approximation thereof, where the original rate is not directly available. Non-performing assets include exposures classified as doubtful, unlikely to pay or past due by more than 90 days, according to the definitions established by the relevant supervisory legislation and cited in Bank of Italy Circular 262.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets or the financial assets are sold, essentially transferring all of the associated risks/benefits. Where it is not possible to ascertain the substantial transfer of risks and rewards, financial assets are derecognised where no control over them is retained.

Value adjustments

According to IFRS 9, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (other than equity securities) and off-balance sheet exposures are subject to

impairment. In particular, the standard specifies that these instruments should be classified in stages 1, 2 or 3 depending on their creditworthiness compared with initial recognition.

Stage 1 includes all newly acquired exposures or exposures for which the credit risk has not increased significantly since initial recognition. For exposures in this stage, the adjustment recorded in the financial statements is the expected credit loss at one year.

Stage 2 includes credit exposures that have increased significantly, but are not yet non-performing.

Stage 3 includes all non-performing exposures.

Banca Mediolanum has adopted specific models for calculating the one-year expected credit loss for Stage 1 and the lifetime credit loss for Stage 2 and 3 exposures. These models are based on the following parameters:

- > PD: Probability of Default – probability of a default on the credit exposure in a specific time period;
- > LGD: Loss Given Default – percentage estimated loss on occurrence of the default event;
- > EAD: Exposure at Default – exposure at the time of the default of the credit position.

For further details on how to determine value adjustments, see Part E – Risks section.

4 – Hedging transactions

It should be noted that, in accordance with the provisions of IFRS 9, the Group opted to continue to apply all of the provisions of IAS 39 on hedge accounting.

Classification criteria

Assets and liabilities include hedging financial derivatives that have a positive and negative fair value at the reporting date or interim period respectively.

The purpose of hedging transactions is to neutralise changes in fair value or cash flows on a certain financial instrument or group of items due to a certain risk, in the event that this particular risk actually occurs.

For the hedges put in place, the Company uses fair value hedging, the purpose of which is to hedge exposure to changes in the fair value of a financial statement item due to a particular risk. In particular, the Company has hedged the fair value of a portfolio of fixed-rate mortgages against interest rate risk.

Only instruments that involve an external counterparty can be designated as hedging instruments. Net amounts resulting from imbalances between financial assets and liabilities may not be hedged.

Recognition criteria

Hedging derivatives are recognised at fair value on the date the related contracts are entered into.

Measurement criteria

Hedging derivatives are measured at fair value. As they are accounted for as fair value hedges, changes in the fair value of the hedged item are offset by changes in the fair value of the hedging instrument. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item (in relation to changes generated by the underlying risk factor).

Any resulting difference, which represents the partial ineffectiveness of the hedge, is the net effect on profit or loss. Fair value is determined on the basis of quoted prices in an active market, prices quoted by market participants or internal valuation models commonly used in financial practice, which take into account all risk factors associated with the instruments and are based on market information.

A derivative instrument is designated as a hedging derivative if there is formal documentation of the hedging relationship between the hedged item and the hedging instrument and if it is effective at the inception of the hedge and, prospectively, throughout the term of the hedge. The effectiveness of a hedging relationship depends

on the extent to which changes in the fair value of the hedged item are offset by changes in the hedging instrument. Hedging relationships are generally regarded as effective if, at the inception of the hedge and in subsequent periods, changes in the fair value of the financial hedging instrument are offset by changes in the fair value of the hedged item and if the actual results fall within a defined range (80%-125%).

Effectiveness is assessed at each year-end reporting date or when interim statements are prepared, using:

- > prospective tests, which justify the application of hedge accounting as they prove expected effectiveness;
- > retrospective tests, which highlight the degree of effectiveness of the hedge in the period to which they refer. In other words, they measure to what extent the actual results differ from the perfect hedge.

If the tests performed do not confirm the effectiveness of the hedge, from that moment on hedge accounting is discontinued, the derivative hedging contract is reclassified to trading instruments and the hedged financial instrument again acquires the measurement criterion corresponding to its classification in the financial statements, and the changes in fair value recognised on the hedged instrument until the date of discontinuation of the hedge are subsequently amortised using the effective interest rate method.

Derecognition criteria

If the tests do not confirm the effectiveness of the hedge, either retrospectively or prospectively, the hedge accounting is discontinued. Subsequently, the hedging derivative contract is reclassified to "Financial assets measured at fair value through profit or loss" and, in particular, to financial assets held for trading. In addition, the hedging relationship ceases when the derivative or hedged item expires, is extinguished or exercised or it is no longer highly likely that the future hedged transaction will be put in place.

6 - Tangible assets

Classification criteria

Tangible assets include land, operating properties, property investments, technical plant, furniture, fixtures and equipment of any kind.

These are tangible items that are held for use in the production or supply of goods or services, to be leased to third parties, or for administrative purposes and are expected to be used for more than one period.

Tangible assets held for investment refers to investment property as defined in IAS 40, i.e. property held in order to obtain rent and/or generate capital appreciation.

Any assets used in the context of finance leases are also recorded under this item, although their legal ownership remains with the leasing company.

As of 1 January 2019, the rights of use acquired with a lease relating to the use of a tangible asset (for lessees), operating lease assets (for lessors) and the improvements and incremental expenses incurred on owned assets and rights of use on tangible assets under leases, are also included.

Recognition criteria

Tangible assets are initially recognised at cost, which includes not only the purchase price but also any ancillary costs directly attributable to purchasing and commissioning the asset.

Extraordinary maintenance expenses that increase the future economic benefits associated with the asset are added to the carrying value of the asset, while the costs of day-to-day servicing are recognised in the income statement.

Improvements and incremental expenses incurred on third party assets arising from lease agreements pursuant to IFRS 16 that are expected to deliver future benefits are recognised if they are individually identifiable and separable in item "90. Tangible assets" in the most appropriate category and provided they are not individually identifiable and separable in item "90. Tangible assets", to increase the right of use, recognised in accordance with IFRS 16, to which they refer.

Measurement criteria

Tangible assets, including non-operating properties, are valued at cost, less any depreciation and impairment. Assets are systematically depreciated over their useful life, using the straight-line method as the depreciation criterion, with the exception of land, whether acquired individually or incorporated into the value of buildings, since they have an indefinite useful life. Where the value of land is incorporated into the value of the building due to application of the component approach, it is regarded as an asset that can be separated from the building; the subdivision between the value of the land and the value of the building takes place on the basis of appraisals by independent experts, only in the case of self-contained buildings.

At each interim or year-end reporting date, if there is any evidence that an asset may be impaired, a comparison is made between the carrying value of the asset and its recoverable value, equal to the greater of the fair value, net of any costs to sell, and the relative value in use of the asset, understood as the present value of future flows generated by the asset. Any adjustments are recognised in the income statement. If the grounds for impairment cease to apply, a write-back is recognised, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.

Derecognition criteria

A tangible asset is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Tangible assets represented by the right to use assets under lease contracts

Pursuant to IFRS 16, a lease is a contract or part of it which, in exchange for a consideration, transfers the right to use an asset (the underlying asset) for a period of time. A finance "lease" agreement essentially transfers to the lessee all the risks and benefits of ownership of the asset. Otherwise, the agreement is an operating "lease". The lease agreement starts from the date on which the lessee is authorised to exercise their right to use the leased asset and corresponds to the date of initial recognition of the lease. On that date, the lessee takes on:

- > an activity that consists of the right to use the leased asset. The asset is recognised at cost and determined by the sum of a financial liability for the lease, the lease payments paid before or on the start date of the lease, the initial direct costs and any costs incurred to restore the asset underlying the lease or to dismantle it;
- > a financial liability corresponding to the present value of lease payments due. The discount rate used is, if determinable, the implicit interest rate; otherwise, the lessee's marginal loan interest rate is used.

The asset consists of the right of use. The right of use acquired through the lease is recognised as the sum of the present value of the future lease payments to be paid for the contractual term, the lease payments paid on or before the lease inception date, any incentives received, the initial direct costs and any estimated costs for the dismantling or restoration of the asset underlying the lease. The financial liability recognised corresponds to the present value of lease payments due.

The financial liability recognised corresponds to the present value of lease payments due.

The term of the lease is determined taking into account periods covered by an extension option and/or periods covered by a lease termination option, if reasonably certain.

During the term of the lease agreement, the lessee must:

- > assess the right of use at cost, net of accumulated depreciation and cumulative value adjustments determined and recognised in accordance with IAS 36 "Impairment of assets", adjusted to take account of any recalculations of the lease liability;
- > increase the liability arising from the lease transaction due to the accrual of interest expenses calculated at the implicit interest rate of the lease or at the marginal loan rate and reduce it for payments of principal and interest.

In the event of changes in lease payments, the liability must be recalculated; the impact of the recalculation of the liability is recognised as a balancing item of the asset consisting of the right of use.

Based on the requirements of IFRS 16, the Group uses the implicit discount rate for each lease, where available.

Derecognition criteria

The right of use deriving from lease agreements is eliminated from the financial statements at the end of the term of the lease.

For more information, see the relevant section of the notes (Part M – Leasing).

7 - Intangible assets

Classification criteria

Intangible assets include goodwill and application software to be used for several years, as well as intangible assets generated during the acquisition of a business. Goodwill is the positive difference between the acquisition cost and the fair value of the assets and liabilities acquired. Other intangible assets are recognised as such if they are identifiable and arise from legal or contractual rights. An intangible asset can be recognised as goodwill when the positive difference between the fair value of the net assets acquired and the acquisition cost of the equity investment (including ancillary costs) represents the equity investment's future income-generating potential. If the difference is negative (badwill), it is recognised directly in the income statement, if it is not due to provisions for risks not reflected in the accounts of the business being acquired.

Recognition criteria

Intangible assets are recognised at purchase cost, including direct costs incurred to prepare the asset for use, and increased by any subsequent expenses incurred to increase its initial economic functionality, net of accumulated amortisation and any impairment losses recorded.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of an acquiree, representative of future earning capacity. If the difference is negative (badwill), or if goodwill is not of future income-generating capacity for the investee company, it is recognised directly in the income statement.

Measurement criteria

The cost of intangible assets is amortised on a straight-line basis over their useful life (defined mainly as a flat rate of 3 years for software where there are no conclusive elements that can be used to define useful life). If their useful life is indefinite, the assets are not depreciated, but only periodically tested for impairment.

The asset's recoverable amount is estimated at each reporting date. The impairment loss, which is recognised in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable value.

If there is objective evidence that an individual asset may have become impaired, the book value of the asset and its recoverable amount, which is equal to the greater of its fair value less the costs of sale and its value in use, understood as the present value of the future cash flows that are expected to arise from the asset, are compared. Any adjustments are recognised in item 220 "Charges/write-backs on impairment of intangible assets" in the income statement.

If the value of an intangible asset previously written down is restored, the new book value may not exceed the net book value that would have been determined if no impairment loss had been recognised in the previous years.

Intangible assets include goodwill, which may be recognised as part of a business combination when the positive difference between the consideration transferred and any recognition at fair value of the minority interest and the fair value of the assets acquired is representative of future earning capacity.

The carrying amount of assets with an indefinite useful life, such as goodwill, are not subject to straight-line amortisation, but periodically tested for impairment.

In relation to the requirements of the accounting standard, "trigger events" are defined for the purposes of such testing, i.e. Indicators from external/internal information sources, which are monitored at least every six months and lead to the impairment testing of equity investments and goodwill. Goodwill is tested for impairment annually (or whenever there is evidence of impairment).

To this end, the cash generating unit to be allocated the goodwill is identified. The amount of any impairment loss is determined on the basis of the difference between the carrying amount and the recoverable amount, if lower, and is charged to the income statement in item 270 "Goodwill impairment". The recoverable amount is understood as the greater of the fair value of the cash-generating unit, net of any selling charges, and its value in use, represented by the present value of the estimated cash flows for the operating years of the cash-generating unit and deriving from its disposal at the end of its useful life, or by applying the market multiples methodology.

The booking of any subsequent recoveries in value is not permitted.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position on disposal or when no additional future economic benefits are envisaged from its use or disposal, and any difference between its disposal value or recoverable value and its book value is recognised in the income statement in item 280 "Gains (losses) on disposal of investments".

8 - Non-current assets and disposal groups

Classification criteria

These non-current assets and liabilities and disposal groups of assets and liabilities, whose carrying amount will presumably be recovered through sale rather than ongoing use, must be immediately available for sale to be classified in items 120 in assets and 70 in liabilities in the statement of financial position, and active and concrete programmes must be identified to make their disposal highly likely within a year from their classification as assets held for sale.

It should be noted that for the purposes of classification, the significance of the assets and liabilities being transferred is also assumed. Therefore, if this requirement is not met, any disposal transactions will be represented under the relevant items.

Measurement criteria

These assets or liabilities are measured at the lower of their carrying amount and their fair value net of disposal costs. Gains and losses attributable to disposal groups of assets and liabilities are recognised in the income statement in item "320. Net income from discontinued operations after tax". Gains and losses attributable to individual assets held for sale are recognised under the most appropriate item in the income statement.

Derecognition criteria

Non-current assets and groups of assets held for sale are derecognised from the balance sheet at the time of sale.

9 – Current and deferred taxation

The Italian companies of the Mediolanum Group adhere to the "national tax consolidation scheme" for IRES purposes regulated by Articles 117-129 of the Consolidated Law on Income Tax (TUIR), introduced by Legislative Decree 344/2003. This is an optional scheme under which the taxable profits or tax loss of each subsidiary participating in the tax consolidation – together with withholdings, deductions and tax credits – are consolidated into the Parent Company, for which a single taxable income or single tax loss amount is determined that can be carried forward (given by the algebraic sum of own income/losses and that of the participating subsidiaries and, consequently, a single tax debt/credit).

Under this option, Group companies that are members of the tax consolidation scheme calculate their own tax charge and the corresponding taxable income is consolidated into the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company. The Group recognises current and deferred taxes applying the tax rates in effect in the countries where the consolidated subsidiaries are incorporated.

Income taxes, calculated in accordance with current tax legislation, are accounted for on the basis of the expenses and revenues that generated them. They therefore represent the tax charge, equal to the balance between current and deferred taxation, relating to income for the year.

Income taxes are recognised in the income statement, except for items which are credited/charged directly to shareholders' equity.

Provisions for income taxes are calculated on the basis of an estimate of the current, prepaid and deferred tax expense. Prepaid and deferred taxes are calculated in respect of the temporary differences - with no time limit - arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recorded to the extent that it is probable that they will be recovered, i.e. to the extent that the Company – or the Parent Company under Italy's tax consolidation regime – is likely to continue to generate positive taxable income.

Prepaid and deferred taxes are not netted, and are recognised separately in the statement of financial position under "Tax assets" and "Tax liabilities" respectively.

Deferred taxes are calculated using the liability method based on the temporary differences recognised at the reporting date between the tax values used for the assets and liabilities and the values reported in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and for tax assets and liabilities carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the tax assets and liabilities can be utilised, unless:

- > the deferred tax asset associated with the deductible temporary differences arises from initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect on the profit for the year calculated for financial reporting purposes or on the profit or loss calculated for tax purposes;
- > with regard to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that deductible temporary differences will reverse in the immediate future and that there are adequate tax profits against which temporary differences can be utilised.

Assets and liabilities recognised for prepaid and deferred taxes are systematically measured to take account of any changes in the rules or rates and of any subjectively different situations of the Group companies.

Any tax disputes fall within the scope of IAS 12, which does not include specific valuation principles for the associated tax liabilities. The valuation of tax disputes was therefore carried out on the basis of IAS 37, without prejudice to the presentation principles of IAS 12.

10 - Provisions for risk and charges

Commitments and guarantees given

Provisions for risk and charges in respect of commitments and guarantees given are recognised for all commitments and guarantees, whether revocable or irrevocable, in accordance with both IFRS 9 and IAS 37. This item includes an estimate of the expected loss calculated on these instruments resulting from the valuation process, as described in the section Value Adjustments.

The provision for the period is recorded in item "200. Net provisions for risk and charges - commitments and guarantees given".

Pensions and similar obligations

Pension provisions include employee benefit provisions that will be paid after employment is terminated and may be classified as defined-contribution or defined-benefit plans. In particular:

- > Defined benefit plan: this ensures benefits that depend on different elements, such as age, years of service and remuneration policies. In this case the actuarial risk and the investment risk ultimately fall on the company;
- > Defined contribution plan: for this type of plan, the company pays pre-determined contributions. The benefit is the accumulated amount represented by the contributions and their return. The provider has no actuarial and/or investment risk linked to this type of plan as it has no legal or implicit obligation to pay additional contributions if the fund does not have sufficient assets to pay benefits to all employees.

Other funds

Provisions for risk and charges are liabilities of uncertain maturity or amount. A contingent liability is defined as such when:

- > the company has a current obligation as a result of a past event;
- > it is probable that an outlay of resources to produce economic benefits will be required to settle the obligation; and
- > a reliable estimate can be made of the amount arising from fulfilment of the obligation.

The amounts set aside are determined so as to represent the best estimate of the expenditure required to meet the obligations. Risks and uncertainties relating to the facts and circumstances at issue are considered in determining this estimate. Provisions set aside are periodically reviewed and may be adjusted to reflect the best current estimate.

"Other funds" include, *inter alia*, obligations concerning benefits payable to agents and in particular supplementary client benefits, portfolio and structure benefits and manager promoter benefits, relating to agents carrying out assistance and coordination activities whose remuneration is based on specific commercial parameters and is granted on the achievement of an old-age pension - conditional on the requirement not to carry out competitive activities in the two-year period following the end of their period in office - or in cases of permanent total disability or death. The provision for unlawful risks of promoters is also included, established to cover the risk of liabilities for losses not covered by the insurance policy to cover damage caused to customers by unlawful conduct on the part of financial promoters and potential liabilities arising from legal disputes.

11 - Financial liabilities measured at amortised cost

Classification criteria

The item "Financial liabilities measured at amortised cost" includes the sub-items "Due to banks", "Due to customers" and "Debt securities issued". Payables entered by the lessee in the context of lease transactions, as well as repurchase agreements for funding and securities lent with the receipt of money guarantees that are fully available to the lender, are also included. Finally, operating payables associated with the provision of financial services are included.

Recognition criteria

The value at which they are initially recognised is equal to their fair value, usually equal to the consideration received or the issue price including costs/income directly attributable to the transaction. Lease payables are recognised on the basis of the present value of future lease payments still to be paid for the contractual term.

Measurement criteria

After initial recognition, medium/long-term financial liabilities are measured at amortised cost using the effective interest rate method as defined above.

Short-term liabilities, for which the time factor is not significant, are valued at cost.

Lease payables must be restated in the event of a change in the payments due (lease modification). The impact of the redetermination will be recorded as a balancing item to the right of use asset.

Derecognition criteria

Financial liabilities are derecognised on the annual or interim financial statements when they expire or are extinguished. The difference between the carrying amount of the liability and the amount paid to purchase it is recorded in the income statement.

12 - Financial liabilities held for trading

Classification criteria

Financial liabilities held for trading include:

- > trading derivatives with a negative value;
- > uncovered short positions on securities trading.

Recognition criteria

Such financial liabilities are initially recognised on receipt of the sums collected or on settlement of the financial instruments underlying the transaction. The fair value of any financial liabilities issued below market value is subject to appraisal and the difference from the market value is directly recognised in the income statement. After initial recognition, financial liabilities are measured at fair value.

Measurement criteria

After initial recognition, the financial instruments in question are measured at fair value, with changes in value recognised in item "80. Net gains (losses) from trading".

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when financial liabilities are transferred with the substantial transfer of all the risks and rewards of ownership.

13 - Financial liabilities designated at fair value

Classification criteria

Financial liabilities designated at fair value may be recognised on the basis of the option (the Fair Value Option) granted by IFRS 9, i.e. when a hybrid contract contains one or more embedded derivatives and the embedded derivative significantly modifies the cash flows that would otherwise be provided by the contract or when the fair value designation recognised in the income statement allows for better reporting.

Recognition criteria

Financial liabilities designated at fair value, accounted for in accordance with the Fair Value Option, are recognised at the issue date. The value at initial recognition is equal to the cost understood as the fair value of the instrument.

The option of designating a liability at fair value is irrevocable on the individual financial instrument and does not require the same application to all instruments with similar characteristics.

Measurement criteria

These instruments are measured at fair value, allocating changes in value to item "110. a) Net gain (loss) from other financial assets and liabilities measured at fair value through profit or loss: financial assets and liabilities designated at fair value".

Derecognition criteria

Financial liabilities are derecognised in the annual or interim financial statements when they expire or are extinguished.

14 - Foreign-currency transactions

Assets and liabilities denominated in foreign currencies are recorded, at initial recognition, in the reporting currency, by applying the exchange rate in force on the transaction date to the foreign currency amount.

At each interim or year-end reporting date, financial statement items in foreign currencies are valued as follows:

- > monetary financial assets and liabilities are converted at the exchange rate at the reporting date;
- > non-monetary items measured at historical cost are translated at the exchange rate in force at the transaction date;
- > non-monetary assets measured at fair value are converted using the exchange rates in force at the reporting date.

Foreign exchange differences resulting from the settlement of monetary items or the conversion of monetary items at rates other than the initial conversion rates or the conversion rates in the previous financial statements are recognised in the income statement for the period in which they arise.

When a gain or loss relating to a non-monetary item is recognised in shareholders' equity, the foreign exchange difference relating to that item is also recognised in equity. Conversely, when a gain or loss is recognised in the income statement, the relative foreign exchange difference is also recognised in the income statement.

15 - Insurance assets and liabilities

Insurance contracts

According to IFRS 4, insurance contracts are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.

An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the present value of the insurer's net cash flows. This limit is set at 5% for the Mediolanum Group.

Life technical provisions

Technical provisions represent the commitments contractually undertaken relating to insurance contracts and investment contracts with DPFs (Discretionary Participation Features).

Technical provisions include a component where the risk is not borne by policyholders (traditional product reserves) and reserves where the risk is borne by policyholders (linked reserves).

The traditional technical provisions of the life class include the mathematical reserve, calculated analytically for each contract, on the basis of pure commitments and with reference to the actuarial assumptions used to calculate the relevant premiums; this reserve includes all revaluations accrued pursuant to contractual clauses, as well as specific appropriations to take account of interest rate risk and demographic risk, and is not less than the surrender values. The process of determining the reserves is based on a complex estimate by the directors, which includes many subjective variables and actuarial parameters.

The technical provisions also include the shares carried forward of premiums pertaining to the subsequent period and the share of future expenses arising from the management of contracts such as management expenses and additional health premiums.

The mathematical reserves also include the following appropriations:

- > Additional bonus reserves for contracts containing clauses that provide for the accrual of “bonuses” over the life of the contract. These bonuses relate to several tariff categories and are either commensurate with the maximum fees provided for in the first years, with a percentage of the payments made or with the initial loading. The reserves are appropriated policy by policy on the basis of a prudent estimate of the commitments accrued to date and of non-financial assumptions relating mainly to demographic variables and the lapse rates of the insurance contracts estimated on the basis of direct experience of the portfolio and possibly market data.
- > The additional guaranteed interest rate reserve for investment policy products related to separately managed accounts and for products with a pledged rate addresses the risk that the assets concerned will not generate sufficient returns to fulfil the financial commitments to policyholders (minimum guaranteed rate/technical rate). For the allocation of this reserve relating to products governed by Italian law, reference is made to the provisions of ISVAP Regulation 22, which provides for the projection of the yield vector over a minimum horizon of 4 years. The Group has applied these provisions by projecting a vector of returns with reinvestment assumptions consistent with market expectations, applied the reduction of returns where provided for, and defined one of the methods set forth in the regulatory rules for offsetting results. The main assumptions used relate to the financial assumptions concerning the development of interest rates, the prospective profitability of the assets in the portfolio and decisions on reinvestment and non-financial assumptions primarily relating to demographic variables and the lapse rates of insurance contracts estimated on the basis of direct experience of the portfolio and possibly market data.
- > The additional demographic reserve safeguards the commitments made to policyholders to pay an annuity benefit at the end of the contractually defined contract according to the assumptions set at the time the contract was signed. The Group has applied a prudent estimate of the annuity conversion option which is based on average market data supported by internal experience of the portfolio. The technical provisions also include the reserve for amounts to be paid, which includes commitments to policyholders settled but not yet paid.
- > With regard to contracts with DPFs, a shadow accounting liability is also recognised, which includes capital gains (losses) attributed to policyholders for contracts relating to separately managed accounts. This reserve is estimated on the basis of the latent gains (losses) attributable to policyholders within the limits of the financial commitments assumed, taking into account the liquidation approach (immediate settlement). The balancing item of the shadow accounting appropriation depends on the nature of capital gains (losses) (recognition in the income statement or in the valuation reserve).
- > The linked technical provisions relate to insurance contracts whose benefits are linked to investment funds, market indices and pension funds. In accordance with the provisions of Article 38 of Legislative Decree 173/97, the technical provisions established to cover commitments arising from contracts with insurance content whose return is determined according to investments or indicators of which the policyholder bears the risk, are calculated with reference to the commitments provided for in the contracts and are represented as closely as possible by the reference assets, in accordance with the provisions of Article 41 of Legislative Decree 209/05.

Reserve arising from verification of the adequacy of life technical provisions – LAT

At each reporting date, the adequacy of the reserves for insurance contracts is verified (liability adequacy test), taking into account the present value of expected future cash flows on the insurance contracts as a whole. The checks are carried out separately for similar portfolios, taking into account their main characteristics.

With regard to linked insurance products, the prospective adequacy assessment takes into account all the positive flow of expected revenues through management fees.

With regard to the traditional world of non-linked insurance contracts, the portfolio projection is taken into account on the basis of assumptions consistent with the final data inferred from experience and with the current market context. The comparison between the values obtained from the respective adequacy tests is made on mathematical and additional reserves recognised using local GAAP with the inclusion of the shadow accounting component recognised by the application of IFRS 4. If the tests performed on all the reserves considered for insurance contracts are not passed, the relevant deficiency will be accounted for as an increase in the technical provisions.

Non-life technical provisions

Premium reserve

The premium reserve for direct insurance is calculated individually for each policy according to the *pro-rata temporis* method, on the basis of the gross premiums recognised, minus acquisition commissions and other acquisition costs, limited to directly attributable costs. Any need for a reserve allocation relating to ongoing risks is assessed, as permitted by Article 9 to Article 11 of ISVAP Regulation 16 of 4 March 2008, on the basis of the relevant claims ratio. The reinsurers' share of the premium reserve, determined in accordance with the underlying treaties, is calculated according to the same criteria used to determine the direct business quota treaties reserve, while the flat rate system has been used for optional elements in the portfolio.

Other technical provisions

The reserve for increasing age was calculated in accordance with the criteria indicated by ISVAP Regulation 22.

Claims provision

The claims reserve for direct business is determined in accordance with ISVAP Regulation 22 of 4 March 2008 in an analytical manner, by examining all claims open at the reporting date, and referring to the cost that the company may be required to pay in compensation, according to the best possible estimate of currently foreseeable future expenses (the "ultimate cost"). The claims reserves are estimated by management claims adjusters according to the "continuous" reserve method. The reserve loss is then assessed each time the updated information is received and in any case at least once

a year. In addition, claims in runoff (Motor TPL and Professional TPL) are managed by a dedicated structure in the Claims Department due to the specific nature and features of the claims. The Company's management periodically analyses the main technical indicators to ascertain any need for additions/revisions to claims classes. The reserve includes an estimate of claims incurred but not reported at the reporting date, which is calculated on the basis of the experience of previous years, appropriately assessed to take account of the characteristics of the classes, and an estimate of the cost of any particularly significant claims that occurred but were not known about until after the end of the year. The reserve is also supplemented to take account of settlement expenses for compensation (direct expenditure based on the lump-sum estimate of management and indirect claims adjusters based on the internal cost structure).

The claims reserve for indirect business is allocated on the basis of communications from the transferors and revised according to the objective and statistical information available. On the basis of what is objectively known, the claims reserve thus recognised is considered adequate to cover claims settlement costs in full until year-end.

The reinsurers' share of the claims reserve is determined by criteria similar to those adopted for reserves for direct and indirect business, in accordance with the underlying treaties.

Reserve arising from verification of the adequacy of non-life technical provisions

The non-life technical provisions are tested in accordance with IFRS 4 (Liability Adequacy Test - LAT). In order to control the adequacy of the premium reserve, for each ministerial class the additional unexpired risk reserve is calculated using the simplified method provided for by ISVAP Regulation 22.

As claims pending are measured at ultimate cost and not discounted, it is possible to implicitly regard the future payment flows as verified (LAT on the claims reserve).

16 - Other information

Other assets – Other liabilities

This item includes assets and liabilities not attributable to other assets in the balance sheet.

Other assets mainly include receivables associated with the provision of non-financial goods or services and tax payables other than those recorded in item "100. Tax assets" and other assets for transit items that will close at the beginning of the following year.

Other liabilities mainly include transit items, payables associated with the payment of the supply of non-financial goods and services and miscellaneous tax credit items other than those recognised in item "60. Tax liabilities".

Severance benefits

Employee severance benefits are recorded on the basis of the actuarial value calculated in line with the rules for "defined benefit" plans. Future disbursements are estimated on the basis of historical statistical analyses (for example, turnover and pensions) and the demographic curve, including the hypothetical salary increases envisaged by Article 2120 of the Italian Civil Code (application of a rate comprising 1.5% fixed and 75% of the ISTAT inflation index, where applicable). These flows are then discounted using the projected unit credit method. The discounting rate is determined on the basis of the market rates of high-quality bonds, in line with the estimated residual maturity of the commitments. The values thus determined entail recognition in the income statement of the cost components relating to work and net financial expenses, as well as the recognition of actuarial gains and losses deriving from the remeasurement of liabilities in other comprehensive income. The amounts accrued from 1 January 2007 allocated to the supplementary pension plan or the INPS treasury fund are classified as a "defined contribution" plan, since the company's obligation to the employee ceases with payment of the amounts accrued to the fund. These amounts are booked on the basis of the contributions accrued during the year.

Employee pension funds

Defined contribution plans for pension funds for which the company, through payment of contributions, does not assume any further obligation towards the fund members, entail recognition in the income statement of the benefits accrued during the year.

Share-based payments

These are payments to employees or similar persons as consideration for work or other services/goods received based on shares which may consist in the allocation of:

- rights to subscribe for paid capital increases (stock options);
- rights to receive shares when the qualitative/quantitative targets settled with equity instruments are met (performance shares);
- rights to receive shares when the quantitative/qualitative targets settled by cash are met (phantom shares).

For such cases, the cost of the transaction, together with the corresponding increase on the balance sheet (shareholders' equity or liabilities), is recognised in relation to the fair value of the benefits at the grant date, which is recognised during the vesting period.

For stock option plans, the fair value of the option was calculated using a model that took into account not only information such as the exercise price and life of the option, the current price of the shares and their expected volatility, the expected dividends and the risk-free interest rate, but also the specific characteristics of the plan in place. The option and the probability of realising market conditions are valued separately in the pricing model. The combination of the two values provides the fair value of the granted instrument. The cumulative costs recognised at each reporting date until the vesting date are commensurate with the maturity of the vesting period and the best available estimate of the number of participating instruments that will actually be exercised on vesting.

The reversal of the cost recognised in the income statement in each year represents the change in the cumulative cost between what is recognised at the end of the year and the cumulative cost at the end of the previous year. No cost is recognised for rights that do not reach full accrual. Incentive schemes are also provided for key staff that are based on group share-based payments in accordance with the rules on the remuneration of such staff.

Capital and treasury shares

The capital item includes the amount of shares issued net of any capital subscribed but not yet paid up as at the reporting date. This item is shown gross of the treasury shares held by the Bank. These are recognised in the financial statements under a specific item as a negative component of shareholders' equity.

The original cost of repurchased treasury shares and the gains or losses arising from their subsequent sale are recognised as changes in shareholders' equity.

Dividends on ordinary shares are recognised as a reduction in shareholders' equity in the year in which the Shareholders' Meeting

voted on its distribution. Any interim dividends are recognised in the "Interim dividends" liability item on the balance sheet as negative amounts in brackets.

Tax credits related to the "Cure Italy" and "Relaunch" decrees acquired due to transfer by direct beneficiaries or previous acquirers (such as the "Ecobonus")

The credits introduced by Decree 18/2020 ("Cure Italy") and Decree 34/2020 ("Relaunch") acquired due to transfer by direct beneficiaries or previous acquirers refer to tax incentive measures relating both to investment expenses (e.g. the Ecobonus and the Sismabonus) and to current expenses (e.g. rents on non-residential premises).

These tax incentives, applicable to households or businesses, are commensurate with a percentage of the expenditure incurred and are paid in the form of tax credits or tax deductions.

The main features of the tax credits introduced by the decrees are:

- > the option of offsetting over a limited period of time;
- > the possibility of transfer to third-party buyers; and
- > no refunding by the tax authorities.

The accounting treatment of the above credits is not governed by any IAS/IFRS accounting standard and it is therefore necessary to refer to the provisions of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, which require that a specific accounting policy be defined that ensures a faithful representation of the entity's financial position, income and cash flows and reflects the economic substance.

Also under the guidelines set forth by the Supervisory Bodies in the joint document published by them, taking into account that the tax credits referred to in the decrees are substantially more similar to a financial asset, as they may be used to offset a debt usually extinguished in cash (tax payables), and may be exchanged for other financial assets under conditions that might potentially be favourable to the entity and can be framed in a business model, it is believed that the accounting model based on IFRS 9 represents the accounting policy of reference.

In order to define the accounting treatment to be adopted for the tax credits in question, reference was therefore made to certain provisions of the IFRS 9 accounting standard for financial instruments. In particular, the acquisition price of the tax credits is affected by:

- > the time value of money;
- > the ability to use it within the relevant timeframe.

This price meets the condition of IFRS 9, according to which financial assets and liabilities are initially recognised at fair value and regarded as being at Level 3 of the fair value hierarchy provided for by IFRS 13, as there are currently no active markets or comparable transactions. At the time of initial recognition, the tax credit must therefore be recognised at the transaction price. In order to subsequently measure financial assets at amortised cost, the following must be considered:

- > the time value of money;
- > the use of an effective interest rate;
- > the flows of the use of the tax credit through offsetting.

The effective interest rate used is therefore the rate determined at the outset so that the discounted cash flows associated with the expected future offsetting estimated over the projected duration of the tax credit are equal to the acquisition price. It is therefore necessary to estimate the expected offsetting taking into account all the terms of the tax credit, including the fact that any tax credit not used in each offsetting period will be lost.

Using the amortised cost method, pursuant to paragraph B5.4.6 of IFRS 9, it is necessary to periodically review the estimates of cash flows and to adjust the gross book value of the financial asset to reflect actual and restated cash flows.

The accounting of tax credits acquired by an entity is not attributable to one specific international accounting standard. In these cases, IAS 8 requires that, if there is a case not explicitly covered by an IAS/IFRS accounting standard, an accounting policy can be defined that is capable of ensuring the relevant disclosure of such cases. Applying IFRS 9 as the best approximation of the accounting standard that should be adopted, it is therefore necessary to define the correct portfolio among those covered by this standard, i.e. the held-to-collect (HTC) business model, in accordance with the classification currently adopted by the Group, according to which this is

the reference portfolio for loans to customers, also considering the aim of holding these loans and using them for future offsetting.

With regard to presentation, given that the tax credits obtained do not represent, pursuant to the international accounting standards, tax assets, public contributions, intangible assets or financial assets, the most appropriate classification for the purposes of presentation in the financial statements is the residual classification of “other assets” in the balance sheet in line with IAS I.

Income and expenses (interest and other valuation aspects such as adjustments for impairment and gains (losses) on disposal) are recognised in the income statement, in line with the HTC business model selected.

For the purposes of valuing these credits, the accounting framework established by IFRS 9 for the calculation of expected losses is not applicable, i.e. ECL is not calculated on these tax credits, as there is no counterparty credit risk, taking into account that the credit is realised by being offset against payables and not by collection.

Income statement

Revenues

Revenues are gross flows of economic benefits arising from the company's ordinary business and are recognised when the control of goods or services is transferred to the client, for an amount that represents the consideration to which it considers it is entitled. Specifically, revenue is recognised through the application of a model that must meet the following criteria:

- > the parties to the contract approved the contract and undertook to fulfil their respective obligations;
- > the entity can identify the rights of each of the parties with regard to the goods or services to be transferred;
- > determination of the expected consideration for the transfer of the goods or services to the client (transaction price);
- > recognition of revenues when the obligation to perform is fulfilled by transferring the good or service to the customer.

Interest income and expense

Interest income and expense and similar income and expense comprise cash and cash equivalents and financial instruments classified under IFRS 9 (financial assets held for trading, designated at fair value or mandatorily measured at fair value, measured at fair value with an impact on comprehensive income, measured at amortised cost and financial liabilities at amortised cost).

Interest income and expense is recognised in the income statement for all instruments valued according to the amortised cost criterion, using the effective interest rate method.

Fee and other income

Fee income and other operating income is recognised in the income statement in accordance with IFRS 15: Revenue from contracts with customers. In particular:

- > if the obligation to perform is fulfilled at a certain time, the relevant revenue is recognised in the income statement at the time the service is provided;

- > if the obligation to perform is fulfilled over time, the relevant revenue is recognised in the income statement in such a way as to reflect the degree of fulfilment of the obligation.

The amount of revenue recognised on commission income and other operating income is measured according to the contractually established amounts.

Dividends

Dividends are recognised in the income statement in the financial year in which the resolution to distribute them is approved.

Costs

Costs are recognised when they are incurred in accordance with the principle of the correlation of costs and revenues. Costs that cannot be associated with revenue are immediately recognised in the income statement. Costs directly attributable to financial instruments measured at amortised cost are recorded in the income statement using the effective interest rate.

The effective interest method is the method of allocating interest income or expense over the duration of a financial asset or liability. The effective interest rate is the rate that exactly discounts future payments or receipts expected over the life of the financial instrument to the net book value of the financial asset or liability.

Impairment is recognised in the income statement in the financial year in which it is recognised.

A.3 – REPORTING OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Date of reclassification (4)	Reclassified carrying amount (5)	Interest income recorded in the year (before tax) (6)
Debt securities	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	01/10/2018	5,359,433	N.A.

The above value represents the carrying amount of the residual securities at the end of 2022.

It should be noted that the reclassification date is the date of the accounting effect of the change of business model.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

As reported in previous years, following a change in the business model by the Parent Company, which allowed the risk profile to be maintained unchanged with respect to the risk appetite assumed by the corporate governance bodies, the Held to Collect (HTC) portfolio is the portfolio in which financial instruments have a significant position compared with the HTCS portfolio, in which financial instruments continue to have a very marginal position. It should therefore be noted that all medium/long-term variable-rate and fixed-rate securities have been assigned to the HTC portfolio because the Bank believes them to be more consistent with stable inflows, while short-term fixed-income securities are considered more useful for meeting liquidity needs, which is the specific aim of the new HTCS portfolio.

2022 confirmed the choice of the prevalence of the HTC portfolio, following which the relative importance of the exposure to securities classified in the HTC portfolio and the substantial absence of sales of securities classified in this portfolio should be noted.

A.4 – FAIR VALUE REPORTING

QUALITATIVE INFORMATION

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, under current conditions in the main or most advantageous market at the measurement date (exit price). Underlying the measurement of fair value is the

presumption that the entity is a going concern. IFRS 13 establishes a fair value hierarchy according to the degree of observability of the inputs and parameters applied to the measurements. Three levels are envisaged:

- > Level 1: the FV of the instruments classified at this level is determined on the basis of list prices observed in active markets;
- > Level 2: the FV of the instruments classified at this level is determined on the basis of valuation models that mainly use inputs observable in active markets;
- > Level 3: the FV of the instruments classified at this level is determined on the basis of valuation models that mainly use significant inputs not observable in active markets.

The Group adopts a policy for recognising the fair value level of individual positions which contains the rules both for the definition of an “active market” and for the consequent operating procedure for valuing portfolios, in order to remove any discretionary power in identifying levels. Securities not belonging to either of the above two categories are regarded as belonging to a “non-active market”. Securities covering Class III policies for which the issuer has a repurchase agreement are excluded from this definition. As part of coordination activities for all Group companies, the Risk Management function provides methodology and/or operational support to the corresponding risk structures of the companies in the Conglomerate, including with regard to the definition of an active market.

The following are deemed to be listed on an active market:

- > securities traded on Italian and foreign regulated markets (e.g. MTS (electronic government securities market) and MOT (electronic bond and government securities market));
- > securities traded on organised exchange systems authorised or recognised by Consob (multilateral trading facilities) for which the materiality of the price has been determined by the procedure described below;
- > securities for which an executable list price is available that meets the following criteria:
 - > the reference time series is complete;
 - > the bid-ask price tolerance thresholds differ according to the financial instrument;
 - > significant variability in the daily price in the reference month;
 - > maximum monthly price variation limit;
 - > maximum limit of the price deviation from a benchmark quotation.

Securities that meet the above criteria are classified as listed on an active market and their fair value is determined according to the type of financial instrument, as follows:

- > for equity securities listed on the Italian stock exchange Borsa Italia and/or foreign stock exchanges, the closing price on the last trading day of the reference month;
- > debt securities will be valued at the bid price (for long positions) and the ask price (for short positions) from an executable source.

Financial instruments that are not in active markets are measured by assigning them to fair value Level 2 or Level 3.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2 instruments comprise bonds of third-party issuers and some derivative instruments. Securities in this category are valued on the basis of directly or indirectly observable market data. The fair value of the bonds is calculated as the sum of the present values at the end of the financial year of the cash flows deriving from them. The discount rate is determined as the sum of two components:

- > the risk-free rate;
- > the credit spread.

The risk-free rate is inferred from the implicit value in IRS (interest rate swap) contracts, while the credit spread is inferred from the price of bonds of the same issuer with a fixed coupon and maturity comparable to the security being valued. Where no securities of the same issuer were present, and for own bonds, a credit spread was used, inferred from a weighted average of the observed values of bonds of the main Italian banks listed on the institutional markets. If the expected values of the flows are not determined, but depend on market variables, they are identified on the basis of:

- > the forward rates implicit in the risk-free rates for the various maturities;
- > the volatility implicit in the prices of swaptions, caps and floors.

The fair value of Level 2 financial derivatives (consisting of amortising interest rate swaps) is determined taking into account their level of collateralisation: in particular, the value of the contracts is calculated by discounting the flows generated by them at rates inferred from the implicit values in OIS (overnight interest swap) contracts and in the relevant basis swap contracts.

Level 3 assets mainly consist of:

- > shares of funds including those of the investment funds;
- > positions in equity securities.

As far as shares of real estate funds are concerned, the underlying approach of real estate valuations aims to determine fair value through a mark to model method, i.e. a theoretical value derived from assumptions that may be applied to different classes of assets regardless of the specific characteristics of the counterparties or the property itself (its specific features, category, geographical location, etc.). The starting point for determining the fair value of the properties (included in the real estate funds) consists of the rents (contractually established) that the tenant of the property undertakes to pay the property owner for an agreed number of years. These rents are discounted and capitalised using:

- > the initial value of the rent received;
- > the discounting rate for the rent received;
- > the final net income capitalisation rate after implementation.

The first rate is obtained through a linear combination of a market indicator, a spread for illiquidity risk, a spread for the risk associated with real estate investment and a spread for sector/planning risk (included in discount rates according to an asset-dependent approach). The marginal impact of each of the four components will therefore reflect the valuer's market sensitivity and its forecasts and expectations regarding market trends. The exit rate, by contrast, is the factor that makes it possible to convert an indication of future income into an indication of present value. This is also determined using a linear combination: the inputs are taken from the financial market and reference real estate market. In particular, the risk out rate is inferred by the valuer by observing transactions in the reference market.

In accordance with current legislation, the assets in real estate funds are valued by independent experts every six months. With reference to the other types of funds in the portfolio managed by leading asset management companies, the NAV of the fund's share is assumed as an approximation of the fair value.

Due to its interest in the VISA security, the Group has determined fair value on the basis of valuation methods provided for in legal theory with the support of an external consultant.

Less significant unlisted equity securities have been assumed to be equal to their historical cost in the absence of facts and information considered sufficiently reliable to determine the fair value reliably, such as recent transactions to be taken as a reference or the presence of inherent characteristics of the company that allow it to be compared with other listed players.

In 2022 a position was recorded in a structured debt security with a fair value level of 3 in the portfolio of the subsidiary Mediolanum Vita. The price of this instrument is provided directly by its issuer and since the quantities are not observable on the market, the fair value level is 3. A framework was developed involving validation by the Risk Management Function.

Fair value Level 3 relating to assets and liabilities not measured at fair value on a recurring basis includes receivables and payables from/to customers and banks and real estate assets.

For short-term receivables and payables from/to customers and banks the fair value was assumed to be equal to the carrying amount, as this was considered a good approximation. For medium/long-term performing and non-performing exposures (past due by more than 90 days and unlikely to pay), mainly consisting of loans to customers for mortgage contracts, the measurement of fair value took into account the discounting of contractual flows. A fair value corresponding to the carrying amount was assumed for non-performing exposures (non-performing loans). The assumptions underlying the determination of fair value, which are specific to the model and not observable in the market, determine classification at Level 3. The fair value of properties directly owned by the Group has, in general, been determined using the "comparative" method.

A.4.2 Valuation processes and sensitivity

For a more detailed analysis of the techniques, inputs and valuation processes adopted for instruments classified in level 3 of the fair value hierarchy, see the previous paragraph.

A.4.3 Fair value hierarchy

For the fair value hierarchy, see the description in the paragraph: Fair value reporting – qualitative disclosures.

Description of migrations between asset valuation levels

The Mediolanum Group has a policy in place for the recognition of the fair value level of individual positions. The policy establishes the rules for both the definition of an "active market" and the consequent operating procedure for valuing portfolios in order to avoid any discretion in the identification of levels.

During 2022, there were some limited changes in the fair value of two securities present in and/or passing through the portfolios of Group Companies of immaterial amounts.

In particular, the changes recorded during the year involved the portfolio of the subsidiary, Mediolanum Vita. On 30 April 2022, there was a change in the fair value level of one stock, which moved from level 2 to level 1. The same change was recorded on 31 October 22, with the same movement from level 2 to level 1. These changes derive from the characteristics assumed by the security because, at the dates indicated, they had all the requirements for classification at level FV 1 according to the specifications of the Group's active market policy. The nominal value of the reported securities was approximately €5 million for both.

Except as illustrated above, the monthly controls on all other securities in the portfolios of Group companies maintained the same characteristics and therefore there were no changes in fair value levels.

A.4.4 Other information

There are no situations in which the maximum and best use of a non-financial asset differs from its current use. Moreover, there are no situations in which financial assets and liabilities managed on a net basis relating to market risks or credit risk are measured at fair value based on the price that would be received from the sale of a net long position or the transfer of a net short position.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

€/000	31/12/2022			31/12/2021		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	31,884,845	196,523	221,841	33,093,842	160,736	195,745
a) Financial assets held for trading	1,142,015	473	5,949	238,271	3	6,025
b) Financial assets designated at fair value	30,414,016	196,050	57,157	32,831,982	160,733	31,900
c) Other financial assets mandatorily measured at fair value	28,814	-	158,735	23,589	-	157,820
2. Financial assets measured at fair value through other comprehensive income	1,079,310	3,827	6,648	1,426,028	-	6,609
3. Hedging derivatives	-	430	-	-	63	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	32,964,155	200,350	228,489	34,519,870	160,799	202,354
1. Financial liabilities held for trading	-	11,952	-	-	60,818	-
2. Financial liabilities designated at fair value	13,086,968	-	-	13,566,494	1,965	-
3. Hedging derivatives	-	2,594	-	-	19,936	-
TOTAL	13,086,968	14,546	-	13,566,494	82,719	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.4.5.2 Changes during the year in assets measured at fair value on a recurring basis (Level

€/000	Financial assets at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	195,745	6,025	31,900	157,820	6,609	-	-	-
2. Increases	79,837	1,429	29,382	49,026	42	-	-	-
2.1. Purchases	55,188	1,296	29,382	24,510	-	-	-	-
2.2. Profits booked to:	15,236	133	-	15,103	17	-	-	-
2.2.1. Income statement	15,236	133	-	15,103	-	-	-	-
- of which, capital gains	15,206	103	-	15,103	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	17	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	9,413	-	-	9,413	25	-	-	-
3. Decreases	(53,741)	(1,505)	(4,125)	(48,111)	(3)	-	-	-
3.1. Sales	(2,002)	(682)	-	(1,320)	-	-	-	-
3.2. Redemptions	(31,585)	(270)	-	(31,315)	-	-	-	-
3.3. Losses charged to:	(16,118)	(511)	(4,125)	(11,482)	-	-	-	-
3.3.1. Income statement	(16,118)	(511)	(4,125)	(11,482)	-	-	-	-
- of which, capital losses	(15,748)	(175)	(4,125)	(11,448)	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(4,036)	(42)	-	(3,994)	(3)	-	-	-
4. Closing balances	221,841	5,949	57,157	158,735	6,648	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

€/000	31/12/2022				31/12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	36,132,707	17,973,201	5,081	18,251,073	36,308,486	16,346,139	9,360	22,845,882
2. Tangible assets held for investment purposes	61,267	-	-	67,210	81,294	-	-	113,040
3. Non-current assets and disposal groups	2,010	-	-	2,787	208	-	-	208
TOTAL	36,195,984	17,973,201	5,081	18,321,070	36,389,988	16,346,139	9,360	22,959,130
1. Financial liabilities measured at amortised cost	36,297,889	300,699	-	35,996,950	33,509,845	-	-	34,398,753
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	36,297,889	300,699	-	35,996,950	33,509,845	-	-	34,398,753

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 – REPORTING ON DAY ONE PROFIT/LOSS

The Group did not carry out any transactions leading to day one profit/loss accounting.

Part B - Information on the consolidated statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

€/000	Total	Total
	31/12/2022	31/12/2021
a) Cash	2,999	199,804
b) Current accounts and demand deposits with central banks	2,197,150	219,046
Current accounts and demand deposits with banks	151,592	100,175
Total	2,351,741	519,025

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	1,086,109	-	110	130,648	-	138
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	1,086,109	-	110	130,648	-	138
2. Equity securities	55,869	-	5,839	107,566	-	5,808
3. Units in investment funds (UCIs)	37	-	-	57	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	1,142,015	-	5,949	238,271	-	5,946
B. Derivative instruments						
1. Financial derivatives	-	473	-	-	3	80
1.1 for trading	-	473	-	-	3	80
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL (B)	-	473	-	-	3	80
TOTAL (A+B)	1,142,015	473	5,949	238,271	3	6,026

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

€/000	31/12/2022	31/12/2021
A. ON-BALANCE SHEET ASSETS		
1. Debt securities	1,086,219	130,786
a) Central banks	-	-
b) General government	1,086,083	99,656
c) Banks	107	142
d) Other financial corporations	29	30,988
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	61,708	113,374
a) Banks	-	-
b) Other financial corporations	61,458	113,092
of which: insurance companies	-	-
c) Non-financial corporations	250	282
d) Other issuers	-	-
3. Units of UCIs	37	57
4. Loans	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL (A)	1,147,964	244,217
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	473	83
TOTAL (B)	473	83
TOTAL (A+B)	1,148,437	244,300

2.3 Financial assets designated at fair value: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,377,041	42,591	57,157	1,918,773	-	31,900
1.1 Structured notes	1,377,041	42,591	57,157	1,918,773	-	31,900
1.2 Other debt securities	-	-	-	-	-	-
2. Loans	29,036,975	153,459	-	30,913,209	160,733	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	29,036,975	153,459	-	30,913,209	160,733	-
TOTAL	30,414,016	196,050	57,157	32,831,982	160,733	31,900

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

€/000	31/12/2022	31/12/2021
1. Debt securities	1,476,789	1,950,673
a) Central banks	-	-
b) General government	162,866	138,291
c) Banks	194,711	175,483
d) Other financial corporations	397,489	495,521
of which: insurance companies	15,032	11,872
e) Non-financial corporations	721,723	1,141,378
2. Loans	29,190,434	31,073,942
a) Central banks	-	-
b) General government	-	-
c) Banks	41,782	53,910
d) Other financial corporations	29,148,652	31,020,032
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL	30,667,223	33,024,615

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	232
3. Units in investment funds (UCIs)	28,813	-	158,736	23,589	-	157,588
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	28,813	-	158,736	23,589	-	157,820

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

€/000	31/12/2022	31/12/2021
1. Equity securities	-	232
of which: banks	-	-
of which: other financial corporations	-	232
of which: non-financial corporations	-	-
2. Debt securities	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
3. Units in investment funds (UCIs)	187,549	181,177
4. Loans	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL	187,549	181,409

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	817,878	3,827	-	1,131,817	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	817,878	3,827	-	1,131,817	-	-
2. Equity securities	261,432	-	6,648	294,211	-	6,607
3. Loans	-	-	-	-	-	-
TOTAL	1,079,310	3,827	6,648	1,426,028	-	6,607

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrower/issuer

€/000	31/12/2022	31/12/2021
1. Debt securities	821,705	1,131,817
a) Central banks	-	-
b) General government	630,669	902,634
c) Banks	137,723	168,328
d) Other financial corporations	35,689	40,897
of which: insurance companies	10,690	13,150
e) Non-financial corporations	17,624	19,958
2. Equity securities	268,080	300,820
a) Banks	261,390	294,152
b) Other issuers:	6,690	6,668
- other financial corporations	360	342
of which: insurance companies	-	-
- non-financial corporations	6,289	6,271
- other	41	55
3. Loans	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL	1,089,785	1,432,637

3.3 Financial assets measured at fair value through other comprehensive income: gross value and overall adjustments

€/'000		Gross value				Overall value adjustments			Overall partial write-offs*
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	Debt securities	822,836	822,836	-	-	(1,131)	-	-	-
	Loans	-	-	-	-	-	-	-	-
TOTAL	31/12/2022	822,836	822,836	-	-	(1,131)	-	-	-
TOTAL	31/12/2021	1,133,713	1,133,713	-	-	(1,896)	-	-	X
	of which: purchased or originated impaired financial assets	X	X	-	-	X	-	-	-

* Value to be displayed for information purposes

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 1 of 2)

€/'000	Total					
	31/12/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	265,793	-	-	-	-	265,793
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	265,793	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	189,565	-	-	115,671	5,081	69,028
1. Loans	69,028	-	-	-	-	69,028
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	51,143	-	-	X	X	X
1.3. - Other loans:	17,885	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	17,885	-	-	X	X	X
2. Debt securities	120,537	-	-	115,671	5,081	-
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	120,537	-	-	115,671	5,081	-
Total	455,358	-	-	115,671	5,081	334,821

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 2 of 2)

€/000	Total					
	31/12/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	4,650,855	-	-	-	-	4,650,855
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	4,650,855	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	240,006	-	-	108,674	-	131,808
1. Loans	126,352	-	-	-	-	126,352
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	55,109	-	-	X	X	X
1.3. - Other loans:	71,243	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	71,243	-	-	X	X	X
2. Debt securities	113,654	-	-	108,674	-	5,456
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	113,654	-	-	108,674	-	5,456
Total	4,890,861	-	-	108,674	-	4,782,663

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 1 of 2)

€/000	Total					
	31/12/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	17,232,669	116,264	2,472	-	-	17,876,993
1.1. Current accounts	429,579	4,821	26	X	X	X
1.2. Reverse repurchase agreements	32,212	-	-	X	X	X
1.3. Mortgages	11,510,203	69,752	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	2,980,510	27,288	2,296	X	X	X
1.5. Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	2,280,165	14,453	150	X	X	X
2. Debt securities	18,325,894	-	-	17,857,530	-	39,259
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	18,325,894	-	-	17,857,530	-	39,259
Total	35,558,563	116,314	2,472	17,857,530	-	17,916,252

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 2 of 2)

€/000	Total					
	31/12/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	15,219,475	109,408	2,206	-	-	18,002,805
1.1. Current accounts	332,566	5,632	4	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X
1.3. Mortgages	10,167,251	75,827	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	2,905,174	25,536	1,971	X	X	X
1.5. Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	1,814,484	2,413	231	X	X	X
2. Debt securities	16,086,536	-	-	16,224,092	9,360	60,361
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	16,086,536	-	-	16,224,092	9,360	60,361
Total	31,306,011	109,408	2,206	16,224,092	9,360	18,063,166

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by borrower/issuer

€/000	Total 31/12/2022			Total 31/12/2021		
	Stages 1 and 2	Stage 3	Purchased or originated impaired assets	Stages 1 and 2	Stage 3	Purchased or originated impaired assets
1. Debt securities	18,325,894	-	-	16,086,536	-	-
a) General government	18,241,998	-	-	16,057,127	-	-
b) Other financial corporations	81,997	-	-	24,559	-	-
of which: insurance companies	18,816	-	-	15,833	-	-
c) Non-financial corporations	1,899	-	-	4,850	-	-
2. Loans to:	17,232,686	116,316	2,472	15,219,475	109,408	2,206
a) General government	1,322	696	-	3,807	882	-
b) Other financial corporations	776,464	1,154	-	690,691	1,805	-
of which: insurance companies	2,604	592	-	1,243	1,007	-
c) Non-financial corporations	684,825	21,894	117	533,974	18,379	167
d) Households	15,770,075	92,572	2,355	13,991,003	88,342	2,039
Total	35,558,580	116,316	2,472	31,306,011	109,408	2,206

4.4 Financial assets measured at amortised cost: gross value and overall value adjustments

€/000	Gross value					Overall value adjustments				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Overall partial write-offs*
Debt securities	18,461,840	18,461,840	-	-	-	(15,410)	-	-	-	-
Loans	17,006,957	-	600,756	218,360	3,671	(17,250)	(22,975)	(102,046)	(1,199)	-
Total 31/12/2022	35,468,797	18,461,840	600,756	218,360	3,671	(32,660)	(22,975)	(102,046)	(1,199)	-
Total 31/12/2021	35,783,229	16,215,466	465,826	201,229	3,120	(35,952)	(16,231)	(91,821)	(914)	-

* Value to be displayed for information purposes

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total adjustments

€/000	Gross value					Overall value adjustments					Overall partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
1. Forborne loans compliant with the GLs	424	-	44	22	-	(3)	(1)	(6)	-	-	-
2. Loans subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne	8,394	-	2,063	585	-	(16)	(125)	(119)	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-
4. New loans	235,360	-	24,650	12,095	22	(373)	(176)	(2,143)	-	-	-
Total 31/12/2022	244,178	-	26,757	12,702	22	(392)	(302)	(2,268)	-	-	-
Total 31/12/2021	327,143	-	33,697	7,780	217	(799)	(734)	1,974)	-	-	-

* Value to be displayed for information purposes

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

€/000	31/12/2022				31/12/2021			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	430	-	22,341	-	63	-	24,547
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	430	-	22,341	-	63	-	24,547

Key:

NV: Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

€/000	Fair value							Cash flows		Foreign inv.
	Specific						Generic	Specific	Generic	
	debt securities and interest equity securities and equity	currencies and gold	credit	commodities	other					
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	430	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	430	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 8 – Reinsurers' share of technical provisions - Item 80

8.1 Reinsurers' share of technical provisions: breakdown

€/000	31/12/2022	31/12/2021
A. Non-life class	21,380	16,887
A1. Premium reserves	5,702	5,102
A2. Claims reserves	5,099	4,344
A3. Other reserves	10,579	7,441
B. Life class	50,445	53,249
B1. Mathematical reserves	47,915	50,954
B2. Reserves for amounts to be paid	2,530	2,295
B3. Other reserves	-	-
C. Technical provisions when the investment risk is borne by policyholders	-	-
C1. Reserves relating to contracts whose performance is linked to investment funds and market indices	-	-
C2. Reserves from pension fund management	-	-
D. Total reinsurers' share of technical provisions	71,825	70,136

8.2 Change in Item 80 "Reinsurers' share of technical provisions"

The reinsurers' share of technical provisions amounts to €71,825 thousand, an increase of €1,689 thousand year on year.

Section 9 – Tangible assets - Item 90

9.1 Tangible assets for business use: breakdown of assets measured at cost

€/000	31/12/2022	31/12/2021
1. Own assets	102,442	104,899
a) land	56,720	58,430
b) buildings	35,076	36,673
c) furniture	3,524	3,732
d) electronic equipment	4,208	5,451
e) other	2,914	613
2. Rights of use acquired through leasing	65,551	62,903
a) land	-	-
b) buildings	65,367	62,694
c) furniture	-	-
d) electronic equipment	-	-
e) other	184	209
TOTAL	167,993	167,802
of which: obtained through the realisation of collateral	-	-

9.2 Investment property: breakdown of assets measured at cost

€/000	31/12/2022				31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Own assets	61,255	-	-	67,210	81,294	-	-	113,040
a) land	34,994	-	-	38,177	48,156	-	-	64,494
b) buildings	26,261	-	-	29,033	33,138	-	-	48,546
2. Rights of use acquired through leasing	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	61,255	-	-	67,210	81,294	-	-	113,040
of which: obtained through the realisation of collateral	-	-	-	-	-	-	-	-

Key:

L1 = Level 1
L2 = Level 2
L3 = Level 3

9.6 Tangible assets for business use: changes during the year

€/000	Land	Buildings	Furniture	Electronic equipment	Other	TOTAL
A. Gross opening balances	58,605	183,897	31,635	41,959	2,526	318,622
A.1 Total net impairment losses	(175)	(84,530)	(27,903)	(36,508)	(1,704)	(150,820)
A.2 Net opening balances	58,430	99,367	3,732	5,451	822	167,802
B. Increases:	-	14,006	1,171	1,038	5,925	22,140
B.1 Purchases	-	11,481	853	1,034	5,873	19,241
- of which business combinations	-	-	55	III	-	166
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	2,525	318	4	52	2,899
C. Decreases:	1,710	12,930	1,379	2,281	3,649	21,949
C.1 Sales	-	44	158	76	-	278
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation & amortization	-	11,800	1,221	2,205	805	16,031
C.3 Impairment losses recognised in	-	148	-	-	-	148
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	148	-	-	-	148
C.4 Decreases in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Transfers to:	1,710	112	-	-	-	1,822
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and disposal groups	1,710	112	-	-	-	1,822
C.7 Other changes	-	826	-	-	2,844	3,670
D. Net closing balances	56,720	100,443	3,524	4,208	3,098	169,993
D.1 Total net impairment losses	(175)	(96,559)	(28,971)	(123,161)	(29,876)	(202,642)
D.2 Gross closing balances	56,895	197,002	32,320	42,839	5,071	334,127
E. Valuation at cost						

9.7 Tangible assets held for investment purposes: changes during the year

€/000	Land	Buildings
A. Opening balances	48,156	33,138
B. Increases	-	-
B.1 Purchases	-	-
- of which business combinations	-	-
B.2 Capitalised improvement costs	-	-
B.3 Increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Foreign exchange gains	-	-
B.6 Transfers from property for business use	-	-
B.7 Other changes	-	-
C. Decreases	2,400	17,639
C.1 Sales	2,400	108
- of which business combinations	-	-
C.2 Depreciation & amortization	-	1,159
C.3 Decreases in fair value	-	-
C.4 Impairment losses	-	16,372
C.5 Foreign exchange losses	-	-
C.6 Transfers to:	-	-
a) properties for business use	-	-
b) non-current assets and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balances	45,756	15,499
E. Measurement at fair value		

The “Impairment losses” item of €16,372 thousand includes write-downs on properties owned by the Mediolanum Group, and in particular a property in Rome owned by subsidiary Mediolanum Vita.

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

€/000	Total		Total	
	31/12/2022		31/12/2021	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	125,625	X	132,925
A.1.1 attributable to the group	X	125,625	X	132,925
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	82,157	-	77,987	-
of which: software	60,090	-	76,956	-
A.2.1 Assets measured at cost:	82,157	-	77,987	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	82,157	-	77,987	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	82,157	125,625	77,987	132,925

10.2 Intangible assets: changes during the year

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		TOTAL
		DEF	INDEF	DEF	INDEF	
A. Opening balances	132,925	-	-	96,237	-	229,162
A.1 Total net impairment losses	-	-	-	(18,250)	-	(18,250)
A.2 Net opening balances	132,925	-	-	77,987	-	210,912
B. Increases	-	-	-	37,776	-	37,776
B.1 Purchases	-	-	-	37,456	-	37,456
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	310	-	310
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in the income statement	X	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	10	-	10
C. Decreases	(7,300)	-	-	(33,606)	-	(40,906)
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	(7,300)	-	-	(33,538)	-	(40,838)
- Depreciation & amortization	X	-	-	(33,538)	-	(33,538)
- Write-downs	(7,300)	-	-	-	-	(7,300)
+ shareholders' equity	X	-	-	-	-	-
+ income statement	(7,300)	-	-	-	-	(7,300)
C.3 Decreases in fair value:	-	-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in the income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	(68)	-	(68)
D. Net closing balances	125,625	-	-	82,157	-	207,782
D.1 Total net value adjustments	-	-	-	(18,806)	-	(18,806)
E. Gross closing balances	125,625	-	-	100,963	-	226,588
F. Valuation at cost	-	-	-	-	-	-

Key

DEF: definite life

INDEF: indefinite life

In accordance with IAS 36 and taking into account the recommendations of the joint Bank of Italy/Consob/ISVAP document of 3 March 2010, the reporting on the impairment testing performed on the Cash Generating Units (CGUs) in place at 31 December 2022 is provided below.

The impairment process aims to verify that the carrying amount of the CGUs does not exceed the recoverable amount, i.e. the greater of the value in use and the possible sale price on the market (fair value net of selling costs or exchange value) of the CGUs.

In order to carry out the impairment testing on goodwill, the directors of Banca Mediolanum were assisted by a company with specific experience in company valuations (the independent expert).

The impairment testing was conducted on the basis of the methods and assumptions described below.

10.3 Other information

DEFINITION OF THE CGUS AND ALLOCATION OF GOODWILL

At 31 December 2022, total goodwill was €125.6 million (31/12/2021: €132.9 million). Of this amount, €102.8 million was allocated to the Spain CGU and €22.8 million to the Italy CGU. During the year, following the impairment testing, the goodwill allocated to the Prexta CGU previously recognised was written down by €7.3 million.

In accordance with the business reporting system adopted by the Group and as in previous years, the CGUs are identified on the basis of the geographical area in question.

Impairment testing was therefore performed taking the following CGUs into account:

€/m	Description	Allocated goodwill*
Spain CGU	Banco Mediolanum S.A.	102.8
Italy CGU	Gamax Management AG - Italy Division	22.8
Prexta CGU	PreXta S.p.A. (formerly EuroCQS S.p.A.)	7.3

* The values shown are pre-impairment testing

VALUATION METHODS

As in previous years, the recoverable amount of the CGUs has been determined, unless otherwise indicated, by reference to their value in use.

For the determination of value in use, IAS 36 provides for the possibility of using the financial method known as the Discounted Cash Flow (DCF) method. This method identifies the value in use of a CGU, or company, by estimating the future (operational) cash flows it generates, discounted to reflect the explicit time frame over which it is assumed that these will be achieved. In operating practice, when credit companies are valued, the Free Cash Flow to Equity (FCFE) approach, known as the Dividend Discount Model (DDM) in the Excess Capital version, is used. This determines the value of a company on the basis of future cash flows that it will be able to distribute to its shareholders, without affecting the assets necessary to sustain expected development and in accordance with the capital regulations imposed by the supervisory authority, discounted at a rate that expresses the specific risk. It should also be noted that although the phrase "Dividend Discount Model" contains the word "dividend", the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital resources required by company operations.

SPAIN CGU

The recoverable value of the Spain CGU was estimated considering the value in use obtained from the application of the Excess Capital version of the Dividend Discount Model valuation methodology, in accordance with the prevailing principles, on the basis of the Business Plan approved by the directors of Banco Mediolanum S.A. and Banca Mediolanum S.p.A. last year and confirmed for the current year. The Plan was developed on a reasonable and consistent basis, representing the best estimate currently available to management of the future economic performance of the CGU. In particular, the objective of developing Banca Mediolanum's typical business model in Spain has been confirmed, based on the experience and track record of the management of the Mediolanum Group, with sustained development of the sales network and a consequent increase in net funding and assets under management.

The valuation quantities and parameters considered when determining the recoverable value are described below:

- > expected cash flows inferred from the plan's objectives;
- > growth in the Family Banker sales network, from 1,617 to 2,590;
- > an increase in assets under administration at an average annual rate of 14.4%;
- > the discount rate for future cash flows (K_e) is estimated at 12.36% based on the Capital Asset Pricing Model and considering the following parameters:
- > a risk-free rate of 2.77%, based on the average historical half-yearly return on 10-year bonds issued by the Spanish government;
- > the beta coefficient of 1.27, which indicates the risk level of a specific equity with respect to the equity market as a whole, estimated on the basis of the average value of a sample of companies operating in the Spanish banking sector;
- > a market premium, i.e. the difference in the return required by investors for an investment in equity securities compared with a risk-free investment, quantified at 6.0%, in line with the most common professional practice;
- > a specific risk premium, estimated conservatively at 2.0% to take into account the volatility underlying the achievement of the plan.

At the end of the explicit planning horizon, the CGU's value was estimated on the basis of the available flow in 2025, conservatively excluding the contribution of institutional cash, and considering a long-term growth rate of 1.7%, in line with long-term inflation expectations. Sensitivity analyses were carried out on the values obtained on changes to:

- > the cost of equity capital;
- > the long-term growth rate;
- > the achievement of the economic objectives set out in the plan.

Sensitivity analysis:

A sensitivity analysis was carried out on the values obtained on changes to:

- > the cost of equity capital (+/- 0.25%) – there was a change to value in use of +/- 2%;
- > the long-term growth rate (+/- 0.25%) – there was a change in the value in use of between -4% and 6%;
- > the achievement of the economic objectives set out in the plan.

In light of the analyses conducted, the directors did not identify any elements that would indicate impairment.

ITALY CGU

The goodwill allocated to the CGU is €22.7 million.

The recoverable amount of the CGU has been assumed to be greater than its carrying amount. The market capitalisation of Banca Mediolanum S.p.A. (€5.8 billion at 31 December 2022) and an implicit multiple on equity and tangible equity of 2.0x and 2.1x, respectively (balance sheet data at 30 September 2022). There is therefore no evidence to suggest that the goodwill allocated to the Italian CGU is impaired.

In conclusion, the higher market capitalisation than shareholders' equity led the Directors to conclude that there was no evidence of impairment at either the individual CGU or the group level.

Prexta CGU (formerly EuroCQS)

The recoverable value of the Prexta CGU was estimated considering the value in use obtained from the application of the Excess Capital version of the Dividend Discount Model valuation methodology, in accordance with the prevailing principles, on the basis of the Business Plan approved by the company directors and Banca Mediolanum S.p.A. The Plan was developed on a reasonable and consistent basis, representing the best estimate currently available to management of the future economic performance of the CGU.

The valuation quantities and parameters considered when determining the recoverable value are described below:

- > expected cash flows inferred from the plan's objectives;
- > the discount rate for future cash flows (K_e) is estimated at 9.78% based on the Capital Asset Pricing Model and considering the following parameters:
- > a risk-free rate of 3.83%, the 6-month average gross yield of 10-year BTPs;
- > a beta coefficient, which indicates the correlation factor between the actual return of a share and the overall return of the reference market, assumed to be 0.99, based on the average value of a sample of companies operating in the consumer finance sector;
- > a market premium, i.e. the difference in the return required by investors for an investment in equity securities compared with a risk-free investment, quantified at 6%, in line with the most common professional practice;
- > no specific risk premium.

At the end of the explicit planning horizon, the CGU's value was estimated on the basis of the available flow in 2025 and considering a long-term growth rate of 2%.

Sensitivity analysis:

A sensitivity analysis was carried out on the values obtained on changes to:

- >
- > the cost of equity capital (+/- 0.25%) – there was a change to value in use of +/- 4%;
- > the long-term growth rate (+/- 0.25%) – there was a change in use of between +/- 4%;
- > the achievement of the economic objectives set out in the plan.

In the light of the analyses carried out, the Directors identified the need to write down in full the goodwill relating to the PREXTA CGU recognised in the Mediolanum Group's consolidated financial statements, i.e. €7.3 million.

Section 11 – Tax assets and tax liabilities – Item 110 of assets and Item 60 of liabilities

11.1 Deferred tax assets: breakdown

€/000	31/12/2022	31/12/2021
Balancing item in the income statement	83,154	89,810
Balancing item in shareholders' equity	8,989	4,733
TOTAL	92,143	94,543

11.2 Deferred tax liabilities: breakdown

€/000	31/12/2022	31/12/2021
Balancing item in the income statement	(23,270)	(23,009)
Balancing item in shareholders' equity	(191)	(7,551)
TOTAL	(23,461)	(30,560)

11.3 Changes in prepaid taxes (balancing item of the income statement)

€/000	31/12/2022	31/12/2021
1. Initial amount	89,810	89,795
2. Increases	17,263	29,206
2.1 Prepaid taxes recognised during the year	17,263	29,204
a) relating to previous years	171	31
b) due to the change in accounting policies	-	-
c) write-backs	-	-
d) other	17,092	29,173
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	2
3. Decreases	(23,919)	(29,191)
3.1 Prepaid taxes cancelled during the year	(23,210)	(28,573)
a) reversals	(252)	(114)
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(22,958)	(28,459)
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	(709)	(618)
a) conversion into tax credits pursuant to Law 214/2011	(708)	(618)
b) other	(1)	-
4. Final amount	83,154	89,810

11.4 Changes in prepaid taxes pursuant to Law 214/2011

€/000	31/12/2022	31/12/2021
1. Initial amount	5,177	5,938
2. Increases	490	708
3. Decreases	(1,297)	(1,469)
3.1 Reversals	(589)	(851)
3.2 Transformation into tax credits	(708)	(618)
a) deriving from operating losses	-	-
b) deriving from tax losses	(708)	(618)
3.3 Other decreases	-	-
4. Final amount	4,370	5,177

11.5 Changes in deferred taxes (balancing item of the income statement)

€/000	31/12/2022	31/12/2021
1. Initial amount	23,009	16,203
2. Increases	17,451	16,761
2.1 Deferred taxes recognised in the year	17,451	16,761
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	17,451	16,761
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(17,190)	(9,955)
3.1 Deferred taxes cancelled during the year	(17,190)	(9,955)
a) reversals	-	-
b) due to the change in accounting policies	-	-
c) other	(17,190)	(9,955)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	23,270	23,009

11.6 Changes in prepaid taxes (balancing item of shareholders' equity)

€/000	31/12/2022	31/12/2021
1. Initial amount	4,733	8,226
2. Increases	8,571	274
2.1 Prepaid taxes recognised during the year	8,585	274
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	8,585	274
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	(14)	-
3. Decreases	(4,315)	(3,767)
3.1 Prepaid taxes cancelled during the year	(4,315)	(3,736)
a) reversals	-	-
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(4,315)	(3,736)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	(31)
4. Final amount	8,989	4,733

11.7 Changes in deferred taxes (offset in shareholders' equity)

€/000	31/12/2022	31/12/2021
1. Initial amount	7,551	17,267
2. Increases	668	14,814
2.1 Deferred taxes recognised in the year	668	14,812
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	668	14,812
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	2
3. Decreases	(8,028)	(24,530)
3.1 Deferred taxes cancelled during the year	(8,025)	(24,530)
a) reversals	(123)	(414)
b) due to the change in accounting policies	-	-
c) other	(7,902)	(24,116)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	(3)	-
4. Final amount	191	7,551

Tax dispute

Banca Mediolanum

With regard to the tax dispute reported in previous financial statements, on 24 April 2020 the Major Taxpayers Office of the Regional Tax Department for Lombardy served Banca Mediolanum with assessment notices for IRES (corporate income tax) and IRAP (regional production tax) purposes concerning transfer prices for 2015. These assessment notices – which present identical charges to those of previous years – claim total additional taxable income of €94.6 million, including €23.5 million due to a recalculation from 57.43% to 64.25% of the retrocession of the management fees of the mutual funds promoted by the subsidiary Mediolanum International Funds and placed in Italy by the bank, as well as additional taxable income of €70.3 million deriving from the allocation to the bank of 23.83% of the performance fees. In total, additional taxes of €31.2 million were charged (including IRES of €26.0 million and IRAP of €5.3 million), along with interest of €3.3 million.

In view of the subjective nature of the charges and the diligent work done by the Company, which prepared the documentation provided for by transfer pricing legislation, the Italian Agency of Revenue has ruled that the administrative tax penalties do not apply. The Company appealed the assessment notices before the Milan Provincial Tax Commission.

These assessment notices were also issued under the framework settlement agreement signed on 18 December 2018 between the companies of the Mediolanum Group concerned and the Revenue Agency. Accordingly, the receipt of the assessment notices was expected and does not change the risk assessment and the consequent provisioning, as also determined at the time of approval of the previous financial statements. The Company therefore continued to provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.

It should be noted that no allocation has been made in relation to the allocation of performance fees to the bank.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for initiation of the Mutual Agreement Procedure (“MAP”) provided for by the European Arbitration Convention 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.

With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy.

For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 24 December 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.

No updates were made to the above during 2022.

As at 31 December 2022, the total provision set aside by Banca Mediolanum in connection with the above dispute was €39.2 million and the charge for the period in question was €5.4 million.

Mediolanum Vita

On 5 May 2020, Mediolanum Vita was served IRES and IRAP assessment notices for the year 2015, claiming higher taxable income of approximately €12.8 million, due to the recalculation from 57.43% to 64.25% of the retrocession of the management fees paid to the company by the associate Mediolanum International Funds, corresponding to total taxes of €4.4 million, including €3.5 million in IRES and €0.9 million in IRAP, without the application of penalties. On 8 May 2020, IRES and IRAP assessment notices were then served for 2016. In these notices, the Italian Revenue Agency claims total higher taxes of €4.5 million, of which €3.6 million of IRES and €0.9 million of IRAP. The Company appealed the assessment notices before the Milan Provincial Tax Commission.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for the initiation of the Mutual Agreement Procedure ("MAP") provided for by the European Arbitration Convention No 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.

With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy.

For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 24 December 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.

As in the preceding year, the Company continued to make provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.

Finally, it should be recalled that Mediolanum Vita and its Parent Company, Banca Mediolanum, were the subject of a previous inspection procedure relating to the matter in question and concerning the years from 2005 to 2014, which was settled in December 2015 by paying a total of €120.2 million in taxes. Mediolanum International Funds has applied to the Irish tax authority – thus far to no avail – for a refund of taxes paid corresponding to the higher taxable amounts assessed in Italy, for a maximum value of approximately €41 million.

Mediolanum Vita has therefore set aside a provision of €12.9 million, and the charge for the period in question amounts to €1.1 million.

Therefore, the Mediolanum Group has set aside an overall provision of €52.1 million for the above tax dispute and incurred a charge for 2022 of €6.4 million.

Section 12 – Non-current assets and disposal groups

Associated liabilities – Item 120 of assets and Item 70 of liabilities

12.1 Non-current assets and disposal groups: breakdown by type of asset

€/000	31/12/2022	31/12/2021
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	2,010	208
of which: obtained through the realisation of collateral	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	2,010	208
of which measured at cost	-	-
of which measured at fair value Level 1	-	-
of which measured at fair value Level 2	-	-
of which measured at fair value Level 3	2,787	208
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the realisation of collateral	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
of which measured at cost	-	-
of which measured at fair value Level 1	-	-
of which measured at fair value Level 2	-	-
of which measured at fair value Level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
of which measured at cost	-	-
of which measured at fair value Level 1	-	-
of which measured at fair value Level 2	-	-
of which measured at fair value Level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	-	-
of which measured at cost	-	-
of which measured at fair value Level 1	-	-
of which measured at fair value Level 2	-	-
of which measured at fair value Level 3	-	-

Property, plant and equipment includes €1,802 thousand for the carrying amount of a property owned by subsidiary Mediolanum Vita, of which the sale is being finalised.

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

€/000	31/12/2022	31/12/2021
Receivables for commission income	11,378	13,300
Receivables from the tax authorities	564,988	214,769
Receivables from financial advisors	1,196	276
Advances to suppliers and professionals	21,001	14,464
Security deposits	21,511	17,836
Receivables from employees	179	176
Other receivables	178,106	339,902
Assets for transit items	63,919	73,842
Accrued income	4,765	5,162
Prepaid expenses	25,748	23,311
Receivables for collection	265	-
Other sundry assets	28,014	31,738
TOTAL	921,070	734,776

Other assets amounted to €921,070 thousand, representing a year-on-year increase of €186,294 thousand. The change is due to the increase in receivables from the tax authorities, mainly reflecting the increase of approximately €347 million in customer receivables for Ecobonus transferred to the Parent Company, Banca Mediolanum.

LIABILITIES

SECTION I – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown of payables to banks by type

€/000	31/12/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	-	X	X	X	1,034,572	X	X	X
2. Payables to banks	370,622	X	X	X	57,205	X	X	X
2.1 Current accounts and demand deposits	291	X	X	X	3,479	X	X	X
2.2 Deposits at notice	-	X	X	X	-	X	X	X
2.3 Loans	368,012	X	X	X	50,373	X	X	X
2.3.1 Repurchase agreements	368,012	X	X	X	50,373	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,154	X	X	X	1,387	X	X	X
2.6 Other payables	1,165	X	X	X	1,966	X	X	X
TOTAL	370,622	-	-	370,622	1,091,777	-	-	1,091,777

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to banks came to €370.6 million, down €721.2 million compared with 31 December 2021. The change is mainly due to the repayment in November of the loan obtained by Banca Mediolanum in the Targeted Longer-Term Refinancing Operations III auction (TLTRO III) of the European Central Bank. Specifically, the loan, presented in accordance with IFRS 9 in the “Payables to central banks” item, had a balance of €1,034.6 million at 31 December 2021.

1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers by type

€/000	31/12/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	26,067,828	X	X	X	25,008,371	X	X	X
2. Deposits at notice	202,230	X	X	X	308,290	X	X	X
3. Loans	8,964,353	X	X	X	6,693,137	X	X	X
3.1 Repurchase agreements	8,962,553	X	X	X	6,691,886	X	X	X
3.2 Other	1,800	X	X	X	1,251	X	X	X
4. Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
5. Lease liabilities	68,896	X	X	X	65,371	X	X	X
6. Other payables	323,515	X	X	X	342,897	X	X	X
TOTAL	35,626,822	-	-	35,626,328	32,418,066	-	-	32,418,475

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to customers came to €35,626.8 million, up €3,208.8 million compared with 31 December 2021. This change was primarily due to the increase in repurchase agreements (up €2,270.6 million) and the increase in customer deposits.

1.3 Financial liabilities measured at amortised cost: breakdown of securities in issue by type

€/000	31/12/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	300,443	300,699	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	300,443	300,699	-	-	-	-	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	300,443	300,699	-	-	-	-	-	-

Key:

CA = Carrying amount

L1=Level 1

L2=Level 2

L3=Level 3

Financial liabilities measured at amortised cost amounted to €300.4 million. This item includes the Green Senior Preferred Bond issued by Banca Mediolanum on 15 November 2022, maturing in four years and two months.

1.6 Lease liabilities

€/000	31/12/2022	
Breakdown of the contractual flows of lease agreements based on contractual term	Payables to banks	Payables to customers
Up to 1 year		9,308
1 to 5 years		38,988
Over 5 years	1,154	20,600
Overall total	1,154	68,896

For more information, see Section M – Leasing.

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

€/000	31/12/2022					31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	-
3.1 Bonds	-	-	-	-	X	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	X	-	11,952	-	X	-	-	60,818	-	-
1.1 For trading	X	-	11,952	-	X	X	-	60,818	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL (B)	X	-	11,952	-	X	X	-	60,818	-	X
TOTAL (A+B)	X	-	11,952	-	X	X	-	60,818	-	X

Key:

NV= Nominal or notional value

L1=Level 1

L2=Level 2

L3=Level 3

Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – ITEM 30

3.1 Financial liabilities designated at fair value: breakdown by type

€/000	31/12/2022					31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Payables to customers	13,086,968	13,086,968	-	-	13,086,968	13,568,459	13,566,494	1,965	-	13,568,459
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	13,086,968	13,086,968	-	-	X	13,568,459	13,566,494	1,965	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL	13,086,968	13,086,968	-	-	13,086,968	13,568,459	13,566,494	1,965	-	13,568,459

Key:

NV= Nominal value

L1=Level 1

L2=Level 2

L3=Level 3

Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

SECTION 4 – HEDGING DERIVATIVES – ITEM 40

4.1 Hedging derivatives: breakdown by type of hedge and level

€/000	31/12/2022				31/12/2021			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	2,594	-	67,051	-	19,936	-	78,235
1) Fair value	-	2,594	-	67,051	-	19,936	-	78,235
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	2,594	-	67,051	-	19,936	-	78,235

Key:

NV= Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

€/000	Fair value								Cash flows		Foreign inv.
	Specific										
	debt securities	and interest rates	equity securities and equity indices	currencies and gold	credit	commodities	other	Generic	Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income		-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost		2,594	X	-	-	X	X	X	-	X	X
3. Portfolio		X	X	X	X	X	X	-	X	-	X
4. Other transactions		-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS		2,594	-	-	-	-	-	-	-	-	-
1. Financial liabilities		-	X	-	-	-	-	X	-	X	X
2. Portfolio		X	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES		-	X	-	-	-	-	-	-	-	X
1. Expected transactions		X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities		X	X	X	X	X	X	-	X	-	-

SECTION 6 – TAX LIABILITIES – ITEM 60

For tables containing the quantitative data, see Section II of the assets section.

SECTION 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

€/000	31/12/2022	31/12/2021
Payables for agency termination indemnities	7,703	7,517
Payables to promoters, producers and mediators	48,948	70,357
Trade payables	110,374	93,392
Payables to the tax authorities	96,083	344,645
Social security contributions	8,519	8,008
Payables to employees	39,732	40,723
Payables to professionals, directors and statutory auditors	4,786	3,811
Security deposits	112	112
Payables for transit items	305,855	254,651
Deferred income	2,411	3,087
Accrued expenses	3,714	3,010
Other sundry liabilities	194,509	168,712
Escrow accounts	6,625	4,089
Tax payables from policyholders	1,265	1,172
TOTAL	830,636	1,003,286

Payables for transit items include RID (direct debit) payment instructions, bank transfers arranged by customers and settled on the Interbank Network in the early days of 2023 and other items in processing that are regularly closed during the early days of the new year.

Trade payables refer to goods and services received and not yet settled at the reporting date. Payables to promoters, producers and mediators mainly include commissions to be paid to the network.

Other sundry liabilities primarily consist of taxes to be paid on behalf of customers through F24 tax forms.

SECTION 9 – EMPLOYEE SEVERANCE BENEFITS – ITEM 90

9.1 Employee severance benefits: changes during the year

€/000	31/12/2022	31/12/2021
A. Opening balances	13,259	12,290
B. Increases	7,307	8,985
B.1 Provision for the year	6,799	7,908
B.2 Other changes	508	1,077
- of which business combinations	-	-
C. Decreases	(8,909)	(8,016)
C.1 Settlement payments	(414)	(616)
C.2 Other changes	(8,495)	(7,400)
- of which business combinations	-	-
D. Closing balances	11,657	13,259
TOTAL	11,657	13,259

9.2 Other information

As described in “Part A – Accounting Policies”, as a result of the supplementary pension scheme reform, post-employment benefits are recognised under this balance sheet item, and for companies with an average of at least 50 employees during 2006, refer to the portion accrued until 31 December 2006 only.

The provision therefore does not include portions which, as a result of the aforementioned reform, are paid to supplementary pension schemes or to the INPS treasury fund. Employee severance benefits accrued from 1 January 2007 are in fact a “defined contribution plan” and are recognised under personnel costs on the basis of the contributions due without the application of actuarial calculation methods.

The main assumptions used for Banca Mediolanum were as follows:

- > Mortality rate: table SIM2001;
- > Inflation rate: 2%;
- > Frequency of early severance pay: 3.7%;
- > Turnover rate: 6%.

SECTION 10 – PROVISIONS FOR RISK AND CHARGES – ITEM 100

10.1 Provisions for risk and charges: breakdown

€/000	31/12/2022	31/12/2021
1. Provisions for credit risk relating to commitments and financial guarantees given	74	117
2. Provisions on other commitments and guarantees given	584	278
3. Company pension funds	499	545
4. Other provisions for risk and charges	312,045	336,035
4.1 legal and tax disputes	14,266	15,327
4.2 staff costs	-	-
4.3 other	297,779	320,708
TOTAL	313,202	336,975

10.2 Provisions for risk and charges: changes during the year

€/000	Provisions on other commitments and guarantees given	Pension funds	Other provisions for risk and charges	TOTAL
A. Opening balances	278	545	336,035	336,858
B. Increases	350	764	70,418	71,532
B.1 Provision for the year	120	764	67,752	68,636
B.2 Changes due to the passage of time	-	-	2,666	2,666
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	230	-	-	230
- of which business combinations	-	-	-	-
C. Decreases	(44)	(810)	(94,408)	(95,262)
C.1 Utilisation during the year	-	-	(32,249)	(32,249)
C.2 Changes due to changes in the discount rate	-	-	(35,381)	(35,381)
C.3 Other changes	(44)	(810)	(26,778)	(27,632)
- of which business combinations	-	-	-	-
D. Closing balances	584	499	312,045	313,128

10.3 Provisions for credit risk relating to commitments and financial guarantees given

€/000	31/12/2022				Total
	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	
Commitments to disburse funds	65	8	-	-	73
Financial guarantees given	-	-	-	1	1
Total	65	8	-	1	74

10.6 Provisions for risk and charges: other provisions

€/000	Balance as of 31/12/2021	Allocations in the period	Other changes	Utilisations in the period	Balance as of 31/12/2022
Provision name:					
- legal disputes	15,161	6,873	(2,079)	(5,855)	14,100
- other:					
Managers' allowance	83,814	15,351	(11,354)	(7,559)	80,252
Risk of misconduct by financial advisors	11,181	3,604	(711)	(4,274)	9,800
Additional customers' allowance	154,961	5,006	(3,005)	(5,668)	151,294
Portfolio Indemnities	32,303	5,078	(6,692)	(3,554)	27,135
Sundry provisions	38,615	8,772	(6,993)	(10,930)	29,464
TOTAL	336,035	44,684	(30,834)	(37,838)	312,045

The above table shows the breakdown of, and changes in, the provisions in question. The provision for legal disputes mainly includes legal liabilities (litigation and pre-litigation) and the related legal expenses.

The provision for misconduct by financial advisors covers the risk of future liabilities for claims below the excess of the insurance policy taken out to cover losses suffered by customers as a result of misconduct on the part of the Bank's financial advisors. On the basis of the historical trends and the situation of the claims reported to the Bank at the reporting date, this provision is adequate to cover these risks. The provision also includes an allowance for the risk of liabilities borne by the Bank for legal disputes with customers concerning securities in default.

The additional customers' allowance comprises the accrued provision for financial advisors. This was calculated according to whether retirement age was reached and on the basis of a calculation of probability determined on the basis of the Bank's historical trend, in accordance with IAS 37. In addition to the benefits due contractually under its own voluntary, unilateral and discretionary rules, the Group recognises additional and bonus allowances for its financial advisors. These allowances, consisting of a portfolio and/or structure allowance and a managers' allowance, are described below. The portfolio and structure allowance consists, depending on the case, of remuneration related to the value of the customer portfolio or the agent structure managed by a financial advisor. The regulations adopted govern the transfer between financial advisors of responsibility for managing the portfolios of bank customers or the support and assistance of a financial advisors' structure. Transfers take place when financial advisors leave due to the termination of the agency relationship and are succeeded by another financial advisor, when portfolios and/or structures are reassigned between financial advisors. The Bank continues to play an active role in identifying the incoming financial advisor. At the time of transfer, the regulations provide for:

- > payment to the transferring financial advisor - provided that he or she meets certain subjective requirements and does not perform competing activities in the two years following the end of the relationship - of an allowance deriving from the valuation of the transferred portfolio or structure, according to predetermined criteria; and
- > the relative charging to the incoming financial advisor of an equivalent amount, equal to the value of the portfolio and/or structure acquired under management.

The Bank liaises between the transferor and successor, paying the transferor directly (at the end of the third year) and exercising its right of recourse in respect of the successor (within three or five years). Neither of these

cash flows provides for the application of an interest rate in operations currently in progress. It is understood that if no successor is identified, no allowance is paid to the transferring advisor. The actuarial calculation took account of the effect of any future cash-flow mismatches (due to the different timing between payment and collection and no interest being applied), and also of

counterparty risk through the application of a discount rate.

The managers' allowance is paid to agents providing assistance and coordination, whose compensation is based on specific commercial parameters and is granted upon the achievement of an old-age pension – provided that no competing activities have been performed in the two years following the end of the mandate – or in cases of total permanent disability or death. As with the portfolio and/or structure allowance, the managers' allowance is paid within three years of the end of the agency mandate. The actuarial calculation, based on the estimate of the probability of pension payments of the manager advisors present at the end of the financial year, as well as the risk of death or total permanent disability, took into account the ratio of the length of service of the FA at the calculation date to the length of service at the date of occurrence of the events determining payment (so-called pro-rata application), with the application of a discount rate.

The discount rate adopted for the above provisions is consistent with the risk level of the cash flows to be discounted of liabilities by maturity and reflects current market conditions.

SECTION II – TECHNICAL PROVISIONS – ITEM I10

I1.1 Technical provisions: breakdown

€/000	Direct business	Indirect business	31/12/2022	31/12/2021
A. Non-life class	227,834	54	227,888	196,994
A1. Premium reserves	169,655	-	169,655	153,908
A2. Claims reserves	36,109	54	36,163	27,851
A3. Other reserves	22,070	-	22,070	15,235
B. Life class	1,897,119	-	1,897,119	1,837,092
B1. Mathematical reserves	1,760,640	-	1,760,640	1,690,239
B2. Reserves for amounts to be paid	125,855	-	125,855	123,716
B3. Other reserves	10,624	-	10,624	23,137
C. Technical provisions when the investment risk is borne by policyholders	17,844,818	-	17,844,818	19,928,726
C1. Reserves relating to contracts whose performance is linked to investment funds and market indices	17,844,818	-	17,844,818	19,928,726
C2. Reserves from pension fund management	-	-	-	-
D. Total technical provisions	19,969,771	54	19,969,825	21,962,812

Technical provisions include the commitment to policyholders.

In particular, the life reserves mainly consist of technical provisions when the investment risk is borne by policyholders, which amounted to €17,844.8 (31/12/2021: €19,928.7 million) and the mathematical reserve of €1,897.1 million (31/12/2021: €1,837.1 million) and includes, in addition to the mathematical reserve for pure premiums:

- > the interest rate reserve, which for investment policy products in separately managed accounts and for products with a pledged rate addresses the risk that the assets concerned will not generate

sufficient returns to fulfil the financial commitments to policyholders (minimum guaranteed rate/technical rate);

- > the demographic bases reserve, which safeguards the commitments made to policyholders to pay an annuity benefit set at the time the contract was signed;
- > the bonus reserve for contracts containing clauses that provide for the accrual of bonuses at the end or over the life of the contract. These bonuses relate to several tariff categories and are either commensurate with the maximum fees provided for in the first years, with a percentage of the payments made or with the initial loading;
- > the reserve for deferred liabilities to policyholders.

Technical provisions for life business also include the reserve for amounts payable to the expenses reserve.

The non-life reserves consist of the premium reserve, the claims reserve and other technical provisions. The premium reserve includes the reserve for unearned premiums of €169.6 million (31/12/2021: €153.9 million). The current risk reserve has been estimated using the empirical method and set at zero as the circumstances providing for its allocation have taken place.

The claims reserve includes a prudent estimate of the compensation to be paid to policyholders and third parties estimated on the basis of the ultimate cost and amounts to €36.1 million (31/12/2021: €27.8 million). This reserve includes a component for claims incurred and reported and a component for claims incurred but not reported.

11.2 Technical provisions: changes during the year

Technical provisions decreased by a total of €1,993.0 million to €19,969.8 million, compared with €21,962.8 million at 31/12/2021.

The main change was due to the decrease in reserves relating to contracts whose performance is linked to investment funds and market indices (-€2,083.9 million).

SECTION 12 – REDEEMABLE SHARES – ITEM 130

Item not applicable to Group.

SECTION 13 – GROUP EQUITY – ITEMS 120 150 155 160 170 and 180

13.1 Share capital and treasury shares: breakdown

At 31 December 2022, the share capital amounted to €600,452 thousand (31/12/2021: €600,370 thousand) divided into 742,105,815 shares with no par value. The number of treasury shares in the portfolio was 4,858,190 shares for a total of €33,146 thousand (31/12/2021: -€38,644 thousand).

13.2 Share capital – Number of parent company shares: changes during the year

Units	Ordinary	Other
A. Shares existing at the beginning of the year	742,105,815	-
- fully paid-up	-	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	5,664,088	-
A.2 Shares in issue: opening balances	736,441,727	-
B. Increases	1,620,974	-
B.1 New issues	815,076	-
- for payment	815,076	-
- business combinations	-	-
- bond conversion	-	-
- exercise of warrants	-	-
- other	815,076	-
- free of charge	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	805,898.00	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Share buybacks	-	-
C.3 Transactions involving the sale of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balances	738,062,701	-
D.1 Treasury shares (+)	4,858,190	-
D.2 Shares existing at the end of the year	742,920,891	-
- fully paid-up	742,920,891	-
- not fully paid-up	-	-

13.3 Share capital: other information

There is no other information to report on the above points.

13.4 Earnings reserves: other information

The Group reserves included in item I50 total €2,059.2 million (31/12/2021: €1,758.4 million).

For changes in reserves, see the "Consolidated statement of changes in shareholders' equity" and the table included in the notes to Banca Mediolanum's financial statements for the year for the information required by Article 2427 of the Italian Civil Code.

13.6 Other information

There is no other information to report on the above points.

OTHER INFORMATION

1. Financial commitments and guarantees given

€/000	Nominal value of financial commitments and guarantees given				Total	Total
	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	31/12/2022	31/12/2021
1. Commitments to disburse funds	962,254	20,679	705	-	983,638	1,128,051
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	44	-	-	-	44	22
d) Other financial corporations	264,508	727	7	-	265,242	497,479
e) Non-financial corporations	228,370	1,199	2	-	229,571	212,226
f) Households	469,332	18,753	696	-	488,781	418,324
2. Financial guarantees given	73,650	-	-	-	73,650	66,621
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	73,520	-	-	-	73,520	66,284
d) Other financial corporations	6	-	-	-	6	8
e) Non-financial corporations	124	-	-	-	124	329
f) Households	-	-	-	-	-	-

2. Other commitments and guarantees given

€/000	31/12/2022	31/12/2021
1. Other guarantees given	92,556	89,454
of which: non-performing credit exposures	147	175
a) Central banks	-	-
b) General government	-	-
c) Banks	57	5,056
d) Other financial corporations	11,649	14,241
e) Non-financial corporations	22,468	12,912
f) Households	58,382	57,245
2. Other commitments	26,617	43,797
of which: non-performing credit exposures	33	6
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	11,405	31,577
e) Non-financial corporations	2,760	1,360
f) Households	12,452	10,860

3. Assets pledged as collateral for liabilities and commitments

€/000	31/12/2022	31/12/2021
1. Financial assets at fair value through profit or loss	677,824	-
2. Financial assets measured at fair value through other comprehensive income	98,397	101,622
3. Financial assets measured at amortised cost	8,885,904	6,985,907
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

4. Breakdown of investments for unit-linked and index-linked policies

€/000	Services in relation to investment funds and market indices	Services in relation to pension fund management	TOTAL
	2022	2022	2022
Assets on the balance sheet	30,667,223	-	30,667,223
Intra-group activities*	288,162	-	288,162
Total Assets	30,955,385	-	30,955,385
Financial liabilities on the balance sheet	13,086,968	-	13,086,968
Technical provisions on the balance sheet	11,950,125	-	11,950,125
Intragroup liabilities*	-	-	-
Total Liabilities	25,037,093	-	25,037,093

5. Asset management and trading on behalf of third parties

€/000	31/12/2022
1. Execution of orders on behalf of customers	2,147,981
a) purchases	931,609
1. settled	931,609
2. not settled	-
b) sales	1,216,372
1. settled	1,216,372
2. not settled	-
2. Portfolio management	61,755,316
a) individual	3,866,091
b) collective	57,889,225
3. Securities custody and administration	59,485,299
a) third-party securities in custody: connected to custodian bank operations (excluding portfolio management)	337,818
1. securities issued by the companies included in the consolidation	-
2. other securities	337,818
b) third-party securities in custody (excluding portfolio management): other	11,813,125
1. securities issued by the companies included in the consolidation	3,846
2. other securities	11,809,279
c) third-party securities held with third parties	11,775,596
d) own securities held with third parties	47,334,356
4. Other transactions	8,857,447

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – ITEM 10 AND 20

1.1 Interest income and similar income: breakdown

€/000	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial assets at fair value through profit or loss:	41,599	-	-	41,599	54,035
1.1 Financial assets held for trading	9	-	-	9	1,137
1.2 Financial assets designated at fair value	41,590	-	-	41,590	52,898
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	13,189	-	X	13,189	16,349
3. Financial assets measured at amortised cost:	174,124	284,875	-	458,999	302,801
3.1 Loans to banks	4,928	5,907	X	10,835	4,574
3.2 Loans to customers	169,196	278,968	X	448,164	298,227
	X	X	314	314	-
4. Hedging derivatives					
5. Other assets	X	X	7,143	7,143	957
6. Financial liabilities	X	X	X	31,683	32,158
Total	228,912	284,875	7,457	552,927	406,300
of which: interest income on impaired financial assets	-	4,570	8	4,578	3,652
of which: interest income on finance leases	X	-	X	-	-

1.2 Interest income and similar income: other information

1.2.1 Interest income on foreign-currency financial assets

€/000	31/12/2022	31/12/2021
Interest income on foreign-currency financial assets	653	159
TOTAL	653	159

1.3 Interest expense and similar expenses: breakdown

€/000	Payables	Securities	Other transactions	Total	Total
				31/12/2022	31/12/2021
1. Financial liabilities measured at amortised cost	(67,643)	(1,617)	X	(69,260)	(40,110)
1.1 Payables to central banks	-	X	X	-	(158)
1.2 Payables to banks	(1,707)	X	X	(1,707)	(648)
1.3 Payables to customers	(65,936)	X	X	(65,936)	(39,304)
1.4 Debt securities in issue	X	(1,617)	X	(1,617)	-
2. Financial liabilities held for trading	-	-	-	-	(1,025)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(3,950)	(3,950)	(4,281)
5. Hedging derivatives	X	X	(2,930)	(2,930)	(3,645)
6. Financial assets	X	X	X	(4,003)	(4,696)
Total	(67,643)	(1,617)	(6,880)	(80,143)	(53,757)
of which: interest expense relating to lease liabilities	(1,446)	X	X	(1,446)	(1,482)

1.4 Interest expense and similar expenses: other information

1.4.1 Interest expense on foreign-currency liabilities

€/000	31/12/2022	31/12/2021
Interest income on foreign-currency financial assets	(1,508)	(620)
TOTAL	(1,508)	(620)

1.5 Differentials relating to hedging transactions

€/000	31/12/2022	31/12/2021
A. Positive differentials relating to hedging transactions	314	-
B. Negative differentials relating to hedging transactions	(2,930)	(3,645)
C. Balance (A-B)	(2,616)	(3,645)

SECTION 2 – FEES AND COMMISSION – ITEMS 40 AND 50

2.1 Commission income: breakdown

€/000	31/12/2022	31/12/2021
a) Financial instruments	95,139	83,353
1. Placement of securities	70,492	60,712
1.1 With an underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	70,492	60,712
2. Receipt and transmission of orders and execution of orders on behalf of clients	11,402	13,433
2.1 Receipt and transmission of orders for one or more financial instruments	1,022	1,021
2.2 Execution of orders on behalf of clients	10,380	12,412
3. Other fees for activities associated with financial instruments	13,245	9,208
of which: own-account trading	-	-
of which: management of individual portfolios	13,245	9,208
b) Corporate finance	-	-
1. Merger and acquisition advisory	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory activities	3,082	2,419
d) Clearing and settlement	-	-
e) Collective portfolio management	1,270,783	1,614,836
f) Custody and administration	4,847	4,783
1. Custodian bank	-	-
2. Other custody and administration fees	4,847	4,783
g) Central administrative services for collective portfolio management	-	-
h) Trust activity	194	498
i) Payment services	49,280	48,555
1. Current accounts	26,509	20,190
2. Credit Cards	5,026	5,592
3. Debit and other payment cards	11,470	8,812
4. Wire transfers and other payment orders	2,381	1,448
5. Other payment service fees	3,894	12,513
j) Distribution of third-party services	61,881	67,439
1. Collective portfolio management	53,472	59,888
2. Insurance products	1,146	961
3. Other products	7,263	6,590
of which: management of individual portfolios	-	-
k) Structured finance	-	-
l) Servicing of securitisation operations	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	694	616
of which: derivatives on receivables	-	-
o) Financing transactions	19,609	20,021
of which: for factoring transactions	-	-
p) Foreign exchange trading	9	5
q) Goods	-	-
r) Other commission income	324,404	303,219
of which: for management of multilateral trading facilities	-	-
of which: management of organised trading systems	290	271
Total	1,829,922	2,145,744

2.2 Commission expense: breakdown

€/000	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	(1,304)	(1,215)
of which: trading of financial instruments	(1,304)	(1,215)
c) Collective portfolio management	(63,507)	(70,334)
1. Own	(59,952)	(65,491)
2. Delegated to third parties	(3,555)	(4,843)
d) Custody and administration	(1,832)	(2,488)
e) Collection and payment services	(34,078)	(37,655)
of which: credit cards, debit cards and other payment cards	(12,680)	(12,979)
i) Financial solicitation	(595,990)	(671,790)
k) Other commission expenses	(70,586)	(36,585)
Total	(767,297)	(820,067)

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

€/000	31/12/2022		31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	64	-	23	-
B. Other financial assets mandatorily measured at fair value	-	3,521	-	3,417
C. Financial assets at fair value through other comprehensive income	21,836	-	19,224	-
D. Equity investments	-	-	-	-
TOTAL	21,900	3,521	19,247	3,417

SECTION 4 – NET GAINS (LOSSES) FROM TRADING – ITEM 80

4.1 Net gains (losses) from trading: breakdown

€/000	Capital gains (A)	Gains from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	310	899	(77,940)	(1,330)	(78,061)
1.1 Debt securities	233	889	(27,422)	(1,008)	(27,308)
1.2 Equity securities	77	8	(50,498)	(322)	(50,735)
1.3 Units in investment funds (UCIs)	-	1	(20)	-	(19)
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	-	14,878	-	(6)	14,872
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	14,874	-	-	14,874
2.3 Other	-	4	-	(6)	(2)
3. Financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	224
4. Derivative instruments	49,716	5,365	(17)	(12,104)	47,782
4.1 Financial derivatives	49,716	5,365	(17)	(12,104)	47,782
- On debt securities and interest rates	49,716	5,365	(17)	(12,103)	42,961
- On equity instruments and equity indices	-	-	-	(1)	(1)
- On currencies and gold	X	X	X	X	4,822
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	50,026	21,142	(77,957)	(13,440)	(15,183)

SECTION 5 – NET GAINS (LOSSES) FROM HEDGING – ITEM 90

5.1 Net gains (losses) from hedging: breakdown

€/000	31/12/2022	31/12/2021
A. Income relating to:		
A.1 Fair value hedging derivatives	17,019	7,176
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging cash flows	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging (A)	17,019	7,176
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(27)	(141)
B.2 Hedged financial assets (fair value)	(15,290)	(8,081)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging cash flows	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	(15,317)	(8,222)
C. Net gains (losses) from hedging (A - B)	1,702	(1,046)
of which: result of hedges on net positions	-	-

SECTION 6 – GAINS (LOSSES) FROM DISPOSAL/REPURCHASE – ITEM 100

6.1 Gains (losses) from disposal/repurchase: breakdown

€/000	31/12/2022			31/12/2021		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	22	(166)	(144)	13	-	13
1.1 Loans to banks	10	-	10	-	-	-
1.2 Loans to customers	12	(166)	(154)	13	-	13
2. Financial assets measured at fair value through other comprehensive income	1,942	-	1,942	897	-	897
2.1 Debt securities	1,942	-	1,942	897	-	897
2.2 Loans	-	-	-	-	-	-
TOTAL ASSETS (A)	1,964	(166)	1,798	910	-	910
B. Financial liabilities measured at amortised cost						
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
TOTAL LIABILITIES (B)	-	-	-	-	-	-

SECTION 7 – NET GAIN (LOSS) FROM OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.1 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

€/000	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	105,881	66,572	(4,489,849)	(956,550)	(5,273,946)
1.1 Debt securities	41,138	17,975	(122,105)	(161,945)	(224,937)
1.2 Loans	64,743	48,597	(4,367,744)	(794,605)	(5,049,009)
2. Financial liabilities	2,139,607	-	27,193	-	2,166,800
2.1 Debt securities in issue	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-
2.3 Payables to customers	2,139,607	-	27,193	-	2,166,800
3. Foreign-currency financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	-
TOTAL	2,245,488	66,572	(4,462,656)	(956,550)	(3,107,146)

7.2 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

€/000	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	17,008	53	(17,408)	(37)	(384)
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	17,008	53	(17,408)	(37)	(384)
1.4 Loans	-	-	-	-	-
2. Foreign-currency financial assets: foreign exchange gains and losses	X	X	X	X	-
TOTAL	17,008	53	(17,408)	(37)	(384)

SECTION 8 – CREDIT-RISK INDUCED NET VALUE ADJUSTMENTS/WRITE-BACKS – ITEM 130

8.1 Credit-risk induced net value adjustments relating to financial assets measured at amortised cost: breakdown

€/000	Value adjustments (1)						Write-backs (2)				Total	Total
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
			Write-offs	Other	Write-offs	Other						
	31/12/2022	31/12/2021										
A. Loans to banks	(178)	-	(73)	-	-	-	1,029	-	36	-	814	(551)
- Loans	-	-	(73)	-	-	-	-	-	36	-	(37)	-
- Debt securities	(178)	-	-	-	-	-	1,029	-	-	-	851	(551)
B. Loans to customers	(3,071)	(6,683)	(943)	(27,870)	-	(24)	4,870	-	10,307	-	(23,414)	(26,527)
- Loans	(1,797)	(6,683)	(943)	(27,870)	-	(24)	4,631	-	10,307	-	(22,379)	(26,524)
- Debt securities	(1,274)	-	-	-	-	-	239	-	-	-	(1,035)	(3)
Total	(3,249)	(6,683)	(1,016)	(27,870)	-	(24)	5,899	-	10,343	-	(22,600)	(27,078)

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

€/000	Net value adjustments								Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired					
			Write-offs	Other	Write-offs	Other				
1. Forborne loans compliant with the GLs	2	-	-	(2)	-	-	-	(59)		
2. Loans subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne	(1)	(33)	-	10	-	-	(24)	(1,105)		
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-		
4. New loans	15	21	-	(1,881)	-	-	(1,845)	(661)		
Total 31/12/2022	16	(12)	-	(1,873)	-	-	(1,869)	(1,825)		
Total 31/12/2021	(214)	140	-	(1,751)	-	-	(1,825)	(1,825)		

8.2 Credit risk-induced net value adjustments relating to financial assets at fair value through other comprehensive income: breakdown

€/000	Value adjustments (1)						Write-backs (2)				Total 31/12/2022	Total 31/12/2021
	Stage 3				Purchased or originated impaired							
	Stage 1	Stage 2	Write-offs	Other	Write-offs	Other	Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. Debt securities	(334)	-	-	-	-	-	742	-	-	-	408	320
B. Loans	(232)	-	-	-	-	-	-	-	-	-	(232)	(12)
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	(232)	-	-	-	-	-	-	-	-	-	(232)	(12)
Total	(566)	-	-	-	-	-	742	-	-	-	176	308

SECTION 10 – NET PREMIUMS – ITEM 160

10.1 Net premiums: breakdown

€/000	Direct business	Indirect business	31/12/2022	31/12/2021
A. Life class				
A.1 Gross premiums written (+)	2,135,747	-	2,135,747	2,549,537
A.2 Reinsurance premiums ceded (-)	(17,255)	X	(17,255)	(10,446)
A.3 Total	2,118,492	-	2,118,492	2,539,091
B. Non-life class				
B.1 Gross premiums written (+)	124,186	-	124,186	111,678
B.2 Reinsurance premiums ceded (-)	(20,664)	X	(20,664)	(18,500)
B.3 Change in gross amount of premium reserve (+/-)	(15,746)	-	(15,746)	(16,717)
B.4 Change in reinsurers' share of premium reserve (+/-)	716	-	716	819
B.5 Total	88,492	-	88,492	77,280
C. Total net premiums	2,206,984	-	2,206,984	2,616,371

SECTION 11 – BALANCE OF OTHER REVENUES AND EXPENSES FROM INSURANCE OPERATIONS – ITEM 170

11.1 Balance of other revenues and expenses from insurance operations: breakdown

€/000	31/12/2022	31/12/2021
1. Net change in technical provisions	2,004,715	(3,373,082)
2. Claims pertaining to the period paid during the year	(1,203,710)	(1,376,334)
3. Other revenues and expenses from insurance operations	(8,213)	(9,279)
TOTAL	792,792	(4,758,695)

11.2 Breakdown of the sub-item “Net change in technical provisions”

€/000	31/12/2022	31/12/2021
1. Life class		
A. Mathematical reserves	(515,495)	(211,218)
A.1 Annual gross amount	(518,534)	(209,692)
A.2 (-) Reinsurers' share	(3,039)	(1,526)
B. Other technical provisions	(1,759)	(1,810)
B.1 Annual gross amount	(1,759)	(1,810)
B.2 (-) Reinsurers' share	-	-
C. Technical provisions when the investment risk is borne by insurers	(1,494,678)	(3,157,407)
C.1 Annual gross amount	(1,494,678)	(3,157,407)
C.2 (-) Reinsurers' share	-	-
Total “life reserves”	(2,008,414)	(3,370,435)
2. Non-life class		
Changes in other technical provisions of the non-life class other than claims reserves, net of reinsurance cessions	(3,699)	(2,647)
Total “non-life reserves”	(3,699)	(2,647)
Total life and non-life classes	(2,004,715)	(3,373,082)

11.3 Breakdown of the sub-item “Claims pertaining to the period”

€/000	31/12/2022	31/12/2021
Life class: claims-related expenses, net of reinsurance cessions		
A. Amounts paid	(1,174,214)	(1,326,587)
A.1 Annual gross amount	(1,181,514)	(1,331,900)
A.2 (-) Reinsurers' share	7,300	5,313
B. Change in reserve for amounts to be paid	(1,516)	(30,123)
B.1 Annual gross amount	(1,751)	(31,247)
B.2 (-) Reinsurers' share	235	1,124
Total life claims	(1,175,730)	(1,356,710)
Non-life class: claims-related expenses, net of recoveries and reinsurance cessions		
C. Amounts paid	(20,484)	(17,177)
C.1 Annual gross amount	(29,222)	(25,390)
C.2 (-) Reinsurers' share	8,738	8,213
D. Change in recoveries, net of reinsurers' share	61	21
E. Changes in the claims reserve	(7,557)	(2,468)
E.1 Annual gross amount	(8,312)	(2,384)
E.2 (-) Reinsurers' share	755	(84)
Total non-life claims	(27,980)	(19,624)
Total life and non-life classes	(1,203,710)	(1,376,334)

11.4 Breakdown of the sub-item “Other income/expenses from insurance operations”

At the end of 2022, the item “Other insurance operating revenues and expenses” amounted to -€8.2 million, with a positive change of €1.1 million compared with the comparative period (31/12/2021: -€9.3 million).

11.4.1 Life class

The item “Other insurance operating revenues and expenses” in the life insurance class at 31/12/2022 shows a balance of €1,897 thousand (31/12/2021: €802 thousand).

11.4.2 Non-life class

The item “Other insurance operating revenues and expenses” in the non-life insurance class at 31/12/2022 shows a balance of -€10,110 thousand (31/12/2021: -€10,081 thousand).

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Staff costs: breakdown

€/000	31/12/2022	31/12/2021
1) Employees	(254,621)	(238,644)
a) wages and salaries	(177,550)	(173,233)
b) social security contributions	(46,487)	(43,324)
c) severance benefits	(4)	(27)
d) social security costs	-	-
e) provision for employee severance benefits	(8,524)	(7,822)
f) provision for pensions and similar obligations:	(764)	(104)
- defined contribution	-	-
- defined benefit	(764)	(104)
g) payments to external supplementary pension funds:	(3,331)	(3,276)
- defined contribution	(3,283)	(3,060)
- defined benefit	(48)	(216)
h) costs arising from share-based payment agreements	(5,831)	(4,389)
i) other employee benefits	(12,130)	(6,469)
2) Other staff in service	(12,885)	(10,145)
3) Directors and statutory auditors	(8,494)	(8,935)
4) Retired staff	-	-
TOTAL	(276,000)	(257,724)

12.2 Average number of employees by category

Units	31/12/2022	31/12/2021
1) Employees	3,126	2,946
a) executives	116	112
b) management	577	533
c) other employees	2,433	2,301
2) Other staff	311	258
TOTAL	3,437	3,204

12.3 Defined benefit company pension funds: costs and revenues

€/000	31/12/2022
- Current service cost	(73)
- Financial expenses	(331)
- Expected return on the assets servicing the plan	-
- Expected return on any redemption rights recognised as assets	(310)
- Actuarial gains and losses	286
- Past service cost	-
- Effect of other reductions and write-offs	(336)
TOTAL	(764)

12.4 Other employee benefits

Other employee benefits, shown in Table 12.1 Staff costs, came to €12.1 million and mainly include contributions to the company canteen and costs incurred for insurance policies taken out for employees.

12.5 Other administrative expenses: breakdown

€/000	31/12/2022	31/12/2021
Information systems services	(113,291)	(112,736)
Infoprovder services	(17,407)	(14,692)
Financial services fees and charges	(1,139)	(878)
Other sundry services	(43,663)	(36,604)
Taxes and duties	(3,983)	(3,648)
Television and internet communications services	(3,036)	(2,247)
Measures in support of the banking system	(41,579)	(35,950)
Network consultancy and collaborations	(7,101)	(6,869)
Rentals, hiring, leases	(21,976)	(17,660)
Maintenance and repairs	(4,061)	(4,474)
Telephone and postal expenses	(12,857)	(12,038)
Other consultancy and collaborations	(31,210)	(27,753)
Contributions to "Family Banker Offices"	(1,134)	(1,346)
Consumables	(4,161)	(3,640)
Insurance	(3,572)	(3,015)
Membership contributions	(6,863)	(5,964)
Advertising and promotional expenses	(33,473)	(34,910)
Organisation of conventions	(19,545)	(7,046)
Sales network consulting, education and training	(2,507)	(2,874)
Energy utilities	(3,292)	(1,747)
Entertainment, gifts and donations	(9,663)	(7,420)
Market research	(861)	(772)
Search and selection of employees	(954)	(1,176)
Travel expenses	(492)	(501)
Fuel costs	(440)	(349)
Search and selection of financial advisors	(61)	(168)
Emoluments of corporate officers	(24)	(48)
Other administrative expenses	(9,008)	(9,024)
TOTAL	(397,353)	(355,306)

SECTION 13 – Net PROVISIONS FOR RISK AND CHARGES – ITEM 200

13.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees given: breakdown

€/000	31/12/2022	31/12/2021
Financial guarantees given	(277)	98
TOTAL	(277)	98

13.3 Other net provisions for risk and charges: breakdown

€/000	31/12/2022	31/12/2021
Portfolio and structure allowance	(1,524)	1,964
Additional customer allowance	741	(19,655)
Risk of misconduct by financial advisors	641	780
Legal disputes	(2,289)	(3,923)
Managers' allowance	(7,813)	(14,017)
Other provisions for risk and charges	(4,014)	(11,716)
TOTAL	(14,258)	(46,567)

SECTION 14 – NET VALUE ADJUSTMENTS/WRITE-BACKS OF TANGIBLE ASSETS – ITEM 210

14.1. Net value adjustments of tangible assets: breakdown

€/000	Amortisation	Impairment losses	Write-backs	Net result
	(a)	(b)	(c)	(a + b - c)
A. Tangible assets				
1 For business use	(15,981)	(148)	-	(16,129)
- Owned	(6,229)	(148)	-	(6,377)
- Rights of use acquired through leasing	(9,752)	-	-	(9,752)
2 Held for investment purposes	(1,159)	(16,371)	-	(17,530)
- Owned	(1,159)	(16,371)	-	(17,530)
- Rights of use acquired through leasing	-	-	-	-
3 Inventories	X	-	-	-
TOTAL	(17,140)	(16,519)	-	(33,659)

SECTION 15 – NET VALUE ADJUSTMENTS/WRITE-BACKS OF INTANGIBLE ASSETS – ITEM 220

15.1 Net value adjustments of intangible assets: breakdown

€/000	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(4,275)	-	-	(4,275)
A.1 Owned	(33,537)	-	-	(33,537)
- Generated internally by the company	-	-	-	-
- Other	(33,537)	-	-	(33,537)
A.2 Rights of use acquired through leasing	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	(33,537)	-	-	(33,537)

SECTION 16 – OTHER OPERATING REVENUES AND EXPENSES – ITEM 230

16.1/16.2 Other revenues and expenses: breakdown

€/000	31/12/2022	31/12/2021
Recovery of costs for procurement and services rendered	52	52
Rental income on owned properties	583	540
Income on divestments	13	14
Recovery of miscellaneous costs	4	4
Chargebacks to advisors	31	17
Other sundry income	14,676	12,522
Total - Breakdown of "Other operating income"	15,359	13,149
Losses on divestments	(20)	(48)
Settlements and compensation	(2,703)	(2,158)
Other operating expenses - Depreciation of leasehold improvements	(2,872)	(2,801)
Other expenses	(8,938)	(8,563)
Total - Breakdown of "Other operating expenses"	(14,533)	(13,570)
Total - Breakdown of "Other operating revenues and expenses"	826	(421)

Other operating revenues and expenses amounted to €826 thousand (31/12/2021: -€421 thousand).

SECTION 17 – GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 250

This item is not applicable.

SECTION 20 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 280

20.1 Gains (losses) on disposal of investments: breakdown

€/000	31/12/2022	31/12/2021
A. Real property	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
B. Other assets	4,175	378
- Profits on disposal	4,175	378
- Losses on disposal	-	-
Net result	4,175	378

The item "Gains (losses) on disposal of investments" of €4,175 thousand includes €4,065 thousand of capital gains realised by the subsidiary, Mediolanum Vita, for the sale of some properties owned.

SECTION 21 – TAXES ON INCOME FROM CONTINUING OPERATIONS – ITEM 300

21.1 Taxes on income from continuing operations: breakdown

€/000	31/12/2022	31/12/2021
1. Current taxes (-)	(135,918)	(172,499)
2. Changes in current taxes in previous years (+/-)	1,082	(278)
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes for the year due to tax credits pursuant to Law 214/2011 (+)	-	-
4. Change in prepaid taxes (+/-)	(4,759)	2,283
5. Change in deferred taxes (+/-)	(188)	(6,918)
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(139,783)	(177,412)

21.2 Reconciliation between theoretical tax liability and actual tax liability recognised

€/000	31/12/2022	31/12/2021
Theoretical rate of IRES or equivalent taxes	14.91%	14.60%
Profit (loss) for the year before tax	661,586	890,467
Theoretical tax charge	98,622	129,966
IRAP	29,288	29,548
Tax dispute	6,490	6,402
Increased effective rate and other adjustments	5,383	11,495
IREs tax charge and equivalent taxes	139,783	177,412
Total effective rate	21.13%	19.92%

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of ordinary shares (fully diluted)

	31/12/2022	31/12/2021
Net income (€/t)	521,803	713,055
Weighted average number of shares outstanding (units)	737,252,214	735,715,806
Weighted average number of shares outstanding for diluted EPS purposes	744,207,493	738,608,157
Diluted earnings per share (€)	0.701	0.965
Basic earnings per share (€)	0.707	0.969

25.2 Other information

There is no other material information to report beyond that provided in the previous sections.

Part D - Consolidated comprehensive income

Consolidated statement of comprehensive income

	€/000	31/12/2022	31/12/2021
10.	Net income for the year	521,803	713,055
	Other income items without reversal to the income statement	(30,826)	16,025
20.	Equity securities designated at fair value through other comprehensive income:	(32,743)	12,997
	a) change in fair value	(32,743)	12,997
	b) transfers to other items of shareholders' equity		
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness):	-	-
	a) change in fair value	-	-
	b) transfers to other items of shareholders' equity	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	1,860	(920)
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves of equity investments measured at equity	-	-
100.	Income taxes relating to other income items without reversal to the income statement	57	3,948
	Other income items with reversal to the income statement	(24,895)	(6,332)
140.	Hedging instruments (non-designated elements):	-	-
	a) change in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(36,104)	(8,940)
	a) changes in fair value	(47,819)	(18,148)
	b) reversal to income statement	(2,484)	(1,599)
	- credit-induced adjustments	(382)	(226)
	- gains (losses) on disposals	(2,102)	(1,373)
	c) other changes	14,199	10,807
170.	Share of valuation reserves of equity investments measured at equity:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- impairment losses	-	-
	- gains (losses) on disposals	-	-
	c) other changes	-	-
180.	Income taxes relating to other income items with reversal to the income statement	11,209	2,608
190.	Total other income	(55,721)	9,693
200.	Comprehensive income (Item 10+190)	466,082	722,748
210.	Consolidated comprehensive income attributable to minority interests	-	-
220.	Consolidated comprehensive income attributable to the Parent Company	466,082	722,748

Part E - Information on risks and the related hedging policies

INTRODUCTION

In economic disciplines, the importance of the risk concept has grown significantly in recent decades due to the operating environments of many companies. Their assets, whether financial or non-financial, always carry a certain margin of risk, which derives from uncertainty over the achievement of corporate objectives and is therefore ultimately associated with changes in the company's future economic value. Until recently, risk was seen only in its negative sense, and the aim of corporate management was to protect the business by minimising or eliminating risks at all costs. Because risk is inherent to a company's business, it must be regarded as an integral part of generating value for shareholders. A risk management system is therefore required to ensure that risk is controlled and regulated. Risk management identifies a process through which the organisation manages its business, taking into account the costs and benefits associated with each action that it undertakes. The main purpose of the risk management function is to enable the company to obtain lasting benefits from all the activities it performs, by identifying and measuring risk, thereby helping to create value for the company and its stakeholders. Managing risk continuously and steadily becomes part of each company's strategic management. It lessens uncertainty over the achievement of the company's objectives, thereby reducing the probability of failure and increasing the probability of success.

In the banking field, according to the Basel Committee, the risk management function of a credit institution must be able to identify material risks at both an individual and aggregate level, as well as identifying emerging risks, assessing them and measuring the bank's exposure to these risks.

The world of risk is changing and referring only to "classic risks" to represent the risk level of a financial institution implies a necessarily partial viewpoint. A "risk-based" business approach therefore requires a flexible risk management function oriented towards developments not only in the economic and financial context, but also of new business models increasingly oriented towards more technological products and services. This change relates to the skills and professionalism required to perform the role of the future risk manager, who must include, among the risks that may occur, the environmental, social and corporate governance risks that may be associated with the various business lines and their management. In fact, the regulator's vision is also shifting toward an increasingly "holistic" representation of the risk spectrum. In this regard, it is clear from its activities in recent years that the European Banking Supervisory Authority wants to direct European financial institutions to incorporate ESG risks into their structures, strategies, internal governance processes and risk management frameworks. This new framework is part of the more general international policy of transition to a greener and more circular economy, which involves risks and opportunities for the entire economic system, including the banking and financial sector.

RISK CONTROL ORGANISATIONAL STRUCTURE

The control environment is the element of corporate culture that determines the level of management sensitivity to auditing needs. It forms the basis for all other components of the Internal Control System. The Internal Control System (hereinafter also referred to as the "ICS") is defined as a set of rules, procedures and organisational structures designed to enable the Company to be managed soundly and correctly and in line with pre-established objectives through an adequate process of identifying, measuring, managing and monitoring key

risks. The factors that influence the control environment are: integrity, ethical values and the competence of staff, management philosophy and style, the ways in which responsibilities are delegated, organisation and professional development and the commitment and leadership of the Board of Directors. A fundamental role is played by the Parent Company's Risk Committee, which carries out comparison and analysis activities in order to develop an overview of the various risks associated with the various types of business, and shares the actions taken to manage the risks identified. Within the Banking Group, the various companies undertake to implement a complex and efficient Internal Control System within their operating structures, taking account, in accordance with the guidelines received from the Parent Company and in proportion to their size, of the various sets of regulations applicable to different areas of the business. In order to promote the dissemination of values guided by professional propriety and compliance with laws and regulations, Banca Mediolanum also has a Code of Ethics and a Code of Conduct, which outline the conduct to be observed and are distributed for adoption by the subsidiaries.

PRINCIPLES UNDERLYING THE RISK CONTROL AND MANAGEMENT MODEL

The Internal Control System is strategically important for the Group, as it has a high ranking on the scale of company values, relating not only to the corporate control functions but also involving the entire corporate organisation in the development and application of logical and systemic methods for identifying, measuring, communicating and managing risks.

The definition of the risk governance system must take into account the following general principles:

- > completeness of the types and location of the risks to be governed in accordance with legislative and regulatory provisions;
- > adequacy of the control system, which is coherent and structured in proportion to the characteristics of the Group and/or the companies concerned;
- > system functionality, as the application and suitability of the controls enable the Group to pursue its overall sound and prudent management;
- > reliability, i.e. the control system must be effective on an ongoing basis;
- > incorporation, by means of an ongoing search, of co-ordination mechanisms to provide the governing bodies with full, comprehensible and integrated information;
- > dissemination of control activities to each operating and hierarchical segment;
- > cost-effectiveness, achieving an adequate and functional trade-off between the overall cost of control and the related monitoring of risks;
- > development, by means of an ongoing search, of mechanisms designed to ensure the continuous improvement of the structure of the system and its effectiveness and efficiency;
- > timeliness, through the timely and prompt knowledge and communication of the appropriate levels of the company capable of implementing appropriate corrective measures;
- > independence of second-level control functions from the line organisational units, safeguarding the proportionality principle for the subsidiaries and thus ensuring a gradual implementation approach for smaller entities;
- > sharing and consistency between all the organisational units and/or companies in the same Group in relation to the use of uniform models and methodologies for the collection of data and information and for the analysis and measurement of risks, as applicable;
- > transparency and dissemination of the models, methodologies and assessment criteria used to facilitate the process of cultural dissemination and understanding of the underlying rationales of the choices made;

- > assignment of accountability and delegation by the Board of Directors to the organisational units in the direct management of the risks to which the corporate processes are exposed.

The Mediolanum Banking Group has defined, in the context of the processes of the various business activities, its Risk Appetite Framework ("RAF"), i.e. the overall level of risk and type of risk, which it intends to assume in order to achieve its strategic objectives, identifying the metrics to be monitored, the relative tolerance thresholds and the different risk limits.

In order to ensure compliance with the principles described above, the Mediolanum Banking Group has adopted a system of internal policies that define the general reference framework for risk management and control. The main objectives of these policies are:

- > To confirm by means of operating limits that the overall risk exposure is consistent with the RAF approved by the Board of Directors to ensure compliance with the risk-taking capacity thresholds in the pursuit of the management strategies of the company and/or the Group;
- > to ensure that the Internal Control System is able to promptly identify significant anomalies and prepare the appropriate corrective and/or mitigation measures;
- > to ensure the sharing and homogeneity of the essential risk management rules and principles within the Group;
- > to disseminate the risk management culture within the Group as part of a structured process and promote conscious and consistent behaviours and operational choices, in particular awareness of ESG issues.

SECTION 1 – Risks of accounting consolidation

QUALITATIVE INFORMATION

CONGLOMERATE RISK MANAGEMENT

The Mediolanum Group incorporates banking and/or securities activities (investment services) and insurance activities. The Banking Group specifically consists of banks (Banca Mediolanum and Banco Mediolanum) and management companies (e.g. Mediolanum Gestione Fondi and Mediolanum International Fund), while the insurance business is carried out by subsidiaries of Banca Mediolanum which produce financial insurance products in the life class (Mediolanum Vita to Mediolanum International Life) and insurance products in the non-life class (Mediolanum Assicurazioni). Traditional regulation has an essentially sectoral approach (banking, securities, insurance) and consequently the regulatory and supervisory provisions on the capital adequacy of financial intermediaries take into account the risk profiles of the individual banking and insurance components of the Conglomerate and establish capital requirements for the typical risks (also considered individually) of each of them. Therefore, without prejudice to the risk control and management procedures in the Solvency area for insurance and ICAAP/ILAAP for banking, a management methodology for monitoring and analysing risk concentration is used at Conglomerate level. This control is implemented by aggregating the exposures of all the companies in the Conglomerate to the same counterparty, both public and private, in all forms of financial commitment and investment. Periodically, therefore, each exposure is added together for all companies in the same group, analysing whether it could entail a potential loss of capacity that could compromise the solvency or the general financial position of all the companies in the Mediolanum Conglomerate. On a quarterly basis,

the Parent Company's Risk Management Function reports to the Strategic Supervisory Body (Board of Directors) on the performance of the Group's various business lines, representing all the relevant risk indicators by type of business, activity provided for by sector regulations or internal management and mitigation policies.

With regard to strategic, operational, non-compliance and reputational risks, a single Group framework has been adopted, also in view of the pervasiveness of these risks, without prejudice to the application of this framework according to a criterion of proportionality that takes due account of the specific business and regulatory aspects of the various companies, including at the national level. Consequently, the figures on financial and credit risks are presented separately below, maintaining the distinction between the banking and insurance sectors, while the figures on strategic, operational, non-compliance and reputational risks are presented on a comprehensive basis.

REPORTING OF FINANCIAL RISKS PURSUANT TO INTERNATIONAL ACCOUNTING STANDARD IFRS 7

IFRS 7, which is addressed in this section, mainly concerns the reporting to be provided on the nature of the risks arising from the financial instruments held and the related exposure that the company has to the risks identified. The exposure to the risk associated with the possession of financial instruments, as defined in IFRS 7, includes information on credit risk, liquidity risk and market risk. In this context, the qualitative information describes "the purposes, policies and processes assumed by management for managing related risks", while the quantitative information describes the extent of the risk exposure, separately examining credit, liquidity and market risk reporting. This section therefore describes the characteristics of the risk control model according to the requirements of IFRS 7 that are relevant for the Mediolanum Group, classifying them in relation to their significance in terms of the business segments of the Group companies: banking, asset management and insurance. Under IFRS 7, the risks on which the analysis is conducted are liquidity risks, credit risk and market risks with their various forms and characteristics. A brief summary is also provided of the risk management techniques and policies adopted by the control functions for purposes beyond the scope of IFRS 7. It should also be noted that with the introduction of IFRS 13, several amendments were made to various standards. In particular, all the reporting associated with the Fair Value Hierarchy (FVH) is no longer governed by IFRS 7 but by IFRS 13. With regard to developments in the geopolitical context and the ongoing conflict between Russia and Ukraine, the Group periodically carried out an analysis of its portfolio of financial instruments in order to verify any impacts, including for these financial statements. In this regard, it should be noted that the Group does not hold debt or equity instruments issued by counterparties resident in Russia or Belarus, nor does it have relationships with financial institutions resident there: the financial instruments of parties resident in areas of conflict within asset management products were not significant and had no impact on the process of valuing the NAV of the funds.

METHODOLOGY AND CLASSIFICATION PRINCIPLES FOR FINANCIAL INSTRUMENTS

The additional information envisaged by IFRS 7 can essentially be classified into three main types of risk:

- > **Credit risk.** Refers to the risk of suffering losses as a result of a deterioration in creditworthiness to default of both retail/corporate customers and institutional counterparties of which the Bank is a creditor in its investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.

- > **Market risk.** Defined as the risk of suffering significant losses due to the unfavourable performance of market variables sensitive to the value of the investment activities of companies of the Mediolanum Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.
- > **Liquidity risk.** Liquidity risk generally takes the form of limits on the liquidation of assets. More precisely, it is the risk that a financial instrument cannot be bought or sold without a sharp reduction/increase in the price (bid-ask spread) due to the potential inability of the market to settle the transaction partially or completely. Liquidity risk is also defined as the risk associated with access to funding. Under Pillar II of Basel 2 as it applies to the Banking Group, the regulator requires banks to implement policies, management procedures and methods for measuring liquidity risk (e.g. the ILAAP).

The main aspects of the individual risks are therefore reported on the basis of the Group's lines of business.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, trends and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amount)

€/000		Non-performing loans	Unlikely to pay	Non-performing past due exposures	Other performing past due exposures	Other performing	TOTAL
1. Financial assets measured at amortised cost		16,120	76,120	25,367	75,893	35,939,207	36,132,707
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	821,705	821,705
3. Financial assets designated at fair value		-	-	-	-	30,667,223	30,667,223
4. Other financial assets mandatorily measured at fair value		-	-	-	-	-	-
5. Financial assets held for sale		-	-	-	-	-	-
TOTAL	31/12/2022	16,120	76,120	25,367	75,893	67,428,135	67,621,635
TOTAL	31/12/2021	20,274	67,439	22,828	52,891	70,301,486	70,464,918

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

€/000		Non-performing				Performing			TOTAL (net exposure)
		Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost		220,793	(103,187)	117,606	-	36,072,424	(57,323)	36,015,098	36,132,707
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	821,851	(146)	821,705	821,705
3. Financial assets designated at fair value		-	-	-	-	X	X	30,667,223	30,667,223
4. Other financial assets mandatorily measured at fair value		-	-	-	-	X	X	-	-
5. Financial assets held for sale		-	-	-	-	-	-	-	-
TOTAL	31/12/2022	220,793	(103,187)	117,606	-	36,894,275	(57,469)	67,504,026	67,621,635
TOTAL	31/12/2021	203,241	(92,701)	110,540	-	37,384,077	52,362	70,354,378	70,464,918

* Value to be displayed for information purposes

B. Reporting on structured entities (other than securitisation companies)

This case does not apply to the Group.

SECTION 2 – Risks of prudential consolidation

THE PRUDENTIAL CONTROL PROCESS

Since 2014, the Supervisory Review and Evaluation Process (SREP) has undergone a profound transformation through the establishment of the Single Supervisory Mechanism (SSM), which includes the European Central Bank (ECB) and the competent national authorities of the EU Member States. This body is responsible for the prudential supervision of all credit institutions in the Member States and ensures that EU policy on prudential supervision of banks is implemented consistently and effectively in all EU countries. Therefore, the rules introduced require the supervision of intermediaries defined as significant to be carried out by the ECB in close cooperation with the national supervisory authorities. It should be recalled that, due to the size it has reached, including the projected levels of development, the European Supervisory Authorities assigned Banca Mediolanum Significant Bank status as of January 2022, resulting in direct supervision by the ECB for the Mediolanum Banking Group.

The supervision of the other banks, meanwhile, has remained the responsibility of the authorities in each country and is carried out according to uniform criteria. In accordance with the proportionality principle, which takes into account the size and risk profile of the intermediary and its level of interconnection with the rest of the financial system, these banks are subject to more and more intense direct supervision by their national Supervisory Bodies and indirect supervision by the ECB.

Banking supervision is divided into two distinct phases: the first is the internal ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), in which the banks make an independent assessment of their current and prospective capital and liquidity adequacy in respect of the risks assumed and company strategies. ICAAP/ILAAP must be documented, known and shared by the corporate structures and subject to internal review. The prudential control process complies with the proportionality principle, whereby:

- > the corporate governance systems, risk management processes and mechanisms for internal control and capital determination considered adequate to cover risks must be commensurate with the characteristics, size and complexity of the bank's business;
- > the frequency and intensity of the SREP take into account the systemic relevance, characteristics, size and complexity of banks.

The second consists of the Supervisory Review and Evaluation Process (SREP) and is the responsibility of the Supervisory Authority, which, as well as reviewing the ICAAP/ILAAP, also formulates an overall opinion of the bank and takes corrective measures, where necessary.

In order to express their opinion, the European Banking Supervisory experts, using their own methodology and a series of instruments that allow for the consistent assessment of all supervised banks, proceed to examine:

- The business model, looking at the strategy and sustainability of the business strategy,
- Internal governance, considering the capacity of the governance bodies and the risk management framework;
- Considering whether the capital reserves are sufficient to absorb any losses;
- Considering, among the liquidity aspects, whether the bank is financing itself sustainably, in addition to meeting its short-term liquidity needs;

These activities are part of the annual SREP cycle, at the end of which the European Supervisory Authorities will communicate the SREP decision to individual institutions, which summarises the result of a given year and assigning the “tasks” to be performed for the following year in order to make banks always solid and safe. To this end, the ECB monitors the implementation and performance of the “tasks” assigned to an individual institution.

The SREP is based, in fact, on a continuous dialogue between the Supervisory Authority and the banks. This allows the European Central Bank (or, alternatively, the Bank of Italy) to gain a more in-depth understanding of ICAAP/ILAAP and the underlying methodology assumptions, and allows the banks to explain the reasoning supporting their assessments. The banks, including after receiving recommendations from the ECB, define strategies and establish instruments and procedures for determining the capital that they consider adequate – in terms of amount and composition – to permanently cover all the risks to which they are or could be exposed, including risks other than those for which they have to comply with capital requirements. Through the ICAAP/ILAAP, based on appropriate company risk management systems, adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal control system are presupposed, in line with the ongoing expectations and recommendations received from the supervisory bodies. The corporate bodies are responsible for this process, independently determining its design and organisation in accordance with their respective competences and prerogatives. They implement and instigate updates to ICAAP/ILAAP to ensure that it is always consistent with the Bank’s operational characteristics and strategic context.

THE BANKING GROUP: RISK APPETITE FRAMEWORK AND MAPPING OF MATERIAL RISKS

The Risk Appetite Framework (RAF), approved by the Strategic Supervisory Body of the Parent Company, i.e. the Board of Directors, is the reference framework that expresses the Bank’s intended risk appetite, with respect to all the financial and non-financial risks considered relevant that may characterise the business conducted. This overall approach includes the policies, processes, controls and methodologies through which the aforementioned risk appetite of the bank is defined, communicated, managed and reassessed, in accordance with the maximum risk that may be assumed, the business model and the strategic plan. Risk governance policy is therefore a strategic component of the RAF, enabling it to be aligned with the overall economic and financial plan and thus enabling the achievement of a sustainable growth objective. For this reason, the RAF is the result of a structured process involving various company organisational structures, specifically Risk Management and Planning and Control, each in its own areas of competence. The Group’s risk appetite is reviewed annually to take account of the ongoing changes in the internal and external context, as well as changes in the expectations of the various stakeholders. The economic and financial figures estimated when the economic and financial plan was drawn up are reconciled with the risk appetite limits and incorporated as part of the RAF updating process, resulting in the revision and adjustment of the thresholds and limits established during the previous year, where applicable.

The RAF indicators defined by the Parent Company are characterised by the following key elements, in accordance with regulatory indications:

- > the risk capacity, the maximum risk that can be assumed, i.e. what the bank or the Group can risk without breaching constraints – imposed by the shareholders or by the supervisory authority – and regulatory requirements;
- > the risk appetite, i.e. the propensity to risk, which considers what the bank or the Group wishes to risk in order to achieve a goal;

- > the risk tolerance, which refers to the risk tolerance threshold and defines an additional risk margin to that defined by the risk appetite within which threats are in any case kept under control even if under “stress” conditions;
- > the risk profile, which measures the risk actually assumed at a specific time during the ordinary management of the Group's or the bank's business;
- > the risk limit, which expresses risk objectives as operating limits, defining them, in line with the principle of proportionality, on the basis of the types of risk, business units and/or lines, product lines and types of client.

The RAF document approved by the Parent Company is sent to all Group companies to facilitate the preparation of individual RAF documents that some Group companies (Banco Mediolanum and Prexta) produce for their respective businesses and to enable all companies belonging to the Group to achieve their objectives in accordance with the risk appetite established.

The RAF indicators defined by the Group are grouped into macro families to ensure that they are easily understood and illustrated. They include, for example, capital adequacy indicators (e.g. CET1 Ratio, Capital Ratio), credit risk indicators (e.g. NPL, Coverage Ratio) and liquidity risk indicators (e.g. LCR, NSFR), followed by other indicators of market risk, interest rate risk, operational risk, strategic risk and anti-money laundering risk. During the annual review of the document, the Banca Mediolanum Group carries out a critical review of the indicators by assessing the relative usefulness from time to time of those used, supplementing them, where appropriate, with new calculation methodologies or the introduction of new, more representative risk indicators.

As part of the ongoing process of including sustainability factors within the Bank's strategies, activities and processes, it should be noted that Banca Mediolanum, as the Parent Company, has included ESG indicators in its RAF.

The two indicators monitor the maximum exposures to corporate counterparties deemed virtuous, which are assigned a benchmark ESG rating, and the Group's risk appetite for the placement of managed products with an ESG rating of a level deemed appropriate for the common sustainability objectives.

The RAF, which is a tool capable of focusing attention on the Banking Group's risk profile through an integrated view of actual and prospective risks, is based on consistency and significant connections to and clear synergies with ICAAP/ILAAP, and is ideally positioned “upstream” of this process.

ICAAP/ILAAP

The risk profile is assessed and the periodic review carried out continuously, and reported at least once a year through the ICAAP (Internal Capital Adequacy Assessment Process)/ILAAP (Internal Liquidity Adequacy Assessment Process) report, which describes the internal capital adequacy assessment and the liquidity risk management and governance system, in accordance with both the reference standards and the Group's internal rules. The “Pillar II” regulations (Title III, Chapter I, Bank of Italy Circular 285/2013) require banks to have processes and instruments in place to determine the level of internal capital and liquidity management that is adequate to cover all types of risks, including unsupervised ones, such as the overall capital requirement (“Pillar I”), as part of an assessment of current and prospective exposure that takes account of strategies and the evolution of the relevant context. The regulations identify the phases and frequency of the process and the main risks to be assessed, in some cases providing information on the methodologies to be used and, importantly, the need to carry out and report vulnerability tests referring both to the entity as a whole and to all significant risks, under macroeconomic and financial stress conditions. In accordance with the proportionality principle, banks are divided into different classes which generally contain intermediaries of different sizes and operational complexity. The Parent Company's corporate governance bodies are responsible for the ICAAP/ILAAP process.

The Banca Mediolanum Group has always had capital and the liquidity resources above the average for the sector in which it operates. This is what emerges both from the self-critical self-assessment process that the Parent Company illustrates in the ICAAP/ILAAP report, and from the annual comparison with the Supervisory Authorities when communicating the minimum requirements indicated by assessment of the report sent each year within the deadlines indicated by the regulations.

MAPPING OF MATERIAL RISKS

The set of risks to which a company may be exposed consists of multiple elements that may be classified according to the scope in which they arise (internally or externally to the company), the context to which they refer (financial, operational, strategic or external) or other standard classifications as required.

The process of identifying material risks for the Mediolanum Group, in accordance with Circular 285 of December 2013, as subsequently updated, starts with an analysis of the scope of operations of the Bank and the Group in the regulatory lines of business and the activities carried out in these lines. The starting point of the risk mapping is therefore an awareness of the macro lines of business that make up the Banking Group's typical activity. The following main business segments can be identified within the Mediolanum Banking Group: › Retail and Commercial Banking › Trading and Sales › Asset Management › Retail Brokerage Starting with risk measurement, a materiality threshold is defined for both those risks that entail a capital requirement and those that do not involve any absorption of assets but which nevertheless have to be analysed and monitored.

In the context of the materiality of risks, in line with the guidelines of the European governance and supervisory authorities, ESG risks are increasingly important, with particular attention paid to climate risk, a risk factor that generates a range of impacts in terms of type and severity that should be taken into serious consideration in all economic sectors, including banking.

PILLAR I RISKS

Credit risk (including counterparty risk)

The risk of suffering losses as a result of a deterioration in creditworthiness to default of institutional, retail and corporate counterparties of which the Bank is a creditor in its investment or lending activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.

Market risk

Market risk is defined for banks using the standardised approach as the sum of capital requirements calculated for position risk, settlement risk, concentration risk and commodity position risk.

Operational risk

Banca Mediolanum, as the Parent Company, defines operational risk as “the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes or external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts”.

PILLAR II RISKS OR OTHER RISKS

Concentration risk

Risk arising from exposure to counterparties, groups of related counterparties and counterparties in the same economic sector or that conduct the same business or are located in the same geographical area.

Rate risk

Interest rate risk arising from activities other than trading; risk arising from potential changes in interest rates.

Liquidity risk

Liquidity risk generally manifests itself as the risk that the bank will not be able to cope promptly and economically with expected and unexpected cash outflows linked to the repayment of liabilities, fulfilment of commitments to disburse funds or requests for additional guarantees.

Residual risk

The risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected.

Leverage risk

The risk that a particularly high level of debt to equity could make the bank vulnerable, requiring corrective changes to its business plan, including the sale of assets entailing the recognition of losses that could also result in the impairment of the remaining assets.

Strategic risk

The current or prospective risk of a decrease in profits or capital due to changes in the competitive environment or poor corporate decision-making, the inadequate implementation of decisions, or insufficient responsiveness to changes in the competitive environment.

Compliance risk (or risk of non-compliance)

The risk of incurring legal or administrative penalties, significant financial losses or reputational damage due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g. articles of association, codes of conduct or corporate governance codes).

Reputational risk

The current or prospective risk of a decline in profits or capital should customers, counterparties, shareholders, investors or supervisors come to have a negative perception of the Bank.

ICT and security risk

The risk of loss due to breach of confidentiality, shortcomings in the integrity of systems and data, the inadequacy or unavailability of systems and data or the inability to replace information technology (IT) within reasonable time and costs when the requirements of the external environment or activity (i.e. agility) are changed. This includes security risks arising from inadequate or incorrect internal processes or from external events, including cyber attacks or inadequate physical security.

Environmental, Social and Governance (ESG) risks

ESG risk factors are now an inherent part of the governance of risk control in the banking industry, as they influence financial and non-financial risks and have both an impact on the banking organisation itself and a potential impact on all of its stakeholders. As a result, risk management methods and processes have been modified to take into account complex cause-and-effect relationships between the types of risk assumed or to which there is exposure, and the concept of sustainability has to become part and parcel of the activities and processes carried out by credit institutions.

This has been described by many as a “green” economic transition, and gives banks a great responsibility, because they are not only required to incorporate ESG criteria into their own business management and development, but they will also be able to guide financed companies towards a more resilient and sustainable system by adopting new criteria designed to mitigate risks. These sustainability objectives require a constant process of identifying and adopting the best possible solutions to safeguard land resources and protect our ecosystem. Currently, the entire ESG regulatory framework sets out the behavioural guidelines that credit institutions need to adopt in order to improve transparency, making it easier to identify all those actions that form the bedrock of environmentally sustainable activities. A series of general guidelines and recommendations has been drawn up in order to redirect capital towards sustainable investments, managing the financial risks induced by climate change and other environmental and social problems, and effectively promoting not only operational transparency, but also a long-term view of the financial and economic activities of the credit institution.

An informed focus on environmental issues initiated by Banca Mediolanum a few years ago is also evolving through the careful and targeted identification, management and mitigation of the risks that characterise part of the scope of ESG issues, which is gradually leading to a definition of this type of risk, including in the context of the new RAF indicators.

In 2022, Banca Mediolanum began a project aimed at placing climate and environmental risks within a more strategic perspective, using an overall analysis criterion and a medium/long-term time horizon. This approach in fact led to a “reconsideration” of the first and second pillar risks, through an assessment of the materiality of climate and environmental risks within precisely these typical and traditional risks of the banking enterprise. In particular, it was observed that these factors may have the ability to affect the frequency and impact of the more traditional risks, for which there are already ex ante and ex post measures in place to mitigate possible losses. In 2023, following the adoption of a policy on climate and environmental risk management, a range of methodologies and tools will be adopted that are designed to measure the potential impact of the risk factor and how this is transmitted to traditional risks.

Climate and environmental risks

As stated above, Banca Mediolanum, as the Parent Company, has for some years already undertaken a series of activities and initiatives designed to achieve specific sustainability objectives, which are an increasingly important feature of the Group’s financial performance.

In particular, since 2020, the Parent Company’s Risk Management Function has paid particular attention to climate factors as elements of risk in the Group’s core business, making an initial assessment of which business lines have been affected by climate and environmental risks. Banco Mediolanum, the Group’s Spanish company, also carried out the same type of analysis to assess the impact of possible climate risks, including in the business present in the Spanish market, obtaining the same results. At the same time as these initial analyses, the Parent Company defined climate and environmental risks in its risk mapping policies on the basis of the physical and acute risk factors. In particular, the “physical risk” consists of the financial impact of climate change, such as more frequent extreme weather events and gradual changes in temperature, and environmental degradation, such as air, water and soil pollution, water stress, biodiversity loss and deforestation. Physical risk is classified as

acute if it is determined by extreme events (e.g. droughts, floods and storms) and as chronic if caused by progressive changes. Transition risk is the financial loss that an entity may incur as a result of the process of adjustment to a more environmentally sustainable, low-carbon economy.

In 2022, the activities carried out by the function in assessing climate risks characterised the first part of the year, with participation in the exercise of climate risk stress tests required by the European Central Bank for all significant banks. The equity investment was limited to the qualitative information portion, and, in the light of the assessments made in the second half of the year, the Parent Company launched a project, as mentioned above, designed to implement climate factors in the risk control and management framework adopted by the Parent Company. The work carried out enabled climate risk materiality checks to be performed on the risks considered “traditional” through a quantitative assessment, with the exception of only reputational risk, for which the materiality analysis took a qualitative approach due to the risk characteristics.

A policy dedicated to managing climate and environmental risk has therefore been drawn up with the aim of establishing which metrics will be used to measure these risk factors on the individual first- and second-pillar risks, effectively enabling the structured monitoring and reporting of climate and environmental risks.

1.1 - Credit risk

QUALITATIVE INFORMATION

1. General aspects

The credit policy of the Mediolanum Banking Group is essentially designed to prioritise the financial needs of customers who hold assets invested in the financial and insurance products distributed by the Group companies. Therefore, within the context of the Banking Group's strategies, lending is complementary to the provision of financial/insurance products and investment services to customers, and includes credit facilities designed to meet customers' short/medium-term needs (ordinary loans) and loans for the purchase, exchange, completion and, in general, execution of real estate transactions (special loans). With regard to the granting of credit facilities in the form of salary/pension-backed loans, delegation of payment and "with recourse" assignment of credit for end-of-service benefits (TFS), these products are offered by the subsidiary Prexta S.p.A., which also operates in the market sector of unsecured personal loans repayable by instalments, enriching the catalogue of consumer credit products offered to its customers, even when no assets are invested in the Group's financial and insurance products.

Credit risk mainly relates to retail and corporate credit and treasury activities. In the context of retail credit and corporate activity, for the Banking Group credit risk is identified as the possibility that a counterparty, to which there is a credit exposure, will not fulfil in whole or in part the obligations assumed, thereby causing impairment of the exposure.

With regard to treasury activity, credit risk is defined as the risk of suffering losses as a result of a deterioration in creditworthiness to default of institutional counterparties of which Banca Mediolanum and the other Group companies are creditors in their investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.

The amounts disbursed essentially grew in line with budget forecasts, in accordance with the Group's vocation of providing credit mainly to retail customers, and also processed the borrowing requirements of corporate counterparties that respond to the requirements of the current policy.

The prevalence of loans to retail customers also means that the value of large exposures is significantly below the regulatory requirements.

An institution's exposure to a customer or group of connected customers is considered large when its value is equal to or greater than 10% of the institution's eligible capital. Taking into account the effect of exemptions and the mitigation of credit risk, large exposures must in any case comply with the limit of 25% of the entity's eligible capital. Counterparties that fall within the scope of this type of reporting are primarily Italian and European banks operating with their respective group treasury units.

With regard to the European Banking Authority (EBA) guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07 - *Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis*), see the Public Disclosure document relating to the data at year-end, which is published in the dedicated section of the Banca Mediolanum corporate website.

It should be recalled that these guidelines require the presentation of the following information concerning:

- > loans subject to "moratoria" falling within the scope of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);

- > loans subject to forbearance measures applied due to the Covid-19 crisis;
- > new loans guaranteed by the state or other public body.

Impacts of the Covid-19 pandemic

In 2022, with all the restrictions and decrees on the management of the health emergency no longer in place, there was a gradual and complete return to “normality”.

During the pandemic, Banca Mediolanum and the Group companies, such as Prexta and the Spanish subsidiary, Banco Mediolanum, consolidated and made their internal structures more efficient in terms of its operating procedures in order to support customers, both by adopting the legally established and extended support measures, and through internal commercial initiatives to meet the needs of customers, particularly in the initial phase of the health emergency.

In accordance with the provisions in force, the Mediolanum Banking Group continued to support customers through both the sales network (Family Bankers) and remote support channels. In particular, in the context of the granting of credit, it carefully assessed the positions in order to ascertain whether they were eligible for “ristori” government relief.

The legislative and non-legislative moratoria that were in force in 2022 and those previously activated by customers and still present in the loan portfolio of Banca Mediolanum or Prexta, are listed below:

- The “Cura Italia” Legislative Decree 18 of 17 March 2020, converted by Law 27 of 30 April 2020, Article 54 (Gasparrini Fund) extended until 31 December 2021 by the “Sostegni bis” Decree published in the Official Journal on 26 May 2021 and subsequently extended until 31 December 2022 by Law 234 of 30 December 2021 (the “Budget Law”);
- The “Cura Italia” Legislative Decree 18 of 17 March 2020, converted by Law 27 of 30 April 2020, Article 56 (Micro-enterprise and SME benefits), amended by Decree-Law 104 of 14 August 2020 (the August Decree) and subsequently extended until 31 December 2021 by the “Sostegni bis” Decree published in the Official Journal on 26 May 2021, not extended by the 2022 Budget Law;
- ABI moratorium “Enterprises in Recovery 2.0”, Addendum of 6 March 2020, 22 May 2020 and 16 December 2020, concluded on 31 March 2021;
- ABI Consumer Moratorium of 21 April 2020 and 16 December 2020, concluded on 31 March 2021;
- Moratorium on Assofin Consumer Credit, no longer in force in 2022.

Banca Mediolanum also continued to offer its customers some loans in 2022 that fall within the scope of the various agreements signed at the start of the health emergency, to contribute to the recovery of the Italian economy during the Covid-19 health crisis. In particular:

- Loans pursuant to “Liquidity” Decree 23 of 8 April 2020 and guaranteed by the Central Guarantee Fund for SMEs at the rate of 80% (as of 01/01/2022) for loans of up to €30,000, with simplification of operating procedures, and for loans pursuant to Section 3.2 of the Temporary Framework - until 30/06/2022;

- Loans under the SACE Italy Guarantee programme, an initiative to provide guarantees for loans disbursed to meet liquidity shortfalls and support the return of Italian companies to full operation. No disbursements were made in 2022;
- Loans guaranteed by the Central Guarantee Fund for SMEs pursuant to Article 2, paragraph 100, letter a) of Law 662/96, with a guarantee percentage ranging, according to the cases provided for by the Fund, from 60% to 80% of the financing for medium/long-term transactions to make tangible and intangible investments within Italy after the date of submission of the loan application to the bank and for liquidity needs for the purpose of supporting working capital (application of the measures provided for by Law 234 of 30 December 2021 (2022 Budget Law) and by Decree-Law 50 of 17 May 2022, converted with amendments by Law 91 of 15 July 2022 (Aid Decree-Law));
- Loans within the meaning of “Aid in the form of loan guarantees” - Section 2.2 of the Temporary Crisis Framework to support the economy in the context of the invasion of Ukraine by Russia (“Temporary Crisis Framework” or “TCF”) guaranteed by the Central Guarantee Fund at the rate of 80% (up to 90% for loans for the purpose of achieving energy efficiency or energy production diversification or consumption targets, pursuant to Article 16 of the Aid Decree-Law).

Clients were informed of initiatives through their publication on institutional websites.

Continuous monitoring of risk indicators showed in 2022, as in the previous year, a trend that remained within the parameters of normal changes in the credit portfolio, including at Group level, without entailing any impairment of the credit quality of existing portfolios at the consolidated level. The control measures in place in the various Group companies highlight potential critical situations concerning loans disbursed, allowing the triggering of timely targeted interventions to resolve such situations by means of all the available risk mitigation tools that each individual Group company may adopt. With regard to the first- and second-level performance monitoring controls, no particular alert situations were identified during the year: all indicators were stable in accordance with the business model implemented by the Group and characterised by a low risk profile.

No significant changes to the Risk Appetite Framework indicators emerged, and these remained constantly below the appetite and tolerance limits. The performing portfolio also did not show any abnormal percentages of SICR criteria with respect to the staging allocation process analysis.

Finally, the changes in the non-performing portfolio are due to a normal and limited deterioration of creditworthiness in accordance with the provisions made during economic and financial planning. The cost of credit risk remained at the levels recorded in previous years.

Credit risk management has therefore continued on the basis of current policies, credit policies and procedures, which involve ad-hoc processes aligned with the instructions of the Supervisory Authorities in the case of credit exposures subject to all past Covid-19 pandemic-related regulatory measures.

Also with regard to the effects of the Ukrainian Russian conflict, which have led to market uncertainty, rising energy prices, decreases in supplies of food and some raw or processed materials from the countries at war, no risk parameter values have been recorded above the alert thresholds. The monitoring focused on the portfolio values of owned securities and on the credit exposures of customers that were most affected by market trends: the increase in mortgage instalments was not reflected in anomalous positions in outstanding payments, which remained in line with the levels of previous years.

2. Credit risk management policies

2.1 Organisational aspects

Lending in its various forms, whether for the purpose of purchasing a specific real estate or consumer asset, or in order to meet other financial needs, is an integral part of the commercial strategy of Banca Mediolanum and the other companies of the Banking Group.

In line with the Group mission, lending is complementary to the primary activity of distributing products in the areas of banking services and asset management, protection and pensions. The Group's lending policies are based on the utmost prudence and are mainly oriented towards the development and consolidation of the relationship established with customers who hold assets invested in products managed by Group companies. The subsidiary Prexta S.p.A. may grant loans to new clients in line with the Group's policies and risk appetite framework.

2.2 Management, measurement and control systems

Credit quality is controlled by means of a systematic review of risk information, with the support of specific operating procedures drawn up by each Group Company at every stage of the credit process. When granting loans, it is essential to fully understand the customer's economic and financial situation and to seek the most appropriate form of credit, taking into account the reasons for the loan application and the customer's creditworthiness, income and assets. To this end, during the application phase, each Group Company acquires all the information necessary to assess the consistency between income, the amount of the exposure (including outstanding commitments) and the technical form and purpose of the loan.

The risk management structures of Group Companies are responsible for monitoring changes in loan risk levels. The introduction of IFRS 9 has had a significant impact on the management of banks' credit risk, as the switch to the Expected Credit Loss (ECL) approach, which applies to financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contracts involving financing or guarantee commitments, involves the use of models.

According to the IFRS 9 expected credit loss model, a loss may be recognised without the event that causes the impairment of a receivable (the impairment trigger) necessarily occurring. Banks must always recognise the expected loss over a time horizon of 12 months, while expected losses for the residual life of the receivable are calculated in respect of assets for which there is a significant increase in credit risk after initial recognition.

The above accounting standard introduces a three-stage classification model for financial assets and provides for the recognition of different expected loss amounts according to the level of deterioration in the credit quality of the financial instruments.

For additional qualitative and quantitative information on credit risk, see the relevant section of the notes to the individual financial statements of Banca Mediolanum. It should be noted that the organisational approach and type of credit management and process adopted by the Parent Company Banca Mediolanum have been implemented throughout the Banking Group, taking into account the size, regulations and characteristics of the business developed in the respective reference contexts. The following is a summary of the main types of risks to which the subsidiaries Banco Mediolanum and Prexta are exposed.

Banco Mediolanum - Spain

Credit risk

The process of calculating write-downs for the Bank's credit portfolio applies collective or analytical impairment according to the counterparty's administrative status.

To quantify impairment, the Bank does not use an internal method, but applies a simplified, fixed percentage method (the *Solución alternativa*) proposed by the Bank of Spain for standard banks as set out in the reference legislation (see Circular 4/2017 of 27/09/2017).

This locally adopted legislation requires the adjustment of impairment rates in accordance with updates published by the Bank of Spain, which are based on information collected from the Spanish banking sector.

This simplified solution determines collective impairment according to the counterparty's regulatory classification, applying a fixed percentage to the amount of the exposure not collateralised after applying the respective haircuts specified by the Bank of Spain to the collateral. However, provision is also made for the possibility of conducting individual analytical impairment.

During the year, the Bank implemented the requirements relating to the entry into force of Circular 6/2021 of the Bank of Spain, in terms of covering credit risk. This new Circular, which updates the provisions of Circular 4/2017, established new coverage percentages on the uncovered amount.

It also analysed the update of the "Code of Good Banking Practice" (CGBP, Royal Decree-Law 19/2022 of 22 November, amending Royal Decree 6/2012 of 9 March), as well as the New Temporary Code for Vulnerable Debtors agreed at the national level between banking employers and the Spanish government. The Bank has already joined the CGBP, but with respect to the new Code for Vulnerable Debtors, it was not able to join immediately as the offer of a fixed-rate loan is mandatory for members. As this type of product is not currently in the catalogue, the Bank's adherence to the code is currently pending. However, in order to have an alternative solution for customers in need, an individual protocol has been drawn up to enable support of its own customers, taking into account the existing products offered and the credit policies.

Institutional credit risk and market risk

The Banco did not have to take any specific action during 2022 to manage its the institutional credit and market risk. The uncertainty generated by the Covid-19 crisis and the ongoing war in Ukraine on market volatility, fluctuations in credit spreads, spreads on sovereign debts, and the general increase in prices and list prices, has not had any impact on the low risk profile adopted with respect to financial investments.

Liquidity risk

Apart from the ordinary liquidity risk management activities typical of a bank, during 2022 the Bank did not have to perform any specific actions in terms of managing liquidity risk.

Interest rate risk

During the year, the calculation of Banco Mediolanum's interest rate risk was refined, changing the methodology for measuring current accounts and bringing it into line with the methodology used by the parent company Banca Mediolanum. For almost all of 2021 the Banco used a simplified approach in line with the regulatory indications

provided by the Bank of Spain. This simplified approach entailed the representation of a risk profile that is less representative of the Banco business model, although Banco Mediolanum has a business model and investment strategy in line with that of the Parent Company and the actual risk profile remains low. In particular, both assets and liabilities have a low duration. Assets consist of a loan portfolio almost entirely indexed with frequent repricing, and a portfolio of financial instruments with a high quantity of variable-rate securities. Equally, liabilities market rate repos and retail financing of a stable and inflexible type.

Operational risk

In the context of operational risk management, alongside the performance of the processes provided for by the framework defined for its oversight, in 2022 the methodology envisaged for cyber risk management was updated and activities continued with the aim of strengthening the risk control model arising from outsourcing agreements.

Prexta Company – Italy

During 2022, as in the previous year, Prexta applied methodology guidelines for defining the staging allocation model and for estimating the “risk parameters” used to calculate the expected credit loss (ECL) to the business line offering salary-backed loans and similar transactions. Over the year, the model showed there was stability in the percentage of coverage of performing loans. Specifically, the risk control function updated the write-down percentages in accordance with the process of recalibrating the probability of default curves carried out by the Parent Company Banca Mediolanum.

As regards the policy for the non-performing loans provision, for all products classified as unlikely to pay for more than eighteen months or as bad debt, the Company's Credit Risk Policy provides for a criterion according to which the percentage of minimum write-downs is determined according to the time elapsed between the date of classification of the exposure and the reporting date, distinguishing between a status period of less than twelve months, more than 12 months and more than 24 months.

With regard to initiatives to support customers during the Covid-19 emergency, in 2020 Prexta adhered to the non-legislative Assofin Consumer credit moratorium, which was extended until 31 March 2021. During 2022, no new individual moratoria were granted and no moratoria previously granted were extended.

In 2022, Prexta continued to develop the business line relating to personal loans with unsecured repayment in instalments. With regard to provisioning policy, given the recent launch of the business line and the low level of the receivables stock in the portfolio, the company continued to adopt a separate collective write-down divided into stages based on external benchmarks and the Parent Company's provisioning policies for similar products. Since the third quarter of 2022, the staging allocation model has included an evaluation of external performance anomalies, updated monthly on the basis of information received from the CRIF Credit Bureau.

In order to comply with the Group's risk appetite level, the credit risk management policy for the personal loans business line was based on the following guidelines:

- > Precise identification of the factors that determine credit risk in order to define and assess the Client's level of reliability and to contain risk within pre-established levels.

- > The setting up of a credit assessment mechanism with a data-driven approach, to maximise the information available both internally in the Group's archives and from the Credit Bureau in order to be able to assess (credit and fraud) risk factors with as much information as possible.
- > The use of scoring models that measure credit as the relationship between the insolvency event and all the information available at the time of the decision to grant credit: by giving appropriate weight to the available information, the statistical models can quantify the probability of default.
- > Assessment of the sustainability of the operation for the client, both through the application of a financial sustainability model which, in the instalment-income ratio, considers all financial commitments, property rental costs and an estimate of consumption in order to determine both repayment capacity and the maximum amount payable, and through the use of summary financial stress indicators provided by the Credit Bureau as standardised, objective and transparent financial stress indicators that analyse the client's financial profile to avoid over-indebtedness and forestall credit deterioration.
- > The preparation of mechanisms for certifying the information collected directly from Customers during the preparatory phase, in order to base assessments solely on definite, well-founded elements.
- > The incorporation of assessments to be performed on risk factors into specific credit rules, in order to define maximum tolerability thresholds for individual factors and minimise the arbitrariness of the assessment process as a whole.
- > Automation of the assessment process through the use of a decision-making engine, which offers the flexibility of parameters, while at the same time making the process more effective, minimising the margins for error or arbitrariness.

2.3 Methods of measuring expected losses

The expected credit loss (ECL) approach set out in IFRS 9 requires financial intermediaries to restructure the credit risk management process, including strategic planning, the measurement of credit risk variables, monitoring and reporting activities, and the performance measurement and risk-based pricing system.

The risk parameters used to calculate the ECL are: PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default). According to the IFRS 9 expected credit loss model, a loss may be recognised without the event that causes the impairment of a receivable (the impairment trigger) necessarily occurring. Expected loss is always measured over a time horizon of 12 months, while expected losses over the residual life of the receivable are calculated in respect of assets for which there is a significant increase in credit risk after initial recognition.

This accounting standard introduces a three-stage classification model for financial assets and provides for the recognition of different expected loss amounts according to the level of deterioration in the credit quality of the financial instruments.

Stage allocation

Below are the three stages indicated by the accounting standard.

- > Stage 1: exposures not subject to significant deterioration in of credit quality since origination or purchase, or that are characterised by negligible credit risk as at the reporting date. For assets in this segment, the ECL is measured within a 12-month time frame (12-month ECL).
- > Stage 2: “performing” exposures whose original credit quality has deteriorated significantly and whose credit risk is not negligible, although they cannot yet be classified as non-performing. If at the valuation date there is a significant increase in the credit risk of the instrument, the expected loss is measured over a time horizon that covers the lifetime of the instrument until maturity (lifetime ECL). In the case of the credit portfolio, the criteria defined for determining Stage 2 are: a worsening in the PD or rating, forborne classification, past due by more than 30 days and internal classification as part of the performance monitoring process. With regard to the securities portfolio, Stage 2 classification depends on the deterioration of the rating of the security or the issuer according to the internal policies defined by the bank.
- > Stage 3: exposures whose credit risk has increased to the point that the instrument is considered to be impaired, i.e. classified as non-performing; this stage also includes financial instruments in default. The latter category includes all assets presenting objective evidence of impairment.

Loans

For the purposes of measuring a significant increase in credit risk, loans are classified in stages by type; different loans with the same borrower may therefore be classified in different stages depending on whether or not the following rules apply.

Stage 2 Private and business segment

Specifically, the transition from Stage 1 to Stage 2 takes place when at least one of the following occurs:

- > The probability of default is more likely (Private Segment): the probability of default measured at the reporting date has increased compared with that detected measured on origination of the receivable beyond a certain threshold established by the Risk Management Function. This threshold can be differentiated by class of rating.
- > Deterioration of the rating (Other Segments): the rating at the observation date is at least two notches lower than the rating when the loan was originated.
- > Forborne: Performing forborne credit facilities.
- > Past due 30 days: there is a past due period of more than 30 days.
- > Internal monitoring process results: the offices responsible for credit monitoring identify performance anomalies that could result in a significant increase in credit risk (management watch-lists).

Securities

Securities are classified by purchase tranche, with a single staging rule that verifies the rating of the financial instrument, initially showing the quality of the issue or alternatively the issuer's creditworthiness. Several purchase tranches attributable to the same security (same ISIN) may be classified at different stages depending on the deterioration of the credit rating recorded on the purchase date, pursuant to the FIFO (first in, first out) criterion. Stage I allocation concerns exposures whose credit quality has not deteriorated since the time of purchase.

Stage 2 Securities portfolio

Stage 2 classification involves comparing the rating of the security or the issuer on the tranche purchase date and on the reporting date. If the rating class has declined by two or more notches since the purchase date and the security has a speculative grade rating on the observation date, the tranche is classified as Stage 2. Securities with an investment grade rating according to the ECAI rating scales at the reporting date are always classified at Stage I due to the use of the low credit risk exemption.

Expected Credit Loss (ECL)

The ECL of the Banca Mediolanum credit portfolio is calculated on the basis of the ratings assigned to the various customer segments (Retail/Corporate) developed using the Cedacri CRS (Credit Rating System) procedure.

In order to calculate the lifetime ECL, a PD curve of up to 30 years is associated with each individual rating. The lifetime PD curve identifies the probability that a borrower (associated with a certain rating class) will default between the reporting date and the year on the curve node. The updating process involves the incorporation in the estimates of a forward-looking component on the first three years of the PD curve according to estimated macroeconomic scenarios. In the LGD assessment, a distinction is made between the “private segment” for which a separate LGD is applied according to the type of account, quantified on the basis of market benchmark analyses and internal recovery rate figures, and the “corporate segment” for which the econometric models implemented by Cedacri as part of the CRS procedure are applied. To calculate the ECL of the securities portfolio, financial instruments are divided into three categories based on the segment to which the issuer belongs: financial, business or government institutions. The rating associated with each issue is established using the criteria described in the internal policies. The relative PD and LGD curves have been developed for each segment, using market best practices and taking the specific features of the portfolios into account.

Forward-looking information is incorporated into the ECL calculation (on either a 12-month or lifetime basis) by means of the Probability of Default (PD) component. Satellite models connect the PD performance with macroeconomic variables, thus simulating the prospective performance of the risk parameter with estimates of economic drivers. The forward-looking scenarios act in particular on the first three years of estimation of the parameters, while from the fourth year onwards the estimates obtained remain stable and are perpetuated over time.

The ECL not only quantifies the expected future loss on loans based on historic evidence channelled through statistical models, but also incorporates forward-looking information through a component that aims to simulate future performance. The purpose of forward-looking scenarios is to simulate future trends in macroeconomic variables (GDP, unemployment, etc.), which are incorporated annually into the calculation of the ECL of the loan portfolio. These projections are typically provided by bank research centres, or in their absence, by accredited information providers.

In 2022, due to the start of the Russia-Ukraine war, a specific scenario of prolonged conflict was applied, leading to a significant reduction in oil and gas supplies, a global rise in inflation due to higher energy prices, and a global recession.

The following is an extract of the main macroeconomic indicators used in 2022 for ECL estimates.

	BASE (Russia-Ukraine Conflict scenario)		MILD		ADVERSE	
	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA
2021	-0.68%	10.35%	4.06%	8.88%	-4.94%	11.78%
2022	3.98%	10.70%	1.89%	8.59%	-1.94%	13.61%
2023	2.51%	10.40%	1.08%	8.54%	3.71%	12.46%

The macroeconomic scenarios adopted for the purposes of estimating the ECL have been incorporated into the annual calibration process prepared by the Risk Management Function and completed during the first quarter of 2022.

With regard to the classification in Stage 2 of the credit exposures of the Prexta subsidiary salary-backed loans business line, in accordance with the accounting standard, assessment of the change in credit risk is based on qualitative and quantitative information. To this end, a staging allocation model has been applied, in which the classification rules are based on objective calibrated criteria that take account of the specific features of Prexta products. These criteria were defined after various impact simulations to check that the model is comprehensive. In order to develop a methodology consistent with that defined and applied by the Parent Company when estimating risk parameters, the Probability of Default curves estimated by Banca Mediolanum for portfolio segments with similar risk levels are used to calculate Expected Credit Loss, including the effects relating to the prospective macroeconomic scenarios. These parameters have been appropriately defined to represent the risk level of the Prexta credit portfolio.

For the Loss Given Default component, in the absence of strong historical evidence, a prudential approach has been adopted with regard to the risk level of the products in the Company's credit portfolio based on external benchmarks and associating a greater potential expected loss with the technical forms presenting a higher degree of risk.

In accordance with the process of calibrating the Parent Company's risk parameters, in the first quarter of 2022, Prexta re-estimated the Probability of Default parameter to take into account in the forward-looking estimates the macroeconomic scenario adopted by the Parent Company, Banca Mediolanum.

With regard to the business line for personal loans repayable in instalments, given the limited level of the stock of receivables in the portfolio and the substantial change compared with the estimates made as part of economic and financial planning process, Prexta has continued to adopt a collective write-down by stage based on external benchmarks and considering the Parent Company's provisioning policies for similar products.

2.4 Credit risk mitigation techniques

In return for granting credit, the Banks operating in the Group obtain suitable guarantees from the counterparty, such as collateral on property, and typical personal guarantees, such as sureties, and other atypical guarantees, such as mandates to sell and specially dedicated forms of insurance linked to salary-backed loan products and delegation of payment offered by Prexta. Although such guarantees are ancillary to the assessment of the customer's creditworthiness, considerable importance is attributed to the estimated value of the guarantee where prudential haircuts are applied, appropriately differentiated by type of collateral, the value of which is periodically reviewed according to the market value.

Banca Mediolanum does not apply processes for offsetting credit risk exposures with opposite sign entries in the financial statements or off-balance sheet, including at consolidated level.

Credit risk mitigation (CRM) techniques consist of contracts ancillary to the loan or other instruments and techniques that result in a reduction of credit risk, which is recognised when calculating capital requirements and, in terms of management, in internal policies. The recognised credit risk mitigation techniques are divided, for supervisory purposes, into two general categories:

1. Real protection.
2. Personal protection.

Real credit protection consists of:

- > financial collateral relating to cash, certain financial instruments, gold provided through pledge agreements, transfer of ownership to secure assets, repurchase agreements and securities lending and borrowing;
- > master netting agreements;
- > on-balance sheet netting;
- > real estate mortgages.

Rights in rem, pledges and other rights with equivalent content relating to assets with an adequate degree of liquidity and a sufficiently stable market value over time are recognised as credit risk mitigation techniques. This category includes guarantees provided through a pledge. The financial product pledged, directly or indirectly, must be included among the following products:

- > current account balances at banks belonging to the group;
- > government or government guaranteed bonds and eligible securities;
- > units in investment funds and investment companies with variable capital (Sicav);
- > insurance policy restrictions;
- > assets under management;
- > bonds and certificates of deposit issued by Group Banks and by other Banks;
- > reverse repurchase agreements on listed, eligible or government bonds with ordinary customers with an agreement for later sale to the counterparty;
- > listed bonds;
- > listed equities.

If the guarantee net of internal policy haircuts does not fully cover the amount of the credit line granted, the loan is fully classified to the full risk category.

Credit risk arising from mortgage loans is mitigated by the guarantee provided by the property, which may be residential, semi-residential or non-residential. The property in question must be located in Italy. The maximum loan-to-value ratio is 80% for residential property provided as security (more than 80% only if there is a mortgage insurance policy in place) and 70% of the appraised value of semi-residential property. Semi-residential property is understood to be property that meets the following requirements:

- > The market value of the portion of the non-residential property must not exceed 40% of the total appraised value of the property.

- > The unit must be located in a residential area.
- > the borrower must be a self-employed person who intends to use the property as his or her primary residence.

In the case of semi-residential properties, the maximum LTV percentage may be increased by up to 80% if there is an irrevocable mandate to sell on the Group's products and other financial assets held by customers for between 70% and 80% of the LTV share.

The LTV maximum percentage for residential properties may exceed the 80% limit in the following cases:

- > Mortgage loans granted to employees or to the sales network, up to a limit of 95%.
- > Mortgage loans granted for the purchase of a first home by people under the age of 35, up to 90%.
- > Mortgage loans granted for the purchase of first homes with high energy efficiency (energy class A+, A and B), up to 90%.
- > Mortgage loans granted for purchases of first homes subject to the guarantee granted by the "First home Guarantee Fund" set up by the Ministry of Economy and Finance, up to a maximum limit of 100%. The amount of the loan must not exceed €250,000 and the Fund provides for a public guarantee of 50% (with a counterguarantee from the State), increased to 80% for certain requests made up to 30 June 2022.

In the case of transactions with a LTV above the 80% threshold, with the exception of the mortgage loan with guarantee granted by the "First Home Guarantee Fund", provision must be made for a Mortgage Insurance policy to cover the part exceeding 80% of the LTV in order to comply with the collateral requirement.

In the case of non-residential property, the maximum loan-to-value ratio is 50%. This percentage may be increased up to 80% if there is an irrevocable mandate to sell on the Group's products and other financial assets held by customers for between 50% and 80% of the LTV share.

In the case of mortgage-type transactions to finance the liquidity needs of unencumbered property owners (or in the case of transactions on properties encumbered by mortgages for previous mortgage transactions with repayment thought the new mortgage in progress) the maximum loan-to-value percentage is 50%.

The Group guidelines require the adoption of a cautious approach to operations, and the implementation of control procedures that are proportionate and appropriate to the size of business and the context within which the Group companies operate, such as verification of the accuracy and quality of the document prepared by the valuer, which are essential requirements for the risk analysis. Any indication of approval of a mortgage must always be supported by a valid valuation report which must provide an estimated value that is consistent with the loan amount requested and certify, as far as possible, the building's compliance with building and planning regulations. Otherwise, the application will be rejected or the loan reduced so that it is proportionate to the real value of the property (depending on its marketability, location, etc.). The reference property value is the lower of the purchase price and the value in the valuation report. The valuation is carried out by referenced and affiliated experts who always fulfil the requirements of independence and professionalism. The specific technical function established within the Loans Department of every Group Bank is responsible for checking that the internal procedures for drawing up the valuation report have been correctly followed. The first-level structure also performs a periodic control (due diligence on

valuations) involving a second, different valuation company on a pre-defined sample of applications: this control verifies the soundness of the process in place and provides a revaluation consistent with the condition and market of property provided as collateral. As part of the second-level control process, the Risk Management function carries out periodic controls on the mortgage guarantees.

Personal credit protection consists of personal guarantees and credit derivatives. The latter are not currently authorised by the Parent Company among the credit mitigation techniques for the banking book, as they are only approved for trading.

In addition to collateral and personal guarantees, there is the irrevocable mandate to sell on the Group's products and other financial assets held by the customer. The mandate to sell has the undoubted advantage of being the leanest form of guarantee from an operational standpoint, although it does not constitute any prerogative or privilege on the part of the Bank Groups in the event of insolvency proceedings. Furthermore, as an atypical guarantee, mandates to sell are not eligible for the purpose of reducing capital absorption and are therefore not recognised as collateral for the purpose of mitigating credit risk, although they help to facilitate the decision whether or not to grant a normal credit facility. The risks assumed under this form of guarantee will therefore necessarily be considered full risks.

Through Prexta, credit is provided in the form of salary and pension-backed loans and delegation of payment. The mandatory insurance policy covering the risks of death and loss of employment represents a form of credit risk mitigation that is effective in the recovery process, since it acts as a guarantee in the event that the debtor does not fulfil their obligation to repay the loan in the event of final termination of the employment relationship between the debtor and the employer, whatever the cause (including dismissal and voluntary resignation). This policy is not eligible for supervisory purposes: the risks assumed on the basis of this form of risk mitigation are considered full risks. With regard to the calculation of the capital requirement, only in the case of salary or pension-backed loans, the regulation allows a lower weighting percentage than is required for retail exposures.

3. Non-performing credit exposures

3.1 Management strategies and policies

The Parent's NPL management strategy was defined on the basis of an analysis of the historical management capacity, the external context, the characteristics of the non-performing portfolio in terms of technical form and the limited level of the non-performing portfolio. In terms of possible recovery actions, internal management prevails, and in the out-of-court phase of the recovery process, positions for which early collection activities have not been successfully performed are entrusted to specialised partners. In addition, restructuring and forbearance policies are considered in line with recent operations. Given the level of the non-performing portfolio, transfer strategies (securitisations) with derecognition of the assets transferred were not considered.

The objectives set out in the approved business plan were established in terms of NPLs gross and net of impairment by type of non-performing loan (past due exposures, UTPs and non-performing loans), as an absolute value and as a percentage of total exposures to customers, in accordance with the RAF indicators. The objectives set result in an essentially unchanged level of the NPL ratio, which is already low, net of adjustments.

The impairment process is divided into two distinct phases:

- > **identification of the assets** to be subjected to analytical, rather than collective, valuation;
- > quantification and accounting recognition of the loss in accordance with the rules for the specific type of impairment adopted.

The phase of identifying the assets to be valued analytically rather than collectively requires performing loans to be subjected to collective valuation in accordance with IFRS 9.

Loans classified as “non-performing” according to the reporting criteria established in current supervisory regulations (past due exposures, UTPs and non-performing loans), regardless of the significance of each individual exposure, are subject to analytical valuation, with a distinction being made between an “analytical-flat rate” valuation and an “analytical-individual valuation”.

Non-performing forborne exposures, even if they do not constitute a separate category of defaulted loans, given that they come under the category of non-performing loans, UTPs or past due exposures, are subject to analytical-flat rate valuation or analytical-individual valuation depending on which class they belong to and the presence of breaches of advised limits/overdrafts/past due amounts.

Impaired financial assets

On-balance sheet financial assets (loans and debt securities) and off-balance sheet financial assets (guarantees given, irrevocable and revocable commitments to disburse funds, etc.) are defined as defaulted loans or “non-performing credit exposures” when the relevant debtors fall into the “non-performing” category in accordance with Regulation (EU) No 2019/630 amending Regulation (EU) No 575/2013 and Commission Implementing Regulation (EU) No 680/2014 as amended (Implementing Technical Standards; hereinafter, ITS). Financial instruments included in the “Financial assets held for trading” portfolio and derivative contracts are excluded.

When identifying and classifying non-performing credit exposures, account must also be taken of the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07).

Non-performing loans can therefore be identified as a type of item where the position will be difficult to recover due to deterioration in the counterparty’s creditworthiness. As a result of prudential supervisory regulations, there is increased capital absorption for this category of loans.

Depending on their severity, non-performing loans are classified as past due exposures, unlikely to pay exposures and non-performing loans.

Past due exposures

These are cash exposures other than those classified as non-performing loans or UTPs which, on the reporting reference date, are past due.

Past due exposures are determined with regard to individual borrowers.

As regards entry criteria, the overall exposure to a debtor is recognised as past due if the amount of principal, interest or fees not paid at the date on which it was due exceeds both of the following thresholds:

- > an absolute limit of €100 for retail exposures and €500 for exposures other than retail exposures;

- > the relative limit of 1% established by the ratio between the total amount past due and the total amount of all credit exposures to the same debtor (exposures transferred and not derecognised for the purposes of the financial statements are included in the calculation).

Margins still available on credit lines are not used to offset outstanding defaults and avoid classification as default, and therefore the customer is classified under non-performing loans even when there are funds available on other unused credit lines.

In the case of “revocable” credit facilities where the established credit limit has been breached (including if due to the compounding of interest), the breach begins either from the first date of non-payment of interest that results in the breach, or from the date of the first request for return of the capital, whichever occurs first.

For the purposes of verifying the thresholds, all exposures included within the scope of prudential consolidation for the same debtor are taken into account. Equity exposures are excluded.

The thresholds must be continuously exceeded, i.e. they must persist for 90 consecutive days, with the exception of certain types of commercial exposures undertaken with central governments, local authorities and public sector bodies.

The amounts past due and of exposure of the counterparty are used daily to monitor the exceeding of the materiality, relative and absolute thresholds. The past due calculation is therefore made daily: the number of days past due is increased only if both materiality thresholds provided for by the legislation are exceeded at the same time. The criteria for calculating continuous past due days include:

- > counting of the days in the event of both the absolute and relative thresholds being exceeded;
- > reduction to zero of the days if at least one of the absolute and/or relative thresholds is not exceeded;
- > classification of the counterparty exposures as past due after 90 days in which the overrun continuously exceeds both thresholds (absolute and relative).

The classification no longer applies once the “cure period” of 90 consecutive days has elapsed since the circumstances that led to the classification no longer applied.

Declassification may be brought forward if it is determined that a situation of technical arrears has occurred. Such technical arrears may occur in the context of salary/backed loans and delegation of payment, due to the procedural peculiarities and strict operating rules applicable to these types of product in the loan portfolio of the subsidiary Prexta. There are no technical arrears in Banca Mediolanum’s loan portfolio.

Past due exposures include exposures to parties fulfilling the conditions for inclusion in past due exposures that have one or more credit facilities which meet the definition of “non-performing exposures with forbearance measures”.

Unlikely to pay exposures

Unlikely to pay exposures are on- and off-balance sheet exposures to a borrower that the Bank regards as unlikely to pay its credit obligations fully (principal and/or interest) without recourse to actions such as the realisation of collateral. This valuation is made regardless of the presence of any amounts (or instalments) past due and unpaid if there are elements that imply a situation of risk of default by the borrower (for example, a crisis in the business sector in which the borrower operates).

Unless the requirements are met for classification as non-performing loans, unlikely to pay positions include:

- > all exposures to parties fulfilling the conditions for inclusion in unlikely to pay exposures that have one or more credit facilities that meet the definition of “Non-performing exposures with forbearance measures”;
- > all exposures to issuers that have not duly fulfilled their payment obligations (principal and/or interest) in relation to listed debt securities. To this end, the “grace period” established in the contract or, in the absence thereof, by the listing market of the security, is recognised;
- > all exposures to borrowers that have applied for an arrangement with creditors with rights reserved to file ancillary documents at a later date (pursuant to Article 161 of the Italian Bankruptcy Law) from the date of submission of the application until its outcome is known. The exposures in question are classified as non-performing loans if new objective elements exist that cause the borrower to be classified in this category, or if the exposures were already non-performing loans when the application was made;
- > cases of applications for composition with creditors on a going-concern basis (Article 186-bis of the Bankruptcy Law), from the date of submission of the application until its outcome is known. If composition with creditors on a going-concern basis takes place with disposal of the company in operation or its contribution to one or more companies (including newly incorporated entities) not within the borrower's economic group, it should be noted that the exposure must be reclassified to performing assets. However, this is not an option in the case of disposal or contribution to a company within the borrower's economic group, presuming that the parent company/controlling company was involved, in the interest of the entire group, in the decision-making process that led the borrower to apply for composition with creditors. In this situation, the exposure to the transferee company continues to be reported as an impaired asset and is also recognised among non-performing forborne exposures.

The following are classified as unlikely to pay:

- > exposures to borrowers that have initiated insolvency proceedings in accordance with the rules governing the “over-indebtedness” crisis of parties not eligible to file for bankruptcy proceedings (“civil insolvency”). In the event of subsequent approval by the court of the restructuring agreement, the relevant exposures are also classified as non-performing forborne exposures.
- > on- and off-balance sheet exposures in respect of which, due to the deterioration of the borrower's economic and financial conditions, amendments to the original contractual conditions that gave rise to a loss (formerly restructured loans) have been agreed. This classification is guided by the principle that, at the time of the forbearance measures, the previous past due date is “set to zero” and the allocation of the renegotiated exposure to non-performing exposures implies an assessment of the borrower's status on the basis of the unlikely to pay principle.

Performing positions are also assessed for classification as unlikely to pay (unless the conditions exist for their classification as non-performing loans), if they meet the following specifications:

- > positions where it is known that the debtor's sources of recurring income are no longer available to meet their obligations;
- > positions where there are reasonable concerns about a borrower's future ability to generate stable and sufficient cash flows. Such positions may also be generated by events such as: negative equity; a significant reduction in equity; a significant reduction in turnover; insufficient cash flows to service the debt;

- > cases in which the debtor benefits from repeated forbearance measures without which it would not be able to fulfil its obligations in full;
- > cases of breach by the borrower of covenants for a credit agreement;
- > in the case of exposures to an individual, the default of a company fully owned by a natural person is assessed if the latter has provided a personal guarantee for all the obligations of the company;
- > positions for which the borrower's overall level of leverage has increased significantly;
- > cases in which negative external information is present, such as: significant payment delays detected in the system (through the Central Credit Register or other Credit Bureau); information that a third party, in particular another entity, has filed for bankruptcy or similar protection of the debtor; a crisis in the sector in which the counterparty operates, together with a weak position of the counterparty in this sector;
- > positions for which any form of personal or real guarantee has been enforced non-consensually.

Finally, positions for which an onerous restructuring has been granted are classified as unlikely-to-pay, where this implies a reduced financial obligation for the borrower, due to substantial forgiveness of the debt or the deferral of payments for principal, interest or (where applicable) fees, i.e. where the onerous restructuring implies a reduced financial obligation with a threshold of more than 1%. Even if onerous restructuring involves a reduced financial obligation below the 1% threshold, the following elements are assessed for classification as unlikely to pay:

- > the presence of repayment plans with substantial repayments at the end of the scheduled instalment plan;
- > the presence of irregular repayment plans in which regular payments are significantly lower than the repayment of significant amounts;
- > a significant grace period at the start of the repayment schedule;
- > exposures to the borrower have been subject to onerous restructuring more than once.

The status of UTP remains from the time of identification for a minimum period of 90 days, until the conditions that led to the classification as UTP no longer exist.

Declassification from the status of unlikely to pay and return to performing status is decided if the following conditions are met simultaneously:

- > the minimum "cure period" of 90 days from the time the position became regular has elapsed;
- > the conditions that led to classification as unlikely to pay no longer exist.

Non-performing loans

These are all on- and off-balance sheet exposures to borrowers that are insolvent (even if not legally established as such) or in substantially equivalent situations, regardless of any loss forecasts made. Exposures in anomalous situations due to their country risk profile are excluded.

Furthermore, all exposures to parties fulfilling the conditions for inclusion in non-performing loans that have one or more credit facilities that meet the definition of "Non-performing exposures with forbearance measures" are included in this category.

Lastly, exposures to borrowers that have initiated insolvency proceedings pursuant to the rules governing the “over-indebtedness” of parties not eligible to file for bankruptcy proceedings (“civil insolvency”) are also classified as non-performing loans if new objective elements exist that mean the borrower should be included in this category or if the exposures are already classified as non-performing loans when the application is made.

The status of non-performing loans remains from the time of identification for a minimum period of 90 days until the conditions that led to the classification as non-performing loans no longer exist.

Declassification from the status of non-performing loans and return to performing status is decided if the following conditions are met simultaneously:

- > the minimum “cure period” of 90 days from the time the position became regular has elapsed;
- > the conditions that led to classification as non-performing loans no longer exist.

3.2 Write-offs

Banca Mediolanum, as the Parent Company, does not have a write-off policy in place. Financial assets were written off on completion of the credit recovery process, as indicated by the internal policies and procedures.

3.3 Purchased or originated impaired financial assets

In accordance with IFRS 9, loans already considered impaired from the time of initial recognition in the financial statements (or at the date of disbursement or purchase), depending on the degree of credit risk associated with them, are defined as purchased or originated credit-impaired assets (POCI). Where they fall within the scope of application of impairment under IFRS 9, this type of credit position is measured by making a provision to cover the risk of loans already at the time of initial recognition, which covers the entire residual life of the loan and non-performing positions. Since these are non-performing loans, they are initially recognised in Stage 3, without prejudice to the possibility of being reclassified in the course of their lifetime to Stage 2 if, on the basis of a credit risk analysis, they are no longer non-performing. At 31 December 2022, the exposure in POCI was not significant.

4. Financial assets subject to commercial renegotiation and forbore exposures

Exposures may be subject to amendments to contractual terms favourable to the borrower in order to make repayment of the same sustainable if the borrower is in difficulty. Such changes may be short-term (e.g. by extending an existing condition) or long-term (e.g. by revising the interest rate of a loan) and result in the classification of these exposures as forbore. Forborne exposures are subject to specific provisions for classification and, if the forbearance measures are applied to performing exposures, these are classed as Stage 2 exposures. All forbore exposures are monitored by the relevant company functions. These functions verify the effectiveness of the measures granted by recording subsequent improvements or deterioration in the customer’s financial situation after forbearance measures. If, at the end of the observation period, the position meets all the criteria laid down by law, it is no longer included in forbore receivables; if, however, these criteria are not met, the exposure remains among forbore exposures.

It is confirmed that, also during 2022, all initiatives in support of customers affected by the economic impacts of the Covid-19 pandemic were granted in accordance with the EBA guidelines issued in 2020, with which the Bank of Italy declared its compliance in Note 4 of 12 May 2020.

During 2022, for counterparties subject to moratoria, the Mediolanum Group classified their loans in accordance with existing policies and practices, giving priority to the assessment of counterparties for which the effects of the Covid-19 pandemic have led to longer-term financial difficulties, leading to insolvency of the debtor. For assessment for non-performing classification purposes, as part of the periodic credit portfolio monitoring processes, debtors that were late in making payments or have been identified by the automatic systems for detecting external anomalies, depending on the severity of the anomaly detected, were considered priorities once the moratorium was lifted. Within the control framework prepared by the Risk Management Function, there is a thorough check with the aim of identifying anomalies attributable to the correct classification of the regulatory and forbearance status, giving priority to initiatives that accounted for larger shares of the loan portfolio stock.

Non-performing forborne exposures

Non-performing forborne credit exposures are defined as individual on-balance sheet exposures and revocable and irrevocable commitments to disburse funds that meet the definition of “Non-performing exposures with forbearance measures”. Such exposures are included, depending on the case, in non-performing loans, unlikely to pay positions or past due exposures and do not form a separate category of impaired assets. Cases in which a credit exposure is restructured with the intent of settling the position are also included among non-performing loans.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, trends and economic distribution

A.1.1 Prudential consolidation – Distribution of financial assets by past due brackets (book values)

€/000	Stage 1			Stage 2			Stage 3			Purchased or originated impaired		
	1 day to 30 days	Over 30 days to 90 days	Over 90 days	1 day to 30 days	Over 30 days to 90 days	Over 90 days	1 day to 30 days	Over 30 days to 90 days	Over 90 days	1 day to 30 days	Over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	34,594	1,899	431	15,617	18,825	4,514	3,535	6,584	59,335	1	158	248
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	34,594	1,899	431	15,617	18,825	4,514	3,535	6,584	59,335	1	158	248
Total 31/12/2021	23,917	1,114	668	8,656	13,420	5,093	2,726	5,659	55,808	1	64	199

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in overall value adjustments and overall provisions (Part 1 of 2)

€/000	Overall value adjustments																	
	Stage 1 assets						Stage 2 assets						Stage 3 assets					
	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	79	34,455	234	-	-	34,768	-	16,231	-	-	-	16,231	-	91,821	-	-	89,854	1,966
Increases in acquired or originated financial assets	-	7,480	83	-	-	7,563	-	3,820	-	-	-	3,820	-	2,195	-	-	1,925	270
Derecognitions other than write-offs	-	(3,382)	(110)	-	-	(3,492)	-	(940)	-	-	-	(940)	-	(6,791)	-	-	(6,791)	-
Credit-risk induced net value adjustments/write-backs (+/-)	-	(6,450)	(51)	-	-	(6,501)	-	3,870	-	-	-	3,870	-	17,451	-	-	15,856	1,595
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,361)	-	-	(359)	(2,002)
Other changes	-	(87)	(11)	-	-	(98)	-	(5)	-	-	-	(5)	-	(266)	-	-	(269)	-
Overall final adjustments	79	32,016	146	-	-	32,241	-	22,975	-	-	-	22,975	-	102,050	-	-	100,217	1,829
Recoveries from collection of financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	645	-	-	645	-
Write-offs recognised directly in the income statement	-	(28)	-	-	-	(28)	-	-	-	-	-	-	-	471	-	-	471	-

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in overall value adjustments and overall provisions (Part 2 of 2)

€/000	Overall value adjustments					Overall provisions for commitments to disburse funds and financial guarantees given				Total
	Purchased or originated impaired financial assets					Stage 1	Stage 2	Stage 3	Commitments to disburse finance and purchased or originated financial guarantees given	
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs					
Overall initial adjustments	914	-	-	880	34	68	49	-	-	142,461
Increases in acquired or originated financial assets	X	X	X	X	X	70	8	-	-	13,656
Derecognitions other than write-offs	(58)	-	-	(56)	(1)	(64)	(43)	-	-	(11,388)
Credit-risk induced net value adjustments/write-backs (+/-)	(124)	-	-	(149)	25	(9)	(7)	-	-	14,922
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	(1)	-	-	(1)	-	-	-	-	-	(2,362)
Other changes	467	-	-	467	-	-	-	-	-	99
Overall final adjustments	1,199	-	-	1,141	58	65	8	-	-	157,388
Recoveries from collection of financial assets subject to write-offs	2	-	-	2	-	-	-	-	-	647
Write-offs recognised directly in the income statement	3	-	-	3	-	-	-	-	-	445

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/stages of risk	Gross exposure/nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	286,862	160,220	27,403	9,956	35,303	9,457
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	99	3	-	-	-	-
TOTAL	286,961	160,223	27,403	9,956	35,303	9,457
TOTAL	129,137	267,417	51,157	4,022	28,032	5,756

A.1.3a Loans subject to Covid-19 support measures: transfers between the various stages of credit risk (gross values)

Portfolios/stages of risk	Gross values					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost	-	13,258	-	-	-	49
A.1 forborne compliant with the GLs	-	-	-	-	-	17
A.2 subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne	-	796	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new loans	-	12,461	-	-	-	32
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B.1 forborne compliant with the GLs	-	-	-	-	-	-
B.2 subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total	31/12/2022	13,258	-	-	-	49
Total	31/12/2021	15,606	2,323	5,824	-	1,125

A.1.4 Prudential consolidation – On- and off-balance sheet credit exposures to banks: gross and net values

€/000	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*
	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired				
A. On-balance sheet credit exposures												
A.1 On demand	2,318,657	2,318,657	-	-	-	79	79	-	-	-	2,318,578	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,318,657	2,318,657	-	X	-	79	79	-	X	-	2,318,578	-
A.2 Other	387,658	387,658	-	-	-	143	143	-	-	-	387,515	-
a) Non-performing loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	387,658	387,658	-	X	-	143	143	-	X	-	387,515	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	2,706,315	2,706,315	-	-	-	223	223	-	-	-	2,706,092	-
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	442,296	73,621	-	X	-	-	-	-	X	-	442,296	-
Total (B)	442,296	73,621	-	-	-	-	-	-	-	-	442,296	-
Total (A+B)	3,148,611	2,779,936	-	-	-	223	223	-	-	-	3,148,389	-

* Value to be displayed for information purposes

A.1.5 Prudential consolidation – On- and off-balance sheet credit exposures to customers: gross and net values

€/000	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*
	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired				
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing loans	64,635	X	-	64,328	306	48,515	X	-	48,245	270	16,120	-
- of which: forborne exposures	7,907	X	-	7,600	306	4,781	X	-	4,511	270	3,125	-
b) Unlikely to pay	125,244	X	-	123,385	1,858	49,123	X	-	48,294	829	76,121	-
- of which: forborne exposures	55,486	X	-	53,637	1,849	21,676	X	-	20,850	826	33,810	-
c) Non-performing past due exposures	30,915	X	-	30,647	268	5,549	X	-	5,507	42	25,366	-
- of which: forborne exposures	6,696	X	-	6,591	105	1,290	X	-	1,269	21	5,406	-
d) Performing past due exposures	78,435	36,998	41,368	X	69	2,541	III	2,427	X	4	75,894	-
- of which: forborne exposures	7,192	18	7,107	X	67	425	O	421	X	4	6,767	-
e) Other performing exposures	34,907,278	33,338,135	559,380	X	1,170	52,516	31,908	20,554	X	54	34,854,763	-
- of which: forborne exposures	57,599	-	56,619	X	980	1,950	-	1,902	X	49	55,649	-
TOTAL (A)	35,206,507	33,375,134	600,748	218,360	3,671	158,244	32,018	22,981	102,046	1,199	35,048,263	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
	-	-	-	-	-	-	-	-	-	-	-	
a) Non-performing	844	X	-	844	-	21	X	-	21	-	823	-
b) Performing	9,151,184	927,649	102,960	X	-	435	175	260	X	-	9,150,748	-
TOTAL (B)	9,152,028	927,649	102,960	844	-	457	175	260	21	-	9,151,571	-
TOTAL (A+B)	44,358,534	34,302,783	703,708	219,204	3,671	158,700	32,194	23,241	102,067	1,199	44,199,834	

* Value to be displayed for information purposes

A.1.5a On-balance sheet loan exposures to customers subject to Covid-19 support measures: gross and net values

€/000	Gross exposure				Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*	
	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired				
A. NON-PERFORMING LOANS	-	-	-	-	-	-	-	-	-	-	-	
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	
d) New loans	-	-	-	-	-	-	-	-	-	-	-	
B. LOANS IN UNLIKELY TO PAY POSITIONS	11,956	-	-	11,956	-	2,176	-	-	2,176	-	9,781	-
a) Forborne compliant with the GLs	22	-	-	22	-	6	-	-	6	-	17	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	585	-	-	585	-	119	-	-	119	-	466	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	11,350	-	-	11,350	-	2,051	-	-	2,051	-	9,298	-
C. NON-PERFORMING PAST DUE LOANS	745	-	-	745	-	92	-	-	92	-	653	-
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	745	-	-	745	-	92	-	-	92	-	653	-
D. PERFORMING LOANS	1,350	-	1,350	-	-	5	-	-	5	-	1,345	-
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	1,350	-	1,350	-	-	5	-	-	5	-	1,345	-
E. OTHER PERFORMING LOANS	269,607	244,177	25,408	-	22	689	392	297	-	-	268,918	-
a) Forborne compliant with the GLs	468	424	44	-	-	4	3	1	-	-	464	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	10,457	8,394	2,063	-	-	140	16	125	-	-	10,316	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	258,682	235,360	23,300	-	22	544	373	171	-	-	258,138	-
TOTAL (A+B+C+D+E)	283,659	244,177	26,758	12,702	22	2,962	392	302	2,268	-	280,697	-

* Value to be displayed for information purposes

A.1.7 Prudential consolidation – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

€/000	Non-performing loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	66,767	107,150	29,325
- of which: exposures transferred and not written off	-	-	-
B. Increases	6,787	59,379	43,368
B.1 inflows from performing exposures	13	34,987	40,320
B.2 inflows from purchased or originated impaired financial assets	4	1,353	50
B.3 transfers from other categories of non-performing exposures	6,119	17,141	1,200
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	651	5,897	1,798
C. Decreases	8,919	41,285	41,778
C.1 outflows to performing exposures	44	13,659	15,614
C.2 write-offs	2,754	428	97
C.3 collections	2,200	15,765	7,509
C.4 proceeds from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	847	7,309	16,304
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	3,074	4,123	2,254
D. Final gross exposure	64,635	125,244	30,915
- of which: exposures transferred and not written off	-	-	-

A.1.7 bis On-balance sheet credit exposures to customers: changes in gross forborne exposures by credit quality

€/000	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	75,007	89,800
- of which: exposures transferred and not written off	-	-
B. Increases	21,456	39,054
B.1 inflows from performing non-forborne exposures	2,478	23,759
B.2 inflows from performing forborne exposures	9,880	X
B.3 inflows from non-performing forborne exposures	X	10,683
B.4 inflows from non-performing non-forborne exposures	4,674	141
B.5 other increases	4,424	4,471
C. Decreases	26,375	64,064
C.1 outflows to performing non-forborne exposures	X	42,480
C.2 outflows to performing forborne exposures	12,571	X
C.3 outflows to non-performing forborne exposures	X	9,880
C.4 write-offs	327	-
C.5 collections	3,710	7,333
C.6 proceeds from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	9,767	4,370
D. Final gross exposure	70,088	64,790
- of which: exposures transferred and not written off	-	-

A.1.9 Prudential consolidation – On-balance sheet non-performing credit exposures to customers: changes in overall value adjustments

€/000	Non-performing loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Overall initial adjustments	46,492	4,393	39,711	20,272	6,497	2,899
- of which: exposures transferred and not written off	-	-	-	-	-	-
B. Increases	7,299	971	19,155	5,263	4,326	768
B.1 value adjustments of purchased or originated impaired assets	-	X	38	X	995	X
B.2 other value adjustments	4,687	651	17,960	4,911	2,902	652
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	2,612	320	1,032	288	429	114
B.5 contractual changes without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	125	64	-	2
C. Decreases	5,276	583	9,743	3,858	5,275	2,376
C.1 write-backs from valuation	488	71	2,874	1,788	1,145	276
C.2 write-backs from collection	2,031	310	3,422	1,630	1,224	248
C.3 profits from disposals	-	-	-	-	-	-
C.4 write-offs	2,754	202	419	-	91	-
C.5 transfers to other categories of non-performing exposures	-	-	3,027	437	1,046	288
C.6 contractual changes without derecognition	-	-	-	-	-	-
C.7 other decreases	4	-	-	3	1,769	1,564
D. Overall final adjustments	48,515	4,781	49,123	21,676	5,549	1,290
- of which: exposures transferred and not written off	-	-	-	-	-	-

A.2 Classification of exposures by external and internal ratings

A.2.1 Prudential consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given: by external rating classes (gross values)

€/000	External rating classes							Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	
A. Financial assets measured at amortised cost	121,903	3,367	18,195,570	148,372	95,669	38,324	15,810,234	34,413,439
- Stage 1	121,903	3,367	18,193,126	129,440	67,316	26,343	15,049,138	33,590,633
- Stage 2	-	-	2,444	18,932	17,056	2,371	559,951	600,754
- Stage 3	-	-	-	-	11,297	9,610	197,474	218,381
- Impaired acquired or originated	-	-	-	-	-	-	3,671	3,671
B. Financial assets measured at fair value through other comprehensive income	19,831	59,699	90,910	-	-	-	-	170,440
- Stage 1	19,831	59,699	90,910	-	-	-	-	170,440
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A+B+C)	141,734	63,066	18,286,480	148,372	95,669	38,324	15,810,234	34,583,879
D. Commitments to disburse funds and financial guarantees given	-	100,000	73,694	8,994	1,105	31	821,656	1,005,480
- Stage 1	-	100,000	73,655	8,274	1,083	31	801,052	984,095
- Stage 2	-	-	39	720	22	-	19,899	20,680
- Stage 3	-	-	-	-	-	-	705	705
- Impaired, acquired or originated	-	-	-	-	-	-	-	-
Total (D)	-	100,000	73,694	8,994	1,105	31	821,656	1,005,480
Total (A+B+C+D)	141,734	163,066	18,360,174	157,366	96,774	38,355	16,631,890	35,589,359

The table shows a breakdown of exposures to counterparties without ratings and those without an external rating (CERVED). The rating agencies provide a summary judgement on the creditworthiness of the counterparties.

The rating companies used to prepare the table are: Moody's, Standard & Poor's and Fitch.

In the event that there are ratings by several agencies for the same counterparty, the following order of priority is used, as defined in the specific policy document: Moody's, Standard & Poor's, and finally Fitch.

However, the Risk Management Function may, following appropriate considerations and on a prudential basis, modify the rating resulting from the automatic allocation and calculation system, where deemed necessary. The following is a reconciliation between the risk classes and ratings of the agencies used, with an indication of the Investment Grade/Speculative Grade.

Classe di merito di credito	ECAI			
	CERVED	MOODY'S	STANDARD&POORS	FITCH
1	-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-
2	A1.1 A1.2 A1.2 A1.3 A2.1 A2.1 A3.1	A1 A2 A3	A+ A A-	A+ A A-
3	B1.1 B1.2	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
4	B2.1 B2.2	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
5	C1.1 C1.2	B1 B2 B3	B+ B B-	B+ B B-
6	C1.2 C2.1	Caaa/Ca/C	CCC/C	CCC/C

Investment Grade

Speculative Grade

A.3 Distribution of secured credit exposures by type of guarantee

A.3.1 Prudential consolidation – Secured on- and off-balance sheet credit exposures to banks (PART 1 OF 2)

€/000	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)	
			Property - mortgages	Property - Leasing loans	Securities	Other collateral	Credit derivatives	
							CLNs	Other derivatives CCPs
1. Secured on-balance sheet credit exposures:	37,940	37,940	-	-	-	-	-	-
1.1. fully secured	37,940	37,940	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially secured	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	-	-	-	-	-	-	-	-
2.1. fully secured	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially secured	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-

A.3.1 Prudential consolidation – Secured on- and off-balance sheet credit exposures to banks (PART 2 OF 2)

Personal guarantees (2)										TOTAL (1) + (2)
€/000	Credit derivatives			Unsecured loans						
	Other derivatives			General government	Banks	Other financial corporations	Other entities			
	Banks	Other financial corporations	Other entities							
1. Secured on-balance sheet credit exposures:	-	-	-	-	-	-	-	-	-	
1.1. fully secured	-	-	-	-	-	-	-	-	-	
- of which non-performing	-	-	-	-	-	-	-	-	-	
1.2. partially secured	-	-	-	-	-	-	-	-	-	
- of which non-performing	-	-	-	-	-	-	-	-	-	
2. Secured off-balance sheet credit exposures:	-	-	-	-	-	-	-	-	-	
2.1. fully secured	-	-	-	-	-	-	-	-	-	
- of which non-performing	-	-	-	-	-	-	-	-	-	
2.2. partially secured	-	-	-	-	-	-	-	-	-	
- of which non-performing	-	-	-	-	-	-	-	-	-	

A.3.2 Prudential consolidation – Secured on- and off-balance sheet credit exposures to customers (PART 1 OF 2)

€/000	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)	
			Property - mortgages	Property - finance leases	Securities	Other collateral	Credit derivatives	
							CLNs	Other derivatives CCPs
1. Secured on-balance sheet credit exposures:	12,665,992	12,586,172	11,523,486	-	32,155	334,292	-	-
1.1. fully secured	12,484,548	12,409,950	11,520,720	-	32,155	287,950	-	-
- of which non-performing	120,981	74,405	67,933	-	-	3,857	-	-
1.2. partially secured	181,444	176,222	2,765	-	-	46,341	-	-
- of which non-performing	10,571	5,749	137	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	107,925	107,897	658	-	-	1,387	-	-
2.1. fully secured	105,488	105,468	658	-	-	848	-	-
- of which non-performing	33	31	-	-	-	-	-	-
2.2. partially secured	2,436	2,429	-	-	-	539	-	-
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation – Secured on- and off-balance sheet credit exposures to customers (PART 2 OF 2)

€/000	Personal guarantees (2)								TOTAL (1) + (2)
	Credit derivatives			Unsecured loans					
	Other derivatives			General government	Banks	Other financial corporations	Other entities		
	Banks	Other financial corporations	Other entities						
1. Secured on-balance sheet credit exposures:	-	-	-	259,046	257	-	156,075	12,305,310	
1.1. fully secured	-	-	-	177,984	257	-	140,350	12,159,416	
- of which non-performing	-	-	-	4,442	11	-	113	76,357	
1.2. partially secured	-	-	-	81,062	-	-	15,725	145,893	
- of which non-performing	-	-	-	5,102	-	-	9	5,247	
2. Secured off-balance sheet credit exposures:	-	-	-	-	-	-	27,957	30,002	
2.1. fully secured	-	-	-	-	-	-	27,002	28,508	
- of which non-performing	-	-	-	-	-	-	-	-	
2.2. partially secured	-	-	-	-	-	-	955	1,494	
- of which non-performing	-	-	-	-	-	-	-	-	

A.4 Prudential consolidation – Financial and non-financial assets through the realisation of collateral

€/000		Written-off credit exposure	Gross value	Overall value adjustments	Carrying amount	
						of which obtained during the year
A. Tangible assets		-	-	-	-	-
A.1. For business use		-	-	-	-	-
A.2. For investment purposes		-	-	-	-	-
A.3. Inventories		-	-	-	-	-
B. Equity and debt securities		-	-	-	-	-
C. Other assets		-	-	-	-	-
D. Non-current assets and disposal groups		-	187	-	187	-
D.1. Tangible assets		-	187	-	187	-
D.2. Other assets		-	-	-	-	-
TOTAL	31/12/2022	-	187	-	187	-
TOTAL	31/12/2021	-	208	-	-	-

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to customers by business segment (PART 1 OF 2)

	General government		Financial corporations		Financial corporations (of which: insurance companies)		
€/000	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	
A. On-balance sheet credit exposures							
A.1 Non-performing loans	-	-	-	-	-	-	
- of which forborne exposures	-	-	-	-	-	-	
A.2 Unlikely to pay	-	-	237	(7,164)	-	-	
- of which forborne exposures	-	-	219	(7,130)	-	-	
A.3 Non-performing past due exposures	696	(46)	917	(77)	592	(73)	
- of which forborne exposures	2	-	4	(1)	4	(1)	
A.4 Performing exposures	17,603,100	(11,886)	942,563	760	28,272	(38)	
- of which forborne exposures	9	-	17	-	17	-	
TOTAL A	17,603,796	(11,932)	943,717	(8,001)	28,864	(111)	
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures	-	-	-	-	-	-	
B.2 Performing exposures	-	-	228,292	(41)	-	-	
TOTAL B	-	-	228,292	(41)	-	-	
TOTAL (A+B)	31/12/2022	17,603,796	(11,932)	1,172,009	(8,042)	28,864	(111)
TOTAL (A+B)	31/12/2021	14,960,868	(11,086)	1,188,718	(9,816)	28,141	(144)

B.1 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to customers by business segment (PART 2 OF 2)

€/000	Non-financial corporations		Households		
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	
A. On-balance sheet credit exposures					
A.1 Non-performing loans	4	(2,088)	16,116	(46,427)	
- of which forborne exposures	-	-	3,125	(4,781)	
A.2 Unlikely to pay	20,544	(12,931)	55,340	(29,029)	
- of which forborne exposures	10,639	(2,727)	22,952	(11,819)	
A.3 Non-performing past due exposures	1,463	(401)	22,290	(5,024)	
- of which forborne exposures	673	(239)	4,727	(1,050)	
A.4 Performing exposures	684,825	(5,794)	15,698,852	(36,654)	
- of which forborne exposures	4,845	(183)	60,489	(2,192)	
TOTAL A	706,836	(21,215)	15,792,598	(117,134)	
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	823	(21)	
B.2 Performing exposures	247,983	(154)	565,233	(241)	
TOTAL B	247,983	(154)	566,056	(262)	
TOTAL (A+B)	31/12/2022	954,819	(21,369)	16,358,654	(117,396)
TOTAL (A+B)	31/12/2021	777,477	(19,521)	14,414,759	(103,380)

B.2 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to customers by geographical area (Part 1 of 2)

€/000	Italy		Other European countries		America		
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	
A. On-balance sheet credit exposures							
A.1 Non-performing loans	16,119	(48,511)	1	(4)	-	-	
A.2 Unlikely to pay	75,530	(48,923)	590	(200)	-	-	
A.3 Non-performing past due exposures	21,851	(3,582)	3,514	(1,967)	1	-	
A.4 Performing exposures	33,345,439	(52,369)	1,575,002	(2,650)	4,283	(19)	
Total (A)	33,458,939	(153,385)	1,579,107	(4,821)	4,284	(19)	
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures	779	(17)	44	(4)	-	-	
B.2 Performing exposures	957,191	(423)	83,759	(12)	47	-	
Total (B)	957,970	(440)	83,803	(16)	47	-	
Total (A+B)	31/12/2022	34,416,909	(153,825)	1,662,910	(4,838)	4,331	(19)
Total (A+B)	31/12/2021	30,065,091	(138,091)	1,264,222	(5,572)	5,397	(9)

B.2 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to customers by geographical area (Part 2 of 2)

€/000	Asia		Rest of world	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures				
A.1 Non-performing loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	5,125	(17)	2,438	(2)
Total (A)	5,125	(17)	2,438	(2)
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	280	-	231	-
Total (B)	280	-	231	-
Total (A+B) 31/12/2022	5,405	(17)	2,669	(2)
Total (A+B) 31/12/2021	4,902	(124)	2,207	(4)

B.3 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to banks by geographical area (Part 1 of 2)

Exposures/Geographical areas	Italy		Other European countries		America	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures						
A.1 Non-performing loans	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-
A.4 Performing exposures	2,384,660	(103)	311,161	(84)	3,418	(35)
Total (A)	2,384,660	(103)	311,161	(84)	3,418	(35)
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	73,629	-	893	-	1	-
Total (B)	73,629	-	893	-	1	-
Total (A+B)	31/12/2022	2,458,289	312,054	(84)	3,419	(35)
Total (A+B)	31/12/2021	4,805,616	345,009	(145)	0	-

B.3 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to banks by geographical area (Part 2 of 2)

€ / 000	Asia		Rest of world	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures				
A.1 Non-performing loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	-	-	-	-
Total (A)	-	-	-	-
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	-	-	-	-
Total (B)	-	-	-	-
Total (A+B)	31/12/2022	-	-	-
Total (A+B)	31/12/2021	-	-	-

B.4 Large exposures

€/000	31/12/2022
a) Carrying amount	30,883,461
b) Amount	1,311,247
c) Number	6

The number and amount of large risks have been determined in accordance with existing EU and national provisions. The provisions specify the nominal value of exposures as the parameter for identifying large risks.

C. Securitisation

QUALITATIVE INFORMATION

The Group has no exposures arising from its own securitisation operations.

QUANTITATIVE INFORMATION

C.1 Prudential consolidation – Exposures arising from the main “own” securitisation operations, by type of securitised asset and type of exposure

The Group has no exposures arising from its own securitisation operations.

C.2 Prudential consolidation – Exposures arising from the main “third-party” securitisation operations, by type of securitised asset and type of exposure

€/000	On-balance sheet exposures						Guarantees given						Credit facilities		
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior	Mezzanine	Junior
	Carrying amount	Adjustments/write-backs	Carrying amount	Adjustments/write-backs	Carrying amount	Adjustments/write-backs	Carrying amount	Adjustments/write-backs	Carrying amount	Adjustments/write-backs	Carrying amount	Adjustments/write-backs	Carrying amount	Adjustments/write-backs	Carrying amount
F-E Mortgages srl	109	-													

D. Sale transactions

A. Financial assets sold but not fully derecognised

QUALITATIVE INFORMATION

Financial assets sold but not derecognised relate to repurchase agreements with the Cassa di Compensazione e Garanzia.

QUANTITATIVE INFORMATION

D.1 Prudential consolidation – Financial assets sold but fully recognised and related financial liabilities: book values

€/000	Financial assets sold but fully recognised				Related financial liabilities		
	Carrying amount	of which: subject to securitisation operations	of which: subject to repurchase agreements	of which impaired	Carrying amount	of which: subject to securitisation operations	of which: subject to repurchase agreements
A. Financial assets held for trading	677,824	-	677,824	X	679,492	-	679,492
1. Debt securities	677,824	-	677,824	X	679,492	-	679,492
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	8,841,275	-	8,841,275	-	8,618,862	-	8,618,862
1. Debt securities	8,841,275	-	8,841,275	-	8,618,862	-	8,618,862
2. Loans	-	-	-	-	-	-	-
TOTAL 31/12/2022	9,519,099	-	9,519,099	-	9,298,354	-	9,298,354
TOTAL 31/12/2021	6,667,900	-	6,667,900	-	6,742,259	-	6,742,259

E. Prudential consolidation – credit risk measurement models

The Mediolanum Banking Group uses various models to measure credit risk, based on the area of activity.

In particular, quantitative models have been developed which, incorporating the regulatory framework, are used for accounting purposes, to quantify the Expected Credit Loss (ECL).

Management scoring models are also used for credit control, with the outcomes monitored for institutional reporting.

Finally, there are also forward-looking simulation models that are used to determine, including in stress-test scenarios, the various income statement and balance sheet values used to draw up the economic and financial plan and for the related determination of the risk appetite and risk tolerance thresholds.

1.2 - Market risks

1.2.1 Interest rate risk and price risk – regulatory trading book

QUALITATIVE INFORMATION

A. General aspects

Market risk is defined as the risk of suffering significant losses due to the unfavourable performance of market variables capable of influencing the value of the investment activities of companies of the Mediolanum Banking Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.

This risk is essentially present in the activity carried out within the Group's units with treasury functions. In particular, the assets classified in the trading book, for which the Mediolanum Banking Group adopts the standardised market risk calculation method, fall within this scope for regulatory purposes. Based on this classification, only Banca Mediolanum has a trading book in the strictest sense.

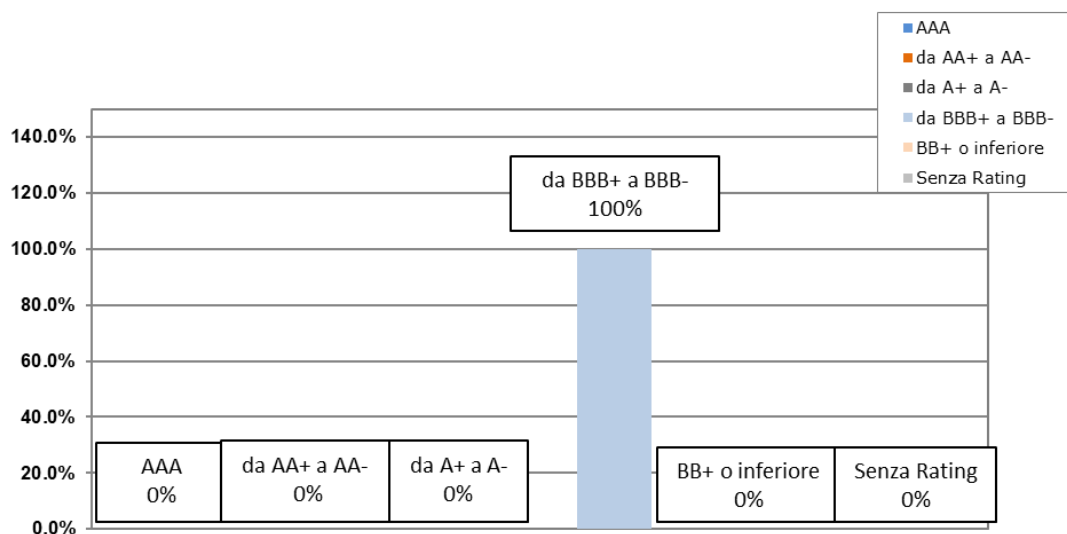
Banking Group overall securities portfolio – RATING COMPOSITION (S&P Equivalent) Year-end spot data (2022 vs 2021)

€/000	31/12/2022		31/12/2021	
	Val.	(%)	Val.	(%)
TOTAL PORTFOLIO	17,640,902	100.0%	15,052,594	100.0%
AAA	26,601	0.2%	23,898	0.2%
AA+ to AA-	45,028	0.2%	27,312	0.2%
A+ to A-	46,346	0.3%	47,739	0.3%
BBB+ to BBB-	17,522,927	99.3%	14,953,645	99.3%
BB+ or lower	-	0.0%	-	0.0%
Unrated	-	0.0%	-	0.0%

The issuer's rating is shown for the current year

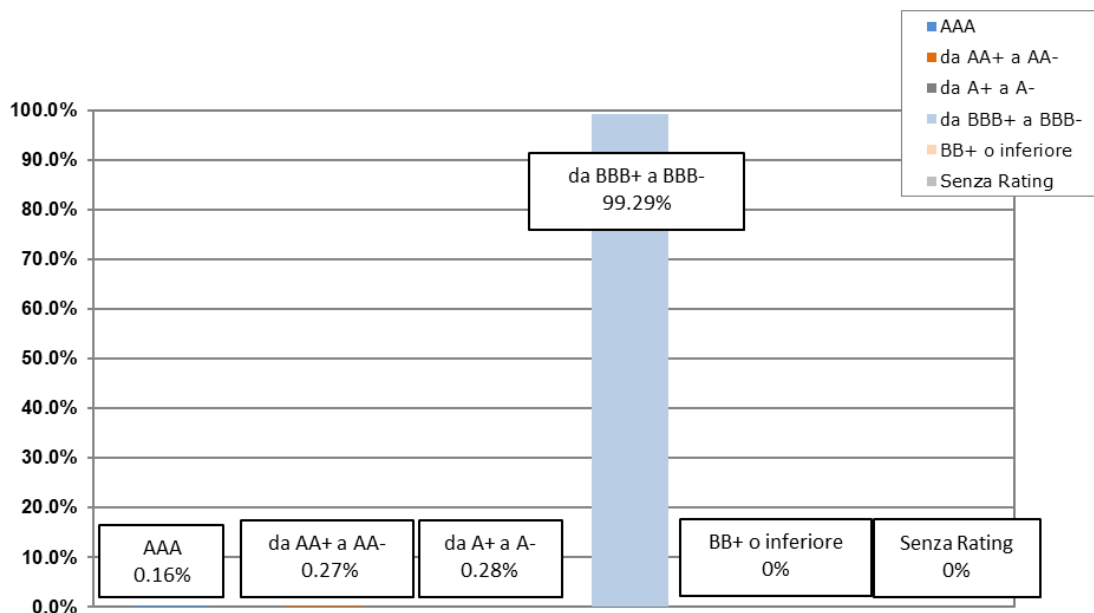
RATING COMPOSITION of Mediolanum Group trading book

Rating Composition portafoglio Trading Gruppo Bancario Mediolanum (dicembre 2022)



RATING COMPOSITION HTCS, HTC and OTHER Mediolanum Banking Group portfolios

Rating Composition portafogli Gruppo Bancario Mediolanum (dicembre 2022)



Impacts of the Covid-19 pandemic

The Risk Management Function of the Banca Mediolanum Group companies focused closely on market performance, constantly monitoring the possible effects of market indicators on the portfolios of the individual companies and customers, where present, based on their operating policies.

The adoption of a securities portfolio business model with a prevalence of sovereign bonds classified as “held to maturity” did not lead to significant impairment of the securities held at consolidated level by the Parent Company, also in 2022. Particular attention has been paid to the fall-out from the geopolitical tensions caused by the conflict between Russia and Ukraine, the resulting inflationary pressures generated by higher commodity prices, especially energy prices, and the reaction of the central banks, which promptly and decisively tightened their policies, pushing government yields higher worldwide and causing substantial declines in all bond sectors. In light of the above, the monitoring measures adopted by all Group companies, in accordance with the Parent Company's guidelines on market risks, did not show significant evidence of post-pandemic impacts and the direct consequences of the Russia-Ukraine conflict in terms of symptomatic influence on the value of the portfolios owned.

B. Interest rate risk and price risk management procedures and measurement methods

The Parent Company's Risk Management Function ensures that financial risk assessment methods are consistent across the various operating entities and helps to set credit limits and operating limits. Each Group Company is, however, directly responsible for controlling the risks assumed in accordance with the guidelines approved by the respective boards of directors in accordance with the principle of consistency between the complexity of the assets under management and the risk measures adopted. Interest rate risk is analysed using indicators of both portfolio composition (concentration limits, characteristics of admitted instruments, characteristics of issuers, etc.) and maximum loss (value at risk).

VaR tables

Trading book – MARKET RISK

Spot data (December 2022 vs December 2021)

€/000	31/12/2022	31/12/2021	Change (%)
Nominal	1,040,028.05	26.19	n.s.
Market value	1,008,615.76	26.25	n.s.
Duration	0.99	0.46	n.s.
VaR 99% - 1 d	1,967.24	11.09	n.s.

The trading portfolio of the banking group as at 31 December 2022 has higher nominal and market values than at the end of 2021. This was due to the closing of the positions in the portfolio last year.

The minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in 2022 are shown below compared with the year-end spot values.

Trading book – MARKET RISK

VaR data recorded over the year (2022 vs 2021)

€/000	31/12/2022	31/12/2021	Change (%)
Minimum value	0.02	0.01	111%
Average value	2,247	1,134	98%
Maximum value	2,953	2,742	8%

QUANTITATIVE INFORMATION

1. Regulatory trading book: breakdown by time to maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – EURO

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	-	24,992	-	423,538	560,114	40	1	-
1.1 Debt securities	-	24,992	-	423,538	560,114	40	1	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	24,992	-	423,538	560,114	40	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	679,492	-	-	-	-	-	-
2.1 Repurchase agreements	-	679,492	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		294,891	7,400	21,762	200,055	218,553	138,016	
3.1 With underlying security		3						
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	3	-	-	-	-	-	-
3.2 Without underlying security		294,888	7,400	21,762	200,055	218,553	138,016	
- Options								
+ Long positions	-	943	2,055	6,920	68,924	76,335	39,893	-
+ Short positions	-	-	943	6,268	66,986	78,147	42,725	-
- Other derivatives								
+ Long positions	-	204,426	-	-	-	-	-	-
+ Short positions	-	89,519	4,402	8,574	64,145	64,071	55,398	-

1. Regulatory trading book: breakdown by time to maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – OTHER CURRENCIES

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		88,372						
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security		88,372						
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives		88,372						
+ Long positions	-	85,018	-	-	-	-	-	-
+ Short positions	-	3,354	-	-	-	-	-	-

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main country of listing

€/000	Listed
	ITALY
A. Equity securities	
Long positions	56,119
Short positions	-
B. Trading in equity securities not yet settled	
Long positions	
Short positions	-
C. Other equity derivatives	
Long positions	-
Short positions	-
D. Equity index derivatives	
Long positions	-
Short positions	-

1.2.2 Interest rate risk and price risk – banking book

QUALITATIVE INFORMATION

A. General aspects, interest rate risk and price risk management procedures and measurement methods

The reference legislation prescribes a set of rules to be adopted to quantify the potential impact that unexpected changes in the term structure of the market might have on the current profits and shareholders' equity of financial corporations. Banks are required to have effective rules, processes and tools for managing the interest rate risk arising from activities (banking book) other than those allocated to the trading book for supervisory purposes. The regulations also provide methodological guidelines, consistent with the Basel guidelines, for the preparation of a simplified system by which to determine internal capital with respect to the interest rate risk on the banking book. The Parent Company Banca Mediolanum has adopted these guidelines within its risk appetite framework, effectively providing the general rules and procedures for managing and controlling the risk in question, to be adopted and transposed into the internal policies of Group companies.

The Parent Company did not find any critical issues in 2022 as a result of the increases in market curves.

The Consolidated Banking statement of financial position assets principally comprise a variable-rate indexed loan portfolio with frequent repricing and a portfolio of financial instruments with a high level of variable-rate securities; liabilities comprise securities-based loans at market rates and Retail funding with specific characteristics of stability and inflexibility.

QUANTITATIVE INFORMATION

1. Banking book: breakdown by residual duration (repricing date) of financial assets and liabilities - EURO

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	5,778,304	11,300,035	8,016,076	876,899	6,547,452	1,735,091	2,238,159	54,393
1.1 Debt securities	72,005	2,513,923	7,926,557	654,480	5,110,316	465,166	-	-
- with early redemption option	109	-	-	-	-	-	-	-
- other	71,896	2,513,923	7,926,557	654,480	5,110,316	465,166	-	-
1.2 Loans to banks	2,178,498	256,596	0	1,500	189	10	-	-
1.3 Loans to customers	3,527,800	8,529,517	89,520	220,919	1,436,948	1,269,915	2,238,159	54,393
- current account	429,994	6	-	19	117	26	-	-
- other loans	3,097,806	8,529,511	89,520	220,900	1,436,831	1,269,889	2,238,159	54,393
- with early redemption option	2,294,770	8,445,235	51,460	102,546	572,262	514,668	1,271,708	-
- other	803,037	84,276	38,060	118,354	864,569	755,221	966,451	54,393
2. On-balance sheet liabilities	26,839,347	8,706,012	140,653	28,649	332,568	16,142	1,421	-
2.1 Payables to customers	26,837,976	8,337,999	140,594	28,529	31,230	16,122	1,421	-
- current account	23,768,709	13,542	106,224	26	-	-	-	-
- other payables	3,069,266	8,324,457	34,370	28,503	31,230	16,122	1,421	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	3,069,266	8,324,457	34,370	28,503	31,230	16,122	1,421	-
2.2 Payables to banks	1,372	368,012	60	120	895	20	-	-
- current account	291	-	-	-	-	-	-	-
- other payables	1,080	368,012	60	120	895	20	-	-
2.3 Debt securities	-	-	-	-	300,443	-	-	-
- with early redemption option	-	-	-	-	300,443	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	0	-	-	-	-	-	-
+ Short positions	-	0	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	528	2,873	10,039	141,667	142,775	95,504	-
+ Short positions	-	195,292	278	4,343	72,620	89,727	31,126	-
- Other derivatives								
+ Long positions	-	67,051	-	-	-	-	-	-
+ Short positions	-	1,536	1,555	3,138	21,004	21,053	18,766	-
4. Other off-balance sheet transactions								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1. Banking book: breakdown by residual duration (repricing date) of financial assets and liabilities – OTHER CURRENCIES

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	51,314	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	51,313	-	-	-	-	-	-	-
1.3 Loans to customers	1	-	-	-	-	-	-	-
- current account	1	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	126,540	-	-	-	-	-	-	-
2.1 Payables to customers	126,540	-	-	-	-	-	-	-
- current account	79,168	-	-	-	-	-	-	-
- other payables	47,372	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	47,372	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

B. Asset liability management process

Management of the rate risk calculated on line items is a typical asset liability management activity. The Mediolanum Banking Group has adopted an ALM system with which it oversees the performance of the Parent Company's annual net interest income and economic value (expressed as a percentage of its regulatory capital). This is also a fundamental tool for management to assess new funding and lending policies in relation to the Group's balance of assets and income, also providing support in the process of updating policies and revising limits and procedures. As shown in the table, as at 31 December 2022 the Mediolanum Banking Group's position was sensitive to a possible negative shift in the interest rate.

Change in the annual net interest income

Spot data at 31 December 2022

€/000	Items sensitive to interest rate risk	+100bps	-100bps
Total assets (*)	36,837,623	197,141	(198,686)
Total liabilities (*)	(36,550,454)	(137,128)	139,234
Off-balance sheet (hedging derivatives)	22,341	577	577
TOTAL	309,510	60,591	(58,874)

(*) The values of statement of financial position items not sensitive to interest rate fluctuations are excluded.

1.2.3 Currency risk

QUALITATIVE INFORMATION

A. General aspects, currency risk management procedures and measurement methods

The following risk profile includes all assets and liabilities (on- and off-balance sheet) in foreign currencies, including transactions in euro pegged to foreign currency exchange rates.

In these cases, limits on exposure to currency risk are established in terms of the equivalent value of the net position of the main trading currencies.

B. Currency risk hedging activities

There are no hedged assets according to the IAS/IFRS classification.

QUANTITATIVE INFORMATION

1. Breakdown by currency of denomination of assets and liabilities and of derivatives

	US DOLLAR	BRITISH POUND	SWISS FRANC	NORWEGIAN KRUNE	SWEDISH KRONA	CANADIAN DOLLAR	JAPANESE YEN	OTHER CURRENCIES	Total
A. Financial assets	40,959	3,173	3,806	206	252	220	230	3,181	52,027
A.1 Debt securities									
A.2 Equity securities							-		
A.3 Loans to banks	40,958	3,173	3,806	206	252	220	230	3,181	52,026
A.4 Loans to customers	(1)	-	-						
A.5 Other financial assets									
B. Other assets	141	15	20			10			186
C. Financial liabilities	(117,918)	(2,973)	(3,479)	(101)	(227)	(120)	(192)	(1,530)	(126,540)
C.1 Payables to banks									
C.2 Payables to customers	(117,918)	(2,973)	(3,479)	(101)	(227)	(120)	(192)	(1,530)	(126,540)
C.3 Debt securities									
C.4 Other financial liabilities									
D. Other liabilities									
E. Financial derivatives	(87,915)	(164)	(186)			(10)		(97)	(88,373)
- Options									
+ Long positions									
+ Short positions									
- Other	(87,915)	(164)	(186)			(10)		(97)	(88,373)
+ Long positions	(84,922)	(6)	(23)					(67)	(85,018)
+ Short positions	(2,993)	(157)	(163)			(10)		(30)	(3,354)
Total Assets	126,022	3,195	3,850	206	252	230	230	3,247	137,231
Total Liabilities	(120,912)	(3,130)	(3,643)	(101)	(227)	(130)	(192)	(1,560)	(129,894)
Imbalance (+/-)	5,110	64	207	105	25	100	38	1,687	7,337

1.3 Derivative instruments and hedging policies

1.3.1 Trading derivative instruments

A. Financial derivatives

A.1 Financial trading derivatives: period-end notional amounts

€/000	31/12/2022				31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	CCPs	Without CCPs			CCPs	Without CCPs		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	-	-	219,436	-	-	-	233,194	-
a) Options	-	-	18,370	-	-	-	19,588	-
b) Swaps	-	-	201,066	-	-	-	213,606	-
c) Forwards	-	-	0	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	3	-	-	-	7	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	0	-	-	-	4	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	3	-	-	-	3	-
3. Currencies and gold	-	-	88,373	-	-	-	79,083	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	88,373	-	-	-	79,083	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	-	-	307,811	-	-	-	312,284	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by product

€/000	31/12/2022				31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	CCPs	Without CCPs			CCPs	Without CCPs		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options	-	-	459	-	-	-	316	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	12	-	-	-	11	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	471	-	-	-	327	-
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	11,756	-	-	-	60,611	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	196	-	-	-	206	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	11,952	-	-	-	60,817	-

A.3 OTC trading financial derivatives – notional values, gross positive and negative fair value by counterparty

€/000	CCPs	Banks	Other financial corporations	Other entities
Contracts not based on netting arrangements				
1) Debt securities and interest rates				
- notional value	X	219,436	-	-
- positive fair value	X	459	-	-
- negative fair value	X	11,756	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	3
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	88,301	-	72
- positive fair value	X	12	-	-
- negative fair value	X	196	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts based on netting arrangements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives: notional values

€/000		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	TOTAL
A.1 Financial derivatives on debt securities and interest rates		17,451	64,145	137,839	219,436
A.2 Financial derivatives on equity securities and equity indices		3	-	-	3
A.3 Financial derivatives on currencies and gold		88,373	-	-	88,373
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
TOTAL	31/12/2022	105,827	64,145	137,839	307,811
TOTAL	31/12/2021	96,442	63,351	152,490	312,283

B. Credit derivatives

This case does not apply to the Group.

1.3.2 Accounting hedges

QUALITATIVE INFORMATION

A. Fair value hedging

Fair value hedges aim to neutralise adverse changes in the price of assets and liabilities recognised in the financial statements or of irrevocable commitments that, without a hedge, could affect financial performance for the year. As established by the Parent Company, the Banking Group has adopted hedging policies through derivative instruments, exceptionally solely for exposures in its fixed-rate and capped variable-rate loan portfolio.

B. Cash-flow hedging

This case does not apply to the Group.

C. Hedging of foreign investments

This case does not apply to the Group.

D. Hedging instruments

Within the Banking Group, Banca Mediolanum hedges the interest rate risk of fixed-rate or variable-rate loans with caps using interest rate swap (IRS) or interest rate option (IRO) derivatives. Hedge accounting can only be adopted if the effectiveness of the hedge is observed at the beginning and throughout its life, i.e. changes in fair value or in the cash flows of the hedged instrument must be almost completely offset by corresponding changes recorded for the hedging instrument. This effectiveness is monitored periodically through specific tests: it is highly effective when changes in the fair value of the hedging instrument exactly offset changes in the hedged

instrument. There are clear limits on how far a hedging instrument can deviate from a perfect hedge when offsetting changes in the hedged instrument. The effectiveness of the hedge should be assessed initially and continuously throughout the life of the hedge. The source of the possible ineffectiveness of the hedge over time, on the hedging instrument side, is market fluctuations that are reflected unevenly on the two elements of the hedging relationship.

E. Hedged items

The hedged instruments are fixed rate loans and floating rate loans with caps. The accounting method selected by Banca Mediolanum to hedge these instruments is the “group microhedge”, where the hedged item consists of a group of instruments that are homogeneous in terms of the associated risk and can in any case be identified individually. One of the possible sources of ineffectiveness of the hedge is the dynamics over time of the “group” initially chosen: in fact, over the years the pool of loans can shrink due to early repayment, renegotiation, substitution, etc. As the hedged item changes, the relationship with the hedging instrument is also altered, generating a misalignment that can reduce effectiveness over time. The effectiveness of hedges is assessed by carrying out periodic effectiveness tests, which fall into two categories:

- > Prospective test: this test justifies the application of hedge accounting, demonstrating the expected effectiveness of the hedge during its life, and enables the justification and continuation of the hedging relationship. This test must also be carried out on the date of commencement of the hedge in order to start applying hedge accounting: in practice, it is a question of determining whether the hedging relationship would be maintained in the event of potential more or less extreme scenarios.
- > Retrospective test: this test reveals the degree of effectiveness of the hedge achieved in the period to which the test refers; in other words, it measures how far the actual results diverged from the perfect hedge. If the results fall within a defined range, hedge accounting may continue to be applied: otherwise, it must be discontinued.

QUANTITATIVE INFORMATION

A. Hedging financial derivatives

A.1 Hedging financial derivatives: period-end notional amounts

€/000	Total 31/12/2022				Total 31/12/2021			
	Over the counter				Over the counter			
	Without CCPs			Organised markets	Without CCPs			Organised markets
	CCPs	With netting arrangements	Without netting arrangements		CCPs	With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	-	-	89,391	-	-	-	102,782	-
a) Options	-	-	22,341	-	-	-	24,547	-
b) Swaps	-	-	67,051	-	-	-	78,235	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	-	-	89,391	-	-	-	102,782	-

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

€/000	Positive and negative fair value								Change in value used to detect ineffectiveness of the hedge	
	31/12/2022				31/12/2021				31/12/2022	31/12/2021
	Over the counter			Organised markets	Over the counter			Organised markets		
	Without CCPs		CCPs		Without CCPs		CCPs			
	With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements				
Positive fair value										
a) Options	-	-	430	-	-	-	63	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	430	-	-	-	63	-	-	-
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	2,594	-	-	-	19,936	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	2,594	-	-	-	19,936	-	-	-

A.3 OTC hedging financial derivatives: notional values, gross positive and negative fair value by counterparty

	CCPs	Banks	Other financial corporations	Other entities
Contracts not based on netting arrangements				
1) Debt securities and interest rates				
- notional value	X	89,391	-	-
- positive fair value	X	430	-	-
- negative fair value	X	2,594	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts based on netting arrangements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional values

€/000		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	TOTAL
A.1 Financial derivatives on debt securities and interest rates		6,229	21,004	62,159	89,391
A.2 Financial derivatives on equity securities and equity indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
TOTAL	31/12/2022	6,229	21,004	62,159	89,391
TOTAL	31/12/2021	6,373	23,253	73,157	102,783

B. Hedging credit derivatives

This case does not apply to the Group.

C. Hedging non-derivative instruments

This case does not apply to the Group.

D. Hedged instruments

D.1 Fair value hedges

€/000		Specific hedges					Generic hedges: Carrying amount
		Specific hedges: carrying amount	Specific hedges – net positions: carrying amount of assets or liabilities (before netting)	Cumulative changes in the fair value of the hedged instrument	Discontinuation of hedge: residual cumulative changes in fair value	Change in value used to detect ineffectiveness of the hedge	
A. ASSETS							
1. Financial assets measured at fair value through other comprehensive income - hedging of:		-	-	-	-	-	-
1.1 Debt securities and interest rates		-	-	-	-	-	X
1.2 Equity securities and equity indices		-	-	-	-	-	X
1.3 Currencies and gold		-	-	-	-	-	X
1.4 Loans		-	-	-	-	-	X
1.5 Other		-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging of:		77,830	-	2,500	-	15,290	-
1.1 Debt securities and interest rates		77,830	-	2,500	-	15,290	X
1.2 Equity securities and equity indices		-	-	-	-	-	X
1.3 Currencies and gold		-	-	-	-	-	X
1.4 Loans		-	-	-	-	-	X
1.5 Other		-	-	-	-	-	X
TOTAL	31/12/2022	77,830	-	2,500	-	15,290	-
TOTAL	31/12/2021	105,120	-	17,784	124	8,066	-
B. LIABILITIES							
1. Financial liabilities measured at amortised cost - hedging of:		-	-	-	-	-	-
1.1 Debt securities and interest rates		-	-	-	-	-	X
1.2 Currencies and gold		-	-	-	-	-	X
1.3 Other		-	-	-	-	-	X
TOTAL	31/12/2022	-	-	-	-	-	-
TOTAL	31/12/2021	-	-	-	-	-	-

E. Effects of equity hedging operations

Nothing to report.

1.3.3 Other information on derivative instruments (trading and hedging)

A. Financial and credit derivatives

This case does not apply to the Group.

1.4 Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management procedures and measurement methods

Liquidity risk is understood as the inability of financial corporations such as banks to meet their payment obligations promptly and economically according to the contractual schedule. Depending on the possible area of impact, a distinction is usually made between two types of liquidity risk generally borne by a bank: market liquidity risk and funding liquidity risk. The first type of risk relates to the inability to dispose of a financial asset without incurring capital losses due to poor liquidity of the reference market or inefficiencies within it. The second type of risk concerns the inability to meet expected and unexpected cash flows and collateral requirements according to cost-effectiveness criteria, without prejudicing the bank's daily operations or financial situation. In its liquidity risk management and control system, the Mediolanum Banking Group, coordinated by the Parent Company, has established daily, weekly and monthly monitoring of the quantities that change its liquidity stock in the short and medium-long term.

Impacts of the Covid-19 pandemic

The ongoing monitoring of daily liquidity and of short-term and long-term liquidity indicators carried out continuously during 2022 confirmed that the Banca Mediolanum Group holds a more than adequate liquidity position in any ordinary or extraordinary situation, thanks also to the careful monitoring by the Parent Company and subsidiaries of all the potential risks triggered by the current pandemic crisis.

It should be noted that the liquidity indicators have not changed significantly, also in view of the direct and indirect consequences of the Russian conflict in Ukraine and the transition from the health crisis period to a context of a return to normality.

QUANTITATIVE INFORMATION

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 1 OF 2)

€/000	Demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months
A. On-balance sheet assets	1,428,394	44,027	32,787	55,084	860,770
A.1 Government securities	1,511	-	31,882	-	561,880
A.2 Other debt securities	492	-	175	-	-
A.3 UCI units	123,362	-	-	-	-
A.4 Loans	1,303,028	44,027	729	55,084	298,890
- Banks	124,084	11,478	-	889	4,031
- Customers	1,178,944	32,549	729	54,195	294,859
B. On-balance sheet liabilities	26,777,496	7,526,418	673,680	546,899	452,630
B.1 Deposits and current accounts	26,486,469	1,728	-	7,502	31,515
- Banks	291	-	-	-	-
- Customers	26,486,177	1,728	-	7,502	31,515
B.2 Debt securities	-	-	-	2,524	-
B.3 Other liabilities	291,028	7,524,689	673,680	536,873	421,115
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	3,360	-	-	-
- Short positions	-	2,047	15,000	-	68,000
C.2 Financial derivatives without capital exchange					
- Long positions	459	-	-	-	-
- Short positions	11,756	-	-	96	219
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 2 OF 2)

€/000	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Undetermined duration
A. On-balance sheet assets	1,507,359	2,254,986	16,637,164	12,461,138	300,724
A.1 Government securities	1,088,894	1,392,757	12,149,102	2,361,459	-
A.2 Other debt securities	33,248	7,229	40,030	39	-
A.3 UCI units	-	-	-	-	6,133
A.4 Loans	385,218	855,000	4,448,032	10,099,640	294,591
- Banks	0	1,500	189	10	240,198
- Customers	385,218	853,500	4,447,843	10,099,630	54,393
B. On-balance sheet liabilities	141,791	29,677	332,092	17,597	-
B.1 Deposits and current accounts	139,402	25,083	-	34	-
- Banks	-	-	-	-	-
- Customers	139,402	25,083	-	34	-
B.2 Debt securities	-	-	300,000	-	-
B.3 Other liabilities	2,389	4,594	32,092	17,563	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.2 Financial derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	310	584	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 1 OF 2) – OTHER CURRENCIES

€/000	Demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months
A. On-balance sheet assets	51,374	-	-	-	0
A.1 Government securities	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	51,374	-	-	-	0
- Banks	51,373	-	-	-	-
- Customers	1	-	-	-	0
B. On-balance sheet liabilities	126,540	-	-	-	0
B.1 Deposits and current accounts	126,540	-	-	-	0
- Banks	-	-	-	-	-
- Customers	126,540	-	-	-	0
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	2,051	14,978	-	67,989
- Short positions	-	3,354	-	-	-
C.2 Financial derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 2 OF 2) – OTHER CURRENCIES

€/000	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Undetermined duration
A. On-balance sheet assets	-	-	-	0	-
A.1 Government securities	-	-	-	0	-
A.2 Other debt securities	-	-	-	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	-	-	-	-	-
- Banks	-	-	-	-	-
- Customers	-	-	-	-	-
B. On-balance sheet liabilities	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-
- Banks	-	-	-	-	-
- Customers	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.2 Financial derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1.5 Operational risks

QUALITATIVE INFORMATION

A. General aspects, operational risk management procedures and measurement methods

The Mediolanum Banking Group defines operational risks as “the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts”.

In line with industry regulations, Banca Mediolanum S.p.A. has adopted and regularly updates an operational risk management and control framework.

The Risk Management Function is responsible for monitoring operational risk and collaborates with the Internal Audit Function to control and manage the operational risks arising from the operations of the sales network of Banca Mediolanum S.p.A.

It also coordinates with the Administration, Accounting and Financial Reporting section in controlling capital adequacy in respect of the requirements for own funds for operational risks of Banca Mediolanum S.p.A. and the Banking Group. The organisational positioning of the Risk Management Function is based on the principles of “separation” and “independence” with respect to the operational lines, with it reporting directly to the corporate department heads of the Parent Company. Specific Risk Management functions are also present at the main Group Companies, in order to be closer to the business, while maintaining a guiding and coordination role at the Parent Company. The reference framework for the management and control of operational risks adopted by the Mediolanum Banking Group consists of the following four sequential phases:

- > 1. “Identification”;
- > 2. “Measurement”;
- > 3. “Monitoring, Control and Reporting”;
- > 4. “Management”.

Each of the above phases is characterised by specific objectives, models, methods and instruments and is implemented by the Group companies, according to the complexity of the activities performed, exposure to operational risks and specific normative and regulatory instructions, in line with the proportionality principle.

Identification is the activity of identifying and collecting information on operational risks through the consistent and coordinated processing of all relevant sources of information. The aim is to establish a complete information base.

Identification takes place through the definition and classification of the information necessary for integrated operational risk management.

The information necessary for this purpose is:

- > the qualitative and quantitative assessment of the risk exposure of the main corporate processes, as part of the annual risk self-assessment process;
- > internal loss data, accompanied by all the relevant information for the purposes of measuring and managing risks (including insurance and direct recoveries), collected through the loss data collection process;

- > preliminary analysis of the risk exposure arising from entry into new businesses or the signing of new contracts/commercial agreements, as well as following organisational/regulatory changes;
- > performance indicators representative of operations and risks, internally known as “key risk indicators”, which form the basis of management analyses and part of the control model.

Measurement is the activity of analysing and assessing risk.

The aim of this activity is to gain comprehensive knowledge of the overall risk profile of the enterprise, resulting in the quantification of:

- > regulatory capital: the capital requirement defined on the basis of regulatory provisions (Regulation (EU) 575/2013). In order to measure regulatory capital for operational risk, all companies in the Mediolanum Banking Group use the “standardised” method to calculate the regulatory capital requirement;
- > economic capital: measurement of risks for internal purposes, using an integrated approach that reflects both actual losses from operational risks and potential losses, measured net of the effectiveness of the controls put in place to mitigate those risks. This measurement activity is therefore based on the results of the risk identification process, applying an actuarial statistical model, and constitutes a tool for controlling the adequacy of regulatory capital for operational risks.

Monitoring, Control and Reporting is a direct consequence of the preliminary phases of identification and measurement. It enables the analysis of the overall exposure to operational risks of the various business units and the prompt reporting of any critical issues encountered. The main tool used to carry out this process is periodic reporting to the business functions concerned, to senior management and to the Board of Directors.

Finally, the aim of the Management phase is to periodically assess “strategies for control and reduction of risk”, deciding, according to the nature and size of the risk, whether to assume it, implement mitigation policies or transfer it to third parties, according to the risk appetite expressed by senior management.

Impacts of the Covid-19 pandemic

The analysis of the exposure to operational risks following the Covid-19 pandemic situation that was also carried out in 2022 confirmed that there was an overall focus on business continuity and business performance under normal conditions, in a year when remote working was formally adopted by most employees for the majority of their day-to-day tasks. As in previous years, activities to strengthen the capacity and security of IT systems and promote continuous improvements to procedures systematically continued, in order to achieve very high standards of service even in remote working mode and in the face of mobility restrictions, with an impact on customers. During 2022, some losses due to the pandemic were again recorded (approximately €700/1,000), but these are the effects of events that occurred in previous years and it is therefore possible to express a positive opinion on the safeguards adopted to mitigate the resulting operational risks. However, there are no operational losses that can be associated with the ongoing conflict between Russia and Ukraine.

QUANTITATIVE INFORMATION

During 2022, the risk assessment process covered almost all of the activities carried out, identifying close to 3,500 control points for operational risk which proved to be effective in more than 80% of cases; the remaining controls comprise normal risk associated with the activity in question or require corrective measures, for which specific actions to strengthen the monitoring of the risks detected have already been activated or are being evaluated.

SECTION 3 – RISKS OF INSURANCE COMPANIES

Risks of the Mediolanum Insurance Group

The Mediolanum Insurance Group has prepared and adopted an internal risk management framework that enables risks to be identified, assessed, monitored, managed and reported on an ongoing basis, taking due account of changes in the nature and size of the business and in the market environment. The Risk Management System not only involves technical aspects but also a cultural, organisational, functional and process element. The Risk Management System consists of strategic processes functional to the definition of the reference framework, which includes the operating processes.

Specifically, the **strategic processes** include:

- > **Formulating the Risk Appetite Framework (RAF):** this is the process whereby the Mediolanum Insurance Group and the companies of which it is composed define the risk they intend to assume (risk appetite) in achieving their corporate objectives and within which strategic activities (business model, business unit, planning) are analysed according to risk-based criteria and approaches. For this reason, the RAF must be consistent with the other processes at the strategic level.
- > **Conducting the Own Risk and Solvency Assessment (ORSA):** this involves a forward-looking assessment of the risk level of the company and the Mediolanum Insurance Group over the time horizon of the corporate strategic plan. This activity is closely interconnected with both the RAF and the overall governance of the risk management process.
- > **Formulating contingency plans:** in accordance with Article 83 of IVASS Regulation 38/2018, for financial stability purposes the Mediolanum Insurance Group has prepared an Enhanced Contingency Plan to identify and assess the actions that could be taken to restore its position following crisis situations related to the major sources of risk identified.

The **operating processes** include the following activities:

- > **Identification of risk categories:** this involves the definition of principles, tools and methodologies for adequate risk identification, description, classification, estimation and assessment and the identification of preference for each risk.
- > **Risk management procedures:** The risk management process takes place through all activities that result in the acceptance, transfer/mitigation or elimination of risks, with regard to risks arising from existing activities and risks arising from new business and activities. Each year, the Board of Directors approves policies for the management of individual risks, ensuring that it is consistent with the directions in the Risk Appetite Framework, with the evolutionary guidelines defined in the Strategic Plan and with the current and forward-looking assessments of risks and solvency.
- > **Risk assessment:** this defines the methods for measuring the risks to which the companies that are part of the Mediolanum Insurance Group are exposed. This activity enables the economic and/or financial effects of quantifiable risks to be determined and the significance of non-quantifiable risks to be assessed. The solvency assessment of the risks of the Mediolanum Insurance Group and of the individual companies that make it up is currently carried out using the Solvency II standard formula.
- > **Stress testing:** this consists of periodic stress tests using a range of scenarios considered both individually and in combination to identify the causes of possible tensions on the aggregates and risks subject to stress and to simultaneously analyse the tolerance limit and sustainability that such extreme events impact on operational and financial management.

- > **Risk monitoring:** the risk monitoring process aims to monitor the performance of Mediolanum Vita S.p.A. and the other Mediolanum Insurance Group companies in relation to what has been defined both in the Business Plan and corporate objectives, and in the context of the Risk Appetite Framework and the Own Risk and Solvency Assessment (ORSA); it also supports the decision-making process, ensuring compliance on the one hand with what is defined within the Risk Policies and on the other with the legal and regulatory requirements.
- > **Definition of escalation actions:** the escalation process ensures that reports of dangerous situations and breaches of limits to all interested parties are promptly communicated to the competent corporate bodies in order to allow for the preparation and implementation of remedial measures. Specifically, GAM and its individual companies define escalation measures within the Risk Appetite Framework and where limits are defined the breaching of which requires specific measures.
- > **Risk reporting:** Mediolanum Vita S.p.A. and the GAM companies are constantly reviewing their risk management system and regularly produce appropriate reporting to support and feed into the discussion with the competent bodies, as well as the decision-making process of GAM and its individual companies.

The risk management system has therefore been designed to provide a shared, consistent approach to risk management at all corporate levels and in all the companies that make up the Mediolanum Insurance Group, and has the objective of supporting and facilitating the processes of identification, reduction, transfer or elimination, to the extent that the residual risk is acceptable, of the impact that the risks have on the ability of the Mediolanum Insurance Group and of the individual companies to achieve their business objectives.

Beyond the impacts that have arisen in the financial area, the direct and indirect consequences of which have already been illustrated in the consolidated financial statements, the Covid-19 pandemic is not currently believed to have materially affected the typical risks in the insurance area in which the Mediolanum Group operates.

Solvency position of the Group

Following the entry into force of the Solvency Directive, (Framework Directive 2009/138/EU laying down the fundamental principles of the new regime and Regulation (EU) 2015/35, as amended, containing detailed requirements of the new regime, capital ratios are reported in accordance with the industry regulations.

The coverage ratio for the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) is shown below, as per the last quarterly report to the Supervisory Body:

€/000	31/12/2022*
Eligible own funds	2,253,726
SCR	1,076,666
Solvency Ratio (SCR)	209.32%
MCR	283,495
Solvency Ratio (MCR)	794.98%

* The figures for the year under review refer to the Financial Stability report for the fourth quarter of 2022, sent on 20 February 2023.

The Solvency Ratio determined at 31 December 2022 complies with the Risk Appetite Framework defined for the Group.

3.1 Insurance risks

A. Life insurance

QUALITATIVE INFORMATION

The insurance risks to which the life companies are exposed are underwriting risks, divided into:

- > Mortality risk;
- > Longevity risk;
- > Lapse risk;
- > Expense risk;
- > Catastrophe risk.

Mortality risk

Mortality risk is associated with (re)insurance obligations (e.g. death insurance or mixed policies) whereby the (re)insurer guarantees a series of individual or recurring payments in the event of the death of the policyholder during the life of the policy.

It applies to (re)insurance obligations that depend on the mortality risk, for example those for which the amount to be paid in the event of death exceeds the technical provisions: consequently, an increase in mortality rates results in an increase in technical provisions.

Longevity risk

Longevity risk is associated with (re)insurance obligations (e.g. annuities) that provide for the (re)insurer guaranteeing a series of payments until the policyholder dies, and for which a decrease in mortality rates results in an increase in technical provisions, or (re)insurance obligations (e.g. mixed policies) whereby the (re)insurer guarantees a single payment if the policyholder survives for the duration of the policy.

It applies to (re)insurance obligations that depend on the risk of longevity, i.e. where there is no benefit in the event of death or the amount to be paid in the event of death is less than the technical provisions: consequently, a decrease in mortality rates results in an increase in technical provisions.

With regard to longevity risk, Mediolanum Vita periodically analyses the adequacy of the technical bases of portfolios of annuities in the course of payment.

For cover that provides for an accumulation phase and a future option to convert capital to an annuity, no guarantee is normally granted on the technical bases for determining the annuity that can be disbursed. The level of appetite for annuities is also monitored so that the demographic bases can be adjusted.

With regard to the economic impact of this variable, Mediolanum Vita has calculated that a change in appetite of 1% would result in a negative change in the Group's net profit as at 31 December 2022 of approximately €2 million.

Lapse risk

Lapse risk is the risk of the loss of, or changes in, liabilities due to a change in the rate at which options are exercised by policy holders.

All options for policy holders, whether legal or contractual, which can significantly change the value of future cash flows must be taken into account.

Expense risk

Expense risk arises from a change in the expenses incurred in relation to insurance or reinsurance contracts.

Catastrophe risk

Catastrophe risk arises from extreme or abnormal events, the effects of which are not sufficiently captured in other life insurance underwriting sub-modules.

Monitoring

In relation to regulatory capital, the risk indicators defined in the Risk Appetite Framework and their impact on the ORSA are controlled for the purposes of monitoring the underwriting risks.

Specifically, the reference values of the underwriting risk indicators are closely related to the budget situation and will be equivalent to the value they assume in the ORSA at the end of the first projection year. Short-term limits on the budget amount have been established for each technical/insurance risk classified as significant. For example, significant external risks of a technical insurance nature and monitoring of the relative risk factors that affect them include expense risk, lapse risk, annuity conversion risk and reserve risk (for the non-life company only) for the Group and the individual companies.

QUANTITATIVE INFORMATION

Amount of direct life segment reserves by contractual classification

€/000	Insurance	Insurance with DPF	Investment	Total
Unit-linked contracts	10,108,223	-	13,086,968	23,195,191
Index-linked contracts	112,753	-	-	112,753
Contracts with discretionary participation features	-	1,104,001	-	1,104,001
Individual pension schemes	8,177,766	-	-	8,177,766
Other contracts	113,339	-	-	113,339
Total	18,512,081	1,104,001	13,086,968	32,703,050

The total includes mathematical reserves and technical provisions when the investment risk is borne by policyholders, amounting to €1,760,640 thousand and €17,844,819 thousand respectively, and financial liabilities from investment contracts amounting to €13,086,968 thousand. The reserves for amounts to be paid (€125,855 thousand) and the reserve for other technical items (€10,624 thousand) are therefore excluded.

Concentration of direct business technical provisions by level of cover offered

€/000	31/12/2022
Liabilities with interest rate guarantee	1,100,708
0%	98,822
2%	65,505
3%	132,323
4%	804,058
Liabilities without interest rate guarantee	18,504,751
Total	19,605,459

Concentration of gross direct life premiums by line of business and geographical area

€/000	Unit-linked	Index-linked	Traditional	Collective	31/12/2022
Spain	228,105	59,732	-	-	287,837
Germany	7,990	-	-	-	7,990
Italy	4,261,351	-	69,310	10,021	4,340,682
Total	4,497,445	59,732	69,310	10,021	4,636,508

B. Non-life insurance

QUALITATIVE INFORMATION

With regard to the non-life class, technical risk is the risk of loss or unfavourable change in the value of insurance liabilities due to inadequate assumptions relating to the determination of policy premiums and the creation of reserves. In particular, technical risk includes the following:

Pricing risk

This is the risk arising from fluctuations that may arise in the time of occurrence, frequency and severity of insured events. Pricing risk relates to policies underwritten during the year, including renewals, and risks arising from contracts still outstanding at the end of the year in question. It cannot be ruled out that the actual claims for compensation will be significantly higher in the future, in terms of number and amount, than the provisions used to calculate the price of the products, with possible adverse effects on the operating results, financial position and/or cash flows of Mediolanum Assicurazioni and, consequently, the Mediolanum Group. Furthermore, it is possible that inadequate data and pricing methodologies, with resulting compensation claims that are much higher than projected, could also result in a pricing level that is inappropriate with respect to the size of the actual risks, with consequent adverse effects on the operating results and the company's economic performance, financial position and/or cash flows.

Reserve risk

Expresses the variability between the best estimate of the claims reserve at a given date and its actual development over time (the relevant future payment flows) which, in accordance with Solvency II, is defined on an annual basis. Any policyholder requirements with respect to Mediolanum Assicurazioni that exceed expectations could have adverse effects on the Company's profit performance, financial position and cash flows.

€/000	31/12/2022	Weight %
Class - 01 Accident	4,953	13.72%
Class - 02 Sickness	23,754	65.79%
Class-07 Transported goods	1	0.00%
Class - 08 Fire	2,345	6.50%
Class - 09 Other Damage to Property	837	2.32%
Class -10 Motor	1,348	3.73%
Class -13 General TPL	2,197	6.08%
Class - 16 Miscellaneous Financial Loss	604	1.67%
Class -17 Legal Protection	32	0.09%
Class - 18 Assistance	38	0.10%
Total non-life classes	36,109	100%

Amount of claims reserve before reinsurance. Values including IBNR, Reserve for direct and indirect expenses and amounts to be recovered.

Lapse risk

The Solvency II standard formula is used to estimate a potential early lapse rate for certain types of product, calculating the impact of this risk in terms of loss of regulatory capital. Despite the estimates made by Mediolanum Assicurazioni, there is a possibility that an increase in lapsed policies could have negative effects on the company's financial and economic situation.

Catastrophe risk (cat risk)

Catastrophe risk consists of the risk of a loss or unfavourable change in the value of insurance liabilities due to significant uncertainty regarding the assumptions used to determine premiums and create reserves in relation to extreme or exceptional events. This risk arises from events which are not adequately captured by the capital requirement for pricing and reserve risk. Mediolanum Assicurazioni limits the economic impact of catastrophic events through reinsurance, allocating the risk between reinsurers selected for their reliability and financial soundness. Therefore, the occurrence of one or more catastrophic events such as earthquakes, storms, explosions, floods, fires or acts of terrorism, resulting in damage exceeding the limit of Mediolanum Assicurazioni's reinsurance cover, could have adverse effects on the profit performance, financial position and/or cash flows of the Mediolanum Group.

Reinsurance counterparty default risk

Reinsurance counterparty default risk is the risk of a possible default by a counterparty that has outward portfolio reinsurance dealings with the Company. For further information on reinsurance contracts, see the description above.

Breakdown of underwriting risks

The Insurance Group's underwriting risk modules calculated as at the fourth quarter of 2022 using the Standard Formula are shown below:

€/000	
Underwriting risk	31/12/2022
Mortality risk	43,191
Longevity risk	30,701
Lapse risk	686,999
Expenses risk	92,971
Catastrophe risk	14,912
Sum of risk components	868,773
Non-life underwriting risk	31/12/2022
Premium & reserve risk	14,748
Lapse risk	559
Catastrophe risk	2,888
Sum of risk components	18,195
Health underwriting risk	31/12/2022
Premium & reserve risk	53,119
Lapse risk	6,374
Catastrophe risk	3,552
Sum of risk components	63,045

3.2 Financial risks

Financial risks include:

- > Market risks;
- > Credit risk;
- > Reinsurance counterparty default risk.

Market risks

Article 13, point 31) of Directive 2009/138/EC defines market risk as the risk of loss or unfavourable change in the financial situation arising, directly or indirectly, from fluctuations in the level and volatility of the market prices of assets, liabilities and financial instruments.

The three companies of the Mediolanum Insurance Group have adopted this definition, identifying and classifying the following risks within this category:

- > Interest rate risk;
- > Equity risk;
- > Currency risk;
- > Property risk;

- > Spread risk;
- > Market concentration risk.

Interest rate risk

Interest rate risk exists for all assets and liabilities whose value is “sensitive” to changes in the term structure of interest rates or interest rate volatility. This applies to both real and nominal term structures. Assets sensitive to interest rate movements include fixed-income investments, financing instruments (e.g. loans), surcharges on policies, interest rate derivatives and any insurance assets.

Equity risk

Equity risk arises from the level or volatility of the market prices of equity securities. Exposure to equity risk relates to all assets and liabilities whose value is sensitive to changes in equity prices. This risk is the main contributor to the risk profile of the Mediolanum Insurance Group given the high exposure to the equity market of assets to cover unit-linked products. In 2022, the impact on the allocation of regulatory capital to cover equity risk was high.

Currency risk

Currency risk arises from changes in the level or volatility of exchange rates. Undertakings may be exposed to currency risk from various sources, including their investment portfolios, assets and liabilities and investments in associates.

For the Mediolanum Insurance Group, exposure to currency risk is high, due to the marked diversity of the currencies of the financial instruments underlying the unit-linked policies in the portfolio. In 2022, this risk therefore had a significant impact on total regulatory capital.

Property risk

Property risks arise due to the sensitivity of financial assets, liabilities and investments to the level or volatility of the market prices of real estate.

The following investments are treated as real estate investments and their risks are considered in accordance with the property risk sub-module:

- > land, buildings and property rights;
- > direct or indirect equity investments in real estate companies that produce periodic income, or that are otherwise aimed at investing;
- > property investments for use by the insurance company.

The properties owned by the Insurance Group are appraised annually.

The contribution of property risk to the risk profile of the Mediolanum Insurance Group is very limited, as property investments represent a small proportion of total investments held.

Spread

Spread risk is the part of risk that reflects changes in the value of financial assets, liabilities and instruments due to a change in the level or volatility of credit spreads with respect to the risk-free interest rate term structure.

Spread risk applies to at least the following financial asset classes: High credit quality (investment grade) corporate bonds and high yield corporate bonds.

Spread risk also applies to all types of asset-backed securities, as well as to all segments of structured credit products such as covered bonds. Spread risk covers instruments including but not limited to credit derivatives, credit default swaps, total return swaps and credit linked notes that are not held as part of a recognised risk mitigation policy. Spread risk also includes the credit risk of other high-risk investments, including in particular: equity investments; debt securities issued by and to associates and companies in which the insurance company has a participating interest; debt securities and other fixed-income securities; and mutual fund investments.

However, it should be stressed that the Solvency II spread risk requirement does not include risk arising from exposures to government securities.

Market concentration risk

Market concentration risk relating to financial investments arises from the accumulation of exposures with the same counterparty. Concentration risk extends to assets affected by equity risk, interest rate risk, spread risk and ownership risk and excludes assets covered by the counterparty default risk module. It does not include other types of concentration (e.g. by geographical area, industry, etc.).

In 2022, the Mediolanum Insurance Group's exposure to this risk was not significant.

Monitoring

Within Solvency II, market risks are monitored by controlling compliance with the risk limits defined in the Risk Appetite Framework (RAF).

The Insurance Group has decided to analyse and monitor only those market risks that are material in terms of their quantitative impact on the calculation of the regulatory capital requirement.

As described in the RAF, to which reference should be made for further details, the market risk classes being monitored are:

- > Equity;
- > Currency;
- > Interest rate;
- > Spread.

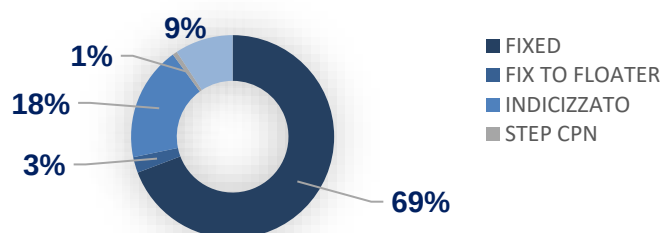
The purpose of monitoring risk indicators and the Solvency Ratio estimate at least once a quarter is to ensure constant oversight of risk exposures and compliance with tolerance levels.

For the portfolio of traditional life reserves, the risk of mismatching between liabilities and assets is also periodically assessed using an asset liability management model.

The tool enables monitoring of the long-term effects of possible asset management choices on the degree of profitability and solvency of Mediolanum Vita by means of "ad hoc" reporting.

The following graphs show the breakdown of the proprietary securities portfolios and separately managed accounts by rate type for Mediolanum Vita⁸ and the proprietary securities for Mediolanum Assicurazioni:

⁸ Mediolanum Vita's portfolio does not include real estate, closed-end and infrastructure funds or equities.



The following table shows the portfolios of the individual insurance companies and the Insurance Group according to the classification established by IFRS 9:

Securities portfolio of Mediolanum Vita S.p.A. – POSITION

Spot data at 31/12/2022

€/000	31/12/2022
FVPL	
Nominal	18,161
Market value	72,704
Amortised cost	
Nominal	1,732,106
Market value	1,625,654
FVOCI	
Nominal	615,893
Market value	651,307
TOTAL	
Nominal	2,366,160
Market value	2,349,665

Securities portfolio of Mediolanum Assicurazioni S.p.A. – POSITION

Spot data at 31/12/2022

€/000	31/12/2022
FVPL	
Nominal	1,000
Market value	1,008
Amortised cost	
Nominal	151,650
Market value	143,739
FVOCI	
Nominal	62,680
Market value	58,615
TOTAL	
Nominal	215,330
Market value	203,362

Mediolanum International Life DAC securities portfolio – POSITION

Spot data at 31/12/2022

€/000	31/12/2022
FVPL	
Nominal	61,842
Market value	61,521
Nominal	61,842
Market value	61,521

Mediolanum Insurance Group securities portfolio – POSITION

Spot data at 31/12/2022

€/000	31/12/2022
FVPL	
Nominal	81,003
Market value	135,233
Amortised cost	
Nominal	1,883,756
Market value	1,769,393
FVOCI	
Nominal	678,573
Market value	709,922
TOTAL	
Nominal	2,643,332
Market value	2,614,548

Credit risk

Credit risk is the possibility that an event will occur during the life of a financial instrument linked to the insurance product that changes the repayment capacity (the so-called creditworthiness) of a counterparty (issuer), thereby changing the value of the credit position itself. Credit risk can be divided into two components: default risk and migration risk. The first concerns the possibility of not collecting a certain number of future payments in full due to debtor insolvency; the second concerns the risk of impairment of the security due to a deterioration in the creditworthiness of the debtor. Counterparty risk also arises from the derivatives activity typical of certain third-party life products. In particular, when the financial soundness of the counterparty to the OTC transaction deteriorates to such an extent that default could result, it may not fulfil the obligations arising from the trading of that instrument. This risk is monitored in compliance with the European Market Infrastructure Regulation (EMIR). Credit risk may primarily arise from issuer risk following the default of the securities held. It should be noted that for the two Italian companies, the securities portfolio comprises more investments in domestic government securities than those of other issuers, effectively resulting in insignificant default risk exposure.

Securities portfolio of Mediolanum Vita S.p.A. RATING COMPOSITION (S&P Equivalent)

Period-end data (31/12/2022 vs 31/12/2021)

€/000	31/12/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	2,349,664	100.0%	2,348,248	100.0%	0.1%
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	2,475	0.1%	8,294	0.4%	(70.2%)
BBB+ to BBB-	2,246,498	95.6%	2,167,911	92.3%	3.6%
BB+ or lower	39,251	1.7%	55,437	2.4%	(29.2%)
Unrated	61,440	2.6%	116,606	5.0%	(47.3%)

Securities portfolio of Mediolanum Assicurazioni S.p.A. RATING COMPOSITION (S&P Equivalent)

Period-end data (31/12/2022 vs 31/12/2021)

€/000	31/12/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	203,364	100.0%	197,697	100.0%	2.9%
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	8,755	4.3%	9,979	5.0%	(12.3%)
BBB+ to BBB-	180,862	88.9%	167,904	84.9%	7.7%
BB+ or lower	13,747	6.8%	19,097	9.7%	(28.0%)
unrated	-	0.0%	717	0.4%	(100.0%)

Mediolanum International Life DAC securities portfolio RATING
COMPOSITION (S&P Equivalent)
Period-end data (31/12/2022 vs 31/12/2021)

€/000	31/12/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	61,521	100.0%	49,627	100.0%	24.0%
AAA	7,868	12.8%	7,515	15.2%	4.7%
AA+ to AA-	37,322	60.7%	15,283	30.8%	n.s.
A+ to A-	-	0.0%	115	0.2%	(100.0%)
BBB+ to BBB-	16,331	26.5%	26,714	53.8%	(38.9%)
BB+ or lower	-	-	-	-	-
Unrated	-	0.0%	-	0.0%	n.a.

Mediolanum Insurance Group securities portfolio RATING COMPOSITION
(S&P Equivalent)
Period-end data (31/12/2022 vs 31/12/2021)

€/000	31/12/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	2,614,549	100.0%	2,595,572	100.0%	0.7%
AAA	7,868	0.3%	7,515	0.3%	4.7%
AA+ to AA-	37,322	1.4%	15,283	0.6%	n.s.
A+ to A-	11,230	0.4%	18,388	0.7%	(38.9%)
BBB+ to BBB-	2,443,691	93.6%	2,362,529	91.0%	3.4%
BB+ or lower	52,998	2.0%	74,534	2.9%	(28.9%)
Unrated	61,440	2.3%	117,323	4.5%	(47.6%)

Reinsurance counterparty default risk

Given that, with regard to commercial premiums reinsurance, Mediolanum Vita's technical provisions are deposited with the Company itself (rendering the risk of default almost zero), the reinsurance policy of the same requires the reinsurer to have a rating of BBB+ before a treaty is entered into.

As at 31 December 2022, the minimum rating of the reinsurers with which Mediolanum Vita has entered into reinsurance treaties is AA.

Breakdown of market risks

The Insurance Group's market risk modules calculated as at the fourth quarter of 2022 using the Standard Formula are shown below:

€/000

Market risk	31/12/2022
Interest rate risk	159,847
Equity risk	576,373
Property risk	18,002
Spread risk	72,745
Currency risk	314,681
Concentration risk	12,518
Sum of risk components	1,154,166
Counterparty default risk	37,853

3.3 Other risks

In addition to the risks described above, the Mediolanum Insurance Group has identified the following other risks, already controlled within the scope of the Banking Group.

Liquidity risk

Liquidity risk is defined as the risk that the company may incur when it is faced with cash commitments (expected or unexpected) and the available cash is not sufficient.

The causes of a possible temporary shortage of liquidity include:

- > an amount of cash outflows exceeding the amount of cash inflows;
- > low liquidity of investments;
- > potential cash flow mismatches.

Available cash is not limited to the cash and bank accounting items but is also related to the possibility of liquidating investments in the portfolio, taking into consideration the potential economic and equity loss arising from the sale. A further option to address liquidity risk in the medium term is the Company's ability to raise funds by issuing debt. The risk arising from these operations is defined as the possibility of not having access to the market or only having access at excessive costs. Assets for which policyholders bear no liquidity risk do not entail any liquidity risk for the Mediolanum Insurance Group as the assets are invested in units of UCITS that can be readily liquidated and payment to the customer only takes place after disinvestment of the units.

In accordance with the Liquidity Risk Management Policy of the Group, including the Insurance Group, in order to ensure proper risk monitoring, any deviations in the Group liquidity indicator from the limits defined are controlled at least once a quarter. This medium-term liquidity monitoring indicator did not flag up any critical situations for the Insurance Group in 2022.

Strategic risk

Pursuant to Article 19(i) of Ivass Regulation 38, strategic risk is regarded as the current and prospective possibility of a decline in profits or capital deriving from:

- > erroneous “strategic” decisions;
- > inadequate implementation of established strategic decisions;
- > a lack of responsiveness to changes in the competitive and market environment.

The Mediolanum Insurance Group and the individual companies that comprise it adopt the Risk Appetite Framework, which defines the risk appetite targets, risk tolerance thresholds and risk capacity limits in line with the individual strategic plans. These enable the corporate governance bodies to monitor continuously and effectively the actual versus the expected risk profile.

By means of specifically tasked ad hoc structures, Mediolanum Vita and the other companies of the Insurance Group also identify environmental, social and governance (ESG) risks, which are also assessed and managed at Mediolanum Conglomerate level.

Compliance risk

With reference to the provisions of Article 19, letter g) of Ivass Regulation 38, the Compliance function of the Insurance Group has identified and assessed the risks of non-compliance with the rules as the risk of incurring legal or administrative penalties or suffering losses or reputational harm as a result of non-compliance with directly applicable European laws, regulations and rules, or the provisions of supervisory authorities or self-regulations such as articles of association, codes of conduct or corporate governance codes; risk arising from unfavourable changes in the regulatory framework or case law guidelines.

Compliance risk is monitored, using a risk-based approach, by the Compliance Function in accordance with the compliance model described in the internal reference regulations, which is periodically reviewed and updated.

Operational risk

With reference to the provisions of Article 1, paragraph 1, letter *w-bis* 5) of the Private Insurance Code, operational risk is understood as: “the risk of losses resulting from the inadequacy or dysfunction of internal procedures, human resources or systems, or from external events”.

In this definition, it is important to emphasise the inclusion of legal risk, but not of strategic or reputation risk.

Operational risk also manages **IT risk** by means of a complex process that aims to identify vulnerabilities in the IT system, possible threats and the associated probability of occurrence, and to estimate the potential harm caused by the emergence of homogeneous groups of threats, known as “scenarios”. IT risk is the risk of incurring economic losses or loss of reputation and market share due to the use of information and communication technology.

Operational risk takes into account the annual expenses incurred in relation to the insurance risks/obligations assumed by the individual companies.

An operational loss is defined as a group of negative economic effects, net of recoveries and exceeding specifically selected minimum thresholds, arising from the occurrence of an operational event. Material losses are only those actual losses, both direct and indirect, of which the amount is certain as they have been transferred to the income statement.

Conduct risk, which is a sub-category of operational risk, can generally be defined as “the current or prospective risk of losses resulting from cases of the inappropriate offering of financial services, including cases of inappropriate conduct (wilful misconduct/negligence)”. The approach to conduct risk involves a clear interrelation between the strategies of business and of conduct of the financial institution and the Family Bankers, taking into account the corporate values and mission.

The indicator of actual losses is monitored at least once a quarter in order to properly monitor operational risk. The monitoring phase enables identification of the positioning of the indicator of actual losses with respect to the limits already established for operational risk under the Risk Appetite Framework.

The operational risk monitoring conducted in 2022 did not reveal any critical situations for the Insurance Group. In addition, risk indicators defined in the Risk Appetite Framework are monitored at least once a quarter. The monitoring conducted in 2022 did not reveal any critical situations for the Company.

Reputation risk

With regard to the provisions of Article 19, letter h) of Ivass Regulation 38, the Mediolanum Insurance Group and the individual companies that comprise it recognise that reputation is an indispensable value that forms the basis of the relationship of trust with customers and credibility with the market. Reputational risk is controlled through:

- > the identification and expression of the values to which the entire organisation should aspire;
- > the promotion of a corporate culture based on ethical principles of honesty, fairness and compliance with rules at all levels of the organisation;
- > the adoption of a reputation risk governance and control model.

Reputational risk may in fact derive from a variety of factors, including events relating to operational risk, violations of internal and external rules, the quality of internal and external communications, including through new media, and/or other digital communication tools, as well as other circumstances that could undermine the reputation of the Group as a whole and of the individual companies within it. To monitor certain aspects of reputational risk, Group companies conduct a quarterly check on mentions concerning online Mediolanum Group life and non-life insurance; in 2022 there were few mentions and they generally expressed positive or neutral opinions.

Contagion risk

Contagion risk is defined as the risk deriving from situations of difficulty arising in a Banca Mediolanum S.p.A. Group entity that may spread, with negative effects on the Insurance Group’s financial position, results or cash flows.

The Parent Company, Mediolanum Vita, has identified the reduction/loss of the sales network as its main contagion risk. It should be noted that the insurance products of Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life Branch Italy are placed by the sales network of Banca Mediolanum, while for the Spanish Branch, the products are placed by the sales network of Banco Mediolanum S.A. The contagion risk is assessed for ORSA purposes, assuming an impact of the network risk factor on both new production volumes and the “in force” portfolio.

Part F – Information on consolidated capital

SECTION 1 – Consolidated capital

A. QUALITATIVE INFORMATION

The Banca Mediolanum Group prioritises capital monitoring. The Group adopts appropriate measures in order to comply with the regulatory requirements of the supranational and national supervisory bodies.

Monitoring of the Group's capital helps to prevent potential situations of tension from arising. This activity is entrusted to the strategic supervisory body (the Board of Directors), which is responsible for the Group's management functions, and is tasked with defining the guidelines for the various operational functions, including the relevant acceptable risk profiles (formalised in the Risk Appetite Framework (RAF) document). The RAF, which is reviewed periodically, is the frame of reference that determines the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes for defining and implementing such policies, in accordance with the risk capacity.

At 31 December 2022, the ratios of the Banca Mediolanum Group were well above the regulatory thresholds.

B. QUANTITATIVE INFORMATION

B.1 Carrying amount of consolidated capital: breakdown by type of business

€/000	PRUDENTIAL CONSOLIDATION	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS	TOTAL
1. Capital	708,578	234,915	20,517	(363,558)	600,452
2. Issue premiums	5,297				5,297
3. Reserves	2,278,029	858,876	28,059	(1,105,749)	2,059,215
3.5 Interim dividends (-)	(177,133)	-	-	-	(177,133)
4. Equity instruments					-
5. (Treasury shares)	(33,146)	-	-	-	(33,146)
6. Valuation reserves	(41,141)	(20,227)	-	20,259	(41,109)
- Equity securities designated at fair value through other comprehensive income	(19,090)	(5,444)		-	(24,534)
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(1,580)	(15,127)		-	(16,707)
- Actuarial gains (losses) relating to defined benefit pension plans	(110)	240	-	-	130
- Share of valuation reserves of equity investments measured at equity	(20,363)			20,363	-
- Special revaluation laws		104		(104)	-
7. Net income for the year	995,116	136,201	(8,570)	(600,944)	521,803
TOTAL	3,735,600	1,209,765	40,006	(2,049,992)	2,935,379

* This column includes the aggregate values of the prudential consolidation items.

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

€/000	Prudential consolidation		Insurance companies		Other companies		Consolidation eliminations and adjustments		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		(1,580)	1,413	(16,540)					1,413	(18,120)
2. Equity securities	9	(19,096)		(5,444)	-	-	1		10	(24,540)
3. Loans					-	-			-	-
TOTAL 31/12/2022	9	(20,676)	1,413	(21,984)	-	-	1	-	1,423	(42,660)
TOTAL 31/12/2021	6,538	(33)	24,174	(14,715)	-	-	13	-	30,725	(14,748)

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual change

	Debt securities	Equity securities	Loans
1. Opening balances	8,189	7,778	-
2. Increases	10,083	-	-
2.1 Fair value increases	3	-	-
2.2 Credit risk-induced value adjustments	3	X	-
2.3 Reversal to the income statement of negative reserves from disposal	-	X	-
2.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
2.5 Other changes	10,077	-	-
3. Negative changes	(34,978)	(32,308)	-
3.1 Fair value reductions	(32,915)	(32,308)	-
3.2 Credit risk induced write-backs	(511)	-	-
3.3 Reversal to the income statement from positive reserves: from disposal	(1,455)	X	-
3.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
3.5 Other changes	(97)	-	-
4. Closing balances	(16,706)	(24,530)	-

B.4 Valuation reserves related to defined-benefit plans: annual changes

Valuation reserves relating to defined benefit plans at 31 December 2022 amounted to +€130 thousand, compared with -€1,364 thousand in the previous year.

SECTION 2 – Own funds and regulatory banking ratios

Please refer to the information provided to the public (Pillar III) at the consolidated level.

Part G – Business combinations involving businesses or business units

SECTION 1 – Operations performed during the year

1.1 Business combinations

There are no transactions to report carried out in 2022.

SECTION 2 – Operations performed after the end of the financial year

2.1 Business combinations

There are no events to report after the close of the financial year.

SECTION 3 – Retrospective adjustments

There are no retrospective adjustments to report.

Part H – Related party transactions

The Board of Directors of Banca Mediolanum has adopted a Single Group Regulation to manage transactions with related parties and affiliated persons in compliance with the procedures laid down by law. This document takes into account both Consob Resolution 17221/2010 as subsequently updated and the supervisory provisions concerning transactions with “Affiliated Persons”.

During the 2022 financial year, the Mediolanum Group entered into transactions with related parties. These transactions are part of the normal operations of the companies belonging to the Mediolanum Group and are regulated under market conditions.

In accordance with IAS 24, the related parties of the Mediolanum Group are:

- > the Fin. Prog. companies, wholly owned by the Doris family and the Fininvest company headed by Silvio Berlusconi;
- > “key management personnel” and close family members of “key management personnel” and companies subject to the control, including joint control, of key management personnel or their close family members;
- > the Chief Executive Officer, other members of the Board of Directors and Statutory Auditors, their close family members and companies subject to their control, including joint control.

For the purposes of defining and managing related party transactions, reference is made to the rules defined in Consob Regulation 17221/2010, as subsequently updated, and Bank of Italy Circular 285. Considering that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions cited above, it was considered, for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years, even if at present the connection for the purposes of inclusion in the IAS 28 consolidation scope has ceased.

1. Information concerning the remuneration of key management personnel

€/000	Directors, executives, deputy general managers and statutory auditors	Other key management personnel
Emoluments and social security contributions	(11,728)	(2,216)
Other remuneration	(55)	(29)

2. Information on related party transactions

The following table shows the credit and debit balances outstanding at 31 December 2022 in respect of related parties other than intercompany parties. The scope of related parties considered for the purposes of the tables in this section has been extended, on the basis of IAS 24.

€/000	31/12/2022
Asset items	
Financial assets held for trading	35
Financial assets at fair value through other comprehensive income	261,770
Loans to banks	3,729
Loans to customers	19,884
Other assets	12
Liability items	
Payables to banks	291
Payables to customers	512,093
Financial liabilities held for trading	11,768
Other liabilities	4,388
Guarantees issued and commitments given	394

€/000	31/12/2022
Income statement items	
Interest income and similar income	335
Interest expense and similar expenses	(1,466)
Net interest	(1,131)
Commission income	44,829
Commission expense	(3,517)
Net commission income	41,312
Dividends	21,821
Premiums issued	10,829
Administrative expenses	(6,875)
Other operating revenues and expenses	(14,425)

Part I – Share-based payment agreements

QUALITATIVE INFORMATION

1. Description of share-based payment agreements

STOCK OPTION PLANS

On 9 March 2010, the Board of Directors of Mediolanum S.p.A., with the agreement of the Remuneration Committee, approved the general guidelines for a share ownership plan for the directors and executives of the Company and its subsidiaries, called the “2010 Top Management Plan” and a share ownership plan for the staff – i.e., members of the sales network – of the Company and its subsidiaries, called the “2010 Employee Plan”, which were subsequently submitted for approval by the extraordinary shareholders’ meeting of 27 April 2010. The plans were divided as follows:

- The 2010 Top Management Plan: for directors and executives of the Company and its subsidiaries who hold strategic roles within the Company and/or its subsidiaries.

- The 2010 Employee Plan: for the staff of the Company and its subsidiaries, identified from time to time on the basis of the role held by each individual employee and his/her contribution to the development of the business.

The 2010 Top Management Plan specifies a vesting period for the options of three to five years from the grant date, and that the options can be exercised for a period of three years from the end of the vesting period. The 2010 Employee Plan specifies a vesting period for the options of five to ten years from the grant date, and that the options can be exercised for a period of three years from the end of the vesting period. Under both Plans, the exercise of the options is also conditional on the achievement of specific corporate and/or individual performance objectives. The Plans are designed to incentivise the beneficiaries and are also an appropriate tool for determining value creation and growth for the Company and, consequently, for shareholders. The 2010 Top Management Plan is considered appropriate for linking the incentives of directors with particular mandates and executives with strategic roles both with the medium-term performance of the Company and the group and with individual performance, aligning the objectives and maximising value creation for shareholders.

The 2010 Employee Plan is an appropriate tool for linking employees’ incentives to both individual results and the medium-term performance of the Company and the group and, consequently, to value creation for shareholders. Furthermore, the 2010 Employee Plan is a strong retention tool, due to the vesting period of the options.

On 8 July 2010, following consultation with the Remuneration Committee, the Board of Directors of Mediolanum S.p.A. resolved by virtue of the powers conferred by the Ordinary and Extraordinary Shareholders’ Meeting of 27 April 2010:

- › to approve the regulations of the share ownership plans for company directors and executives (the “2010 Top Management Plan”) and the plan for group and company employees (the “2010 Employee Plan”);
- › to increase the Company’s capital for payment by a maximum of €160,000.00 through the issue of up to 1,600,000 shares to service the granting of options under the 2010 Top Management Plan;
- › to increase the Company’s capital for payment by a maximum of €131,744.20 through the issue of up to 1,317,442 shares to service the granting of options under the 2010 Employee Plan.

On 12 May 2011, the Board of Directors of Mediolanum S.p.A., with the agreement of the Remuneration Committee, resolved, *inter alia*, by virtue of the powers conferred by the Ordinary and Extraordinary Shareholders’ Meeting of 27 April 2010, to:

- › to approve the updating of the regulations of the share ownership plan for company directors and executives (the “2010 Top Management Plan”) and the plan for group and company employees (the “2010 Employee Plan”);
- › to increase the share capital, partially executing the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, by a maximum of €188,200.00 through the issue of up to 1,882,000 ordinary shares to service the granting of options under the 2010 Top Management Plan;
- › to increase the share capital, partially executing the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, by a maximum of €67,427.50 through the issue of up to 674,275 ordinary shares to service the granting of options under the 2010 Employee Plan.

On 10 May 2012, in execution of the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders’ meeting of 19 April 2012, the Board of Directors resolved:

- › to increase the share capital for payment by a maximum of €186,405.00 through the issue of up to 1,864,050 ordinary shares to service the granting of options under the 2010 Top Management Plan;
- › to increase the share capital for payment by a maximum of €70,840.00 through the issue of up to 708,400 ordinary shares to service the granting of options under the 2010 Employee Plan.

On 9 May 2013, in execution of the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders’ meeting of 19 April 2012, the Board of Directors resolved:

- › to approve certain amendments and updates to the regulations of the share ownership plan for directors and executives of the Company and the Group (“2010 Top Management Plan”) and the plan for Group and Company employees (“2010 Employee Plan”) relating to certain specific corporate and/or individual performance targets which have to be achieved in order for the options to be exercised. The proposed amendments to the exercise conditions also apply to the options already granted in previous granting cycles;
 - to increase the Company’s capital for payment by a maximum of €136,155.00 through the issue of up to 1,361,550 shares to service the granting of options under the 2010 Top Management Plan;
 - to increase the Company’s capital for payment by a maximum of €95,100.00 through the issue of up to 951,000 shares to service the granting of options under the 2010 Employee Plan.

On 14 May 2014, in execution of the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders’ meeting of 19 April 2012, the Board of Directors resolved:

- › to increase the Company’s capital for payment by a maximum of €97,335.0 through the issue of up to 973,350 shares to service the granting of options under the 2010 Top Management Plan;
- › to increase the Company’s capital for payment by a maximum of €121,425.00 through the issue of up to 1,214,250 shares to service the granting of options under the 2010 Employee Plan.

On 25 February 2015, in execution of the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders’ meeting of 19 April 2012, the Board of Directors resolved:

- › to increase the Company’s capital for payment by a maximum of €700,000.00 through the issue of up to 7,000,000 shares to service the granting of options under the 2010 Employee Plan.

The issue price was determined in implementation and in full compliance with the objective criteria already approved by the shareholders’ meeting resolution and already the subject of a fairness opinion of the independent auditor.

PERFORMANCE SHARE PLANS

On 10 April 2018, the ordinary shareholders' meeting of Banca Mediolanum, as in the previous year, approved the establishment of a new performance share plan, called:

- the "2018 Top Management Plan - Key Personnel", for directors and executives of Banca Mediolanum and/or the subsidiaries of the Mediolanum Banking Group and/or the other companies of the Mediolanum Group;
- the "2018 Top Management Plan - Other Personnel", for the senior management of Banca Mediolanum and/or the other companies of the Mediolanum Group known as the "Executive" plan;
- the "2018 Employee Plan - Key Personnel" for employees, i.e. members of the sales network of Banca Mediolanum and/or other Group companies that are classed as Key Personnel;
- the "2018 Employee Plan - Other Personnel" for employees of Banca Mediolanum and/or other Group companies that are not classed as Key Personnel.

Under the Performance Share Plans, a portion of the variable component of the remuneration of beneficiaries, or of the non-recurring component for employees, is granted through the free assignment to each of the beneficiaries of rights ("Units") to receive, again free of charge, ordinary shares of Banca Mediolanum ("Shares") held by the same in the ratio of one ordinary share for each unit accrued.

The Shareholders' Meeting also revoked the resolution authorising the disposal of ordinary treasury shares adopted by the Ordinary Shareholders' Meeting of Banca Mediolanum S.p.A. on 5 April 2017 and, pursuant to Article 2357 of the Italian Civil Code, authorised the purchase, on one or more occasions, for eighteen months from the date of the resolution passed by the Shareholders' Meeting, of ordinary shares of the Bank, up to a maximum of 2,500,000 ordinary shares of Banca Mediolanum S.p.A. and, in any event, taking into account the ordinary shares of Banca Mediolanum S.p.A. held from time to time by the Bank and its subsidiaries, within the maximum limit established by applicable legislation and in any case within the limit of the maximum total consideration of €17,500,000; the authorisation to dispose of ordinary treasury shares was granted with no time limit. The set of circumstances described led the Bank to view the transaction as a share-based payment to be settled with equity instruments ("Equity-settled share-based payment transaction") booked from the performance reference period and throughout the service period, in accordance with IFRS 2.

PHANTOM SHARE PLANS

The 2020 Remuneration Policies also allow the Bank to establish long-term incentive plans based on a multi-year future performance assessment. The Shareholders' Meeting of 16 April 2020 also approved a long-term incentive and loyalty plan called the "2020-2022 Phantom Share LTI Plan" aimed at various top key people who play crucial roles relating to particular responsibilities and/or competences and have a strong impact on the growth of the business and the governance of the Mediolanum Group.

The purpose of the Plan is to encourage and retain the top management and the Bank/Group personnel regarded as key to particular responsibilities and/or competences, with a strong impact on the business growth and governance of the Bank and the Group from a long-term perspective, and to link a component of the variable remuneration of the beneficiaries of the Plan to the achievement of certain corporate performance targets to be assessed over a multi-year future period, in order to align the interests of the beneficiaries with the pursuit of the priority objective of creating value for shareholders in a long-term perspective.

Phantom shares are virtual units of measure that represent a right to payment the valuation of which replicates the performance of an ordinary share of the Bank and which, once vested under the terms and conditions set out in the Plan and after the Retention Period has elapsed, will be redeemed in cash through the payment of a sum to each Beneficiary free of charge.

QUANTITATIVE INFORMATION

1. Annual changes

	Prudential consolidation			Insurance companies			Other companies			Total 31/12/2022			Total 31/12/2021		
	Number of options	Average exercise price (euro)	Average maturity	Number of options	Average exercise price (euro)	Average maturity	Number of options	Average exercise price (euro)	Average maturity	Number of options	Average exercise price (euro)	Average maturity	Number of options	Average exercise price (euro)	Average maturity
A. Opening balances	3,623,888	1.55	Apr-23							3,623,888	1.55	Apr-23	4,319,518	1.50	Oct-25
B. Increases	-		X			X			X	-		X	-		X
B1. New issues	-									-			-		
B2. Other changes	-		X			X			X	-		X	-		X
C. Decreases	943,013		X			X			X	943,013		X	695,631		X
C1. Cancelled			X			X			X			X			X
C2. Exercised	943,013	0.54	X			X			X	943,013	0.54	X	695,631	0.78	X
C3. Expired			X			X			X	-	-	X	-	-	X
C4. Other changes			X			X			X			X			X
D. Closing balances	2,680,876	1.70	Jul-26							2,680,876	1.70	Jul-26	3,623,888	1.55	Apr-23
E. Options exercisable at the end of the year	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X

2. Other information

The cost incurred for stock options for 2022 was €1.0 million; and for performance shares was €12.1 million. The cost recorded for phantom shares was €0.7 million.

Part L – Segment reporting

This section presents the consolidated segment results which, pursuant to IFRS 8, were prepared using a format that reflects the management system of the Mediolanum Group (the “management reporting approach”), in accordance with all the information provided to the market and to the various stakeholders.

This representation of the breakdown of the consolidated result for the period makes it possible to assess the quality and sustainability over time of the results generated by the Mediolanum Group in the various operating segments.

The income statement by segment, pursuant to IFRS 8, shows the consolidated results of the Mediolanum Group in relation to the following operating segments:

- » ITALY - BANKING
- » ITALY - ASSET MANAGEMENT
- » ITALY – INSURANCE
- » ITALY - OTHER
- » SPAIN
- » GERMANY

The income statement by segment, or by Result Area, was prepared by allocating costs and revenues to the various segments according to a hybrid model, half-way between the Direct Costing and Full Costing models, given the essentially indirect nature of the operating activities carried out by the Mediolanum Group.

While revenues can be originally and directly allocated to products and, through aggregation, to the Result Areas, costs underwent an allocation process according to the varying degrees to which they could be assigned to the products and the nature of the underlying processes:

- > Direct costs, which can be attributed to the products according to the individual processed parts.
- > Indirect costs allocated to the Result Areas, assigned to the products according to their correlation with the production of commercial volumes: costs related to the marketing and commercial support processes.
- > Unallocated indirect costs: costs of a strictly administrative nature, or costs related to control or infrastructure processes, the allocation of which to the products/Result Areas would be highly arbitrary.

Operating data by business area at 31/12/2022

Data in €/000	ITALY								Foreign				Total	
	Banking		Asset management		Insurance		Other		TOTAL	Spain		Germany		
Entry fees	-		29,009		-		-		29,009	13,200		-		42,209
Management fees	-		579,860		587,265		-		1,167,125	98,455		7,608		1,273,188
Investment management fees	-		106,064		74,788		-		180,852	14,765		1,150		196,767
Net insurance revenues ex U-L commissions	-		-		59,167		-		59,167	26,526	-	308		85,385
Banking service fees	149,086		-		-		-		149,086	8,423		58		157,567
Other fees	4,799		23,169		11,108		3,560		42,636	2,639		328		45,603
Gross commission income	153,885		738,102		732,328		3,560		1,627,875	164,008		8,836		1,800,719
Acquisition costs	-	101,608	-	245,079	-	259,553	-	50	-	67,645	-	3,055	-	676,990
Other commission expenses	-	31,204	-	29,566	-	23,369	-	-	-	10,913	-	841	-	95,893
Total commission expense	-	132,812	-	274,645	-	282,922	-	50	-	78,558	-	3,896	-	772,883
Net commission income		21,073		463,457		449,406		3,510		85,450		4,940		1,027,836
Net interest income	369,505	-	14,515		17,280		6		372,277	34,602		119		406,998
Net gains on disposal of other investments		16		139		5,070		18,271	23,495	-	159		79	23,415
Net value adjustments of other investments	-	805	-	-	15,439	-	586	-	16,830		25	-	-	16,805
Net income on other investments	-	789		139	-	10,369		17,685	6,665	-	134		79	6,610
LLP (impairment on loans)	-	20,393		-		-		-	20,393	-	1,051	-	37	21,481
Other revenues and expenses	-	2,768	-	1,300		2,274		4,245	2,451		4,556		352	7,359
LEVEL I CONTRIBUTION MARGIN		366,628		447,782		458,591		25,445	1,298,446		123,423		5,453	1,427,322
Allocated costs	-	215,903	-	88,120	-	115,498	-	5,093	-	55,688	-	6,720	-	487,022
Regular contributions to banking industry	-	28,574		-		-		-	28,574	-	3,614	-	36	32,224
LEVEL II CONTRIBUTION MARGIN		122,151		359,662		343,093		20,352	845,258		64,121	-	1,303	908,076
Unallocated costs	-		-		-		-	-	167,821		-		-	167,821
Depreciation & amortization/Provisions	-		-		-		-	-	48,914	-	10,927	-	126	59,967
Depreciation & amortization	-		-		-		-	-	34,504	-	6,164	-	126	40,794
Provisions for risk and charges	-		-		-		-	-	14,410	-	4,763		-	19,173
OPERATING MARGIN		122,151		359,662		343,093		20,352	628,523		53,194	-	1,429	680,288
Performance fees	-		8,404		3,822		-		12,226		492		35	12,753
Net income on investments at fair value	-	11,826	-	29	-	1,663	-	-	13,519	-	160	-	12	13,691
MARKET EFFECTS	-	11,826		8,375		2,158		-	1,293		332		23	938
Extraordinary contributions and guarantee funds	-	10,465		-		-		-	10,465		-		-	10,465
Other extraordinary items	-	7,300		-		-		-	7,300		-		-	7,300
EXTRAORDINARY ITEMS	-	17,765		-		-		-	17,765		-		-	17,765
SEGMENT MARGIN BEFORE TAX		92,560		368,037		345,251		20,352	609,465		53,526	-	1,406	661,585
Taxes for the year	-		-		-		-	-	131,922	-	8,040		180	139,782
NET INCOME FOR THE YEAR	-		-		-		-		477,543		45,486	-	1,226	521,803

Operating data by business area at 31/12/2021

Data in €/000	ITALY					Foreign		Total
	Banking	Asset management	Insurance	Other	TOTAL	Spain	Germany	
Entry fees	-	38,251	-	-	38,251	15,751	-	54,002
Management fees	-	599,504	561,765	-	1,161,269	92,185	8,915	1,262,369
Investment management fees	-	104,911	72,746	-	177,657	13,866	1,364	192,887
Net insurance revenues ex U-L commissions	-	-	40,301	-	40,301	20,130	69	60,500
Banking service fees	133,809	-	-	-	133,809	7,626	8,863	150,298
Other fees	4,642	24,789	10,694	2,891	43,016	2,353	394	45,763
Gross commission income	138,451	767,456	685,505	2,891	1,594,303	151,911	19,605	1,765,819
Acquisition costs	- 94,429	- 255,016	- 276,779	768	- 625,455	- 69,006	- 3,923	- 698,384
Other commission expenses	- 29,916	- 34,607	- 23,827	-	- 88,350	- 12,177	- 7,765	- 108,292
Total commission expense	- 124,345	- 289,622	- 300,606	768	- 713,805	- 81,183	- 11,688	- 806,676
Net commission income	14,106	477,834	384,900	3,659	880,498	70,728	7,917	959,143
Net interest income	263,115	- 13,360	1,823	-	251,578	19,096	- 494	270,180
Net gains on disposal of other investments	23	129	3,527	16,966	20,645	1	-	20,646
Net value adjustments of other investments	633	-	- 1,148	- 1,121	- 1,636	94	-	- 1,542
Net income on other investments	657	129	2,379	15,844	19,009	95	-	19,104
LLP (impairment on loans)	- 22,275	-	-	-	- 22,275	- 646	97	- 22,824
Other revenues and expenses	- 3,100	- 1,072	3,525	3,444	2,796	3,023	1,504	7,323
LEVEL I CONTRIBUTION MARGIN	252,502	463,530	392,627	22,948	1,131,607	92,296	9,024	1,232,927
Allocated costs	- 187,190	- 76,378	- 102,855	- 4,766	- 371,188	- 46,892	- 12,433	- 430,513
Regular contributions to banking industry	- 25,140	-	-	-	- 25,140	- 2,709	- 199	- 28,048
LEVEL II CONTRIBUTION MARGIN	40,172	387,152	289,772	18,182	735,279	42,695	- 3,608	774,366
Unallocated costs	-	-	-	-	- 163,993	-	-	- 163,993
Depreciation & amortization/Provisions	-	-	-	-	- 100,459	- 6,921	- 409	- 107,789
Depreciation & amortization	-	-	-	-	- 33,257	- 5,347	- 409	- 39,013
Provisions for risk and charges	-	-	-	-	- 67,202	- 1,574	-	- 68,776
OPERATING MARGIN	40,172	387,152	289,772	18,182	470,827	35,774	- 4,017	502,584
Performance fees	-	197,120	123,953	-	321,073	21,591	5,079	347,743
Net income on investments at fair value	66,708	- 121	- 702	-	65,884	722	- 12	66,594
MARKET EFFECTS	66,708	196,998	123,251	-	386,957	22,313	5,067	414,337
Extraordinary contributions and guarantee funds	- 7,627	-	-	-	- 7,627	-	-	- 7,627
Other extraordinary items	-	-	-	-	- 14,878	- 3,825	- 121	- 18,824
EXTRAORDINARY ITEMS	- 7,627	-	-	-	- 22,505	- 3,825	- 121	- 26,451
SEGMENT MARGIN BEFORE TAX	99,253	584,150	413,023	18,182	835,279	54,262	929	890,470
Taxes for the year	-	-	-	-	- 166,796	- 9,151	- 1,467	- 177,414
NET INCOME FOR THE YEAR	-	-	-	-	668,483	45,111	- 538	713,056

Reconciliation of the income statement at 31/12/2022 with the reclassified income statement

(1 of 2)

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
Entry fees			-	42,209
Management fees			(89,862)	1,273,188
Investment management fees			-	196,767
Net insurance revenues ex U-L commissions	160. Net premiums	2,206,984	17,267	2,224,251
	170. Balance of other revenues/expenses from insurance operations	792,792	(2,931,658)	(2,138,866)
Banking service fees			(1,530)	157,567
Other fees			(10,410)	45,603
Performance fees			(12,753)	
Gross commission income	40. Commission income	1,829,922	-	1,800,719
Acquisition costs		(664,041)	(13,220)	(677,258)
Other commission expenses		(103,258)	7,365	(95,893)
Total commission expense	50. Commission expense	(767,297)	-	(773,151)
Net commission income	60. Net commission income	1,062,625	-	1,027,568
Interest income and similar income	10. Interest income and similar income	552,927	(67,234)	485,693
Interest expense and similar expenses	20. Interest expense and similar expenses	(80,143)	1,448	(78,695)
Net interest income	30. Net interest income	472,784		406,998
Equity method valuation		-	-	-
			-	23,415
	70. Dividends and similar income	25,421	-	25,421
	100. a) Financial assets measured at amortised cost	(144)	-	(144)
	100. b) Financial assets at fair value through other comprehensive income	1,942	(3,219)	(1,277)
Net proceeds on disposal of other investments	100. c) Financial liabilities	-	-	-
	230. Other operating income/expenses	826	(5,481)	(4,655)
	250. Gains (losses) on equity investments	-	-	-
	280. Gains (losses) on disposal of investments	4,174	(105)	4,069
Net value adjustments of other investments	130. b) Financial assets at fair value through other comprehensive income	176	(16,981)	(16,805)
Net income on other investments			-	6,610
LLP (impairment on loans)	130. a) Financial assets measured at amortised cost	(22,600)	1,119	(21,481)
Other revenues and expenses	230. Other operating income/expenses	-	7,359	7,359
Contribution margin			-	1,427,054

Reconciliation of the income statement at 31/12/2022 with the reclassified income statement

(2 of 2)

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
		(673,353)	-	(654,861)
G&A expenses	190. a) Staff costs	(276,000)	(1,546)	(277,546)
	190. b) Other administrative expenses	(397,353)	29,431	(367,922)
	230. Other operating income/expenses	-	(9,393)	(9,393)
Regular contributions to banking industry	190. b) Other administrative expenses	-	(32,224)	(32,224)
Depreciation & amortization/Provisions		(81,731)	-	(59,967)
		(67,196)	-	(40,794)
Depreciation & amortization	210. Net value adjustments/write-backs of tangible assets	(33,659)	26,368	(7,291)
	220. Net value adjustments/write-backs of intangible assets	(33,537)	(2)	(33,539)
		(14,535)	-	(19,173)
Provisions for risk and charges	200. a) Commitments and guarantees given	(277)	-	(277)
	200. b) Other net provisions	(14,258)	(4,637)	(18,895)
Total costs		(755,084)	-	(747,052)
Operating margin			-	680,002
Performance fees	40. Commission income	-	12,753	12,753
		(3,121,011)	-	(13,691)
Net income on investments at fair value	80. Net gains (losses) from trading	(15,183)	(11,473)	(26,656)
	90. Net gains (losses) from hedging	1,702	-	1,702
	110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss (IFRS 7 par. 20(a)(i))	(3,107,530)	3,118,794	11,264
Market effects			-	(938)
		-	-	-
Capital gains (losses)	250. Gains (losses) on equity investments	-	-	-
	280. Gains (losses) on disposal of investments	-	-	-
Extraordinary contributions and guarantee funds	190. b) Other administrative expenses	-	(10,465)	(10,465)
		-		(7,014)
Extraordinary items	190.bis Other extraordinary items	-	286	286
	200. Net provisions for risk and charges	-	-	-
	270. Goodwill adjustments	(7,300)	-	(17,479)
Profit before tax	290. Net income from continuing operations before tax	661,586	-	661,586
Taxes for the year	300. Taxes on income from continuing operations	(139,783)	-	(139,783)
Net income for the year	330. Net income for the year	521,803	-	521,803

Statement of financial position data by business area at 31/12/2022

€/000	ITALY					ABROAD		Total
	Asset management	Banking	Insurance	Other	Total	Spain	Germany	
Goodwill	22,669	-	125	-	22,794	102,831	-	125,625
Securities at amortised cost	-	14,492,055	1,874,278	-	16,366,333	2,080,098	-	18,446,431
Securities with impact on OCI	67,113	307,876	709,923	41	1,084,953	4,498	335	1,089,786
Securities through PL	4,154	1,181,720	108,571	-	1,294,445	25,861	3,797	1,324,103
Fin. assets where the risk is borne by policyholders	-	-	16,430,899	-	16,430,899	984,113	165,239	17,580,251
- of which intercompany	-	-	288,162	-	288,162	-	-	288,162
Net money market lending (*)	31,565	1,991,955	162,255	2	2,185,776	249,364	1,334	2,436,474
- of which intercompany	12,287	(1,558,901)	137,193	2,024	(1,407,397)	42,710	41,057	(1,323,630)
Lending to customers	100,951	16,009,235	(738)	-	16,109,448	1,239,277	566	17,349,291
- of which intercompany	3,396	1,679,872	1,854	-	1,685,122	-	-	1,685,122
Banking inflows (**)	3,807	32,182,622	(551)	-	32,185,878	3,440,525	421	35,626,824
- of which intercompany	20,682	638,566	1,828	-	661,076	17,267	-	678,343
Net technical provisions	-	-	18,396,265	-	18,396,265	1,528,658	44,903	19,969,825

(*) Cash and cash equivalents; Banks - assets (Item 40a) and liabilities (Item 10a) at amortised cost - includes debt securities

(**) Customers - liabilities at amortised cost (Item 10b)

Part M – Lease reporting

QUALITATIVE INFORMATION

The adoption of IFRS 16 by the Mediolanum Group mainly relates to property leases. To estimate the lease term, the first renewal period provided for in the agreements was regarded as reasonably certain, unless any contractual clauses or specific circumstances resulted in the inclusion of additional renewals or vice versa in the term of the contract. These contracts generally do not include options to purchase the property at the end of the lease. The Mediolanum Group takes advantage of the exemption allowed under IFRS 16:5 (a) in relation to short-term leases, understood as leases with a residual term of 12 months or less.

Finally, please note that the events referred to in IFRS 16, paragraph 59, letters b), c) and d) and paragraph 55 are not considered relevant for the Mediolanum Group.

QUANTITATIVE INFORMATION

For quantitative information on the rights of use acquired under the lease, see Part B, Assets, Section 9 – Tangible assets. Information on lease liabilities is contained in Part B, Liabilities, Section I – Financial liabilities measured at amortised cost. Information on interest expense on lease liabilities and other charges related to the rights of use acquired with lease is set out in Part C, Income statement.

It should be noted that no gains and losses arising from sales and leaseback transactions, or income from sub-leasing transactions, have been recognised.

The amortisation recognised in the year for rights of use acquired through leasing, broken down by class of underlying asset, is shown below:

€/000	Amortisation 2022
ASSETS	
Rights of use acquired through leasing	
I. Tangible assets	(9,752)
I.1 land	
I.2 buildings	(9,752)
I.3 furniture	
I.4 electronic equipment	
I.5 other	

SECTION 2 – Lessor

QUALITATIVE INFORMATION

The Mediolanum Group as lessor has leases in place consisting exclusively of lease agreements classified in the financial statements as operating leases. With respect to the methods by which the lessor manages the risk associated with the rights it holds over the underlying assets, it should be noted that the agreements include clauses prohibiting the lessee from ceding the agreement to third parties without the written consent of the lessor, periodic rent updates according to the confirmed change in the ISTAT consumer price index for blue and white collar worker households, and a contractual term at the end of which, unless renewed where provided for, the lease agreement ceases and the premises become available to the lessor.

QUANTITATIVE INFORMATION

Payments due under operating leases were recognised, on an accruals basis, in the consolidated income statement as income.

1. Information about the statement of financial position and income statement

The Mediolanum Group did not recognise any leasing loans. With regard to the assets granted under operating leases, as described above, the Group as lessor has leases in place consisting of lease agreements for a portion of the real estate it owns.

Payments due under operating leases were recognised, on an accruals basis, in the consolidated income statement as income.

2. Finance leases

2.1 Classification of payments to be received by time bands and reconciliation with leasing loans recognised under assets

No data to report.

2.2 Other information

No data to report.

3. Operating leases

3.1 Classification of payments to be received by time bands

The following are the non-discounted lease payments to be received by maturity. Note that the payments relate to the contractual rents provided for in the lease agreements for certain properties owned by the Mediolanum Group, which allow the lessees early withdrawal subject to the notice provided for in the agreement.

€/000	2022 lease payments to be received
TIME BANDS	
Up to 1 year	9,308
Over 1 year to 5 years	38,988
Over 5 years	21,754
TOTAL	70,050

3.2 Other information

As previously indicated, the Mediolanum Group as lessor has leases in place consisting of lease agreements for owned properties. For information about how the Group manages the risk associated with the rights it holds over the underlying assets, see the paragraph “Qualitative information” in this section.

Declaration of the Financial Reporting Officer



Certification of the consolidated financial statements pursuant to Article 154-*bis*(5) of Legislative Decree 58 of 24 February 1998 and Article 81-*ter* of Consob Regulation 11971 of 14 May 1999, as amended.

- I. The undersigned, Massimo Antonio Doris, as the Chief Executive Officer, and Angelo Lietti, as the Financial Reporting Officer of Banca Mediolanum S.p.A., hereby certify, also taking account of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
 - > the appropriateness in relation to the characteristics of the company and
 - > the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the 2022 financial year.

2. The assessment of the adequacy and effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2022 was based on a process defined by Banca Mediolanum S.p.A. consistent with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally accepted international framework.

3. It is further certified that:

3.1 The consolidated financial statements:

- > have been prepared in accordance with the international accounting standards recognised in the European Community in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 and Article 9 of Legislative Decree 38/2005;
- > correspond to the figures in the accounting books and records;
- > are suitable to provide a true and correct representation of the financial position and profit performance of the issuer and of all of the companies within the scope of consolidation.

3.2 The Report on Operations includes a reliable analysis of the performance and operating results, as well as the situation, of the issuer and of the companies within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Basiglio, 07 March 2023

The Financial Reporting Officer

(Angelo Lietti)

The Chief Executive Officer

(Massimo Antonio Doris)

ANNEX 1 Mediolanum Group Reporting

Required under prudential regulations



Mediolanum Group Reporting required under prudential regulations

A. Country-by-country reporting

€ / 000						
Company	Geographic location of settlement	Nature of business	Turnover (*)	Number of full-time or equivalent employees (individuals)	Profit before tax	Tax
Banca Mediolanum S.p.A.	Italy	Banking	500,474	2,451	531,748	(14,971)
Mediolanum Assicurazioni S.p.A.	Italy	Insurance	91,627	45	24,179	(7,266)
Mediolanum Vita S.p.A.	Italy	Insurance	1,777,651	144	141,986	(45,623)
Mediolanum Gestione Fondi SGR p.A.	Italy	Financial	54,718	37	42,798	(12,641)
Mediolanum Fiduciaria S.p.A.	Italy	Financial	465	8	(1,056)	252
Mediolanum Comunicazione S.p.A.	Italy	Non-financial	6,506	16	418	(123)
PI Servizi S.p.A.	Italy	Non-financial	705	-	(503)	(436)
PreXta S.p.A.	Italy	Financial	24,067	87	1,106	(288)
FloWe S.p.A. - S.B.	Italy	Financial	(1,805)	126	(38,108)	9,181
Banco Mediolanum SA	Spain	Banking	93,537	316	30,243	(515)
Mediolanum Gestion S.G.I.I.C. SA	Spain	Financial	3,897	10	2,254	(557)
Mediolanum Pensiones S.G.F.P. IAC	Spain	Financial	1,907	2	1,184	(296)
Fibanc SA	Spain	Financial	-	-	(3)	-
Mediolanum International Funds Ltd	Ireland	Financial	551,033	138	508,307	(63,816)
Mediolanum International Life DAC	Ireland	Insurance	340,841	25	25,977	(3,053)
August Lenz & Co. AG**	Germany	Non-financial	262	32	(7,631)	-
Consolidation adjustments					(601,313)	370
Total			3,445,884	3,437	661,586	(139,783)

(*) for financial corporations: brokerage margin, for non-financial corporations that do not present IAS/IFRS adjustments: value of production; for insurance companies, net premiums

(**) August Lenz & Co. AG is no longer part of the Mediolanum Banking Group as of 7 November 2022.

Public contributions

The Mediolanum Group did not receive any contributions from general government in 2022. It should be noted that, in accordance with the provisions for compiling the report in question, these contributions do not include transactions undertaken with central banks for financial stability purposes or transactions with the aim of facilitating the monetary policy transmission mechanism.

A. Publication of return on assets

€/000		
Net income	521,803	0.71%
Total assets	73,598,890	

Independent auditor consolidated report





Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Banca Mediolanum SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Mediolanum Group (the “Group”), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Banca Mediolanum SpA (the “Company”) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

Key Audit Matters

Auditing procedures performed in response to key audit matters

Estimation of provisions for risks and charges related to indemnities paid to the network of financial advisors

Notes to the consolidated financial statements:

Part A – Accounting policies, paragraph “10 - Provisions for liabilities and charges”

Part B – Information on the consolidated statement of financial position, Liabilities, Section 10 “Provisions for liabilities and charges – Item 100”

Part C – Information on the consolidated income statement, section 13 “Net provisions for liabilities and charges - Item 200”

The consolidated financial statements as of 31 December 2022 include provisions for liabilities and charges of Euro 313 million, whereof Euro 259 million relates to contractual and bonus allowances paid to the Group’s financial advisors.

The measurement of provisions for liabilities and charges recognised for contractual and bonus allowances owed to financial advisors is the subject of a structured valuation process based on the analysis of contractual clauses and internal regulations, on actuarial criteria and on other historical and statistical parameters related to the operation of the network of financial advisors.

In consideration of the materiality of the amounts, the complexity of the estimation processes and the high degree of professional judgement required, we considered the measurement of provisions for liabilities and charges related to indemnities paid to the network of financial advisors to be a key audit matter.

We understood and evaluated the design of controls relevant to the identification, monitoring and recognition of provisions for liabilities and charges as of 31 December 2022, and we verified their operating effectiveness.

We discussed with Group management and the functions involved about the nature of the provisions recognised and of the methodological appropriateness of the evaluations performed to determine amounts posted to provisions for liabilities and charges.

In detail, we performed the following audit procedures, also with the support of actuarial valuation experts from the PwC network:

- we obtained and analysed the criteria applied to recognise and measure provisions for liabilities and charges and assessed their reasonableness and consistency with contractual agreements;
 - we obtained and understood the calculation models used by management to estimate the provisions in question and we analysed their mathematical accuracy;
 - we verified, on a sample basis, the accuracy of inputs and the reasonableness of the methods used by management, of relevant assumptions, also in light of the uncertainties related to the current economic environment, and of the actuarial hypothesis adopted;
 - we performed a critical analysis of the results of the verification activities carried out by the internal functions involved in various capacities in the process of determining provisions for liabilities and charges;
-

-
- we analysed the consistency of the input parameters used in the determination of provisions for liabilities and charges with the historical trends of underlying data, also to understand the predictive capabilities of the models used by management.

Finally, we verified the completeness and adequacy of disclosures provided in the consolidated financial statements in accordance with the relevant financial reporting standards and the applicable regulatory framework.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15 e and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Banca Mediolanum SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statement.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

Among the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

On 9 April 2019 the shareholders of Banca Mediolanum SpA in general meeting engaged us to perform the statutory audit of the Bank's financial statements and the consolidated financial statements of the Mediolanum Group for the years ending 31 December 2020 to 31 December 2028.

We state that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Banca Mediolanum SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Banca Mediolanum SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Mediolanum Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Mediolanum Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Mediolanum Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Banca Mediolanum SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 24 March 2023

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

BANCA MEDIOLANUM

2022 FINANCIAL STATEMENTS

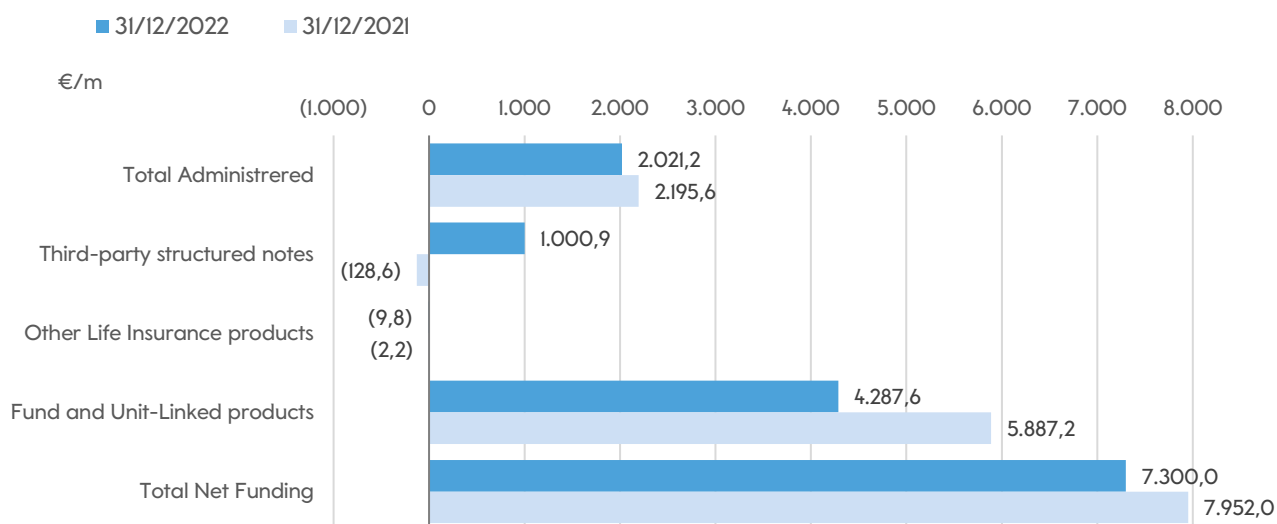


2022 Individual highlights

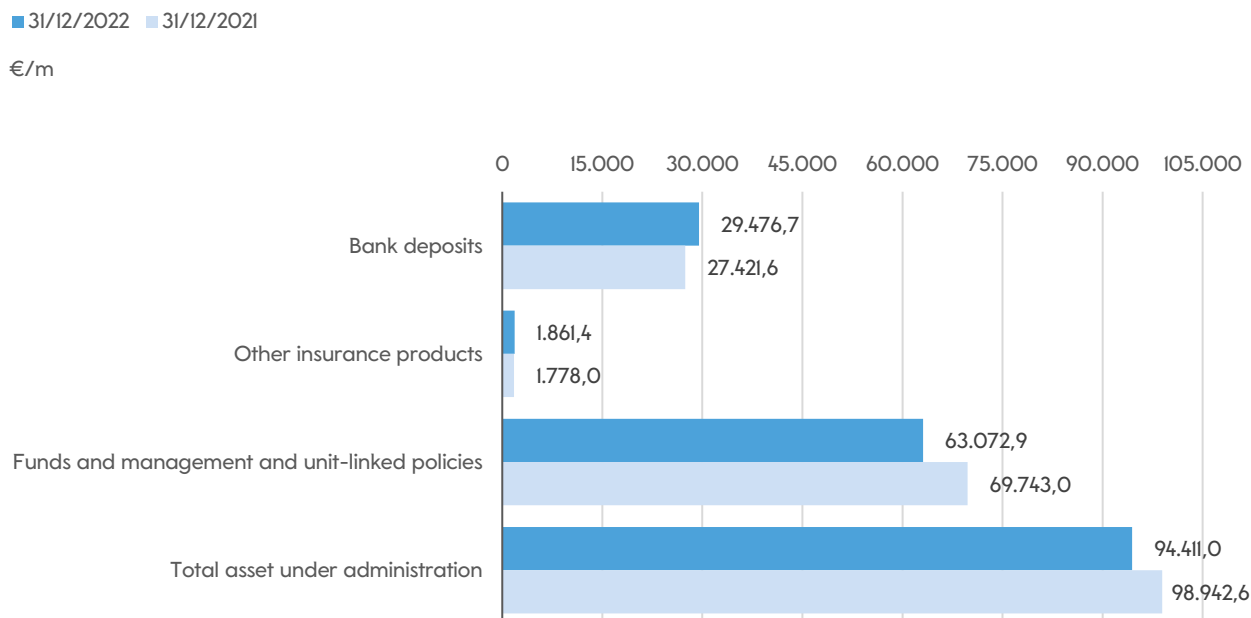


DATA ON INFLOWS AND ASSETS

Net inflows



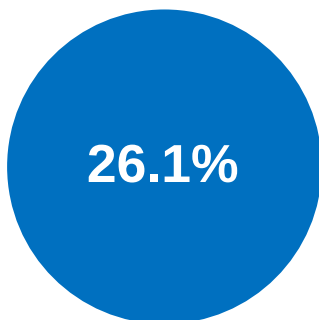
Assets under administration and management



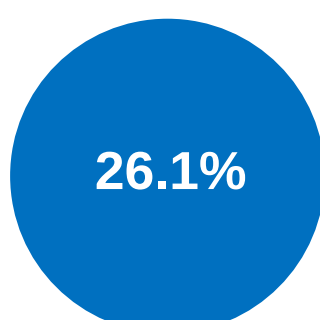
REGULATORY CAPITAL RATIOS

Individual capital ratios at 31 December 2022

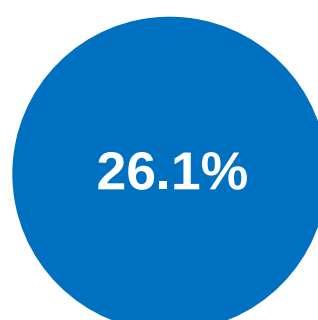
Common Equity Tier 1



Tier 1

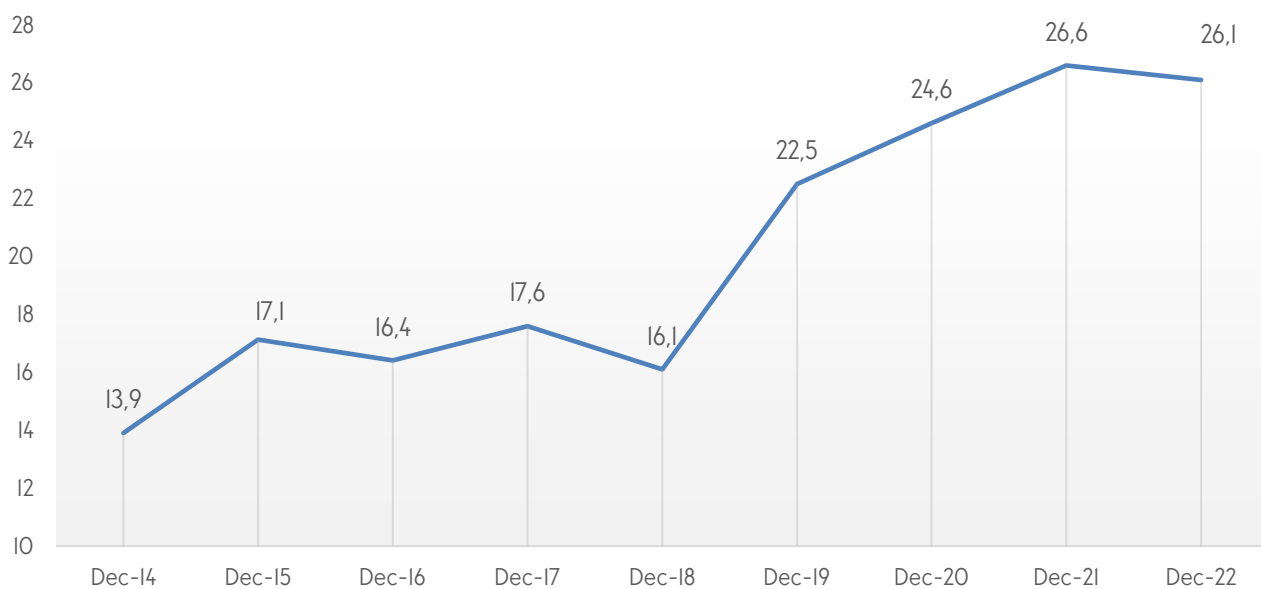


Total Capital Ratio



Changes in the Common Equity Tier 1 Ratio

VALUES EXPRESSED AS A %



OTHER INDICATORS

	31/12/2022	31/12/2021
Loans to customers (€/000)	30,557,752	26,825,832
Loans to customers - Net impaired assets/Loans to customers (values in %)*	0.56%	0.62%

(*) Loans to customers do not include the debt securities item.

Operational structure

Units	31/12/2022	31/12/2021
Number of operating employees	2,491	2,377
Number of financial advisors	4,434	4,258

Operating performance

Banca Mediolanum ended 2022 with net income of €516.8 million (€712.6 million at 31 December 2021).

€/000		31/12/2022	31/12/2021
10.	Interest income and similar income	389,780	266,142
20.	Interest expense and similar expenses	(70,756)	(44,963)
30.	Net interest income	319,024	221,179
40.	Commission income	809,113	795,535
50.	Commission expense	(633,095)	(659,760)
60.	Net commission income	176,018	135,775
70.	Dividends and similar income	18,088	16,641
80.	Net gains (losses) from trading	(15,041)	61,893
90.	Net gains (losses) from hedging	1,702	(1,046)
100.	Gains (losses) from disposal or repurchase of:	11	12
	a) financial assets measured at amortised cost	11	12
110.	Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	672	6,346
	b) other financial assets mandatorily measured at fair value	672	6,346
120.	Operating income	500,474	440,799
130.	Credit-risk induced net value adjustments/write-backs of:	(17,952)	(22,512)
	a) financial assets measured at amortised cost	(17,772)	(22,860)
	b) financial assets measured at fair value through other comprehensive income	(180)	348
150.	Net gain (loss) from financial operations	482,523	418,287
160.	Administrative expenses:	(498,032)	(453,717)
	a) staff costs	(194,439)	(181,838)
	b) other administrative expenses	(303,593)	(271,879)
170.	Net provisions for risk and charges	(5,938)	(41,144)
	a) commitments and guarantees given	(56)	95
	b) other net provisions	(5,882)	(41,239)
180.	Net value adjustments/write-backs of tangible assets	(10,958)	(10,882)
190.	Net value adjustments/write-backs of intangible assets	(16,365)	(17,330)
200.	Other operating income/expenses	15,200	14,489
210.	Operating costs	(516,093)	(508,584)
220.	Gains (losses) on equity investments	565,292	814,084
250.	Gains (losses) on disposal of investments	26	9
260.	Net income from continuing operations before tax	531,748	723,796
270.	Taxes on income from continuing operations	(14,971)	(11,214)
280.	Net income from continuing operations after tax	516,777	712,581
300.	Net income for the year	516,777	712,581

€/000	31/12/2022	31/12/2021	Change	% change
Net income for the year	516,777	712,581	(195,804)	(27.5%)
of which:				
Net financial income	306,368	288,383	17,985	6.2%

Net financial income rose compared with the previous period (up €18 million).

The change shown in the period under review was primarily due to the better interest margin recorded (+€97.8 million). In particular, retail loans increased due to the trend in market rates and the growth of average loans. This change was only partially offset by the lower net trading result (-€76.9 million compared with the comparative period). This item includes the valuation of NEXI stock, which recorded a capital loss at the end of 2022 of €50.2 million (+€44.6 million euros at 31 December 2021).

Net commission income	176,018	135,775	40,243	29.6%

Net commission income was €40.2 million higher than in the previous year. In particular, there were higher recurring revenues and higher fees from banking services and the placement of certificates (+€7.3 million).

Administrative expenses	(498,032)	(453,717)	(44,315)	9.8%
Staff costs	(194,439)	(181,838)	(12,601)	6.9%
Other administrative expenses	(303,593)	(271,879)	(31,714)	11.7%

Administrative expenses stood at €498 million, €44.3 million higher than in the previous year (31/12/2021: €453.7 million). Specifically, staff costs came to €194.4 thousand, an increase of €12.6 million on the comparative year (31/12/2021: €181.8 million).

Other administrative expenses increased by €31.7 million from €271.9 million at 31 December 2021 to €303.6 million for the 2022 financial year.

The changes are mainly due to increases in average staff numbers and higher expenses for regulatory and supervisory projects.

Credit-risk induced net value adjustments/write-backs	(17,952)	(22,512)	4,561	(20.3%)

Value adjustments totalled €18 million, down by €4.6 million on the previous year. In particular, there were lower individual write-downs of non-performing loans, partially offset by greater collective write-downs in relation to the increase in the loan stock compared with 31 December 2021.

Net provisions for risk and charges	(5,938)	(41,144)	35,205	(85.6%)

Net provisions for risk and charges, at €5.9 million, decreased by €35.2 million compared with the previous period. The change mainly reflects the increase in discounting rates in 2022.

Gains (losses) on equity investments	565,292	814,084	(248,791)	(30.6%)

Gains (losses) on equity investments incorporate the valuation of total equity investments measured using the equity method. The profit performance of the subsidiaries decreased overall by €248.8 million compared with 31 December 2021. This performance was largely due to the lower results achieved by the subsidiaries Mediolanum International Funds (-€216.9 million compared with 31 December 2021) and Mediolanum Gestione Fondi (-€62 million compared with 31 December 2021), mainly due to the lower performance fees registered at 31 December 2022 compared with the previous year.

Report on Operations



THE MACROECONOMIC SCENARIO

2022 was heavily influenced by the restrictive monetary policy decisions implemented by central banks in order to contain the inflationary pressures triggered by post-Covid “bottlenecks” and by developments in the global geopolitical environment, with the invasion of Ukrainian territory by Russia, which brought back the horrors of war in Europe, causing problems with energy supplies and a sharp increase in commodity prices that even resulted in the prospect of recession. In an attempt to slow the rise in prices, the main central banks raised interest rates: the Fed to 4.50%, the ECB to 2.50% and the BoE to 3.5%. In this context, the International Monetary Fund (IMF) also lowered its growth forecasts for all the major economies, setting global GDP growth at just 2.7% in 2023.

On the US side, although the latest year-on-year inflation figure in December was a decrease to 6.5%, from 7.1% in November – the sixth month of decline – Jerome Powell confirmed that the Fed would implement further rate hikes in early 2023, but that these would be smaller in scope: a level of underlying caution is still clearly visible, aimed at avoiding a premature easing of financial conditions, which could make it harder to contain inflation. Many members of the Fed have confirmed that rates will probably reach the terminal rate at around 5%, higher than the level estimated in September (4.6%) and that they will be maintained at those levels for quite a long time.

The UK experienced some political vicissitudes last year. Following Liz Truss's appointment as prime minister and her announcement of a plan to revive the economy based on tax cuts fully funded by debt issuance, the market reaction forced the prime minister to resign after just 45 days in office. Her successor, the new prime minister, Rishi Sunak, a former financier with expertise in alternative investments, has stressed that his policy will be built on fiscal conservatism and his budgetary policy on prudence and accountability. Mr Sunak's arrival in Downing Street had a positive effect, resulting in the appreciation of the pound against the US dollar and a decrease in gilt yields.

In Europe, the European Central Bank (ECB), struggling with inflationary pressures, confirmed its commitment to raising rates further, at the cost of an economic slowdown or even a recession. In this context, energy commodities prices are stabilising: the price of natural gas in Europe have dropped significantly, and the reduced costs of energy and energy-intensive products may have a positive impact on central banks' price dynamics and future monetary policy choices.

In the euro area, headline inflation fell from 10.1% in November to 9.2% in December. The December decrease appears to be reinforcing the hypothesis that inflation is now close to a turning point. The drop in energy prices has been a major contributor to the fall in inflation in the euro area. They continue to play a very large role in European inflation, but are gradually decreasing. Price pressures have certainly become more widespread in recent months, with core inflation at a stable 5%, excluding energy and food, which are also still accelerating.

On the domestic front, the Italian economy was not left untouched by the inflationary trend generated by bottlenecks in the post-pandemic global production chain, exacerbated by Russian aggression against Ukraine: industrial production slowed, due to higher commodities prices and the scarcity of available parts to complete production processes. The services sector, which had been held back early in the year by the winter wave of Covid-19, had plenty of scope for recovery as restrictive measures eased in the second and third quarters of the year. The latest year-on-year inflation figure for December was 11.6%, decreasing from 11.8% previously, while the harmonised figure was 12.3%, decreasing year on year from 12.6% in November.

In terms of the political context, the results of the elections of September 25 were quite unambiguous: the vote delivered a very clear victory to the centre-right coalition, this time with Fratelli d'Italia, and the leader of the party, Giorgia Meloni, as the current Prime Minister. With regard to reforms, less restrictive fiscal measures, a sharp reduction in current government spending on citizens' incomes and a reduction in the superbonus of 110% on restructuring expenditure. Pre-election uncertainty has thus given way to a less Eurosceptic scope of action

than expected, even though this is in a global context of high inflation, rising interest rates and slowing growth that does not facilitate the management of a country characterised by high debt and low efficiency, with difficulties in obtaining resources without addressing the deficit, as Meloni himself indicated at his end-of-year press conference, with tax reform and a cut in the tax wedge for employees.

THE FINANCIAL MARKETS

Bond markets	Change (bps)		Yield		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
GOVERNMENT YIELDS					
United States					
2 years	14.71	370.14	4.43%	4.28%	0.72%
5 years	(8.61)	274.10	4.00%	4.09%	1.26%
10 years	4.62	236.65	3.87%	3.83%	1.51%
30 years	18.71	204.60	3.96%	3.78%	1.92%
Germany					
2 years	100.50	338.30	2.76%	1.76%	(0.62%)
5 years	61.50	303.10	2.58%	1.96%	(0.45%)
10 years	46.30	274.80	2.57%	2.11%	(0.18%)
30 years	45.30	234.80	2.55%	2.09%	0.20%
Italy					
2 years	42.90	338.00	3.31%	2.88%	(0.07%)
5 years	13.40	361.80	4.03%	3.90%	0.42%
10 years	19.60	354.30	4.72%	4.52%	1.17%
30 years	44.40	279.30	4.79%	4.34%	1.99%

Bond markets	Change (bps)		Yield		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
SPREADS					
Italy - Germany					
2 years	(57.68)	(0.35)	0.55%	1.12%	0.55%
10 years	(26.70)	79.49	2.14%	2.41%	1.35%
Spain - Germany					
2 years	(20.42)	15.84	0.16%	0.37%	0.00%
10 years	(8.89)	35.01	1.09%	1.18%	0.74%

Bond markets	Change (bps)		Yield		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
HY and EM					
High yield bonds					
BBG Barclays US Corporate High Yield Yield To Worst	(72.0)	476.0	8.96%	9.68%	4.20%
Emerging bonds					
J.P. Morgan EMBI Global Sovereign Yields	(87.20)	282.90	7.77%	8.65%	4.95%

The yields of government bonds in the main economic areas increased across all maturities in 2022. In the US, the yield on 2-year treasuries increased from less than 1% at the start of the year to 4.43% at the end of the year, reflecting a significant rise in inflation expectations and the resulting faster-than-expected rate hike cycle on the part of the Fed. The rise in yields affected the entire yield curve, with the short-term portion, which is more sensitive to monetary policy, more impacted. In fact, 10-year US bonds ended the year with a yield of just under 4%. The same trend was seen in German government bonds, with yields rising on all parts of the curve. Germany's 10-year bond yield, which was negative at the start of the year, rose to 2.57%, while, like the US government bonds, two-year German bonds increased further, to 2.76%. For Italian government bonds, the trend was similar, with the increase in yields exacerbated by the widening of the spread between BTPs and Bunds, which increased the 10-year yield to 4.72%. This general increase in yields led to a substantial drop in the price of outstanding bonds, to varying degrees, according to their average financial duration.

Equity markets	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
World indices					
MSCI All Country World	9.40%	(19.85%)	605.38	553.37	755.30
MSCI World	9.42%	(19.60%)	2,602.69	2,378.65	3,237.07
US indices					
Dow Jones I.A.	15.39%	(8.93%)	33,147.25	28,725.51	36,398.08
S&P 500	7.08%	(19.65%)	3,839.50	3,585.62	4,778.73
Nasdaq Comp.	(1.03%)	(33.51%)	10,466.48	10,575.62	15,741.56
European indices					
STOXX Europe 600	9.55%	(13.06%)	424.89	387.85	488.71
EURO STOXX	12.44%	(14.51%)	409.97	364.62	479.56
FTSE MIB	14.81%	(13.31%)	23,706.96	20,648.85	27,346.83
DAX	14.93%	(12.35%)	13,923.59	12,114.36	15,884.86
CAC 40	12.35%	(9.75%)	6,473.76	5,762.34	7,173.23
AEX	7.55%	(13.90%)	689.01	640.62	800.25
IBEX 35	11.71%	(5.56%)	8,229.10	7,366.80	8,713.80
SMI	4.50%	(16.67%)	10,729.40	10,267.55	12,875.66
FTSE 100	8.09%	0.66%	7,451.74	6,893.81	7,403.01
Asian indices					
NIKKEI 225	0.61%	(9.37%)	26,094.50	25,937.21	28,791.71
S&P/ASX 200	8.72%	(6.32%)	7,038.69	6,474.20	7,513.37
Hang Seng	14.86%	(14.41%)	19,781.41	17,222.83	23,112.01
Emerging market indices					
MSCI Emerging Markets	9.20%	(21.78%)	956.38	875.79	1,222.75

The aggregate performance of the global equity market was decidedly negative in the period, following a trend that persisted throughout 2022, amid heightened volatility. In a context of deterioration and extreme uncertainty in economic growth estimates, the negative returns of the main global equity indices were attributable to the resurgence of geopolitical tensions due to Russia's invasion of Ukraine and the concomitant rise in commodity prices, which led to an acceleration in inflation. In this context, the central banks pursued their plans to curb monetary stimulus by adopting a restrictive monetary policy stance in order to limit inflation: both the Federal Reserve and the European Central Bank raised policy rates by 450 bps and 250 bps respectively. A further key driver of global equity market risk-off phase was the introduction of new lockdown measures in China, which caused a sharp slowdown in economic growth estimates. At the geographic level, the European indices strongly outperformed the rest of the equity market. In the US, the S&P 500 index performed in line with the global aggregate index, supported by the decisive recovery of the companies most representative of the US economy in the last quarter. There was a significant drop in the technology component of the Nasdaq index, which reflected the correlation between the style of growth and current trends in policy rates. The emerging markets underperformed against the developed markets, primarily due to the negative contribution of the Chinese equity

market, which priced in the aforementioned marked slowdown in growth due to the government's policy to curb the spread of Covid.

Currency	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
EUR USD	9.21%	(5.47%)	1.07	0.98	1.13
EUR GBP	0.89%	5.55%	0.89	0.88	0.84
EUR JPY	(1.04%)	7.76%	140.41	141.88	130.30

2022 was a particularly negative year for the single European currency, which also fell below par against the US dollar, only to partially recover towards the end of the year, closing with an overall depreciation of -5.5%. The start of the conflict between Russia and Ukraine – and the ensuing energy crisis, which has primarily affected the euro area – had a seriously negative impact on the currency, also providing a further boost to the inflationary pressures that were first reported earlier this year on the back of supply chain shortages.

Against this backdrop, a risk-off sentiment quickly spread through the markets, benefiting the dollar, long held to be a safe haven and also supported by particularly restrictive monetary policies implemented by the FED to curb the inflationary spiral.

By contrast, the euro appreciated strongly in 2022 (7.8%) against the Japanese yen. The Japanese currency suffered from the Bank of Japan's more passive anti-inflation stance. Although Japan's inflation figures are also on the rise, the central bank still regards this as a temporary phenomenon, unlike other economic areas, and therefore did not believe it appropriate to adjust its monetary policies, which have traditionally been very expansionary.

Political risk, a shrinking economy and further disagreements over Brexit made the pound one of the worst performing GIO currencies.

Commodities	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
Oil (Brent)	(1.37%)	8.08%	84.97	86.15	78.62
GOLD	9.84%	0.52%	1,824.02	1,660.61	1,814.67

As far as commodities are concerned, the return to social and economic normality after the pandemic drove up demand for oil, with crude appreciating by 8.1% since the beginning of the year.

Sectors (MSCI World AC)	Change (%)		Level		
	Q4	YTD	31/12/2022	30/09/2022	31/12/2021
Info Tech	5.55%	(31.96%)	392.50	371.85	576.89
Healthcare	12.90%	(7.54%)	342.38	303.26	370.29
Industrial	17.16%	(14.32%)	283.70	242.15	331.11
Material	15.84%	(14.39%)	311.77	269.15	364.16
Cons. Discr.	(0.92%)	(32.33%)	277.37	279.94	409.91
Financials	13.82%	(12.16%)	132.16	116.11	150.46
Cons. Staples	10.66%	(8.03%)	267.14	241.40	290.48
Utilities	9.79%	(6.69%)	151.56	138.05	162.42
Real Estate	5.20%	(26.50%)	907.14	862.28	1,234.25
Tel. Services	2.18%	(36.63%)	70.43	68.93	111.14
Energy	16.76%	27.94%	241.02	206.43	188.39
VIX Index	(31.47%)	25.0%	21.67	31.62	17.33

As various risk factors materialised and weighed on the global macroeconomic scenario, an overall increase in implied market volatility was seen that was higher, on average, than in the previous year.

At the global level, most sectors, despite a general rebound in the last quarter, ended the year in negative territory, reflecting the aforementioned economic and geopolitical tensions.

The only exception was the oil sector: energy commodities prices, which rose steeply due to the geopolitical tensions in Ukraine, benefited stocks in the sector, which were buoyed by a positive trend in corporate profits.

There was greater relative strength in defensive sectors, such as pharmaceuticals, utilities and consumer staples, which are relatively favoured in this type of macroeconomic scenario. Technology, meanwhile, was weaker, and trends in global monetary policy implementation, amplified by an environment of already high fundamental valuations, weighed on performance.

BANCA MEDIOLANUM - TREASURY MANAGEMENT

€/m	31/12/2022	31/12/2021	Change
Financial assets held for trading	1,070	113	957
Financial assets measured at fair value through other comprehensive income	308	347	(39)
Financial assets measured at amortised cost - Debt securities	14,492	12,955	1,537
Total	15,870	13,415	2,455

Trading activities include the equity security Nexi for approximately €56 million, whereas assets measured at fair value through other comprehensive income include the Mediobanca security for €203 million.

The increase in retail funding not used in retail loans drove an increase in the banking book, which, together with the total reinvestment of securities reaching natural maturity during the year, saw a significant increase in the stock of the HTC strategic portfolio.

On the other hand, the predominant classification of new assets to the above portfolio meant that the stock of the HTC portfolio was almost unchanged.

Trading activities ended the year with a portfolio unusually populated by securities due to the conditions that arose in the bond market in the second half of 2022, which forced operators to maintain open positions pending a decrease in yields.

The following guidelines were taken into account for new banking investments in 2022:

- 1) a focus on government securities issued by the Italian government;
- 2) predominant purchases of fixed-rate securities;
- 3) the total classification of purchases in the HTC portfolio.

Strategically, the purchases made in 2022 focused on fixed-rate securities, thus seizing the opportunity of rising bond yields.

Of the total investments classified as HTC, only 20% were variable-rate securities.

The HTC portfolio, measured at amortised cost and considered under the investment policies as the preferred classification for investments in securities, increased by €1,537 million.

All 2022 purchases were, in fact, classified in the same portfolio.

HTCS (Held to Collect and Sell) securities, measured at fair value through other comprehensive income, decreased by €39 million as, since it was no longer considered the preferred portfolio for classifying investment financial instruments, all purchases were placed in the HTC strategic portfolio, excluding securities purchased to replace guarantees given to settlement bodies that were classified to the same maturity portfolio.

The stock at the end of 2022 remained almost unchanged at 308 million, compared with 347 million at the end of 2021.

The valuation reserve recognised in the financial statements is -€41 million (after tax), compared with +€15.8 million at the end of 2021. The change was mainly due to the negative effect of market performance in 2022.

The balance of the debt securities trading portfolios, measured at fair value through profit or loss (financial assets held for trading and financial liabilities held for trading) was significantly higher than at the end of the previous year.

The strong repricing of Italian government bond yields put pressure on long trading positions, which were therefore kept completely open to ensure that capital losses at the end of 2022 could be recovered due to the depreciation of the bonds purchased.

The short average residual life of the securities in the trading book (almost the entire portfolio will mature in 2023) will allow for the full recovery of capital losses.

With regard to equity securities, there are only two significant positions and these are classified in different portfolios, consistent with the strategic view on the two securities.

As a result, the interest in Mediobanca is classified in the HTCS portfolio, while the investment in Nexi Spa's capital is placed in the trading book pending the opportunity to exploit the market in order to liquidate the position.

Overall, government securities made up 99.3% of total owned portfolios, in line with the value at the end of 2021, while the remainder was divided between ABSs and financials.

The breakdown of portfolios by rate type is 62% variable rate and 38% fixed rate.

All investment instruments are denominated in euro with no exposure to currency risk.

The average portfolio duration, which was 0.79, compared with 0.60 at the end of 2021, remained consistent with the Group's traditionally low risk profile.

€/m	31/12/2022	31/12/2021	Change
Net interest income	319.0	221.2	97.8
Net gains (losses) from trading	(15.0)	61.9	(76.9)
Net gains (losses) from hedging	1.7	(1)	2.7
Total	305.7	282.1	23.6

At the end of 2022, the financial margin increased from €282.1 million to €305.7 million at the end of 2021 (+€23.6 million) due to the significant contribution of net interest income, which benefited from the increase in the average return on the banking book due to new purchases and the repricing of variable-rate securities, which were affected by the rise in the Euribor.

Net interest income increased from €221.2 million at the end of 2021 to €319.0 million at the end of 2022 (+€97.8 million).

TRADING IN CUSTOMER SECURITIES

2022 was a difficult year for the markets, which had to grapple with the consequences of the war in Ukraine, the rally in energy commodities and uncomfortable inflation scenarios.

The equity indices generally registered double-digit declines: in Europe, the FTSE MIB was down 14.5%, the Euro STOXX 50 12.4%, the DAX 13% and the CAC 40 10%, while overseas, in the US, the Dow Jones was down 9.4% and the Nasdaq 33.9%.

The government bond market has seen an increase in interest, due in part to the trend in inflation and the consequent increase in rates, meaning lower prices and higher yields, which have more than doubled since early 2022.

Total volumes traded for retail customers decreased slightly compared with the previous year, to just over €7 billion, compared with almost €8.5 billion in 2021 (-16.75%); 665,000 trades were executed, down by 25% compared with 888,000 in the previous year.

The total value brokered on the Italian stock market was just under €4 billion, down 14.5% compared with 2021. The total value brokered on foreign equity markets decreased by half, to €0.87 billion, compared with €1.91 billion in 2021. The value of government bonds traded more than doubled, from €0.52 billion in 2021 to €1.23 billion in 2022.

The total value of assets under administration held by retail customers was approximately €6 billion at the end of 2022, an increase of 22% compared with December 2021.

Specifically, the stock of government bonds increased from €0.765 billion at the end of 2021 to €1.27 billion. While corporate and bank bonds decreased overall from €0.38 billion to €0.34 billion, the stock of Certificate MedPlus rose from €1.432 billion to €2.02 billion.

The value securities in the equities sector remained largely unchanged, reaching €2 billion, compared with €2.1 billion in the previous year, with the Italian sector at €1.594 million and the foreign sector at €513 million.

At the end of December 2021, repurchase agreements for approximately €18 million were in place with customers.

During the year, a total of 64 Medplus Certificate placement transactions were carried out (including 28 personalised issues), for a total value of €1.01 billion.

The value of the MY STYLE managed assets almost doubled, from €751 million in 2021 to €915 million in 2022. The Chorus managed assets (no longer marketed) have a residual value of €5 million.

NEW PRODUCTS AND MAIN INITIATIVES DURING THE YEAR

The 2022 financial year began with an ongoing pandemic situation and rising tensions between Ukraine and Russia that later escalated into armed conflict in February.

The geopolitical and financial tensions that began in the first few months of the year continued in the fourth quarter of 2022. Far from confirming the New Year forecasts of a period of substantial transition and “normalisation” after the imbalances caused by Covid-19, 2022 proved to be another extraordinary year. Further shocks to the international geopolitical and economic environment, starting with the outbreak of war between Russia and Ukraine and the problematic handling of the pandemic in China, also strongly influenced the financial markets, mainly via the further inflationary surge that has prompted central banks to implement a sharp change of course in their monetary policies.

Banking services

During 2022, Banca Mediolanum remained close to its customers, through promotions (related to current account interest rates and the Double Chance product) and with the management of sustainability and inclusion events (natural disasters).

In the fourth quarter, Banca Mediolanum also confirmed its closeness to its customers with new promotions on the Double Chance investment strategy, offering the following to customers in the period from 2 September to 30 November:

- a lending rate of 2% gross per annum on 3-, 6- and 12-month durations and 1.5% on 18- and 24-month durations in the equities segment;

- a lending rate of 1.5% gross per annum on 3-, 6- and 12-month durations and 1% on 18- and 24-month durations in the bond segment.

Banca Mediolanum's interest rate offer also extended to new customers who opened a new “Conto Mediolanum” or “Selfy Conto” current account between 19 September and 16 November. Under the initiative, the possibility of applying for 6-month time deposits by 31/01/2023 was offered, for a maximum total value of €200,000 at the gross annual promotional rate of 2%.

Customers who opened Mediolanum accounts between 2 September and 31 October also benefited from the “premium” promo, which provided, for new investments of a minimum of €25,000 in asset management products by 31 October, a promotional rate of 2% gross per annum on new time deposits with a duration of six months, for a total amount equal to or less than the value of new investments. The offer was also valid for customers who already had a Conto Mediolanum account.

As well as an increasingly competitive interest rate offer, Banca Mediolanum will continue to offer Black and Elite customers the promotional lending rate of 0.2% gross per annum on free current account stocks throughout the period (offer valid until 07/11/22).

Banca Mediolanum also continued its commitment to customers living in areas affected by natural disasters in Liguria, Tuscany and Emilia-Romagna in August and in Marche in September, through a series of benefits on the Conto Mediolanum Account.

With regard to the new payment services and systems, the process of scouting possible uses of the Check IBAN service (i.e. online matching of the IBAN code and the tax/VAT code provided by a user/customer to a corporate or to general government) has continued in relation to both general government and retail customers, while activity relating to the use of the SPID (Public Digital Identity System) during the process of onboarding Banca Mediolanum customers is being defined. This service, in particular, provides customers with significant time savings in the confirmation of their identity and provides the Bank with a series of savings in the underwriting process compared with the current normal channels.

E-money area

In 2022, Banca Mediolanum implemented commercial initiatives to expand the offering of Conto Mediolanum and SelfyConto for new and existing customers through prize competitions and co-marketing activities. In

particular, these included promotional offers for new credit card subscribers, implemented through the collaboration with Nexi and American Express, aimed at encouraging the penetration and use of digital payments within the entire customer base.

Credit services

Mortgages area

During 2022, with the macro-objective of continuing to support overall disbursement and support customers, the Smart+ 30K Campaign was renewed for pre-selected customers with assets of €30k to €100k, with improved pricing compared with the standard terms; it should also be noted that, from the third quarter of 2022, the wealth gate for the promotional campaign was changed from €30k to €50k.

The new Mediolanum Bioedilizia+ mortgage, a medium/long-term loan secured by a first mortgage on property intended solely for purchase or exchange and with S.A.L.E., CASA CLIMA or ARCA certification for houses constructed in wood, was launched in January.

Also with regard to the legislative developments of the “Sostegni bis” decree, the Bank decided to improve the positioning of its current product dedicated to young people, also with a view to providing a complementary solution to the Mediolanum Fondo Prima Casa (First Home) mortgage product launched in December 2021. Two promotions were renewed for the first quarter, offering an increase in LTV (loan to value) of up to 95% for the Mediolanum Young Mortgage and a discount of 10 bps on the currently listed spread, and for Black, Elite and Privilege customers.

In view of the difficult macroeconomic context, particularly in the second half of the year (increases in energy prices, inflation and the consequent manoeuvres of the central authorities), Banca Mediolanum, always close to its customers and a point of reference for Italian households, sought to mitigate the adverse effects on its customers by first launching a promotion for new mortgage applications, which includes a grace period of six months, at the customer's discretion.

In addition, to provide practical support to customers with loans already in place and to ease their monthly commitments, given that many floating-rate loans in stock already contractually provide for an automatic reduction of the spread with jumps of 20 bps, with an increase in the 3-month Euribor value beyond certain thresholds, in December, Banca Mediolanum implemented a commercial manoeuvre to temporarily (for 12 months) reduce the spread by 25 bps on approximately 1,300 loans of potentially less loyal customers for levels of assets with Banca Mediolanum up to €25k that also show a tense debt-to-income ratio.

Loans area

As far as loans are concerned, in 2022 the focus was in line with that of previous years, i.e. the speedy disbursement of financing in line with customer needs.

The Guaranteed Pre-approved Loan campaign remained active, targeting pre-selected customers with dedicated pricing, while the SelfyCredit Instant and Shopforyou products were boosted by refining the credit rules and developing the related services, increasing both the duration and the maximum amount that can be applied for. In addition, timed initiatives were implemented on the spread applied, to coincide with specific events or holidays.

Given the difficult macroeconomic context and on the basis of the reasoning set out in the above paragraph on mortgages, a promotion was launched for new loan applications that offer customers the option of a grace period of three months and the possibility of secured loans on a gross basis offering the improved terms provided for secured loans on a net basis.

In addition, in order to support asset management inflows, a campaign offering improved pricing terms for New Cash loan applications until the maximum limits have been exhausted, remained active.

NET INFLOWS AND ASSETS UNDER ADMINISTRATION

Net inflows

€/m	31/12/2022	31/12/2021	Change (%)
ITALY			
Fund and unit-linked products	4,287.6	5,887.2	(27.2%)
of which directly in funds	1,879.2	1,607.0	16.9%
of which "My Life" unit-linked	1,624.3	3,029.1	(46.4%)
of which other unit-linked	784.1	1,251.0	(37.3%)
Other insurance products - Life	(9.8)	(2.2)	n.s.
Total managed	4,277.9	5,885.0	(27.3%)
Third-party structured notes	1,000.9	(128.6)	n.s.
Total managed + Structured notes	5,278.8	5,756.4	(8.3%)
Total administered	2,021.2	2,195.6	(7.9%)
BANCA MEDIOLANUM	7,300.0	7,952.0	(8.2%)

Total net inflows amounted to €7,300.0 million at 31 December 2022, a decrease on the comparative period (31/12/2021: €7,952.0 million).

More specifically, net inflows into mutual funds from both direct investments and investments in unit-linked policies amounted to €4,287.6 million, down compared with 2021 (31/12/2021: +€5,887.2 million).

Net inflows into other life insurance products, excluding unit-linked products, amounted to -€9.8 million (31/12/2021: -€2.2 million).

Finally, net inflows in the structured notes segment were very positive, at +€1,000.9 million, up compared with the previous period (31/12/2021: +€128.6 million).

Assets under administration also decreased compared with the previous year to €2,021.2 million from €2,195.6 million at 31 December 2021.

Assets under administration and management

€/m	31/12/2022	31/12/2021	Delta	Change (%)
ITALY				
Funds and management and unit-linked policies	63,072.9	69,743.0	(6,670)	(9.6%)
Other insurance products	1,861.4	1,778.0	83	4.7%
Bank funding	29,476.7	27,421.6	2,055	7.5%
BANCA MEDIOLANUM	94,411.0	98,942.6	(4,532)	(4.6%)

At 31 December 2022, customer assets under administration and management stood at €94,411.0 million, a decrease on the figure recorded at the end of 2021 (31/12/2021: €98,942.6 million).

The change was mainly due to the decrease in "Funds, management and unit-linked policies" (-€6,670 million compared with the comparative year).

PERFORMANCE OF SUBSIDIARIES

Companies operating in the banking sector (including distribution of group products) Banca Mediolanum S.p.A.

Banco Mediolanum Group

The Spanish group closed 2022 with net income of €30.2 million, compared with net income of €15.7 million in the previous year.

Net inflows for asset management products amounted to +€689.6 million, down compared with the previous year (31/12/2021: +€935 million). Net inflows for asset administration products amounted to +€328.1 million (31/12/2021: +€323.8 million).

At year end, the balance of customers' assets administered and managed amounted to €8,872 million, compared with €8,936.6 million at 31 December 2021. The sales network comprises 1,620 individuals (31/12/2021: 1,504).

August Lenz & Co. AG

A loss of €7.6 million was recorded for 2022, compared with a net loss of €14.2 million in the previous year. With respect to the German investee, please refer to the information provided in the Report on Operations. It should be recalled that on 7 November 2022, the Company returned its banking licence to the German Supervisory Authority.

PreXta S.p.A. (formerly EuroCQS S.p.A.)

The Company recorded a profit of €0.8 million (€2.3 million at 31 December 2021).

The 2022 fiscal year was again characterised by a positive commercial development policy, enabling loans to customers and financial corporations to reach €1,625.6 million, compared with €1,413.3 million at 31 December 2021.

There was strong growth in net interest income in the period under review, mainly due to the ongoing development of the loan portfolio and the review of pricing policies with the application of the all-“Tan” product approach.

Net commissions recorded a negative balance of -€6,725.0 thousand, compared with -€644.0 thousand in the comparative period. This negative change is also attributable to the introduction of the all-“Tan” product approach.

Administrative expenses amounted to €13,533.5 thousand (31/12/2021: €12,945.1 thousand). In particular, staff costs rose, due to the increase in the average number of operating employees to six, as well as a slight increase in other administrative expenses.

Flowe S.p.A. – S.B.

The company's focus for FY 2022 has also been on both creating the technological infrastructure that would enable it to offer innovative solutions in the electronic money market, and developing a strong brand recognition positioning. The loss realised for 2022 was -€28.9 million (31/12/2021: -€23.2 million).

Companies operating in the asset management sector

Mediolanum Gestione Fondi SGR p.A.

The Company posted net income of €30.2 million, down by €61.9 million compared with the previous year (31/12/2021: €92.1 million).

The difference on profit for the year is primarily due to the significant performance fees earned in the previous year (€81.8 million compared with €4.9 million for the year under review).

Recurring revenues from net management fees decreased by approximately €6.9 million compared with the previous year, due to lower assets under management, to €50.7 million. The average assets of the Company's funds at 31 December 2022 were approximately €7.4 billion, compared with €9.0 billion at 31 December 2021. The change in the period was mainly due to the negative market trends and negative net inflows.

Administrative costs increased by approximately €0.2 million compared with the previous year, to €12.1 million (31/12/2021: €11.9 million).

Total assets under management amounted to €7,265.6 million at 31 December 2022, down from €8,851.2 million for the year ended 31 December 2021. The Company was, in fact, affected by negative market trends and negative net inflows.

Mediolanum International Funds Ltd

The company reported net income of €444.5 million at 31 December 2022 (31/12/2021: €661.4 million). The change was primarily due to lower performance fees in 2022.

Assets under management at 31 December 2022 were €47,305 million, compared with €51,241 million at 31 December 2021.

In October, the Company paid out an interim dividend for the current year totalling €326.1 million, including €311.4 million attributable to the parent company, Banca Mediolanum, and €14.8 million to the Spanish subsidiary, Banco Mediolanum.

Mediolanum Fiduciaria S.p.A.

The financial statements for the year ended 31 December 2022 show a net loss of €0.8 million, in line with the loss for the previous year.

Funds under trust management amounted to €425,308.6 thousand, decreasing by €15,620.7 thousand compared with the previous year (31/12/2021: €440,929.3 thousand (+3.5%)).

Companies operating in the insurance sector

Mediolanum Vita S.p.A.

The Company posted net income of €96.4 million, compared with €65.0 million for the same period of the previous year. However, the net income for the year, calculated according to national GAAP, was €74.7 million, representing a decrease of 3% on the profit of €77.0 million profit recorded for the same period a year earlier. Premium income for the period under review was €4,296 million (down by €1,886 million compared with December 2021). In particular, there was a decrease in premium income from the My Life (-€1,377 million) and Mediolanum Intelligent Life Plan (-€517.1 million) products.

The result recorded in the statutory financial statements was negatively influenced by the financial component of -€28.9 million (31/12/2021: +€19.8 million), mainly due to the value adjustments recorded in the period. Administrative expenses and other net revenues and expenses decreased by €4.9 million. The change was mainly due to the capital gain of around €3.0 million realised during the year on the sale of a property.

Mediolanum Assicurazioni S.p.A.

The IAS/IFRS accounts at 31 December 2022 show net income of €16,913 thousand, compared with €16,643 thousand for the same period in the previous year. However, the net income for the year, determined according to national GAAP, was €13,538 thousand, compared with €16,286 thousand for the same period in the previous year.

An increase was recorded in gross premiums written and earned premiums, which stood at €127,320 thousand respectively. Financial income decreased by €2,243 thousand compared with the previous period, mainly due to the negative performance of the financial markets.

The application of IAS/IFRS to the statement of financial position at 31 December 2022 generated an increase in the result compared with the result according to national GAAP (+€3,375 thousand), mainly due to the reversal of value adjustments recognised on the securities portfolio classified, according to international standards, among financial assets measured at fair value through other comprehensive income, which resulted in a positive change in the IAS/IFRS result before tax of €3,705 thousand.

Mediolanum International Life DAC

The result for the 2022 financial year, calculated in accordance with IAS/IFRS, was net income of €22.9 million, compared with €21.3 million in the previous year. The Company recorded total premium income of €486.3 million in 2022, compared with €300 million in the previous year.

At 31 December 2022, the total balance of commitments to policyholders amounted to €2,974.6 million (2021: €3,513.1 million).

OWN FUNDS AND CAPITAL RATIOS FOR REGULATORY PURPOSES AT 31 DECEMBER 2022

At 31 December 2022, Banca Mediolanum's own funds amounted to €2,709.0 million and consisted of the following:

- > Common equity tier I (CETI) capital of €2,709.0 million;
- > Additional tier I (ATI) capital of zero;
- > Tier 2 (T2) capital of zero.

The Bank's capital ratios at 31 December 2022 were above the minimum thresholds set by the Bank of Italy and for Banca Mediolanum were as follows:

- > Common Equity Tier I Ratio (CETI) 26.1%;
- > Tier I Ratio 26.1%;
- > Total Capital Ratio 26.1%.

The CETI was determined taking into account the dividend distribution of €369.0 million.

TREASURY SHARES AND PERFORMANCE SHARE PLANS

The number of treasury shares in the portfolio was 4,858,190 shares for a total of €33,146 thousand (31/12/2021: -€38,644 thousand).

For information on Banca Mediolanum's treasury shares, see the description in Part I of the notes - Share-based payment agreements.

OTHER INFORMATION

TAX DISPUTE

With regard to the tax dispute, see the relevant section of the consolidated Report on Operations.

MAIN RISKS AND UNCERTAINTIES

Information on the risks and uncertainties to which Banca Mediolanum is exposed is described in this Report on Operations and in the notes.

In particular, the risks associated with the performance of the world's economies and financial markets are set out in the Report on Operations in the sections entitled "The macroeconomic scenario" and "The financial markets", and in the "Business outlook" section below. Details of financial and operational risks are provided in Part E of the notes.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Transactions with related parties, including intercompany transactions, cannot be classed as atypical or unusual, as they are part of the normal course of Group operations. These transactions are settled under market conditions, taking into account the characteristics of the goods and services provided.

In accordance with the provisions of Article 2391-*bis* of the Italian Civil Code, Article 71-*bis* of Consob Regulation 11971/99 (the Issuers' Regulations) and the recommendations set out in the Corporate Governance Code, adopted by the company through specific resolutions of the Board of Directors, related party transactions are described in the relevant section of the notes to this report.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events took place after 31 December 2022 that could have a material effect on the Company's financial position or results.

BUSINESS OUTLOOK

For information on business outlook, please refer to the consolidated Report on Operations.

Given the risks typical of the sector to which it belongs and the occurrence of events that are exceptional or that depend on variables that cannot essentially be controlled by the Directors and management (which are currently not possible in any case), a positive operating performance is expected for 2023.

THANK YOU

For all the business successfully done and the results achieved, we would like to extend our heartfelt thanks to the Family Bankers and all employees of every kind at every level who, with their managers, have helped to reach these important goals. We reserve special appreciation and thanks to our customers for choosing us. Finally, we extend a respectful greeting to the European Central Bank, which conscientiously supports us and whose suggestions are always helpful and much appreciated.

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The draft annual accounts for the year ended 31 December 2022, submitted for your review and approval, have been prepared in accordance with current legislation; in inviting you to approve them, together with this report, we propose that you allocate the profit for the year of €516,777,062.44 as follows:

- > distribution to shareholders of a dividend of €0.50 for 2022, of which €0.24 was distributed as an interim dividend in November 2022 by Banca Mediolanum S.p.A., and of €0.26 per share to be distributed from the date of the Shareholders' Meeting;
- > the remainder to the Extraordinary Reserve.

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

Financial statements



STATEMENT OF FINANCIAL POSITION

Assets

Euro	31/12/2022	31/12/2021
10. Cash and cash equivalents	2,078,528,035	31,045,786
20. Financial assets at fair value through profit or loss	1,193,649,662	235,178,354
a) Financial assets held for trading	1,070,324,123	113,235,312
c) Other financial assets mandatorily measured at fair value	123,325,539	121,943,042
30. Financial assets measured at fair value through other comprehensive income	307,875,587	346,779,347
40. Financial assets measured at amortised cost	30,810,650,893	31,549,988,887
a) Loans to banks	252,898,823	4,724,157,298
b) Loans to customers	30,557,752,070	26,825,831,589
50. Hedging derivatives	430,292	62,918
70. Equity investments	1,821,088,105	1,827,314,874
80. Tangible assets	111,379,230	112,998,904
90. Intangible assets	46,460,284	45,750,466
100. Tax assets	181,582,694	161,382,094
a) current	115,480,035	89,057,848
b) deferred	66,102,659	72,324,246
120. Other assets	840,549,018	493,338,815
TOTAL ASSETS	37,392,193,800	34,803,840,445

Liabilities and shareholders' equity

Euro	31/12/2022	31/12/2021
10. Financial liabilities measured at amortised cost	33,475,486,698	30,914,938,838
a) Payables to banks	384,340,855	1,076,693,871
b) Payables to customers	32,790,703,108	29,838,244,967
c) Debt securities in issue	300,442,735	-
20. Financial liabilities held for trading	11,952,232	60,817,882
40. Hedging derivatives	2,593,878	19,935,763
60. Tax liabilities	99,997,519	114,364,282
a) current	89,588,169	96,186,916
b) deferred	10,409,350	18,177,366
80. Other liabilities	576,804,885	491,265,478
90. Employee severance benefits	9,055,186	10,265,357
100. Provisions for risk and charges	282,326,853	305,828,080
a) commitments and guarantees given	460,685	404,187
c) other provisions for risk and charges	281,866,168	305,423,893
110. Valuation reserves	(41,002,842)	14,705,557
140. Reserves	2,062,732,125	1,762,428,510
145. Interim dividends	(177,132,514)	(169,380,735)
150. Issue premiums	5,296,736	4,364,069
160. Capital	600,451,903	600,370,396
170. Treasury shares (-)	(33,145,921)	(38,644,313)
180. Net income for the year (+/-)	516,777,062	712,581,281
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	37,392,193,800	34,803,840,445

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

INCOME STATEMENT

Euro	31/12/2022	31/12/2021
10. Interest income and similar income	389,780,402	266,141,673
of which: interest income calculated using the effective interest method	382,376,160	264,247,938
20. Interest expense and similar expenses	(70,756,011)	(44,962,905)
30. Net interest income	319,024,391	221,178,768
40. Commission income	809,112,543	795,535,175
50. Commission expense	(633,094,636)	(659,760,466)
60. Net commission income	176,017,907	135,774,709
70. Dividends and similar income	18,087,986	16,641,012
80. Net gains (losses) from trading	(15,040,857)	61,892,754
90. Net gains (losses) from hedging	1,701,702	(1,045,767)
100. Gains (losses) from disposal or repurchase of:	11,408	11,625
a) financial assets measured at amortised cost	11,408	11,625
110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	671,614	6,346,050
b) other financial assets mandatorily measured at fair value	671,614	6,346,050
120. Operating income	500,474,151	440,799,151
130. Credit-risk induced net value adjustments/write-backs of:	(17,951,518)	(22,512,171)
a) financial assets measured at amortised cost	(17,771,591)	(22,860,268)
b) financial assets measured at fair value through other comprehensive income	(179,927)	348,097
150. Net gain (loss) from financial operations	482,522,633	418,286,980
160. Administrative expenses:	(498,031,833)	(453,717,041)
a) staff costs	(194,439,030)	(181,837,902)
b) other administrative expenses	(303,592,803)	(271,879,139)
170. Net provisions for risk and charges	(5,938,234)	(41,143,671)
a) commitments and guarantees given	(56,499)	94,908
b) other net provisions	(5,881,735)	(41,238,579)
180. Net value adjustments/write-backs of tangible assets	(10,958,262)	(10,881,694)
190. Net value adjustments/write-backs of intangible assets	(16,365,182)	(17,330,323)
200. Other operating income/expenses	15,200,255	14,488,576
210. Operating costs	(516,093,256)	(508,584,153)
220. Gains (losses) on equity investments	565,292,454	814,083,766
250. Gains (losses) on disposal of investments	26,446	9,140
260. Net income from continuing operations before tax	531,748,277	723,795,733
270. Taxes on income from continuing operations	(14,971,215)	(11,214,452)
280. Net income from continuing operations after tax	516,777,062	712,581,281
300. Net income for the year	516,777,062	712,581,281

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

STATEMENT OF COMPREHENSIVE INCOME

Euro		31/12/2022	31/12/2021
10.	Net income for the year	516,777,062	712,581,281
	Other income net of taxes without reversal to the income statement		
20.	Equity securities designated at fair value through other comprehensive income	(25,061,951)	190,074
70.	Defined benefit plans	1,100,827	(735,922)
90.	Share of valuation reserves of equity investments measured at equity	(6,853,141)	21,321,469
	Other income net of taxes with reversal to the income statement		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(1,731,920)	(870,327)
160.	Share of valuation reserves of equity investments measured at equity	(23,162,214)	(10,222,276)
170.	Total other income net of taxes	(55,708,399)	9,683,018
180.	Comprehensive income (Item 10+170)	461,068,663	722,264,299
190.	Comprehensive income attributable to minority interests		
200.	Comprehensive income attributable to the Parent Company	461,068,663	722,264,299

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2021

Euro				Allocation of previous year's result		Changes during the year								Shareholders' equity at 31/12/2021
				Reserves	Dividends and other destinations	Changes in reserves	Transactions on shareholders' equity						Comprehensive income at 31/12/2021	
							Issue of new shares	Share buy backs	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares		
Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021												
Capital:														
a) ordinary shares	600,297,407	600,297,407					72,989						600,370,396	
b) other shares														
Issue premiums	3,625,818	3,625,818					738,251						4,364,069	
Reserves:														
a) earnings	1,699,323,321	1,699,323,321	110,008,889		148,815,521			(250,354,052)					1,707,793,679	
b) other	43,931,456	43,931,456									10,703,374		54,634,830	
Valuation reserves	5,022,539	5,022,539										9,683,018	14,705,557	
Equity instruments														
Interim dividends								(169,380,735)					(169,380,735)	
Treasury shares	(43,569,974)	(43,569,974)					4,925,661						(38,644,313)	
Net profit (loss) for the year	433,980,479	433,980,479	(110,008,889)	(323,971,591)								712,581,281	712,581,281	
SHAREHOLDERS' EQUITY	2,742,611,046	-	2,742,611,046	-	(323,971,591)	148,815,521	5,736,901	-	(419,734,787)	-	-	10,703,374	722,264,299	2,886,424,764

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2022

Euro	Balances at 31/12/2021	Change in opening balances	Balances at 01/01/2022	Allocation of previous year's result		Changes during the year									Shareholders' equity at 31/12/2022
						Changes in reserves	Transactions on shareholders' equity						Comprehensive income at 31/12/2022		
							Issue of new shares	Share buybacks	Interim dividends	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares		Stock options and performance shares	
Capital:															
a) ordinary shares	600,370,396	-	600,370,396	-	-	-	81,508	-		-	-	-	-	-	600,451,903
b) other shares	-	-	-	-	-	-	-	-		-	-	-	-	-	-
Issue premiums	4,364,069	-	4,364,069	-	-	-	932,667	-		-	-	-	-	-	5,296,736
Reserves:															
a) earnings	1,707,793,679	-	1,707,793,679	285,155,931	-		-	-		-	-			-	1,992,949,610
b) other	54,634,830	-	54,634,830	-	-	176,415	-	-		-	-		14,971,269	-	69,782,514
Valuation reserves	14,705,557	-	14,705,557	-	-	-	-	-		-	-		-	(55,708,399)	(41,002,842)
Equity instruments	-	-	-	-	-	-	-	-		-	-		-	-	-
Interim dividends	(169,380,735)	-	(169,380,735)	-	169,380,735		-	-	(177,132,514)		-		-	-	(177,132,514)
Treasury shares	(38,644,313)	-	(38,644,313)	-	-	-	5,498,392	-		-	-		-	-	(33,145,921)
Net profit (loss) for the year	712,581,281	-	712,581,281	(285,155,931)	(427,425,350)	-	-	-		-	-		-	516,777,062	516,777,062
SHAREHOLDERS' EQUITY	2,886,424,764	-	2,886,424,764	-	(258,044,615)	176,415	6,512,566	-	(177,132,514)	-	-	-	14,971,269	461,068,663	2,933,976,549

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

STATEMENT OF CASH FLOWS

Indirect method

Euro	31/12/2022	31/12/2021
A. OPERATING ACTIVITIES		
1. Management	574,184,239	756,810,063
- profit (loss) for the year (+/-)	516,777,062	712,581,281
- capital gains (losses) on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	27,491,777	(71,072,490)
- capital gains (losses) on hedging activities (+/-)	(1,701,702)	1,045,767
- credit-risk induced net adjustments/write-backs (+/-)	17,951,518	22,512,171
- net value adjustments/write-backs of tangible and intangible assets (+/-)	27,323,444	28,212,017
- net provisions for risk and charges and other costs/revenues (+/-)	5,938,234	41,143,671
- unpaid taxes, duties and tax credits (+/-)	(34,567,363)	11,684,272
- other adjustments (+/-)	14,971,269	10,703,374
2. Cash generated by/ utilised for financial assets	(1,180,023,991)	(6,842,309,009)
- financial assets held for trading	(985,253,476)	121,171,896
- other assets mandatorily measured at fair value	(709,611)	15,464,979
- financial assets measured at fair value through other comprehensive income	(46,999,921)	421,840,849
- financial assets measured at amortised cost	721,566,403	(6,561,294,696)
- other assets	(868,627,385)	(839,492,036)
3. Cash generated by/ utilised for financial liabilities	2,549,230,102	6,221,848,267
- financial liabilities measured at amortised cost	2,560,547,860	6,169,863,784
- financial liabilities held for trading	(48,865,650)	(17,503,917)
- other liabilities	37,547,892	69,488,400
Net cash generated by/ utilised for operating activities	1,943,390,350	136,349,321
B. INVESTMENT ACTIVITIES		
1. Cash generated by	757,249,856	649,200,099
- sales of equity investments	-	-
- dividends received on equity investments	757,249,856	649,200,099
2. Cash utilised for	(224,493,394)	(60,361,650)
- purchases of equity investments	(197,377,000)	(41,515,625)
- purchases of tangible assets	(10,041,394)	(720,548)
- purchases of intangible assets	(17,075,000)	(18,125,477)
Net cash generated by/ utilised for investment activities	532,756,462	588,838,449
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	5,579,899	4,998,650
- issues/purchases of equity instruments	932,667	738,251
- dividend distribution and other purposes	(435,177,129)	(743,706,377)
Net cash generated by/ utilised for financing activities	(428,664,563)	(737,969,477)
NET CASH GENERATED/UTILISED DURING THE YEAR	2,047,482,249	(12,781,706)

RECONCILIATION TABLE

Euro	31/12/2022	31/12/2021
Line items		
Cash and cash equivalents at beginning of year	31,045,786	43,827,492
Total net cash generated/utilised during the year	2,047,482,249	(12,781,706)
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of year	2,078,528,035	31,045,786

Basiglio, 07 March 2023

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

Notes to the financial statements



Part A – Accounting policies

A.1 – GENERAL PART

SECTION 1 – Declaration of Compliance with International Accounting Standards

The financial statements at 31 December 2022 have been prepared in application of Legislative Decree 38 of 28 February 2005, in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission, as established in Community Regulation (EC) No 1606 of 19 July 2002, as subsequently updated.

The financial statements at 31 December 2022 have been prepared on the basis of the “Instructions for the preparation of the financial statements of banks and financial parent companies of banking groups” issued by the Bank of Italy, in the exercise of the powers established by Article 9 of Legislative Decree 38/2005 with Circular 262 of 22 December 2005, as subsequently updated.

The financial statements have been prepared using the international accounting standards in force at 31 December 2022 (including the SIC and IFRIC interpretation documents), the list of which is set out below in the section “A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS”.

SECTION 2 – General basis of preparation

The financial statements consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders’ equity, statement of cash flows and notes to the financial statements. They are also accompanied by a directors’ Report on Operations.

In accordance with the provisions of Article 5 of Legislative Decree 38 of 28 February 2005, the financial statements have been prepared using the euro as the reporting currency.

For comments on the main impacts, risks and uncertainties of the health emergency, see the more detailed description in **Section 4 – Other aspects - Risks, uncertainties and impacts of the COVID-19 epidemic**.

The financial statements and notes include figures for the period under review as well as comparative data at 31 December 2021.

The financial statements have been prepared in accordance with the following general principles:

- > going concern: the financial statements have been prepared on a going concern basis. In light of key economic and financial indicators, the directors have the reasonable expectation that the Bank will continue to operate in the foreseeable future;
- > accrual basis accounting: the financial statements have been prepared according to the accrual principle;
- > relevance and aggregation: the balance sheet and income statement consist of items, sub-items and further details. The formats comply with those defined by the Bank of Italy in Circular 262 of 22 December 2005, as subsequently updated. New items may be added to these formats if their content is not attributable to any of the items already covered by the formats and only if they consist of significant amounts. The balance sheet, income statement and statement of comprehensive income do not include

accounts with zero amounts, either for the year to which the financial statements refer or for the previous year;

- > presentation: the classification of balance sheet items is constant over the years, unless there are changes that may occur as a result of a new standard or interpretation that require an amendment for which specific information is provided in the notes. For each balance sheet and income statement account, comparative information relating to the previous year is provided, unless an accounting standard or interpretation does not allow it or provides otherwise;
- > prevalence of substance over form: operations and other events are recognised and represented in accordance with their substance and economic reality.

The Directors of Banca Mediolanum S.p.A. believe that they may reasonably expect that the Company will continue to operate as a going concern for the foreseeable future, and therefore the consolidated financial statements for 2022 have been prepared on a going concern basis. They also specify that they have not found any cause for doubt regarding the going concern principle in the Group's financial position or operating performance.

Contents of the financial statements

Statement of financial position and income statement

The statement of financial position and the income statement consist of items, sub-items and more detailed information (the "of which" within items and sub-items). With respect to the formats defined by the Bank of Italy, items with zero amounts have not been presented, either for the year to which the financial statements relate or for the previous year. In the income statement, revenues are indicated with no sign, whereas costs are shown in parentheses.

Statement of comprehensive income

The statement of comprehensive income consists of items that show the changes in the value of the assets recorded during the year as balancing items of the valuation reserves, net of the relevant tax effect. Negative amounts are presented in parentheses.

Statement of changes in shareholders' equity

The table shows the breakdown of and changes in the shareholders' equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves and reserves from the valuation of assets or liabilities in the statement of financial position and the income statement. No equity instruments other than ordinary and savings shares were issued.

Statement of cash flows

The statement of cash flows for the reporting year and the previous year has been prepared using the indirect method, whereby cash flows from operating activities are represented by the net result for the year adjusted for the effects of non-monetary transactions. Cash flows are divided between operating activities, investment activities and financing activities. The table shows the flows generated during the year with no sign, while utilised flows are shown in parentheses.

Contents of the notes to the financial statements

The notes include the information required by the international accounting standards and Circular 262/2005 of the Bank of Italy, as subsequently updated. With respect to the formats defined by the Bank of Italy, the headings of the sections relating to financial statement items with zero amounts have not been presented, for either the year to which the financial statements relate or for the previous year. In the tables relating to the income statement items, revenues are indicated with no sign, whereas costs are shown in parentheses.

SECTION 3 – Events after the reporting date

No events took place after 31 December 2022 that could have a material effect on the Bank's financial position or results.

SECTION 4 – Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

Contractual amendments arising from Covid-19

Within the scope of all the emergency measures, of a public and private nature, implemented and extended by various national and European institutional bodies, starting from the first official declaration of a state of pandemic due to the Sars Covid-19 virus, the banks continued to guarantee their commitment to the implementation of the above mainly support-based initiatives, to bolster Italy's socio-economic fabric.

In 2022, with all the restrictions and decrees on the management of the health emergency no longer in place, there was a gradual and complete return to "normality".

Banca Mediolanum consolidated and made its internal structure more efficient in terms of its operating procedures in order to support customers, both by adopting the legally established and extended support measures, and through internal commercial initiatives to meet the needs of customers, particularly in the initial phase of the health emergency.

In accordance with the provisions in force, Banca Mediolanum continued to support customers through both the sales network (Family Bankers) and remote channels. In particular, in the context of the granting of credit, it carefully assessed the positions in order to ascertain whether they were eligible for "ristori" government relief. For more information, please see the sub-section entitled "Impacts of the pandemic and European geo-political crisis" in the section on risks.

Contractual amendments and accounting write-offs (IFRS 9)

With regard to contractual amendments, please see the specific tables in the notes.

Amendment to accounting standard IFRS 16

With respect to lease agreements, it should be noted that the company did not apply the “practical expedient” provided for by Regulation (EU) No 2020/1434 following amendments to the term of the loans.

Targeted Longer-Term Refinancing Operations - TLTRO Report

On 18 June 2020, as part of the European Central Bank Targeted Longer-Term Refinancing Operations III (TLTRO III), Banca Mediolanum was allocated €950 million. Subsequently, on 18 March 2021, Banca Mediolanum participated in the seventh operation and, in accordance with the new provisions issued by the European Central Bank, an additional €100 million was requested and obtained.

In these financial statements, the operation was recorded in accordance with IFRS 9, as it was recognised as a financial liability and not as a contribution, and therefore measurement of the liability related to the finance received has been recognised by application of the amortised cost on the basis of “expected cash flows”, considering that the benchmark forecasts of cumulative net lending have been reached according to the financial projections available to the Bank.

On 25 November 2022, Banca Mediolanum repaid its loan.

Specifically, the interest recognised on an accrual basis at 31 December 2022 amounted to approximately €6.6 million. The rate applied is 1% per annum by virtue of achievement of the net disbursement volumes targets provided for by the scheme.

Use of estimates

These financial statements entailed the use of complex valuations and estimates which had an impact on the assets, liabilities, costs and revenues recognised and on the identification and quantification of potential assets and liabilities.

The production of such estimates involved the use of the available information and the adoption of subjective assessments, also based on historical experience, which was used to make reasonable assumptions for the recognition of events during the year. By their nature, the estimates and assumptions used may vary from one year to the next and, it cannot be ruled out that in subsequent years the values recognised in the financial statements may also vary significantly as a result of changes in the subjective assessments used.

If there are more significant uncertainties and/or activities subject to measurement of particular materiality, the valuation is supported by external experts.

The main circumstances in which subjective assessments are most required are:

- > the quantification of impairment losses on loans, equity investments and other financial assets in general;
- > the use of valuation models to recognise the fair value of financial instruments not listed on active markets;
- > the assessment of the appropriateness of the value of other intangible assets;
- > The quantification of staff provisions and provisions for other risk and charges;
- > the estimate of tax liabilities and the assessment of the related risk of an unfavourable outcome;
- > estimates and assumptions regarding the recoverability of deferred tax assets;

For some of the cases listed above, the main factors that are estimated and therefore are involved in determining the carrying value of assets and liabilities may be identified.

It should be noted that:

- > for the determination of the fair value of financial instruments not listed on active markets, if it is necessary to use parameters that cannot be inferred from the market, the main estimates concern trends in future financial flows (or income flows, in the case of shares), possibly contingent on future events, as well as the level of certain input parameters not listed on active markets;
- > for allocation to the three credit risk stages provided for by IFRS 9 of receivables and debt securities classified among financial assets at amortised cost and financial assets measured at fair value, with an impact on comprehensive income and calculation of the relevant expected losses, the main estimates concern: either determination of the parameters for a significant increase in credit risk, based essentially on models for measuring the probability of default (PD) at the origination of financial assets and the reporting date; the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD; or determination of the probability of the sale of impaired financial assets;
- > for the determination of the estimates of future cash flows from non-performing loans, certain elements are taken into account: expected recovery times, the presumed realisable value of any guarantees and the costs that are expected to be incurred for recovery of the credit exposure;
- > for appraisals of real estate, rents, sale prices, discount rates and capitalisation rates are estimated.
- > for the quantification of provisions for risk and charges, where possible the amount of the disbursements necessary to fulfil the obligations is estimated, taking into account the effective probability that resources will be needed;
- > for the determination of the items relating to deferred taxation, the probability of actual future tax liability (taxable temporary differences) is estimated, along with the degree of reasonable certainty – if any – of future taxable amounts at the time tax deductibility applies (deductible temporary differences and tax losses carried forward).

The directors periodically monitor the estimates and assessments made on the basis of the historical trend and other factors deemed reasonable. Due to the uncertainty inherent in these financial statement items, the actual values may differ from estimates made due to unexpected factors not known at the time the estimates were produced.

For more details regarding the impacts of uncertainty arising from the current macroeconomic scenario, see refer to what is described in Part E of these notes entitled in the section "Impacts arising from the Covid-19 pandemic and the Russian-Ukrainian conflict".

A.2 – PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS

This section describes the accounting principles used to prepare the annual financial statements for the year ended 31 December 2022. With regard to the classification, recognition, measurement and derecognition of the various assets and liabilities, and to the method of recognising revenues and costs, these principles are the same as those adopted by the Company when preparing the financial statements for the year ended 31 December 2021.

The following information is provided below:

- the IFRS accounting standards, amendments and interpretations applied as of 01 January 2022;
- the IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union not yet mandatorily applicable that had not been adopted early as at 31 December 2022;
- the IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union.

IFRS accounting standards, amendments and interpretations applied as of 1 January 2022

The following table shows the new international accounting standards or amendments to accounting standards that came into force in 2022.

Title of document issued by the IASB	Date of publication of the IASB document	Number and date of EU approval regulation	Effective Date
Property, plant and equipment – Income before intended use (Amendments to IAS 16)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022
Onerous contracts – Costs necessary to fulfil a contract (Amendments to IAS 37)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022
Annual Improvements to IFRSs (2018–2020 Cycle)	14 May 2020	(EU) 2021/1080 28 June 2021	1 January 2022

Property, plant and equipment – Income before intended use (Amendments to IAS 16)

With the financial statements for annual periods beginning on or after 1 January 2022, it is no longer possible to deduct from the cost of an item of property, plant and equipment the income deriving from the sale of goods produced using the asset, before the asset is in the location and conditions necessary for its operation in the manner intended by corporate management (the testing phase). The amendments to IAS 16 must be applied retroactively only for assets that have been commissioned as intended by corporate management, since the first comparative year presented. The effect of first-time adoption is recognised in shareholders' equity at the start of the first comparative year presented.

Onerous contracts – Costs necessary to fulfil a contract (Amendments to IAS 37)

With the financial statements for annual periods beginning on or after 1 January 2022, all costs directly related to the contract must be considered as costs necessary for the fulfilment of the contract. Consequently, the assessment of any onerousness of a contract includes not only incremental costs, i.e. costs that would not have been incurred without the contract (such as the cost of raw materials and direct labour), but also a share of all

other costs that, although not incremental, are directly related to the contract (such as the depreciation rate of the machinery used to fulfil the contract). The amendments to IAS 37 must be applied retroactively only for contracts whose fulfilment has not yet been completed at the start date of the year in which the amendments to IAS 37 are applied for the first time (e.g. 1 January 2022). The effect of first-time adoption is recognised in shareholders' equity at the start of the year without recalculating the comparative data.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments to IFRS 3, which aim to update the reference to the Conceptual Framework in the version revised in March 2018, entered into effect in the financial statements for annual reporting periods starting on or after 1 January 2022. Following this update, it was clarified that as part of a business combination, the acquiree's assets and liabilities must be identified with reference to the definitions included in the Conceptual Framework published in March 2018, with the sole exception of the liabilities assumed in the acquiree which, after the acquisition date, are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The amendments to IFRS 3 are applied prospectively.

Annual Improvements to IFRSs (2018–2020 Cycle)

The amendments concerned the following standards:

- IFRS 1: the amendments simplify the first-time adoption of IFRS by a subsidiary/associate/joint venture that becomes a first-time adopter after its parent/controlling company in relation to the measurement of the translation reserve on the date of transition to IFRS;
- IFRS 9: the amendments clarify which fees must be included in the 10% test to assess whether the amendment to the contractual terms of a financial liability are substantially different from those of the original financial liability;
- IAS 41: the amendments eliminated the obligation to exclude tax-related cash flows from the measurement of the fair value of biological assets, thus aligning the fair value measurement requirements of IAS 41 with those of the other IFRS;
- IFRS 16: the amendments refer to the illustrative example 13 of IFRS 16 in which a potential erroneous interpretation of lease incentives has been eliminated. This amendment, which concerns an illustrative example of IFRS 16 and is not an integral part of the standard, has not been approved by the European Union.

The adoption of these amendments, as well as the changes introduced by the above 2018-2020 annual improvements, had no significant effects on the Group's annual financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union not yet mandatorily applicable that had not been adopted early by the Group as at 31 December 2022

The following table shows the new international accounting standards, amendments to accounting standards and interpretations already approved by the European Union but not yet applicable as at 31 December 2022 and not adopted early.

Title of document issued by the IASB	Date of publication of the IASB document	Approval date	Effective Date
IFRS 17: Insurance Contracts and the relevant subsequent changes	18 May 2017 and 25 June 2020	19 November 2021	1 January 2023
Amendments to IAS 8: Definition of accounting estimates	12 February 2021	02 March 2022	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Information about accounting policies	12 February 2021	02 March 2022	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07 May 2021	11 August 2022	1 January 2023
Amendments to IFRS 17: Comparative information within the scope of initial application of IFRS 17 and IFRS 9	09 December 2021	08 September 2022	1 January 2023

Regarding the adoption of IFRS 17 as it applies to the insurance subsidiaries, please see the information provided in the consolidated financial statements, in the section of the notes entitled “A2 – Part relating to the main financial statement items”. However, by virtue of the expected impacts, reported above, the annual financial statements of Banca Mediolanum will be influenced in an immaterial way.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

Finally, the following table shows the new international accounting standards, amendments to accounting standards and interpretations not yet approved by the European Union and effective in the future.

Accounting standards or amendments	Date of IASB publication	Approval date	Effective Date
Amendments to IAS 1: Presentation of liabilities as current or non-current and subsequent – deferral of first application date	23 January 2020 and 15 July 2020	---	---
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22 September 2022	---	1 January 2024

The Company will adopt these new amendments on the relevant adoption date and will assess their potential impacts when they are approved by the European Union.

Assets measured at fair value through profit or loss (FVTPL)

Item “20. Financial assets measured at fair value through profit or loss” includes:

- > Financial assets held for trading;
- > Other financial assets mandatorily measured at fair value

Financial assets held for trading

A financial asset (debt securities, equity securities, UCIs and derivatives) is recognised under this item if it is acquired primarily with the aim of realising cash flows from its sale (the “OTHER” business model) in order to

take advantage of profit opportunities. This item includes the positive value of derivative contracts that are not designated and effective as hedging instruments.

Other financial assets mandatorily measured at fair value

Classification criteria

A financial asset (debt securities, equity securities, shares of UCIs) is recognised in this item if it is a financial instrument whose return is measured on the basis of fair value and is characterised by the absence, in contractual terms, of cash flows on pre-established dates that represent only payments of capital and interest on the capital to be repaid, i.e. if the Solely Payment of Principal and Interest test (the SPPI test) is failed.

Recognition criteria

Such instruments are initially recognised at the time of settlement if they are debt securities, equity securities or loans. The initial value is equal to the fair value of the instrument (generally the same as the consideration paid), without considering any transaction costs or income directly attributable to the instruments.

Measurement criteria

After initial recognition, the valuation is made at fair value with the relevant changes recognised in the income statement. In particular:

- > in Item "80. Net gains (losses) from trading" for financial assets recognised in item "20.a Financial assets held for trading";
- > in Item "110. b) Net result of other financial assets and liabilities at fair value through profit or loss: other financial assets mandatorily measured at fair value", for financial assets recognised in Item "20. c) Other financial assets mandatorily measured at fair value".

The fair value of financial assets is determined based on prices recorded in active markets or on internal valuation models generally used in financial practice as described in more detail in Part A.4 "Fair value reporting".

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when financial assets are transferred along with substantially all related risks and rewards and rewards.

Reclassification criteria

Financial assets measured at fair value through profit or loss, other than equity securities, may be reclassified to "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost". Reclassification may occur in the rare event that the entity decides to change its business model for the management of financial assets. The transfer value is represented by the fair value on the reclassification date, with prospective effects as of that date.

2. Financial assets at fair value through other comprehensive income (FVOCI)

Classification criteria

This item includes financial assets with contractual terms that provide for cash flows on pre-established dates that represent only payments of capital and interest on the capital to be repaid, and which have therefore passed the SPPI test, and with the Held to Collect and Sell business model, the aim of which is to manage short-term financial instruments solely to meet liquidity needs.

This category also includes equity securities not held for trading purposes and not qualifying as being under exclusive control, connection or joint control, to which the option to classify them among financial assets measured at fair value through other comprehensive income applies. This option, which may be exercised at the time of initial recognition of the individual financial instrument, is irrevocable.

Recognition criteria

Initial recognition takes place on the settlement date for debt securities and equities and on the disbursement date for loans.

Initial recognition takes place only when the Company becomes a party to the contractual clauses of the instrument, i.e. at the time of settlement. The carrying value is equal to the fair value, generally the same as the cost of the instrument including directly attributable transaction costs/revenues.

Measurement criteria

After initial recognition, these assets continue to be measured at fair value, with changes in value recognised in Item "I20. Valuation reserves".

Value adjustments are recognised in the income statement in item "I30. Credit-risk induced net value adjustments/write-backs", balancing item "I20. Valuation reserves". Write-backs are recognised when there is an improvement in the creditworthiness of the asset. For the methods of determining fair value, see the criteria described above for "Financial assets measured at fair value through profit or loss" and "Part A.4 – Fair value reporting" below.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the financial assets are sold with the transfer of substantially all the associated risks/benefits. If it is not possible to ascertain the transfer of risks and rewards, financial assets are derecognised where no control over them is retained. Lastly, transferred assets are derecognised if the contractual right to receive the cash flows from the assets is maintained, but at the same time a contractual obligation is undertaken to pay only such flows received to a third party without delay.

Reclassification criteria

Financial assets measured at fair value through other comprehensive income other than equity securities may be reclassified to the accounting categories "Financial assets measured at fair value through profit or loss" and "Financial assets measured at amortised cost". Reclassification may take place in the very rare circumstances in which a decision is made to change the business model. The transfer value is the fair value as at the reclassification date.

In the event of reclassification to "Financial assets measured at amortised cost", the gain (loss) accumulated in the valuation reserve is eliminated against an adjustment of the fair value of the financial asset as at the reclassification date.

3. Financial assets measured at amortised cost

Classification criteria

Item “40. Financial assets measured at amortised cost” includes financial assets (debt securities and loans) whose contractual terms include cash flows on pre-established dates that represent only payments of capital and interest on the capital to be repaid, and which have therefore passed the SPPI test (Held to Collect business model), held with the aim of collecting financial cash flows in the medium to long term.

In particular, the following are recognised under this item:

- a) loans to banks;
- b) loans to customers.

Recognition criteria

Initial recognition of the financial asset takes place on the settlement date for debt securities and on the disbursement date for loans.

Upon initial recognition, financial assets are recognised at fair value, which corresponds to the consideration paid, including any costs and income directly attributable to the instrument.

Measurement criteria

After initial recognition, the financial assets in question are measured at amortised cost. Such financial instruments are measured by using the effective interest rate criterion, i.e. the rate that exactly discounts future payments or receipts estimated over the expected life of the financial instrument. In order to determine the effective interest rate, cash flows must be measured taking into account all the contractual terms of the financial instrument.

The carrying value is adjusted to take into account any provision to cover expected losses at each annual or interim reporting date. Such assets are tested for impairment to estimate the expected losses recognised through the income statement in item “130. Net credit risk-induced adjustments/write-backs”.

The impairment model involves three separate stages based on changes to the borrower's creditworthiness, corresponding to different criteria for measuring expected losses:

- > Stage 1: includes performing financial assets for which there has been no significant decrease in credit risk since the date of initial recognition or whose credit risk is considered low. Impairment is based on the estimated expected loss with a time horizon of one year;
- > Stage 2: includes performing financial assets that have suffered a significant deterioration in credit risk since initial recognition. Impairment is based on an estimate of the expected loss over a time horizon representing the entire residual life of the financial asset;
- > Stage 3: includes non-performing financial assets to be measured on the basis of an estimate of the expected loss over the entire life of the instrument.

For stage 1 and 2 assets, expected losses are determined according to a process that takes into account certain risk parameters consisting of the probability of default (PD), the loss rate in the event of default (LGD) and the exposure value (EAD), deriving from internal regulatory credit risk calculation models that take into account the specific requirements of accounting regulations.

For level 3 assets, impairment is quantified on the basis of a measurement process - analytical or lump-sum based on homogeneous risk categories - aimed at determining the present value of expected recoverable future flows, discounted on the basis of the original effective interest rate or a reasonable approximation thereof, where the original rate is not directly available. Non-performing assets include exposures classified as doubtful, unlikely

to pay or past due by more than 90 days, according to the definitions established by the relevant supervisory legislation and cited in Bank of Italy Circular 262.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows from the assets or the financial assets are sold, essentially transferring all of the associated risks/benefits. Where it is not possible to ascertain the substantial transfer of risks and rewards, financial assets are derecognised where no control over them is retained.

Value adjustments

According to IFRS 9, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (other than equity securities) and off-balance sheet exposures are subject to impairment. In particular, the standard specifies that these instruments should be classified in stages 1, 2 or 3 depending on their creditworthiness compared with initial recognition.

Stage 1 includes all newly acquired exposures or exposures for which the credit risk has not increased significantly since initial recognition. For exposures in this stage, the adjustment recorded in the financial statements is the expected credit loss at one year.

Stage 2 includes credit exposures that have increased significantly, but are not yet non-performing.

Stage 3 includes all non-performing exposures.

Banca Mediolanum has adopted specific models for calculating the one-year expected credit loss for Stage 1 and the lifetime credit loss for Stage 2 and 3 exposures. These models are based on the following parameters:

- > PD: Probability of Default – probability of a default on the credit exposure in a specific time period;
- > LGD: Loss Given Default – percentage estimated loss on occurrence of the default event;
- > EAD: Exposure at Default – exposure at the time of the default of the credit position.

For further details on how to determine value adjustments, see Part E - Risks section.

4. Hedging transactions

It should be noted that, in accordance with the provisions of IFRS 9, the Company opted to continue to apply all of the provisions of IAS 39 on hedge accounting.

Classification criteria

Assets and liabilities include hedging financial derivatives that have a positive and negative fair value at the reporting date or interim period respectively.

The purpose of hedging transactions is to neutralise changes in fair value or cash flows on a certain financial instrument or group of items due to a certain risk, in the event that this particular risk actually occurs.

Of the hedges provided for in IFRS 9, the Company uses fair value hedging, the purpose of which is to hedge exposure to changes in the fair value of a financial statement item due to a particular risk. In particular, the Company has hedged the fair value of a portfolio of fixed-rate mortgages against interest rate risk.

Only instruments that involve a counterparty external to the Group can be designated as hedging instruments. Net amounts resulting from imbalances between financial assets and liabilities may not be hedged.

Recognition criteria

Hedging derivatives are recognised at fair value on the date the related contracts are entered into.

Measurement criteria

Hedging derivatives are measured at fair value. As they are accounted for as fair value hedges, changes in the fair value of the hedged item are offset by changes in the fair value of the hedging instrument. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of

the hedging instrument and the hedged item (in relation to changes generated by the underlying risk factor). Any resulting difference, which represents the partial ineffectiveness of the hedge, is the net effect on profit or loss. Fair value is determined on the basis of quoted

prices in an active market, prices quoted by market participants or internal valuation models commonly used in financial practice, which take into account all risk factors associated with the instruments and are based on market information.

A derivative instrument is designated as a hedging derivative if there is formal documentation of the hedging relationship between the hedged item and the hedging instrument and if it is effective at the inception of the hedge and, prospectively, throughout the term of the hedge. The effectiveness of a hedging relationship depends on the extent to which changes in the fair value of the hedged item are offset by changes in the hedging instrument. Hedging relationships are generally regarded as effective if, at the inception of the hedge and in subsequent periods, changes in the fair value of the financial hedging instrument are offset by changes in the fair value of the hedged item and if the actual results fall within a defined range (80%-125%).

Effectiveness is assessed at each year-end reporting date or when interim statements are prepared, using:

- > prospective tests, which justify the application of hedge accounting as they prove expected effectiveness;
- > retrospective tests, which highlight the degree of effectiveness of the hedge in the period to which they refer. In other words, they measure to what extent the actual results differ from the perfect hedge.

If the tests performed do not confirm the effectiveness of the hedge, from that moment on hedge accounting is discontinued, the derivative hedging contract is reclassified to trading instruments and the hedged financial instrument again acquires the measurement criterion corresponding to its classification in the financial statements, and the changes in fair value recognised on the hedged instrument until the date of discontinuation of the hedge are subsequently amortised using the effective interest rate method.

Derecognition criteria

If the tests do not confirm the effectiveness of the hedge, either retrospectively or prospectively, the hedge accounting is discontinued. Subsequently, the hedging derivative contract is reclassified to "Financial assets measured at fair value through profit or loss" and, in particular, to financial assets held for trading. In addition, the hedging relationship ceases when the derivative or hedged item expires, is extinguished or exercised or it is no longer highly likely that the future hedged transaction will be put in place.

5 – Equity investments

Equity investments include interests in subsidiaries. It should be noted that control exists when an investor simultaneously has:

- > power over the investee;
- > exposure, or rights, to variable returns from its involvement with the investee;
- > the ability to use its power over the investee to affect the amount of the investor's returns. An investor exercises control if it is able to exercise sufficient voting rights to determine the operating and financial

policies of the investee. In complex situations, the following are taken into account in determining whether control exists:

- > the nature of the relevant activities;
- > how decisions relating to such activities are taken;
- > whether the rights of investors confer the current ability to direct the activities concerned;
- > whether the investor is exposed or has rights to variable returns from its involvement with the investee;
- > whether the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

According to IAS 28, an investor/associate relationship exists when the investor exercises significant influence over an investee. Significant influence is the power to participate in the decisions of the investee's financial and operating policies, without having control or joint control. As a general rule, significant influence is assumed to exist when an entity owns, directly or indirectly through subsidiaries, 20% or more of the voting power of an investee. In more complex situations, for example in cases of stakes lower than 20%, the definition of significant influence takes account of:

- > representation on the board of directors or equivalent body of the investee;
- > participation in decision-making processes, including participation in decisions on dividends or other distributions;
- > significant transactions between the entity and the investee;
- > exchanges of management personnel;
- > the provision of essential technical information.

Section 10 of IAS 27 – Separate Financial Statements stipulates that equity investments in subsidiaries are accounted for on a cost basis or in accordance with IFRS 9 or the equity method. With effect from 1 January 2019, the Company adopted the option in the separate financial statements of valuing investments in subsidiaries according to the equity method, as an alternative to the cost method. The equity method provides for initial recognition at cost and subsequent adjustment based on the share of the result and other changes in the shareholders' equity of the investee company. This method involves recognising capital gains (losses) from valuation on an accruals basis equal to the net profit generated by the subsidiaries in the period under review. The relevant dividends received are no longer transferred to the income statement but are treated as a simple capital exchange, reducing the value of the investment against the cash received. The equity method has been applied to the entire cluster of wholly owned subsidiaries.

6 – Tangible assets

Classification criteria

Tangible assets include land, operating properties, property investments, technical plant, furniture, fixtures and equipment of any kind.

These are tangible items that are held for use in the production or supply of goods or services, to be leased to third parties, or for administrative purposes and are expected to be used for more than one period.

Any assets used in the context of finance leases are also recorded under this item, although their legal ownership remains with the leasing company.

As of 1 January 2019, the rights of use acquired with a lease relating to the use of a tangible asset (for lessees), operating lease assets (for lessors) and the improvements and incremental expenses incurred on owned assets and rights of use on tangible assets under leases, are also included.

Recognition criteria

Tangible assets are initially recognised at cost, which includes not only the purchase price but also any ancillary costs directly attributable to purchasing and commissioning the asset.

Extraordinary maintenance expenses that increase the future economic benefits associated with the asset are added to the carrying value of the asset, while the costs of day-to-day servicing are recognised in the income statement.

Improvements and incremental expenses incurred on third party assets arising from lease agreements pursuant to IFRS 16 that are expected to deliver future benefits are recognised if they are individually identifiable and separable in item "90. Tangible assets" in the most appropriate category and provided they are not individually identifiable and separable in item "90. Tangible assets", to increase the right of use, recognised in accordance with IFRS 16, to which they refer.

Measurement criteria

Tangible assets, including non-operating properties, are valued at cost, less any depreciation and impairment. Assets are systematically depreciated over their useful life, using the straight-line method as the depreciation criterion, with the exception of land, whether acquired individually or incorporated into the value of buildings, since they have an indefinite useful life. Where the value of land is incorporated into the value of the building due to application of the component approach, it is regarded as an asset that can be separated from the building; the subdivision between the value of the land and the value of the building takes place on the basis of appraisals by independent experts, only in the case of self-contained buildings.

At each interim or year-end reporting date, if there is any evidence that an asset may be impaired, a comparison is made between the carrying value of the asset and its recoverable value, equal to the greater of the fair value, net of any costs to sell, and the relative value in use of the asset, understood as the present value of future cash flows generated by the asset. Any adjustments are recognised in the income statement. If the grounds for impairment cease to apply, a write-back is recognised, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.

Derecognition criteria

A tangible asset is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Tangible assets represented by the right to use assets under leases

Pursuant to IFRS 16, a lease is a contract or part of it which, in exchange for a consideration, transfers the right to use an asset (the underlying asset) for a period of time. A finance "lease" agreement essentially transfers to the lessee all the risks and benefits of ownership of the asset. Otherwise, the agreement is an operating "lease". The lease agreement starts from the date on which the lessee is authorised to exercise their right to use the leased asset and corresponds to the date of initial recognition of the lease. On that date, the lessee takes on:

- > an activity that consists of the right to use the leased asset. The asset is recognised at cost and determined by the sum of a financial liability for the lease, the lease payments paid before or on the start date of the lease, the initial direct costs and any costs incurred to restore the asset underlying the lease or to dismantle it;
- > a financial liability corresponding to the present value of lease payments due. The discount rate used is, if determinable, the implicit interest rate; otherwise, the lessee's marginal loan interest rate is used.

The term of the lease is determined taking into account periods covered by an extension option and/or periods covered by a lease termination option, if reasonably certain.

During the term of the lease agreement, the lessee must:

- > assess the right of use at cost, net of accumulated depreciation and cumulative value adjustments determined and recognised in accordance with IAS 36 "Impairment of assets", adjusted to take account of any recalculations of the lease liability;
- > increase the liability arising from the lease transaction due to the accrual of interest expenses calculated at the implicit interest rate of the lease or at the marginal loan rate and reduce it for payments of principal and interest.

In the event of changes in lease payments, the liability must be recalculated; the impact of the recalculation of the liability is recognised as a balancing item of the asset consisting of the right of use.

Derecognition criteria

The right of use deriving from lease agreements is eliminated from the financial statements at the end of the term of the lease.

For more information, see the relevant section of the notes (Part M – Leasing).

7 - Intangible assets

Classification criteria

Intangible assets mainly include software applications for multi-year use. Other intangible assets are recognised as such if they are identifiable and arise from legal or contractual rights.

Recognition criteria

Other intangible assets are recognised at cost, adjusted for any ancillary costs only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the asset can be reliably determined. Otherwise, the cost of an intangible asset is recognised in the income statement in the year in which it is incurred.

Measurement criteria

The cost of intangible assets is amortised on a straight-line basis over their useful life (defined mainly as a flat rate of 3 years for software where there are no conclusive elements that can be used to define useful life). If their useful life is indefinite, the assets are not depreciated, but only periodically tested for impairment.

If there is objective evidence that an individual asset may have become impaired, the book value of the asset and its recoverable amount, which is equal to the greater of its fair value less the costs of sale and its value in use, understood as the present value of the future cash flows that are expected to arise from the asset, are compared. Any adjustments are recognised in item 220 "Charges/write-backs on impairment of intangible assets" in the income statement.

If the value of an intangible asset previously written down is restored, the new book value may not exceed the net book value that would have been determined if no impairment loss had been recognised in the previous years.

Derecognition criteria

An intangible asset is derecognised from the statement of financial position on disposal or when no additional future economic benefits are envisaged from its use or disposal, and any difference between its disposal value or recoverable value and its book value is recognised in the income statement in item 280 "Gains (losses) on disposal of investments".

9 – Current and deferred taxation

The Italian companies of the Mediolanum Group adhere to the "national tax consolidation scheme" regulated by Articles 117-129 of the Consolidated Law on Income Tax (TUIR), introduced by Legislative Decree 344/2003. This is an optional scheme under which the taxable profits or tax loss of each subsidiary participating in the tax consolidation – together with withholdings, deductions and tax credits – are consolidated into the Parent Company, for which a single taxable income or single tax loss amount is determined that can be carried forward (given by the algebraic sum of own income/losses and that of the participating subsidiaries and, consequently, a single tax debt/credit).

Under this option, Group companies that are members of the tax consolidation scheme calculate their own tax charge and the corresponding taxable income is consolidated into the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company. Income taxes are recognised in the income statement, except for items which are credited/charged directly to shareholders' equity. Provisions for income taxes are calculated on the basis of an estimate of the current, prepaid and deferred tax expense. Prepaid and deferred taxes are calculated in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recorded to the extent that it is probable that they will be recovered, i.e. to the extent that the Company – or the Parent Company under Italy's tax consolidation regime – is likely to continue to generate positive taxable income.

Prepaid and deferred taxes are not netted, and are recognised separately in the statement of financial position under "Tax assets" and "Tax liabilities" respectively. Deferred taxes are calculated using the liability method based on the temporary differences recognised at the reporting date between the tax values used for the assets and liabilities and the values reported in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and for tax assets and liabilities carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the tax assets and liabilities can be utilised, unless:

- > the deferred tax asset associated with the deductible temporary differences arises from initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect on the profit for the year calculated for financial reporting purposes or on the profit or loss calculated for tax purposes;
- > with regard to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that deductible temporary differences will reverse in the immediate future and that there are adequate tax profits against which temporary differences can be utilised.

- > Assets and liabilities recognised for prepaid and deferred taxes are systematically measured to take account of any changes in the rules or rates and of any subjectively different situations of the Group companies.

10 - Provisions for risk and charges

Commitments and guarantees given

Provisions for risk and charges in respect of commitments and guarantees given are recognised for all commitments and guarantees, whether revocable or irrevocable, in accordance with both IFRS 9 and IAS 37. This item includes an estimate of the expected loss calculated on these instruments resulting from the valuation process, as described in the section Value Adjustments.

The provision for the period is recorded in item "200. Net provisions for risk and charges: a) commitments and guarantees given".

Pensions and similar obligations

Pension provisions include employee benefit provisions that will be paid after employment is terminated and may be classified as defined-contribution or defined-benefit plans. In particular:

- > Defined benefit plan: this ensures benefits that depend on different elements, such as age, years of service and remuneration policies. In this case the actuarial risk and the investment risk ultimately fall on the company;
- > Defined contribution plan: for this type of plan, the company pays pre-determined contributions. The benefit is the accumulated amount represented by the contributions and their return. The provider has no actuarial and/or investment risk linked to this type of plan as it has no legal or implicit obligation to pay additional contributions if the fund does not have sufficient assets to pay benefits to all employees.

Other funds

Provisions for risk and charges are liabilities of uncertain maturity or amount. A contingent liability is defined as such when:

- > the company has a current obligation as a result of a past event;
- > it is probable that an outlay of resources to produce economic benefits will be required to settle the obligation; and
- > a reliable estimate can be made of the amount arising from fulfilment of the obligation.

The amounts set aside are determined so as to represent the best estimate of the expenditure required to meet the obligations. Risks and uncertainties relating to the facts and circumstances at issue are considered in determining this estimate. Provisions set aside are periodically reviewed and may be adjusted to reflect the best current estimate.

"Other funds" include, *inter alia*, obligations concerning benefits payable to agents and in particular supplementary client benefits, portfolio and structure benefits and manager promoter benefits, relating to agents carrying out assistance and coordination activities whose remuneration is based on specific commercial parameters and is granted on the achievement of an old-age pension - conditional on the requirement not to

carry out competitive activities in the two-year period following the end of their period in office - or in cases of permanent total disability or death. The provision for unlawful risks of promoters is also included, established to cover the risk of liabilities for losses not covered by the insurance policy to cover damage caused to customers by unlawful conduct on the part of financial promoters and potential liabilities arising from legal disputes.

11 - Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost comprise:

- > Item: "IO. a) Financial liabilities measured at amortised cost: Payables to banks";
- > Item: "IO. b) Financial liabilities measured at amortised cost: Payables to customers";
- > Item: "IO. c) Financial liabilities measured at amortised cost: Debt securities in issue".

Payables entered by the lessee in the context of lease transactions, as well as repurchase agreements for funding and securities lent with the receipt of money guarantees that are fully available to the lender, are also included. Finally, operating payables associated with the provision of financial services are included.

Recognition criteria

The value at which they are initially recognised is equal to their fair value, usually equal to the consideration received or the issue price including costs/income directly attributable to the transaction. Lease payables are recognised on the basis of the present value of future lease payments still to be paid for the contractual term.

Measurement criteria

After initial recognition, medium/long-term financial liabilities are measured at amortised cost using the effective interest rate method as defined above.

Short-term liabilities, for which the time factor is not significant, are valued at cost.

Lease payables must be restated in the event of a change in the payments due (lease modification). The impact of the redetermination will be recorded as a balancing item to the right of use asset.

Derecognition criteria

Financial liabilities are derecognised on the annual or interim financial statements when they expire or are extinguished. The difference between the carrying amount of the liability and the amount paid to purchase it is recorded in the income statement.

12 - Financial liabilities held for trading

Financial liabilities held for trading include:

- > trading derivatives with a negative value;
- > uncovered short positions on securities trading.

Recognition criteria

Such financial liabilities are initially recognised on receipt of the sums collected or on settlement of the financial instruments underlying the transaction. The fair value of any financial liabilities issued below market value is subject to appraisal and the difference from the market value is directly recognised in the income statement. After initial recognition, financial liabilities are measured at fair value.

Measurement criteria

After initial recognition, the financial instruments in question are measured at fair value, with changes in value recognised in item "80. Net gains (losses) from trading".

Financial liabilities are derecognised when they expire or are extinguished.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when financial liabilities are transferred with the substantial transfer of all the risks and rewards of ownership.

14 - Foreign-currency transactions

Assets and liabilities denominated in foreign currencies are recorded, at initial recognition, in the reporting currency, by applying the exchange rate in force on the transaction date to the foreign currency amount.

At each interim or year-end reporting date, financial statement items in foreign currencies are valued as follows:

- > monetary financial assets and liabilities are converted at the exchange rate at the reporting date;
- > non-monetary items measured at historical cost are translated at the exchange rate in force at the transaction date;
- > non-monetary assets measured at fair value are converted using the exchange rates in force at the reporting date.

Foreign exchange differences resulting from the settlement of monetary items or the conversion of monetary items at rates other than the initial conversion rates or the conversion rates in the previous financial statements are recognised in the income statement for the period in which they arise.

When a gain or loss relating to a non-monetary item is recognised in shareholders' equity, the foreign exchange difference relating to that item is also recognised in equity. Conversely, when a gain or loss is recognised in the income statement, the relative foreign exchange difference is also recognised in the income statement.

15 - Other information

Other assets and liabilities

This item includes assets and liabilities not attributable to other assets in the balance sheet.

Other assets mainly include receivables associated with the provision of non-financial goods or services and tax payables other than those recorded in item "100. Tax assets" and other assets for transit items that will close at the beginning of the following year.

Other liabilities mainly include transit items, payables associated with the payment of the supply of non-financial goods and services and miscellaneous tax credit items other than those recognised in item "60. Tax liabilities".

Severance benefits

Employee severance benefits are recorded on the basis of the actuarial value calculated in line with the rules for "defined benefit" plans. Future disbursements are estimated on the basis of historical statistical analyses (for example, turnover and pensions) and the demographic curve, including the hypothetical salary increases envisaged by Article 2120 of the Italian Civil Code (application of a rate comprising 1.5% fixed and 75% of the ISTAT inflation index, where applicable). These flows are then discounted using the projected unit credit method. The discounting rate is determined on the basis of the market rates of high-quality bonds, in line with the

estimated residual maturity of the commitments. The values thus determined entail recognition in the income statement of the cost components relating to work and net financial expenses, as well as the recognition of actuarial gains and losses deriving from the remeasurement of liabilities in other comprehensive income. The amounts accrued from 1 January 2007 allocated to the supplementary pension plan or the INPS treasury fund are classified as a “defined contribution” plan, since the company’s obligation to the employee ceases with payment of the amounts accrued to the fund. These amounts are booked on the basis of the contributions accrued during the year.

Employee pension funds

Defined contribution plans for pension funds for which the company, through payment of contributions, does not assume any further obligation towards the fund members, entail recognition in the income statement of the benefits accrued during the year.

Share-based payments

These are payments to employees or similar persons as consideration for work or other services/goods received based on shares which may consist in the allocation of:

- > rights to subscribe for paid capital increases (stock options);
- > rights to receive shares when the qualitative/quantitative targets settled with equity instruments are met (performance shares);
- > rights to receive shares when the quantitative/qualitative targets settled by cash are met (phantom shares).

For such cases, the cost of the transaction, together with the corresponding increase on the balance sheet (shareholders’ equity or liabilities), is recognised in relation to the fair value of the benefits at the grant date, which is recognised during the vesting period.

For stock option plans, the fair value of the option was calculated using a model that took into account not only information such as the exercise price and life of the option, the current price of the shares and their expected volatility, the expected dividends and the risk-free interest rate, but also the specific characteristics of the plan in place. The option and the probability of realising market conditions are valued separately in the pricing model. The combination of the two values provides the fair value of the granted instrument. The cumulative costs recognised at each reporting date until the vesting date are commensurate with the maturity of the vesting period and the best available estimate of the number of participating instruments that will actually be exercised on vesting.

The reversal of the cost recognised in the income statement in each year represents the change in the cumulative cost between what is recognised at the end of the year and the cumulative cost at the end of the previous year. No cost is recognised for rights that do not reach full accrual. Incentive schemes are also provided for key staff that are based on group share-based payments in accordance with the rules on the remuneration of such staff.

Capital and treasury shares

The capital item includes the amount of shares issued net of any capital subscribed but not yet paid up as at the reporting date. This item is shown gross of the treasury shares held by the Bank. These are recognised in the financial statements under a specific item as a negative component of shareholders’ equity.

The original cost of repurchased treasury shares and the gains or losses arising from their subsequent sale are recognised as changes in shareholders’ equity.

Dividends on ordinary shares are recognised as a reduction in shareholders' equity in the year in which the Shareholders' Meeting voted on its distribution. Any interim dividends are recognised in the "Interim dividends" liability item on the balance sheet as negative amounts in brackets.

Tax credits related to the "Cure Italy" and "Relaunch" decrees acquired due to transfer by direct beneficiaries or previous acquirers (such as the "Ecobonus")

The credits introduced by Decree 18/2020 ("Cure Italy") and Decree 34/2020 ("Relaunch") acquired due to transfer by direct beneficiaries or previous acquirers refer to tax incentive measures relating both to investment expenses (e.g. the Ecobonus and the Sismabonus) and to current expenses (e.g. rents on non-residential premises).

These tax incentives, applicable to households or businesses, are commensurate with a percentage of the expenditure incurred and are paid in the form of tax credits or tax deductions.

The main features of the tax credits introduced by the decrees are:

- > the option of offsetting over a limited period of time;
- > the possibility of transfer to third-party buyers; and
- > no refunding by the tax authorities.

The accounting treatment of the above credits is not governed by any IAS/IFRS accounting standard and it is therefore necessary to refer to the provisions of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, which require that a specific accounting policy be defined that ensures a faithful representation of the entity's financial position, income and cash flows and reflects the economic substance.

Also under the guidelines set forth by the Supervisory Bodies in the joint document published by them, taking into account that the tax credits referred to in the decrees are substantially more similar to a financial asset, as they may be used to offset a debt usually extinguished in cash (tax payables), and may be exchanged for other financial assets under conditions that might potentially be favourable to the entity and can be framed in a business model, it is believed that the accounting model based on IFRS 9 represents the accounting policy of reference.

In order to define the accounting treatment to be adopted for the tax credits in question, reference was therefore made to certain provisions of the IFRS 9 accounting standard for financial instruments. In particular, the acquisition price of the tax credits is affected by:

- > the time value of money;
- > the ability to use it within the relevant timeframe.

This price meets the condition of IFRS 9, according to which financial assets and liabilities are initially recognised at fair value and regarded as being at Level 3 of the fair value hierarchy provided for by IFRS 13, as there are currently no active markets or comparable transactions. At the time of initial recognition, the tax credit must therefore be recognised at the transaction price. In order to subsequently measure financial assets at amortised cost, the following must be considered:

- > the time value of money;
- > the use of an effective interest rate;
- > the flows of the use of the tax credit through offsetting.

The effective interest rate used is therefore the rate determined at the outset so that the discounted cash flows associated with the expected future offsetting estimated over the projected duration of the tax credit are equal to the acquisition price. It is therefore necessary to estimate the expected offsetting taking into account all the terms of the tax credit, including the fact that any tax credit not used in each offsetting period will be lost.

Using the amortised cost method, pursuant to paragraph B5.4.6 of IFRS 9, it is necessary to periodically review the estimates of cash flows and to adjust the gross book value of the financial asset to reflect actual and restated cash flows.

The accounting of tax credits acquired by an entity is not attributable to one specific international accounting standard. In these cases, IAS 8 requires that, if there is a case not explicitly covered by an IAS/IFRS accounting standard, an accounting policy can be defined that is capable of ensuring the relevant disclosure of such cases. Applying IFRS 9 as the best approximation of the accounting standard that should be adopted, it is therefore necessary to define the correct portfolio among those covered by this standard, i.e. the held-to-collect (HTC) business model, in accordance with the classification currently adopted by the Group, according to which this is the reference portfolio for loans to customers, also considering the aim of holding these loans and using them for future offsetting.

With regard to presentation, given that the tax credits obtained do not represent, pursuant to the international accounting standards, tax assets, public contributions, intangible assets or financial assets, the most appropriate classification for the purposes of presentation in the financial statements is the residual classification of "other assets" in the balance sheet in line with IAS I.

Income and expenses (interest and other valuation aspects such as adjustments for impairment and gains (losses) on disposal) are recognised in the income statement, in line with the HTC business model selected.

For the purposes of valuing these credits, the accounting framework established by IFRS 9 for the calculation of expected losses is not applicable, i.e. ECL is not calculated on these tax credits, as there is no counterparty credit risk, taking into account that the credit is realised by being offset against payables and not by collection.

Income statement

Revenues

Revenues are gross flows of economic benefits arising from the company's ordinary business and are recognised when the control of goods or services is transferred to the client, for an amount that represents the consideration to which it considers it is entitled. Specifically, revenue is recognised through the application of a model that must meet the following criteria:

- > the parties to the contract approved the contract and undertook to fulfil their respective obligations;
- > the entity can identify the rights of each of the parties with regard to the goods or services to be transferred;
- > determination of the expected consideration for the transfer of the goods or services to the client (transaction price);
- > recognition of revenues when the obligation to perform is fulfilled by transferring the good or service to the customer.

Interest income and expense

Interest income and expense and similar income and expense comprise cash and cash equivalents and financial instruments classified under IFRS 9 (financial assets held for trading, designated at fair value or mandatorily measured at fair value, measured at fair value with an impact on comprehensive income, measured at amortised cost and financial liabilities at amortised cost).

Interest income and expense is recognised in the income statement for all instruments valued according to the amortised cost criterion, using the effective interest rate method.

Fee and other income

Fee income and other operating income is recognised in the income statement in accordance with IFRS 15: Revenue from contracts with customers. In particular:

- > if the obligation to perform is fulfilled at a certain time, the relevant revenue is recognised in the income statement at the time the service is provided;
- > if the obligation to perform is fulfilled over time, the relevant revenue is recognised in the income statement in such a way as to reflect the degree of fulfilment of the obligation.

The amount of revenue recognised on commission income and other operating income is measured according to the contractually established amounts.

Dividends

Dividends are recognised in the income statement in the financial year in which the resolution to distribute them is approved.

Dividends received from subsidiaries fully measured using the equity method are not recognised in the income statement, but reduce the value of the investment.

Costs

Costs are recognised when they are incurred in accordance with the principle of the correlation of costs and revenues. Costs that cannot be associated with revenue are immediately recognised in the income statement. Costs directly attributable to financial instruments measured at amortised cost are recorded in the income statement using the effective interest rate.

The effective interest method is the method of allocating interest income or expense over the duration of a financial asset or liability. The effective interest rate is the rate that exactly discounts future payments or receipts expected over the life of the financial instrument to the net book value of the financial asset or liability.

Impairment is recognised in the income statement in the financial year in which it is recognised.

A.3 – REPORTING OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Date of reclassification (4)	Reclassified carrying amount (5)	Interest income recorded in the year (before tax) (6)
Debt securities	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	01/10/2018	5,097,429	N.A.

It should be noted that the reclassification date is the date of the accounting effect of the change of business model.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

As reported in previous years, following a change in the business model by the Parent Company, which allowed the risk profile to be maintained unchanged with respect to the risk appetite assumed by the corporate governance bodies, the Held to Collect (HTC) portfolio is the portfolio in which financial instruments have a significant position compared with the HTCS portfolio, in which financial instruments continue to have a very marginal position. It should therefore be noted that all medium/long-term variable-rate and fixed-rate securities have been assigned to the HTC portfolio because the Bank believes them to be more consistent with stable inflows, while short-term fixed-income securities are considered more useful for meeting liquidity needs, which is the specific aim of the new HTCS portfolio.

2022 confirmed the choice of the prevalence of the HTC portfolio, following which the relative importance of the exposure to securities classified in the HTC portfolio and the substantial absence of sales of securities classified in this portfolio should be noted.

A.4 – FAIR VALUE REPORTING

QUALITATIVE INFORMATION

IFRS 13 establishes a fair value hierarchy according to the degree of observability of the inputs and parameters used to achieve the valuations. Three levels are envisaged:

- > Level 1: the FV of the instruments classified at this level is determined on the basis of list prices observed in active markets;
- > Level 2: the FV of the instruments classified at this level is determined on the basis of valuation models that mainly use inputs observable in active markets;
- > Level 3: the FV of the instruments classified at this level is determined on the basis of valuation models that mainly use significant inputs not observable in active markets.

The Company has a policy for the recognition of the fair value level of individual positions. The policy establishes the rules for both the definition of an “active market” and the consequent operating procedure for valuing portfolios in order to avoid any discretion in the identification of levels. Securities not in any of the above categories are regarded as belonging to an inactive market. As part of coordination activities for all Group companies, the Risk Management function provides methodology and/or operational support to the corresponding risk structures of the companies in the conglomerate, including with regard to the definition of an active market. The following are deemed to be listed on an active market:

- > securities traded on Italian and foreign regulated markets (e.g. MTS, MOT);
- > securities traded on organised exchange systems authorised or recognised by Consob (multilateral trading facilities) for which the materiality of the price has been determined by the procedure described below;
- > securities for which an executable list price is available that meets the following criteria:
 - > the reference time series is complete;
 - > the bid-ask price tolerance thresholds differ according to the financial instrument;
 - > significant variability in the daily price in the reference month;
 - > maximum monthly price variation limit;
 - > maximum limit of the price deviation from a benchmark quotation.

Securities that meet the above criteria are classified as listed on an active market and their fair value is determined according to the type of financial instrument, as follows:

- > for equity securities listed on the Italian stock exchange Borsa Italia and foreign stock exchanges, the closing price on the last trading day of the reference month;
- > debt securities will be valued at the bid price (for long positions) and the ask price (for short positions) from an executable source.

Financial instruments that are not in active markets are valued by assigning them to fair value Level 2 or Level 3, as discussed above.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Level 2 instruments comprise bonds of third-party issuers and some derivative instruments. Securities in this category are valued on the basis of directly or indirectly observable market data. The fair value of the bonds is calculated as the sum of the present values at the end of the financial year of the cash flows deriving from them. The discount rate is determined as the sum of two components:

- > the risk-free rate;
- > the credit spread.

The risk-free rate is inferred from the implicit value in IRS (interest rate swap) contracts, while the credit spread is inferred from the price of bonds of the same issuer with a fixed coupon and maturity comparable to the security being valued. Where no securities of the same issuer were present, and for own bonds, a credit spread was used, inferred from a weighted average of the observed values of bonds of the main Italian banks listed on the institutional markets. If the expected values of the flows are not determined, but depend on market variables, they are identified on the basis of:

- > the forward rates implicit in the risk-free rates for the various maturities;
- > the volatility implicit in the prices of swaptions, caps and floors.

The fair value of Level 2 financial derivatives (consisting of amortising interest rate swaps) is determined taking into account their level of collateralisation: in particular, the value of the contracts is calculated by discounting the flows generated by them at rates inferred from the implicit values in OIS (overnight interest swap) contracts and in the relevant basis swap contracts.

Level 3 assets mainly consist of:

- > shares of funds including those of the investment funds;
- > positions in equity securities.

As far as shares of real estate funds are concerned, the underlying approach of real estate valuations aims to determine fair value through a mark to model method, i.e. a theoretical value derived from assumptions that may be applied to different classes of assets regardless of the specific characteristics of the counterparties or the property itself (its specific features, category, geographical location, etc.). The starting point for determining the fair value of the properties (included in the real estate funds) consists of the rents (contractually established) that the tenant of the property undertakes to pay the property owner for an agreed number of years. These rents are discounted and capitalised using:

- > the initial value of the rent received;
- > the discounting rate for the rent received;
- > the final net income capitalisation rate after implementation.

The first rate is obtained through a linear combination of a market indicator, a spread for illiquidity risk, a spread for the risk associated with real estate investment and a spread for sector/planning risk (included in discount rates according to an asset-dependent approach). The marginal impact of each of the four components will therefore reflect the valuer's market sensitivity and its forecasts and expectations regarding market trends. The exit rate, by contrast, is the factor that makes it possible to convert an indication of future income into an indication of present value. This is also determined using a linear combination: the inputs are taken from the

financial market and reference real estate market. In particular, the risk out rate is inferred by the valuer by observing transactions in the reference market.

In accordance with current legislation, the assets in real estate funds are valued by independent experts every six months. With reference to the other types of funds in the portfolio managed by leading asset management companies, the NAV of the fund's share is assumed as an approximation of the fair value.

Due to its interest in the VISA security, the Company has determined fair value on the basis of valuation methods provided for in legal theory with the support of an external consultant.

Less significant unlisted equity securities have been assumed to be equal to their historical cost in the absence of facts and information considered sufficiently reliable to determine the fair value reliably, such as recent transactions to be taken as a reference or the presence of inherent characteristics of the company that allow it to be compared with other listed players.

Fair value Level 3 relating to assets and liabilities not measured at fair value on a recurring basis includes receivables and payables from/to customers and banks and real estate assets.

For short-term receivables and payables from/to customers and banks the fair value was assumed to be equal to the carrying amount, as this was considered a good approximation. For medium/long-term performing and non-performing exposures (past due by more than 90 days and unlikely to pay), mainly consisting of loans to customers for mortgage contracts, the measurement of fair value took into account the discounting of contractual flows. A fair value corresponding to the carrying amount was assumed for non-performing exposures (non-performing loans). The assumptions underlying the determination of fair value, which are specific to the model and not observable in the market, determine classification at Level 3. The fair value of properties directly owned by the Company has, in general, been determined using the "comparative" method.

A.4.2 Valuation processes and sensitivity

For a more detailed analysis of the techniques, inputs and valuation processes adopted for instruments classified in level 3 of the fair value hierarchy, see the previous paragraph.

This section includes disclosure on fair value as required by IFRS 13. Fair value is defined as the consideration that could be received to sell an asset or paid to transfer a liability, in an ordinary transaction between counterparties on the reference market on the measurement date. A financial instrument is considered quoted on an active market if the quoted prices are readily and regularly available on the regulated market (understood as a trading platform, dealer or broker) and such prices represent actual market transactions that take place regularly in normal trading. Alternative valuation models (mark to model) are used if market prices or other observable inputs are not available. Banca Mediolanum uses valuation methods in line with methods generally accepted and used by the market. The valuation models include techniques based on discounting future cash flows (and estimated volatility) and are reviewed periodically to ensure full consistency with the valuation objectives.

A.4.3 Fair value hierarchy

See the description of the fair value hierarchy in the section Fair value reporting– Qualitative information.

Description of migrations between asset valuation levels

Banca Mediolanum has a policy in place for the recognition of the fair value level of individual positions. The policy establishes the rules for both the definition of an "active market" and the consequent operating procedure

for valuing portfolios in order to avoid any discretion in the identification of levels. In 2022 there were no changes in the FV levels of the financial instruments in the Bank's portfolios.

A.4.4 Other information

There are no situations in which the maximum and best use of a non-financial asset differs from its current use. Moreover, there are no situations in which financial assets and liabilities managed on a net basis relating to market risks or credit risk are measured at fair value based on the price that would be received from the sale of a net long position or the transfer of a net short position.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

€/000	31/12/2022			31/12/2021		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	1,085,044	472	108,134	121,182	327	113,669
a) Financial assets held for trading	1,064,499	472	5,353	107,626	327	5,282
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	20,545	-	102,781	13,556	-	108,387
2. Financial assets measured at fair value through other comprehensive income	301,838	-	6,038	340,745	-	6,034
3. Hedging derivatives	-	430	-	-	63	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	1,386,882	902	114,172	461,927	390	119,703
1. Financial liabilities held for trading	-	11,952	-	-	60,818	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	2,594	-	-	19,936	-
TOTAL	-	14,546	-	-	80,754	-

A.4.5.2 Changes during the year in assets measured at fair value on a recurring basis (Level 3)

€/000	Financial assets at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	113,669	5,282	-	108,387	6,034	-	-	-
2. Increases	38,091	1,429	-	36,662	4	-	-	-
2.1. Purchases	22,838	1,296	-	21,542	-	-	-	-
2.2. Profits booked to:	15,236	133	-	15,103	-	-	-	-
2.2.1. Income statement	15,236	133	-	15,103	-	-	-	-
- of which, capital gains	15,206	103	-	15,103	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	17	-	-	17	4	-	-	-
3. Decreases	(43,626)	(1,358)	-	(42,268)	-	-	-	-
3.1. Sales	(682)	(682)	-	-	-	-	-	-
3.2. Redemptions	(30,854)	(270)	-	(30,584)	-	-	-	-
3.3. Losses charged to:	(11,858)	(405)	-	(11,453)	-	-	-	-
3.3.1. Income statement	(11,858)	(405)	-	(11,453)	-	-	-	-
- of which, capital losses	(11,488)	(69)	-	(11,419)	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(232)	(1)	-	(231)	-	-	-	-
4. Closing balances	108,134	5,353	-	102,781	6,038	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

€/000	31/12/2022				31/12/2021			
	CA	LI	L2	L3	CA	LI	L2	L3
1. Financial assets measured at amortised cost	30,810,651	14,205,269	-	16,835,839	31,549,989	13,074,109	-	19,821,647
2. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
TOTAL	30,810,651	14,205,269	-	16,835,839	31,549,989	13,074,109	-	19,821,647
1. Financial liabilities measured at amortised cost	33,475,487	300,699	-	33,174,268	30,914,939	-	-	30,915,346
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	33,475,487	300,699	-	33,174,268	30,914,939	-	-	30,915,346

Key:

CA = Carrying amount

LI = Level 1

L2 = Level 2

L3 = Level 3

A.5 – REPORTING OF DAY ONE PROFIT/LOSS

Nothing to report.

Part B – Information on the Statement of Financial Position

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

€/000	Total	Total
	31/12/2022	31/12/2021
a) Cash	2,256	2,282
b) Current accounts and demand deposits with central banks	2,035,113	4,000
Current accounts and demand deposits with banks	41,159	24,763
Total	2,078,528	31,045

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

2.1 Financial assets held for trading: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	1,008,593	-	-	3	-	1
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	1,008,593	-	-	3	-	1
2. Equity securities	55,869	-	5,353	107,566	-	5,281
3. Units in investment funds (UCIs)	37	-	-	57	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	1,064,499	-	5,353	107,626	-	5,282
B. Derivative instruments						
1. Financial derivatives	-	472	-	-	327	-
1.1 for trading	-	472	-	-	327	-
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL (B)	-	472	-	-	327	-
TOTAL (A+B)	1,064,499	472	5,353	107,626	327	5,282

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Fair value I equity securities include the NEXI security for €55,869 thousand.

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

€/000	31/12/2022	31/12/2021
A. ON-BALANCE SHEET ASSETS		
1. Debt securities	1,008,593	4
a) Central banks	-	-
b) General government	1,008,593	4
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	61,222	112,847
a) Banks	-	-
b) Other financial corporations	60,972	112,565
of which: insurance companies	-	-
c) Non-financial corporations	250	282
d) Other issuers	-	-
3. Units of UCIs	37	57
4. Loans	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL (A)	1,069,852	112,908
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	472	328
TOTAL (B)	472	328
TOTAL (A+B)	1,070,324	113,236

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	231
3. Units in investment funds (UCIs)	20,545	-	102,781	13,556	-	108,156
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	20,545	-	102,781	13,556	-	108,387

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

€/000	31/12/2022	31/12/2021
1. Equity securities	-	232
of which: banks	-	-
of which: other financial corporations	-	232
of which: non-financial corporations	-	-
2. Debt securities	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
3. Units in investment funds (UCIs)	123,326	121,711
4. Loans	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL	123,326	121,943

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by type

€/000	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	98,397	-	-	111,804	-	-
I.1 Structured notes	-	-	-	-	-	-
I.2 Other debt securities	98,397	-	-	111,804	-	-
2. Equity securities	203,440	-	6,039	228,941	-	6,034
3. Loans	-	-	-	-	-	-
TOTAL	301,837	-	6,039	340,745	-	6,034

Key:

L1 = Level 1
L2 = Level 2
L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrower/issuer

€/000	31/12/2022	31/12/2021
1. Debt securities	98,397	111,804
a) Central banks	-	-
b) General government	19,827	20,191
c) Banks	78,570	91,613
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	209,479	234,975
a) Banks	203,440	228,938
b) Other issuers:	6,039	6,037
- other financial corporations	310	309
of which: insurance companies	-	-
- non-financial corporations	5,729	5,728
- other	-	-
3. Loans	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL	307,876	346,779

3.3 Financial assets measured at fair value through other comprehensive income: gross value and overall adjustments

€/000		Gross value				Overall value adjustments				Overall partial write-offs*
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired
Debt securities		98,543	98,543	-	-	-	(146)	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Total	31/12/2022	98,543	98,543	-	-	-	(146)	-	-	-
Total	31/12/2021	112,002	112,002	-	-	-	(198)	-	-	X
of which: purchased or originated impaired financial assets		X	X	-	-	-	X	-	-	-

* Value to be displayed for information purposes

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 1 of 2)

€/000	Total					
	31/12/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	240,198	-	-	-	-	240,198
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	240,198	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	12,701	-	-	-	-	12,701
1. Loans	12,701	-	-	-	-	12,701
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	-	-	-	X	X	X
1.3. - Other loans:	12,701	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	12,701	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-
Total	252,899	-	-	-	-	252,899

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 2 of 2)

€/000	Total					
	31/12/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	4,627,752	-	-	-	-	4,627,752
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	4,627,752	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	96,405	-	-	10,026	-	86,416
1. Loans	86,415	-	-	-	-	86,416
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	20,000	-	-	X	X	X
1.3. - Other loans:	66,415	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	66,415	-	-	X	X	X
2. Debt securities	9,990	-	-	10,026	-	-
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	9,990	-	-	10,026	-	-
Total	4,724,157	-	-	10,026	-	4,714,168

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 1 of 2)

€/000	Total					
	31/12/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	15,973,203	90,023	2,472	-	-	16,444,750
1.1. Current accounts	427,035	4,688	26	X	X	X
1.2. Reverse repurchase agreements	32,212	-	-	X	X	X
1.3. Mortgages	10,623,408	66,360	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,377,435	6,640	2,296	X	X	X
1.5 Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	3,513,113	12,335	150	X	X	X
2. Debt securities	14,492,055	-	-	14,205,269	-	119
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	14,492,055	-	-	14,205,269	-	119
Total	30,465,257	90,023	2,472	14,205,269	-	16,444,869

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 2 of 2)

€/000	Total					
	31/12/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	13,792,404	86,028	2,206	-	-	15,107,230
1.1. Current accounts	327,489	5,502	4	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X
1.3. Mortgages	9,376,814	72,242	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,483,641	6,953	1,971	X	X	X
1.5 Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	2,604,460	1,331	231	X	X	X
2. Debt securities	12,945,194	-	-	13,064,084	-	249
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	12,945,194	-	-	13,064,084	-	249
Total	26,737,598	86,028	2,206	13,064,084	-	15,107,479

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by borrower/issuer

€/000	Total 31/12/2022			Total 31/12/2021		
	Stages 1 and 2	Stage 3	Purchased or originated impaired assets	Stages 1 and 2	Stage 3	Purchased or originated impaired assets
1. Debt securities	14,492,055	-	-	12,945,194	-	-
a) General government	14,491,946	-	-	12,944,966	-	-
b) Other financial corporations	109	-	-	228	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	-	-	-	-	-	-
2. Loans to:	15,973,201	90,024	2,472	13,792,404	86,028	2,206
a) General government	93	15	-	-	15	-
b) Other financial corporations	2,319,775	219	-	1,789,071	366	-
of which: insurance companies	24,014	-	-	24,880	-	-
c) Non-financial corporations	634,299	20,506	117	493,924	16,407	167
d) Households	13,019,034	69,284	2,355	11,509,409	69,240	2,039
Total	30,465,256	90,024	2,472	26,737,598	86,028	2,206

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4.4 Financial assets measured at amortised cost: gross value and overall value adjustments

€/000	Gross value					Overall value adjustments				Overall partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	
Debt securities	14,503,900	14,503,900	-	-	-	(11,845)	-	-	-	-
Loans	15,686,458	-	577,734	182,253	3,671	(15,696)	(22,395)	(92,231)	(1,199)	-
Total 31/12/2022	30,190,358	14,503,900	577,734	182,253	3,671	(27,541)	(22,395)	(92,231)	(1,199)	-
Total 31/12/2021	31,059,393	12,966,236	449,153	169,683	3,120	(30,813)	(15,978)	(83,656)	(914)	-

* Value to be displayed for comparison purposes

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total adjustments

Euro	Gross value					Overall value adjustments				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Partial and full write-offs*
1. Forborne loans compliant with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne	8,394	-	2,063	585	-	16	125	119	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New loans	235,360	-	24,650	12,095	22	373	176	2,143	-	-
Total 31/12/2022	243,754	-	26,713	12,680	22	389	301	2,262	-	-
Total 31/12/2021	327,143	-	33,697	7,780	217	799	734	1,974	-	-

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

€/000	31/12/2022				31/12/2021			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	430	-	22,341	-	63	-	24,547
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	430	-	22,341	-	63	-	24,547

Key:

NV: Notional value

L1 = Level 1

L2 = Level 2

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

€/000	Fair value							Cash flows		Foreign inv.
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equity securities and equity indices	currencies and ^{held} credit	commodities	other					
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	430	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	430	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Operational HQ	% held	% votes available
A. Exclusive subsidiaries				
Mediolanum Vita S.p.A.	Basiglio	Basiglio	100.0%	100%
Mediolanum Comunicazione S.p.A.	Basiglio	Basiglio	100.0%	100%
PI Servizi S.p.A.	Basiglio	Basiglio	100.0%	100%
Mediolanum International Life DAC	Dublin	Dublin	100.0%	100%
Mediolanum Assicurazioni S.p.A.	Basiglio	Basiglio	100.0%	100%
Mediolanum Gestione Fondi SGR p.A.	Basiglio	Basiglio	100.0%	100%
Mediolanum International Funds Ltd	Dublin	Dublin	95.4%	95.4%
Mediolanum Fiduciaria S.p.A.	Basiglio	Basiglio	100.0%	100%
PreXta S.p.A.	Basiglio	Rome	100.0%	100%
Flowe S.p.A. - SB	Basiglio	Basiglio	100.0%	100%
August Lenz & Co. AG*	Munich	Munich	100.0%	100%
Banco Mediolanum S.A.	Valencia	Barcelona	100.0%	100%

* Please note that the German subsidiary returned its banking licence on 7 November 2022.

7.2 Significant equity investments: carrying amount, fair value and dividends received

For the reporting regarding this item, see the description in the consolidated financial statements.

7.3 Significant equity investments: accounting information

For the reporting regarding this item, see the description in the consolidated financial statements.

7.5 Equity investments: changes during the year

€/000	31/12/2022	31/12/2021
A. Opening balances	1,827,314	1,592,960
B. Increases	810,758	901,625
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Write-ups	613,100	859,899
B.4 Other changes	197,658	41,726
C. Decreases	(816,985)	(667,271)
C.1 Sales	-	-
of which: Business combinations	-	-
C.2 Value adjustments	(11,995)	-
C.3 Write-downs	(65,251)	(34,056)
C.4 Other changes	(739,739)	(633,214)
D. Closing balances	1,821,088	1,827,314
E. Total write-ups	613,100	859,899
F. Total adjustments	(77,246)	(34,056)

Equity investments incorporate the valuation of total equity investments using the equity method.

The other decreases include dividends received by the wholly owned subsidiaries.

The impairment losses of €11,995 thousand include the write-down of the equity investment in the subsidiary Prexta following impairment testing at 31 December 2022, as specified below.

In accordance with IAS 36 and taking into account the recommendations of the joint Bank of Italy/Consob/ISVAP document of 3 March 2010, the reporting on the impairment testing performed on the equity investments in place at 31 December 2022 is provided below. The impairment process aims to verify that the carrying amount of the equity investments does not exceed the recoverable amount, i.e. the greater of the value in use and the possible sale price on the market (fair value net of selling costs or exchange value) of the equity investments. In order to carry out the impairment testing on equity investments, the directors of Banca Mediolanum were assisted by a company with specific experience in company valuations (the independent expert). The impairment testing was conducted on the basis of the methods and assumptions described below.

EQUITY INVESTMENTS TESTED FOR IMPAIRMENT

Impairment testing was therefore performed on the following equity investments:

Equity investment	% held	Carrying amount to be tested for impairment (€/m)
Banco Mediolanum S.A.	100.0%	257.5
PreXta S.p.A.	100.0%	67.1

VALUATION METHODS

As in previous years, the recoverable amount of the equity investments has been determined by reference to their value in use.

For the determination of value in use, IAS 36 provides for the possibility of using the financial method known as the Discounted Cash Flow (DCF) method. This method identifies the value in use of an equity investment, or company, by estimating the future (operational) cash flows it generates, discounted to reflect the explicit time frame over which it is assumed that these will be achieved.

In operating practice, when credit companies are valued, the Free Cash Flow to Equity (FCFE) approach, known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in the Excess Capital version, is used. This determines the value of a company on the basis of future cash flows that it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in accordance with the capital regulations imposed by the supervisory authority, discounted at a rate that expresses the specific risk. It should also be noted that although the phrase “Dividend Discount Model” contains the word “dividend”, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital resources required by company operations.

BANCO MEDIOLANUM

The recoverable value of Banco Mediolanum was estimated considering the value in use obtained from the application of the Excess Capital version of the Dividend Discount Model valuation methodology, in accordance with the prevailing principles, on the basis of the 2021-2025 business plan (2021-2025 Plan) approved by the directors of Banco Mediolanum and Banca Mediolanum S.p.A., updated with the most recent projections.

The 2021-2025 Plan and the recent projections were developed on a reasonable and consistent basis, representing the best estimate currently available to management of the future economic performance of Banco Mediolanum. In particular, the objective of developing Banca Mediolanum’s typical business model in Spain has been confirmed, based on the experience and track record of the management of the Mediolanum Group, with sustained development of the sales network and a consequent increase in net funding and assets under management. The plan incorporates an update of the most recent expectations concerning the trend in interest rates in the forecasting period, the expected evolution of funding based on volumes and the sales network in place at 31 December 2022 and the forecast of the profitability of assets under management. The main figures and parameters considered when determining the recoverable value of the equity investment are described below:

- > expected cash flows inferred from the plan's objectives and the most recent projections;
- > growth in the Family Banker sales network, from 1,617 to 2,590;
- > an increase in assets under administration at an average annual rate of 14.4%;
- > the discount rate for future cash flows (K_e) is estimated at 12.36% based on the Capital Asset Pricing Model and considering the following parameters:
 - > a risk-free rate of 2.77%, based on the average historical half-yearly return on 10-year bonds issued by the Spanish government;
 - > the beta coefficient of 1.27, which indicates the risk level of a specific equity with respect to the equity market as a whole, estimated on the basis of the average value of a sample of companies operating in the Spanish banking sector;
 - > a market premium, i.e. the difference in the return required by investors for an investment in equity securities compared with a risk-free investment, quantified at 6%, in line with the most common professional practice;
 - > a specific risk premium, estimated conservatively at 2.0% to take into account the volatility underlying the achievement of the plan.

At the end of the explicit planning horizon, Banco Mediolanum's value was estimated on the basis of the available flow in 2025, conservatively excluding the contribution of institutional cash, and considering a long-term growth rate of 1.7%, in line with long-term inflation expectations. Particularly stressed sensitivity analyses were carried out, which concerned, separately:

- > the discount rate;
- > the long-term growth rate;
- > net profitability.

In light of the analyses conducted, the Directors did not identify any elements that would indicate impairment.

PREXTA S.p.A.

The recoverable value of Prexta (formerly EuroCQS S.p.A.) was estimated considering the value in use obtained from the application of the Excess Capital version of the Dividend Discount Model valuation methodology, in accordance with the prevailing principles, on the basis of the Business Plan approved by the directors of company and of Banca Mediolanum S.p.A.

The Plan and the recent projections were developed on a reasonable and consistent basis, representing the best estimate currently available to management of the future economic performance of the Company.

The valuation quantities and parameters considered when determining the recoverable value are described below:

- > expected cash flows inferred from the plan's objectives and the most recent projections;
- > the discount rate for future cash flows (K_e) is estimated at 9.78% based on the Capital Asset Pricing Model and considering the following parameters:
 - > a risk-free rate of 3.83%, the 6-month average gross yield of 10-year BTPs;
 - > a beta coefficient, which indicates the correlation factor between the actual return of a share and the overall return of the reference market, assumed to be 0.99, based on the average value of a sample of companies operating in the consumer finance sector;

- > a specific risk premium of zero. In 2021, this component was quantified at 2.0%, according to the expected development profile.

At the end of the explicit planning horizon, the value of the equity investment was estimated on the basis of the available flow in 2025. The long-term growth rate was assumed to be 2%.

Particularly stressed sensitivity analyses were carried out, which concerned, separately:

- > the discount rate;
- > the long-term growth rate;
- > net profitability.

When reasonable changes were made to the aforementioned basic assumptions, there were no cases in which the recoverable amount of the CGU was less than its carrying amount.

In the light of the analyses, taking into account the Company's business model and the results obtained from the valuation and the sensitivity analyses, the Directors established that the estimated recoverable value was in line with the Company's statement of financial position, but lower than the carrying value of the equity investment. The equity investment was therefore written down by € 11.2 million, bringing it into line with the Company's shareholders' equity.

Regarding other equity investments, there are no indicators of impairment that require further adjustments to balance sheet values.

Section 8 – Tangible assets – Item 80

8.1 Tangible assets for business use: breakdown of assets measured at cost

€/000	31/12/2022	31/12/2021
1. Own assets	57,415	58,700
a) land	32,796	32,796
b) buildings	20,806	21,565
c) furniture	1,559	2,032
d) electronic equipment	1,546	2,117
e) other	708	190
2. Rights of use acquired through leasing	53,964	54,299
a) land	-	-
b) buildings	53,964	54,299
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
TOTAL	111,379	112,999
of which: obtained through the realisation of collateral	-	-

8.6 Tangible assets for business use: changes during the year

€/000	Land	Buildings	Furniture	Electronic equipment	Other	TOTAL
A. Gross opening balances	32,796	123,332	22,306	23,890	195	202,519
A.1 Total net impairment losses	-	(47,469)	(20,274)	(21,772)	(5)	(89,520)
A.2 Net opening balances	32,796	75,863	2,032	2,118	190	112,999
B. Increases:	-	9,115	284	244	709	10,352
B.1 Purchases	-	8,808	284	240	709	10,041
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	307	-	4	-	311
C. Decreases:	-	10,209	757	816	191	11,973
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation & amortization	-	9,265	757	816	-	10,838
C.3 Impairment losses recognised in	-	121	-	-	-	121
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	121	-	-	-	121
C.4 Decreases in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	823	-	-	191	1,014
D. Net closing balances	32,796	74,769	1,559	1,546	709	111,379
D.1 Total net impairment losses	-	(56,855)	(21,031)	(22,588)	(5)	(100,479)
D.2 Gross closing balances	32,796	131,624	22,590	24,134	714	211,858
E. Valuation at cost	-	-	-	-	-	-

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type of asset

€/000	Total		Total	
	31/12/2022		31/12/2021	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	46,460	-	45,750	-
of which: software	46,460	-	45,750	-
A.2.1 Assets measured at cost:	46,460	-	45,750	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	46,460	-	45,750	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	46,460	-	45,750	-

9.2 Intangible assets: changes during the year

€/000	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		TOTAL
		DEF	INDEF	DEF	INDEF	
A. Opening balances	-	-	-	45,750	-	45,750
A.1 Total net impairment losses	-	-	-	-	-	-
A.2 Net opening balances	-	-	-	45,750	-	45,750
B. Increases	-	-	-	17,075	-	17,075
B.1 Purchases	-	-	-	17,075	-	17,075
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in the income statement	X	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	(16,365)	-	(16,365)
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	(16,365)	-	(16,365)
- Depreciation & amortization	X	-	-	(16,365)	-	(16,365)
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value:	-	-	-	-	-	-
- in shareholders' equity	X	-	-	-	-	-
- in the income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	-	-	-	46,460	-	46,460
D.1 Total net value adjustments	-	-	-	-	-	-
E. Gross closing balances	-	-	-	46,460	-	46,460
F. Valuation at cost	-	-	-	-	-	-

Section 10 – Tax assets and tax liabilities – Item 100 of assets and Item 60 of liabilities

10.1 Deferred tax assets: breakdown

€/000	31/12/2022	31/12/2021
Balancing item in the income statement	65,400	72,302
Balancing item in shareholders' equity	703	22
TOTAL	66,103	72,324

10.2 Deferred tax liabilities: breakdown

€/000	31/12/2022	31/12/2021
Balancing item in the income statement	(10,409)	(17,717)
Balancing item in shareholders' equity	-	(461)
TOTAL	(10,409)	(18,178)

10.3 Changes in prepaid taxes (balancing item of the income statement)

€/000	31/12/2022	31/12/2021
1. Initial amount	72,302	72,877
2. Increases	13,889	23,776
2.1 Prepaid taxes recognised during the year	13,889	23,776
a) relating to previous years	172	-
b) due to the change in accounting policies	-	-
c) write-backs	-	-
d) other	13,717	23,776
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	(20,791)	(24,351)
3.1 Prepaid taxes cancelled during the year	(20,083)	(23,733)
a) reversals	-	-
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(20,083)	(23,733)
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	(708)	(618)
a) conversion into tax credits pursuant to Law 214/2011	(708)	(618)
b) other	-	-
- of which business combinations	-	-
4. Final amount	65,400	72,302

10.3 *bis* Changes in prepaid taxes pursuant to Law 214/2011

€/000	31/12/2022	31/12/2021
1. Initial amount	5,177	5,938
2. Increases	490	708
- of which business combinations	-	-
3. Decreases	(1,297)	(1,469)
3.1 Reversals	(589)	(851)
3.2 Transformation into tax credits	(708)	(618)
a) deriving from operating losses	-	-
b) deriving from tax losses	(708)	(618)
3.3 Other decreases	-	-
4. Final amount	4,370	5,177

10.4 Changes in deferred taxes (balancing item of the income statement)

€/000	31/12/2022	31/12/2021
1. Initial amount	(17,717)	(10,857)
2. Increases	(9,566)	(16,805)
2.1 Deferred taxes recognised in the year	(9,566)	(16,805)
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	(9,566)	(16,805)
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	16,874	9,945
3.1 Deferred taxes cancelled during the year	16,874	9,945
a) reversals	-	-
b) due to the change in accounting policies	-	-
c) other	16,874	9,945
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Final amount	(10,409)	(17,717)

10.5 Changes in prepaid taxes (balancing item of shareholders' equity)

€/000	31/12/2022	31/12/2021
1. Initial amount	22	12
2. Increases	686	270
2.1 Prepaid taxes recognised during the year	686	270
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	686	270
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	(5)	(260)
3.1 Prepaid taxes cancelled during the year	(5)	(260)
a) reversals	-	-
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(5)	(260)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Final amount	703	22

10.6 Changes in deferred taxes (balancing item of shareholders' equity)

€/000	31/12/2022	31/12/2021
1. Initial amount	(461)	(4,557)
2. Increases	(462)	(14,798)
2.1 Deferred taxes recognised in the year	(462)	(14,798)
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	(462)	(14,798)
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	923	18,894
3.1 Deferred taxes cancelled during the year	923	18,894
a) reversals	-	-
b) due to the change in accounting policies	-	-
c) other	923	18,894
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	-	(461)

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

€/000	31/12/2022	31/12/2021
Receivables from the tax authorities	544,542	194,827
Receivables from financial advisors	925	-
Advances to suppliers and professionals	17,961	11,121
Security deposits	48	192
Receivables from employees	109	98
Other receivables	144,533	125,292
Assets for transit items	45,077	62,853
Prepaid expenses	17,115	16,114
Receivables for collection	265	-
Receivables from parent companies, subsidiaries, associates and affiliates	53,763	62,865
Leasehold improvements	-	18,395
Other sundry assets	16,211	1,582
TOTAL	840,549	493,339

Other assets amounted to €840,549 thousand, a year-on-year increase of €323,637 thousand (31/12/2021: €493,339 thousand). The change was primarily due to the increase in receivables from tax authorities due to the increase in customer receivables for the Ecobonus transferred, which recorded an increase of approximately €347 million compared with the comparative period.

LIABILITIES

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown of payables to banks by type

€/000	31/12/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	-	X	X	X	1,034,571	X	X	X
2. Payables to banks	384,341	X	X	X	42,123	X	X	X
2.1 Current accounts and demand deposits	14,244	X	X	X	39,696	X	X	X
2.2 Deposits at notice	-	X	X	X	-	X	X	X
2.3 Loans	368,012	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	368,012	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,154	X	X	X	1,387	X	X	X
2.6 Other payables	931	X	X	X	1,040	X	X	X
TOTAL	384,341	-	-	384,341	1,076,694	-	-	1,076,694

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to banks came to €384.3 million, down €692.4 million compared with 31 December 2021. The change is mainly due to the repayment in November of the loan obtained by Banca Mediolanum in the Targeted Longer-Term Refinancing Operations III auction (TLTRO III) of the European Central Bank. Specifically, the loan, presented in accordance with IFRS 9 in the “Payables to central banks” item, had a balance of €1,034.6 million at 31 December 2021.

1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers by type

€/000	31/12/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	24,223,064	X	X	X	23,282,751	X	X	X
2. Deposits at notice	119,792	X	X	X	231,442	X	X	X
3. Loans	8,111,534	X	X	X	5,955,844	X	X	X
3.1 Repurchase agreements	8,111,534	X	X	X	5,955,844	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
5. Lease liabilities	55,865	X	X	X	55,673	X	X	X
6. Other payables	280,448	X	X	X	312,535	X	X	X
TOTAL	32,790,703	-	-	32,790,100	29,838,245	-	-	29,838,652

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to customers came to €32,790.7 million, up €2,952.5 million compared with 31 December 2021. The increase was mainly due to the growth in repurchase agreements (up €2,155.7 million) and current accounts and demand deposits (up €940.3 million).

1.3 Financial liabilities measured at amortised cost: breakdown of securities in issue by type

€/000	31/12/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	300,443	300,699	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	300,443	300,699	-	-	-	-	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	300,443	300,699	-	-	-	-	-	-

Key:

CA = Carrying amount

L1=Level 1

L2=Level 2

L3=Level 3

At 31 December 2022, the item totalled €300,443 thousand. This item includes the Green Senior Bond issued by Banca Mediolanum. For further details, see the consolidated Report on Operations.

1.6 Lease liabilities

Breakdown of the contractual flows of lease agreements based on contractual term	Payables to banks	Payables to customers
Up to 1 year	-	8,086
1 to 5 years	-	31,599
Over 5 years	1,154	16,180
Overall total	1,154	55,865

For more information, see Section M—Leasing.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

€/000	31/12/2022					31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	X	-	11,952	-	X	-	-	60,818	-	-
1.1 For trading	X	-	11,952	-	X	X	-	60,818	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL (B)	X	-	11,952	-	X	X	-	60,818	-	X
TOTAL (A+B)	X	-	11,952	-	X	X	-	60,818	-	X

Key:

NV= Nominal or notional value

L1=Level 1

L2=Level 2

L3=Level 3

Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchical level

€/000	31/12/2022				31/12/2021			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	2,594	-	67,051	-	19,936	-	78,235
1) Fair value	-	2,594	-	67,051	-	19,936	-	78,235
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	2,594	-	67,051	-	19,936	-	78,235

Key:

NV= Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

€/000	Fair value							Cash flows		Foreign inv.
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equity securities and equity indices	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	2,594	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	2,594	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities – Item 60

For tables containing the quantitative data, see Section IO of the assets section.

Tax dispute

Banca Mediolanum

With regard to the tax dispute reported in previous financial statements, on 24 April 2020 the Major Taxpayers Office of the Regional Tax Department for Lombardy served Banca Mediolanum with assessment notices for IRES (corporate income tax) and IRAP (regional production tax) purposes concerning transfer prices for 2015. These assessment notices – which present identical charges to those of previous years – claim total additional taxable income of €94.6 million, including €23.5 million due to a recalculation from 57.43% to 64.25% of the retrocession of the management fees of the mutual funds promoted by the subsidiary Mediolanum International Funds and placed in Italy by the bank, as well as additional taxable income of €70.3 million deriving from the allocation to the bank of 23.83% of the performance fees. In total, additional taxes of €31.2 million were charged (including IRES of €26 million and IRAP of €5.2 million). Subsequently, on 8 May 2020, further assessment notices were served for the year 2016, claiming total additional taxable income of €70.6 million, including €24.4 million due to a recalculation from 57.43% to 64.25% of the retrocession of management fees, as well as an additional taxable income of €46.2 million deriving from the allocation to the bank of 21.1% of the performance fees. In total, additional taxes of €23.3 million were charged (including IRES of €19.4 million and IRAP of €3.9 million).

In view of the subjective nature of the charges and the diligent work done by the Company, which prepared the documentation provided for by transfer pricing legislation, the Italian Agency of Revenue has ruled that the administrative tax penalties do not apply. The Company appealed the assessment notices before the Milan Provincial Tax Commission.

These assessment notices were also issued under the framework settlement agreement signed on 18 December 2018 between the companies of the Mediolanum Group concerned and the Revenue Agency. Accordingly, the receipt of the assessment notices was expected and does not change the risk assessment and the consequent provisioning, in line with the previous financial statements. The Company therefore continued to provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.

It should be noted that no allocation has been made in relation to the allocation of performance fees to the bank.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for initiation of the Mutual Agreement Procedure (“MAP”) provided for by the European Arbitration Convention 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.

With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy. This application was declared admissible by the competent Italian authorities on 11 November 2020.

For the years 2019 to 2023, recourse was instead made to the Advanced Pricing Agreement (by application submitted on 1 August 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.

At 31 December 2022, the total provision set aside in connection with the above dispute was €39.2 million and the charge for the period in question was €5.4 million.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

€/000	31/12/2022	31/12/2021
Provision for agency termination indemnities	7,218	6,721
Payables to promoters, producers and mediators	48,948	70,357
Trade payables	72,909	51,075
Payables to parent companies, subsidiaries and associates	5,126	4,360
Payables to the tax authorities	26,034	34,617
Social security contributions	7,086	6,802
Payables to employees	28,833	29,787
Payables to professionals, directors and statutory auditors	3,022	2,134
Payables for transit items	304,128	253,797
Deferred income	2,212	2,808
Accrued expenses	277	290
Other sundry liabilities	29,173	20,847
Tax consolidation	41,839	7,670
TOTAL	576,805	491,265

Payables for transit items include RID payment instructions, bank transfers arranged by customers and settled on the Interbank Network in the early days of 2023 and other items in processing that are regularly closed during the early days of the new year.

Trade payables refer to goods and services received and not yet settled at the reporting date.

Payables to promoters, producers and mediators mainly include commissions to be paid to the network on new business.

Other sundry liabilities primarily consist of taxes to be paid on behalf of customers through F24.

Section 9 – Employee severance benefits – Item 90

9.1 Employee severance benefits: changes during the year

€/000	31/12/2022	31/12/2021
A. Opening balances	10,265	9,433
B. Increases	5,800	7,714
B.1 Provision for the year	5,422	6,670
B.2 Other changes	378	1,044
C. Decreases	(7,010)	(6,882)
C.1 Settlement payments	(25)	(212)
C.2 Other changes	(6,985)	(6,670)
D. Closing balances	9,055	10,265
TOTAL	9,055	10,265

The discount rate adopted for the provision for employee severance benefits is consistent with the risk level of the cash flows to be discounted of liabilities by maturity and reflects current market conditions.

9.2 Other information

As described in “Part A – Accounting Policies”, as a result of the supplementary pension scheme reform, post-employment benefits are recognised under this balance sheet item, and for companies with an average of at least 50 employees during 2006, refer to the portion accrued until 31 December 2006 only.

The provision therefore does not include portions which, as a result of the aforementioned reform, are paid to supplementary pension schemes or to the INPS treasury fund. Employee severance benefits accrued from 1 January 2007 are in fact a “defined contribution plan” and are recognised under personnel costs on the basis of the contributions due without the application of actuarial calculation methods.

The main assumptions used were:

- > Mortality rate: table SIM2001;
- > Inflation rate: 2%;
- > Frequency of early severance pay: 3.7%;
- > Turnover rate: 6%.

Section 10 – Provision for risk and charges – Item 100

10.1 Provisions for risk and charges: breakdown

€/000	31/12/2022	31/12/2021
1. Provisions for credit risk relating to commitments and financial guarantees given	82	117
2. Provisions on other commitments and guarantees given	378	287
3. Company pension funds	-	-
4. Other provisions for risk and charges	281,867	305,424
4.1 legal and tax disputes	11,654	13,209
4.2 staff costs	-	-
4.3 other	270,213	292,215
TOTAL	282,327	305,828

10.2 Provisions for risk and charges: changes during the year

€/000	Provisions on other commitments and guarantees given	Pension funds	Other provisions for risk and charges	TOTAL
A. Opening balances	287	-	305,424	305,711
B. Increases	134	-	60,583	60,717
B.1 Provision for the year	134	-	57,917	58,051
B.2 Changes due to the passage of time	-	-	2,666	2,666
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
- of which business combinations	-	-	-	-
C. Decreases	(43)	-	(84,141)	(84,184)
C.1 Utilisation during the year	-	-	(29,440)	(29,440)
C.2 Changes due to changes in the discount rate	-	-	(35,381)	(35,381)
C.3 Other changes	(43)	-	(19,320)	(19,363)
- of which business combinations	-	-	-	-
D. Closing balances	378	-	281,866	282,244

10.3 Provisions for credit risk relating to commitments and financial guarantees given

31/12/2022					
€/000	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	Total
Commitments to disburse funds	74	8	-	-	82
Financial guarantees given	-	-	-	-	-
Total	74	8	-	-	82

10.6 Provisions for risk and charges: other provisions

€/000	Balance as of 31/12/2021	Allocations in the period	Other changes	Utilisations in the period	Balance as of 31/12/2022
Provision name:					
- legal disputes	13,209	3,500	(1,219)	(3,836)	11,654
- other:	-	-	-	-	-
Managers' allowance	83,009	15,324	(11,398)	(7,537)	79,398
Risk of misconduct by financial advisors	11,150	3,632	(711)	(4,274)	9,797
Additional customers' allowance	154,766	4,995	(2,927)	(5,668)	151,166
Portfolio Indemnities	31,299	5,071	(6,636)	(3,554)	26,180
Sundry provisions	11,991	2,355	(6,549)	(4,126)	3,671
TOTAL	305,424	34,877	(29,440)	(28,995)	281,866

The above table shows the breakdown of, and changes in, the provisions in question.

The **Provision for legal disputes** mainly includes legal liabilities (litigation and pre-litigation) relating to the Company.

The **Supplementary customers' allowance** comprises the accrued provision for financial advisors. This was calculated according to whether retirement age was reached and on the basis of a calculation of probability determined on the basis of the Bank's historical trend, in accordance with IAS 37. In addition to the benefits due contractually under its own voluntary, unilateral and discretionary rules, the Bank recognises additional and bonus allowances for its financial advisors. These allowances, consisting of the managers' allowance and the portfolio and structure allowance, are described below.

The **Managers' Allowance** is paid to agents providing assistance and coordination, whose compensation is based on specific commercial parameters and is granted upon the achievement of an old-age pension – provided that no competing activities have been performed in the two years following the end of the mandate – or in cases of total permanent disability or death. As with the portfolio and structure allowance, the managers' allowance is paid within three years of the end of the agency mandate. The actuarial calculation, based on the estimate of the probability of pension payments of the manager advisors present at the end of the financial year, as well as the risk of death or total permanent disability, took into account the ratio of the length of service of the FA at the calculation date to the length of service at the date of occurrence of the events determining payment (so-called pro-rata application), with the application of a discount rate.

Depending on the case, the **Portfolio and Structure Allowance** consists of remuneration related to the value of the customer portfolio or the agent network managed by a financial advisor. The regulations adopted govern the transfer between financial advisors of responsibility for managing the portfolios of bank customers or the support and assistance of a financial advisors' structure. Transfers take place when financial advisors leave due to the termination of the agency relationship and are succeeded by another financial advisor, when portfolios and/or structures are reassigned between financial advisors. The Bank continues to play an active role in identifying the incoming financial advisor.

At the time of transfer, the regulations provide for:

- > payment to the transferring financial advisor - provided that he or she meets certain subjective requirements and does not perform competing activities in the two years following the end of the relationship - of an allowance deriving from the valuation of the transferred portfolio or structure, according to predetermined criteria; and
- > the relative charging to the incoming financial advisor of an equivalent amount, equal to the value of the portfolio and/or structure acquired under management.

The Bank liaises between the transferor and successor, paying the transferor directly (at the end of the third year) and exercising its right of recourse in respect of the successor (within three or five years). Neither of these cash flows provides for the application of an interest rate in operations currently in progress. It is understood that if no successor is identified, no allowance is paid to the transferring advisor. The actuarial calculation took account of the effect of any future cash-flow mismatches (due to the different timing between payment and collection and no interest being applied), and also of counterparty risk through the application of a discount rate.

The **Provision for misconduct by financial advisors** covers the risk of future liabilities for claims below the deductible threshold of the insurance policy taken out to cover losses suffered by customers as a result of misconduct on the part of the Bank's financial advisors. On the basis of the historical trends and the situation of the claims reported to the Bank at the reporting date, this provision is adequate to cover these risks. The provision also includes an allowance for the risk of liabilities borne by the Bank for legal disputes with customers concerning securities in default.

Section 12 – Shareholders’ equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 “Share capital” and “treasury shares”: breakdown

For more information on this section, see Section 12.3.

12.2 Share capital – Number of shares: changes during the year

Units	Ordinary	Other
A. Shares existing at the beginning of the year	742,105,815	-
- fully paid-up	-	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	5,664,088	-
A.2 Shares in issue: opening balances	736,441,727	-
B. Increases	1,620,974	-
B.1 New issues	815,076	-
- for payment	815,076	-
- business combinations	-	-
- bond conversion	-	-
- exercise of warrants	-	-
- other	815,076	-
- free of charge	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	805,898	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Share buybacks	-	-
C.3 Transactions involving the sale of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balances	738,062,701	-
D.1 Treasury shares (+)	4,858,190	-
D.2 Shares existing at the end of the year	742,920,891	-
- fully paid-up	742,920,891	-
- not fully paid-up	-	-

12.3 Share capital: other information

As at 31 December 2022, the fully subscribed and paid up share capital amounted to €600.5 million, divided into 742,920,891 ordinary shares with no par value.

The Company holds 4,858,190 treasury shares, with a value of €33.1 million at 31 December 2022.

12.4 Earnings reserves: other information

Earnings reserves include: the legal reserve, the extraordinary reserve, the FTA reserve and other earnings reserves.

Details of the breakdown of the company's shareholders' equity, showing the origin, availability and eligibility for distribution of the reserves, are set out in the table below.

€/000	Amount	Possibility of use (A, B, C)	Available amount	Summary of uses	
				to cover losses	other reasons
Capital:	600,452	-	-	-	-
Share premium reserve	5,297	A B C	5,297		
Legal reserve	121,026	B	121,026	-	-
Other reserves, of which:					
Extraordinary reserve	1,451,348	A B C	1,451,348	-	-
FTA reserve	(71,218)	-	(71,218)	-	-
Reserve for treasury shares	(33,146)	-	-		
Other reserves: equity method (other changes)	474,161	B			
Other reserves for incentive in equity instruments	50,010	A B C	50,010		
Merger reserve	4,260	A B C	4,260		
Valuation reserve*	(41,003)	-		-	-
Interim dividends	(177,133)	-	(177,133)		
Reserve for treasury shares	(33,146)	-	-		
Total	2,417,199	-	1,383,590	-	-
Of which non-distributable portion	595,187	-		-	-
Of which distributable residual portion	1,822,013	-		-	-

Key:

A= for capital increase

B= to cover losses

C= for distribution to shareholders

(*) The reserve is unavailable pursuant to Article 6 of Legislative Decree 38/2005).

OTHER INFORMATION

1. Financial commitments and guarantees given (other than those designated at fair value)

Euro	Nominal value of financial commitments and guarantees given				Total	Total
	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	31/12/2022	31/12/2021
1. Commitments to disburse funds	882,633	20,679	91	-	903,403	1,069,606
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	44	-	-	-	44	22
d) Other financial corporations	264,331	727	-	-	265,058	497,259
e) Non-financial corporations	220,081	1,199	-	-	221,280	207,751
f) Households	398,177	18,753	91	-	417,021	364,574
2. Financial guarantees given	73,520	-	-	-	73,520	66,284
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	73,520	-	-	-	73,520	66,284
d) Other financial corporations	-	-	-	-	-	-
e) Non-financial corporations	-	-	-	-	-	-
f) Households	-	-	-	-	-	-

2. Other commitments and guarantees given

€/000	31/12/2022	31/12/2021
1. Other guarantees given	92,556	89,454
of which: non-performing credit exposures	147	175
a) Central banks	-	-
b) General government	-	-
c) Banks	57	5,056
d) Other financial corporations	11,649	14,241
e) Non-financial corporations	22,468	12,912
f) Households	58,382	57,245
2. Other commitments	11,334	31,481
of which: non-performing credit exposures	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	11,334	31,481
e) Non-financial corporations	-	-
f) Households	-	-

3. Assets pledged as collateral for liabilities and commitments

€/000	31/12/2022	31/12/2021
1. Financial assets at fair value through profit or loss	677,824	-
2. Financial assets measured at fair value through other comprehensive income	98,397	101,622
3. Financial assets measured at amortised cost	8,119,890	6,118,081
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

4. Asset management and trading on behalf of third parties

€/000	31/12/2022
1. Execution of orders on behalf of customers	3,270
a) purchases	26
1. settled	26
2. not settled	-
b) sales	3,244
1. settled	3,244
2. not settled	-
2. Individual portfolio management	921,179
3. Securities custody and administration	26,347,905
a) third-party securities in custody: connected to custodian bank operations (excluding portfolio management)	-
1. securities issued by the bank that prepares the financial statements	-
2. other securities	-
b) third-party securities in custody (excluding portfolio management): other	10,554,677
1. securities issued by the bank that prepares the financial statements	3,846
2. other securities	10,550,831
c) third-party securities held with third parties	10,517,148
d) own securities held with third parties	15,793,228
4. Other transactions	8,857,447

Part C – Information on the Income Statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar income: breakdown

€/000	Debt securities	Loans	Other transactions	Total	Total
				31/12/2022	31/12/2021
1. Financial assets at fair value through profit or loss:	3	-	-	3	1,100
1.1 Financial assets held for trading	3	-	-	3	1,100
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	156	-	X	156	189
3. Financial assets measured at amortised cost:	121,061	232,241	-	353,302	236,128
3.1 Loans to banks	-	5,685	X	5,685	145
3.2 Loans to customers	121,061	226,556	X	347,617	235,983
4. Hedging derivatives	X	X	314	314	-
5. Other assets	X	X	7,087	7,087	794
6. Financial liabilities	X	X	X	28,918	27,931
Total	121,220	232,241	7,401	389,780	266,142
of which: interest income on impaired financial assets	-	3,761	-	3,761	3,049
of which: interest income on finance leases	X	-	X	-	-

1.2 Interest income and similar income: other information

1.2.1 Interest income on foreign-currency financial assets

€/000	31/12/2022	31/12/2021
Interest income on foreign-currency financial assets	440	142
TOTAL	440	142

1.3 Interest expense and similar expenses: breakdown

Euro	Payables	Securities	Other transactions	Total	Total
				31/12/2022	31/12/2021
1. Financial liabilities measured at amortised cost	(61,066)	(1,617)	X	(62,683)	(33,944)
1.1 Payables to central banks	-	X	X	-	-
1.2 Payables to banks	(1,565)	X	X	(1,565)	(217)
1.3 Payables to customers	(59,501)	X	X	(59,501)	(33,727)
1.4 Debt securities in issue	X	(1,617)	X	(1,617)	-
2. Financial liabilities held for trading	-	-	-	-	(1,025)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(1,685)	(1,685)	(1,778)
5. Hedging derivatives	X	X	(2,930)	(2,930)	(3,645)
6. Financial assets	X	X	X	(3,458)	(4,571)
Total	(61,066)	(1,617)	(4,615)	(70,756)	(44,963)
of which: interest expense relating to lease liabilities	(1,169)	X	X	(1,169)	(1,247)

1.4 Interest expense and similar expenses: other information

1.4.1 Interest expense on foreign-currency liabilities

€/000	31/12/2022	31/12/2021
Interest expense on foreign-currency liabilities	(1,129)	(553)
TOTAL	(1,129)	(553)

1.5 Differentials relating to hedging transactions

€/000	31/12/2022	31/12/2021
A. Positive differentials relating to hedging transactions	314	-
B. Negative differentials relating to hedging transactions	(2,930)	(3,645)
C. Balance (A-B)	(2,616)	(3,645)

Section 2 – Fees and commissions – Items 40 and 50

2.1 Commission income: breakdown

€/000	31/12/2022	31/12/2021
a) Financial instruments	93,437	81,498
1. Placement of securities	70,492	60,712
1.2 Without irrevocable commitment	70,492	60,712
2. Receipt and transmission of orders and execution of orders on behalf of clients	9,700	11,579
2.2 Execution of orders on behalf of clients	9,700	11,579
3. Other fees for activities associated with financial instruments	13,245	9,208
of which: management of individual portfolios	13,245	9,208
c) Investment advisory activities	3,082	2,419
e) Custody and administration	1,783	1,526
2. Other custody and administration fees	1,783	1,526
g) Trust activity	11	290
h) Payment services	45,885	37,524
1. Current accounts	25,365	19,540
2. Credit Cards	4,437	5,131
3. Debit and other payment cards	10,077	7,848
4. Wire transfers and other payment orders	1,810	1,003
5. Other payment service fees	4,196	4,001
i) Distribution of third-party services	644,707	655,373
1. Collective portfolio management	374,218	397,928
2. Insurance products	266,762	254,170
3. Other products	3,727	3,275
m) Financial guarantees given	691	638
n) Financing transactions	19,044	15,852
q) Other commission income	473	415
Total	809,113	795,535

2.2 Commission income: distribution channels for products and services

€/000	31/12/2022	31/12/2021
a) at own branches:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. services and products of third parties	-	-
b) solicitation:	728,444	725,292
1. portfolio management	13,245	9,208
2. placement of securities	70,492	60,712
3. services and products of third parties	644,707	655,372
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. services and products of third parties	-	-

2.3 Commission expense:

€/000	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	-	-
of which: trading of financial instruments	-	-
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Custody and administration	(1,226)	(1,731)
d) Collection and payment services	(24,731)	(21,609)
of which: credit cards, debit cards and other payment cards	(10,479)	(10,066)
e) Securitisation servicing services	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	-	-
of which: derivatives on receivables	-	-
h) Financial solicitation	(551,898)	(622,143)
i) Foreign exchange trading	-	-
j) Other commission expenses	(55,240)	(14,277)
Total	(633,095)	(659,760)

Section 3 – Dividends and similar income: breakdown

3.1 Dividends and similar income: breakdown

€/000	31/12/2022		31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	57	-	22	-
B. Other financial assets mandatorily measured at fair value	-	1,033	-	1,651
C. Financial assets at fair value through other comprehensive income	16,998	-	14,968	-
D. Equity investments	-	-	-	-
TOTAL	17,055	1,033	14,990	1,651

Dividends from financial assets measured at fair value through other comprehensive income include the dividend received by Mediobanca of €16,984 thousand.

Section 4 – Net gains (losses) from trading – Item 80

4.1 Net gains (losses) from trading: breakdown

€/000	Capital gains (A)	Gains from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	24	855	(77,889)	(1,011)	(78,021)
1.1 Debt securities	24	846	(27,371)	(689)	(27,190)
1.2 Equity securities	-	8	(50,498)	(322)	(50,812)
1.3 Units in investment funds (UCIs)	-	1	(20)	-	(19)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	14,878	-	(6)	14,872
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	14,874	-	-	14,874
2.3 Other	-	4	-	(6)	(2)
3. Financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	323
4. Derivative instruments	49,701	5,333	-	(12,071)	47,785
4.1 Financial derivatives	49,701	5,333	-	(12,071)	47,785
- On debt securities and interest rates	49,701	5,333	-	(12,070)	42,964
- On equity instruments and equity indices	-	-	-	(1)	(1)
- On currencies and gold	X	X	X	X	4,822
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	49,725	21,066	(77,889)	(13,088)	(15,041)

The “Capital losses” item includes €50,242 thousand of impairment losses on the NEXI security in the portfolio. It should be recalled that in the previous year, the stock benefited from the favourable market performance, rising by €44,565 thousand.

Section 5 – Net gains (losses) from hedging – Item 90

5.1 Net gains (losses) from hedging: breakdown

€/000	31/12/2022	31/12/2021
A. Income relating to:		
A.1 Fair value hedging derivatives	17,019	7,176
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging cash flows	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging (A)	17,019	7,176
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(27)	(141)
B.2 Hedged financial assets (fair value)	(15,290)	(8,080)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging cash flows	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	(15,317)	(8,221)
C. Net gains (losses) from hedging (A - B)	1,702	(1,045)
of which: result of hedges on net positions	-	-

Section 6 – Gains (Losses) from disposal/repurchase – Item 100

6.1 Gains (losses) from disposal/repurchase: breakdown

€/000	31/12/2022			31/12/2021		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	11	-	11	12	-	12
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	11	-	11	12	-	12
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
TOTAL ASSETS (A)	11	-	11	12	-	12
B. Financial liabilities measured at amortised cost						
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
TOTAL LIABILITIES (B)	-	-	-	-	-	-

Section 7 – Net gain (loss) from other financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

€/000	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	15,103	32	(14,430)	(33)	672
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	15,103	32	(14,430)	(33)	672
1.4 Loans	-	-	-	-	-
2. Foreign-currency financial assets: foreign exchange gains and losses	X	X	X	X	-
TOTAL	15,103	32	(14,430)	(33)	672

Section 8 – Credit-risk induced net value adjustments /write-backs – Item 130

8.1 Credit-risk induced net value adjustments relating to financial assets measured at amortised cost: breakdown

Euro	Value adjustments (1)						Write-backs (2)				Total	Total
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired	31/12/2022	31/12/2021
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	31	-	-	-	-	-	-	-	-	-	31	(4)
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	31	-	-	-	-	-	-	-	-	-	31	(4)
B. Loans to customers	(1,157)	(6,415)	(862)	(21,716)	-	(24)	4,396	-	7,975	-	(17,803)	(22,856)
- Loans	(334)	(6,415)	(862)	(21,716)	-	(24)	4,396	-	7,975	-	(16,980)	(23,121)
- Debt securities	(823)	-	-	-	-	-	-	-	-	-	(823)	265
Total	(1,126)	(6,415)	(862)	(21,716)	-	(24)	4,396	-	7,975	-	(17,772)	(22,860)

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

Euro	Net value adjustments						Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired			
			Write-offs	Other	Write-offs	Other		
1. Forborne loans compliant with the GLs	-	-	-	-	-	-	-	(59)
2. Loans subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne	(1)	(33)	-	10	-	-	(24)	(1,105)
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. New loans	15	21	-	(1,881)	-	-	(1,845)	(661)
Total	31/12/2022	14	(12)	(1,871)	-	-	(1,869)	(1,825)
Total	31/12/2021	(214)	140	(1,751)	-	-	(1,825)	(1,825)

8.2 Credit risk-induced net value adjustments relating to financial assets at fair value through other comprehensive income: breakdown

Euro	Value adjustments (1)						Write-backs (2)				Total	Total
	Stage 3				Purchased or originated impaired							
	Stage 1	Stage 2	Write-offs	Other	Write-offs	Other	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	31/12/2022	31/12/2021
A. Debt securities	-	-	-	-	-	-	52	-	-	-	52	360
B. Loans	(232)	-	-	-	-	-	-	-	-	-	(232)	(12)
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	(232)	-	-	-	-	-	-	-	-	-	(232)	(12)
Total	(232)	-	-	-	-	-	52	-	-	-	(180)	348

Section 10 – Administrative expenses – Item 160

10.1 Staff costs: breakdown

€/000	31/12/2022	31/12/2021
1) Employees	(175,458)	(166,560)
a) wages and salaries	(116,791)	(115,835)
b) social security contributions	(34,175)	(32,238)
c) severance benefits	-	-
d) social security costs	-	-
e) provision for employee severance benefits	(7,073)	(6,572)
f) provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(2,014)	(1,987)
- defined contribution	(2,014)	(1,987)
- defined benefit	-	-
h) costs arising from share-based payment agreements	(4,997)	(3,748)
i) other employee benefits	(10,408)	(6,181)
2) Other staff in service	(15,529)	(11,942)
3) Directors and statutory auditors	(3,452)	(3,335)
4) Retired staff	-	-
TOTAL	(194,439)	(181,838)

10.2 Average number of employees by category

Units	31/12/2022	31/12/2021
1) Employees	2,194	2,081
a) executives	81	78
b) management	431	398
c) other employees	1,681	1,605
2) Other staff	257	210
TOTAL	2,451	2,291

10.4 Other employee benefits

Other employee benefits, shown in Table 10.1 Staff costs, came to €10.4 million, and mainly include contributions to the company canteen and costs incurred for insurance policies taken out for employees.

10.5 Other administrative expenses: breakdown

€/000	31/12/2022	31/12/2021
Information systems services	(90,841)	(91,028)
Infoprovider services	(12,461)	(9,626)
Financial services fees and charges	(1,024)	(725)
Other sundry services	(33,718)	(30,731)
Taxes and duties	(968)	(1,051)
Television and internet communications services	(4,462)	(4,108)
Measures in support of the banking system	(37,965)	(33,241)
Rentals, hiring, leases	(15,045)	(13,060)
Maintenance and repairs	(3,163)	(3,296)
Telephone and postal expenses	(9,781)	(8,823)
Other consultancy and collaborations	(21,924)	(20,389)
Contributions to "Family Banker Offices"	(1,129)	(1,255)
Consumables	(3,212)	(2,801)
Insurance	(3,197)	(2,497)
Membership contributions	(2,254)	(2,077)
Advertising and promotional expenses	(24,367)	(24,788)
Organisation of conventions	(20,088)	(7,413)
Sales network consulting, education and training	(2,507)	(2,874)
Energy utilities	(3,598)	(2,025)
Entertainment, gifts and donations	(8,909)	(6,827)
Market research	(677)	(589)
Search and selection of employees	(333)	(565)
Travel expenses	(195)	(323)
Fuel costs	(324)	(248)
Search and selection of financial advisors	(61)	(168)
Other administrative expenses	(1,390)	(1,351)
TOTAL	(303,593)	(271,879)

Section 11 – Net provisions for risk and charges – Item 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees given: breakdown

€/000	31/12/2022	31/12/2021
Commitments to disburse funds and financial guarantees given	(57)	95
TOTAL	(57)	95

11.3 Other net provisions for risk and charges: breakdown

€/000	31/12/2022	31/12/2021
Portfolio and structure allowance	(1,517)	2,182
Additional customer allowance	673	(19,605)
Risk of misconduct by financial advisors	641	780
Legal disputes	337	(3,611)
Managers' allowance	(7,786)	(14,013)
Other provisions for risk and charges	1,770	(6,972)
TOTAL	(5,882)	(41,239)

Section 12 – Net value adjustments/write-backs of tangible assets – Item 180

12.1. Net value adjustments of tangible assets: breakdown

€/000	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Tangible assets				
A.1 For business use	(10,837)	(121)	-	(10,958)
- Owned	(2,782)	(121)	-	(2,903)
- Rights of use acquired through leasing	(8,055)	-	-	(8,055)
A.2 Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leasing	-	-	-	-
A.3 Inventories	X	-	-	-
B. Assets held for sale	-	-	-	-
TOTAL	(10,837)	(121)	-	(10,958)

The “Impairment losses” item includes a value adjustment of €121 thousand on a property owned by the Company in order to align the carrying amount with the market value defined by a report by an independent expert.

Section 13 – Net value adjustments /write-backs of intangible assets – Item 190

13.1 Net value adjustments of intangible assets: breakdown

Euro	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	(16,365)	-	-	(16,365)
- Generated internally by the company	-	-	-	-
- Other	(16,365)	-	-	(16,365)
A.2 Rights of use acquired through leasing	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	(16,365)	-	-	(16,365)

Section 14 – Other operating revenues and expenses – Item 200

14.1/14.2 Other revenues and expenses: breakdown

€/000	31/12/2022	31/12/2021
Recovery of costs for procurement and services rendered	14,738	13,210
Rental income on owned properties	558	652
Chargebacks to customers	4,225	3,694
Chargebacks to advisors	31	17
Other sundry income	6,698	5,240
Total - Breakdown of "Other operating income"	26,250	22,813
Settlements and compensation	(3,022)	(1,969)
Depreciation of leasehold improvements	(2,860)	(2,789)
Other expenses	(5,168)	(3,567)
Total - Breakdown of "Other operating expenses"	(11,050)	(8,325)

Section 15 – Gains (Losses) on equity investments – Item 220

15.1 Gains (losses) on equity investments: breakdown

€/000	31/12/2022	31/12/2021
A. Income	612,460	846,733
1. Write-ups	612,460	846,733
2. Profits on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	(47,167)	(32,649)
1. Write-downs	(47,167)	(32,649)
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net result	565,292	814,084

Write-ups and Write-downs include the shares of the results of the investee companies measured according to the equity method.

The "Write-downs" item includes the write-down of the equity investment in Prexta by €11,995 thousand. For further details, please see the relevant Assets section.

Section 18 – Gains (losses) on disposal of investments – Item 250

18.1 Gains (losses) on disposal of investments: breakdown

€/000	31/12/2022	31/12/2021
A. Real property	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
B. Other assets	26	9
- Profits on disposal	26	9
- Losses on disposal	-	-
Net result	26	9

Section 19 – Taxes on income from continuing operations – Item 270

19.1 Taxes on income from continuing operations: breakdown

€/000	31/12/2022	31/12/2021
1. Current taxes (-)	(17,960)	(5,705)
2. Changes in current taxes in previous years (+/-)	898	1
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes for the year due to tax credits pursuant to Law 214/2011 (+)	-	-
4. Change in prepaid taxes (+/-)	(5,217)	1,350
5. Change in deferred taxes (+/-)	7,308	(6,860)
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(14,971)	(11,214)

19.2 Reconciliation between theoretical tax liability and actual tax liability recognised

€/000	Rate	Value	Tax
Determination of corporate income tax (IRES)			
Profit before tax including the tax credit due		531,748	
Theoretical tax charge	24.00%		(127,620)
Temporary differences taxable in future years		21,689	
Temporary differences deductible in future years		37,961	
Temporary differences from previous years		(62,728)	
Permanent differences		(559,038)	
Aid to Economic Growth (ACE)		-	
Total tax base		(30,368)	
Current income tax for the year			7,288
Taxes relating to tax disputes			(3,636)
IRES surtax on convertible DTAs			62
Tax relating to previous years			920,547
Current taxes in the income statement			4,634
Average rate on pre-tax profit	-0.87%		

Determination of corporate income tax (IRAP)

Gross value of production before changes		175,247	
Employee deduction		(175,260)	
Deduction of compulsory, consortium and voluntary contributions		(28,124)	
Net value of production		(28,137)	
Theoretical tax charge	5.57%		1,567
Temporary differences taxable in future years			
Temporary differences deductible in future years			
Temporary differences from previous years		(23,628)	
Permanent differences		409,244	
Value of production		357,479	
Current income tax for the year			(19,912)
Taxes relating to tax disputes			(1,761)
Tax relating to previous years			(22)
Current taxes in the income statement			(21,695)
Average rate on value-added result	-77.11%		

SECTION 22 – EARNINGS PER SHARE

22.1 Average number of ordinary shares (fully diluted)

	31/12/2022	31/12/2021
Net income (€/t)	516,777	712,581
Weighted average number of shares outstanding (units)	737,252,214	735,715,806
Weighted average number of shares outstanding for diluted EPS purposes	744,207,493	738,608,157
Diluted earnings per share (€)	0.694	0.965

22.2 Other information

There is no other material information to report beyond that provided in the previous sections.

Part D – Comprehensive income

DETAILED STATEMENT OF COMPREHENSIVE INCOME

€/000	31/12/2022	31/12/2021
10. Net income for the year	516,777	712,581
Other income items without reversal to the income statement	(30,815)	20,776
20. Equity securities designated at fair value through other comprehensive income:	-25,497	(3,671)
a) change in fair value	(25,497)	(3,671)
b) transfers to other items of shareholders' equity	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in creditworthiness):	0	0
a) change in fair value	-	-
b) transfers to other items of shareholders' equity	-	-
40. Hedges on equity securities designated at fair value through other comprehensive income:	-	-
a) change in fair value (hedged instrument)	-	-
b) change in fair value (hedging instrument)	0	0
50. Tangible assets	-	-
60. Intangible assets	-	-
70. Defined benefit plans	1,448	(968)
80. Non-current assets and disposal groups	-	-
90. Share of valuation reserves of equity investments measured at equity	(6,853)	21,321
100. Income taxes relating to other income items without reversal to the income statement	87	4,092
Other income items with reversal to the income statement	(24,894)	(11,093)
110. Hedging of foreign investments:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
120. Foreign exchange gains and losses:	-	-
a) change in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
130. Cash flow hedges:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
of which: result of net positions	-	-
140. Hedging instruments (non-designated elements):	-	-
a) change in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(2,438)	(1,123)
a) changes in fair value	(2,302)	(221)
b) reversal to income statement	(136)	(902)
- credit-induced adjustments	(52)	(360)
- gains (losses) on disposals	(84)	(542)
c) other changes	-	-
160. Non-current assets and disposal groups:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
170. Share of valuation reserves of equity investments measured at equity:	(23,162)	(10,222)
a) changes in fair value	(23,162)	(10,222)
b) reversal to income statement	-	-
- impairment losses	-	-
- gains (losses) on disposals	-	-
c) other changes	-	-
180. Income taxes relating to other income items with reversal to the income statement	706	253
190. Total other income	(55,709)	9,683
200. Comprehensive income (Item 10+190)	461,068	722,264

Part E – Information on risks and the relative hedging policies

Introduction

As mentioned above in the consolidated section, the internal control system consists of a set of rules, procedures and organisational structures designed to ensure the effectiveness and efficiency of corporate processes, safeguarding the value of the Company's assets and the good management of the assets held on behalf of customers, the reliability and integrity of accounting and management information, and compliance with internal and external reference regulations. Persons with managerial responsibilities play a fundamental role in implementing an appropriate organisational system and in establishing an effective and efficient internal control system. The control system is divided into several levels, corresponding to different levels of responsibility. In particular, it includes the following, in addition to the tasks institutionally assigned to the corporate supervisory and control bodies:

- > line controls: carried out directly by the person who carries out the activity and by the person responsible for supervising it. The purpose of these controls is to identify, measure or assess, monitor, mitigate and report the risks arising from ordinary business activity. They are generally carried out within the same organisational unit or function and are put in place directly by the same operating units, or carried out in the context of back-office activity, or where possible incorporated into IT procedures;
- > risk or compliance controls (second-level controls): these are entrusted to structures other than operational ones, which – taking into account specific corporate activities – have the task, *inter alia*, of helping to define the methods for measuring risks and the operational limits assigned to delegated persons and of checking the consistency of operations with the objectives and levels of risk defined by the competent corporate bodies. This category includes controls on credit, market, capital and investment risks, operational risks, non-compliance risks, reputational risks and anti-money laundering risks. The functions responsible for these controls are the Risk Management, Compliance and Anti-Money Laundering functions, which are briefly described below among the other functions of Banca Mediolanum;
- > internal audit activities (third-level controls): these are entrusted to the Internal Audit unit, which is responsible, autonomously and independently of the operational lines, for the periodic assessment of the completeness, functionality and adequacy of the internal control system and entire information system, depending on the nature of the activity performed and the level of risks assumed.

In order to perform the verifications within their purview, the control functions have access to all company facilities, as well as information used to verify that outsourced corporate functions are properly performed. The management body and the control body are regularly informed of the activities conducted, so that appropriate and prompt corrective actions can be taken in the event of deficiencies or anomalies.

RISK MANAGEMENT FUNCTION

The Risk Management function (alternatively the risk control function) of Banca Mediolanum is responsible for implementing governance and risk management policies. The banking risks addressed by Risk Management are defined as the unfavourable future effects on the Bank's profitability that may be produced from various sources of uncertainty. Consequently, the risk control function is responsible for monitoring the Bank's and the Group's exposure to financial and credit risks and for assessing the capital impact of operational and reputational risks, constantly monitoring the capital adequacy and the liquidity position in relation to the business, playing a guiding and coordinating role on issues relating to the institutional tasks of current and prospective risk management and control, orienting the Bank towards a conscious assumption of risks consistent with its risk appetite level. The Function therefore promotes, for most of the organisational units, a culture of risk management in order to achieve increasing awareness and understanding of the phenomenon throughout the entire organisation, with a greater emphasis on climate and environmental factors.

The Parent Bank's Risk Management Function therefore defines and maintains the framework for the control and management of all risks of companies belonging to the Banking Group, i.e. it is responsible for monitoring Pillar I risks (credit, market and operational) and conducts qualitative/quantitative assessments of Pillar 2 risks (rate, liquidity and other risks) in compliance with the guidelines of the Board of Directors and applicable regulatory provisions. It proposes the quantitative and qualitative parameters required to define the Risk Appetite Framework (RAF), including the stress scenarios necessary to define risk tolerance. The Function coordinates with the IT sector unit, which oversees first-level controls, to define the methods of assessing and controlling IT risk in order to supplement the findings made within the operational risk control framework with the evidence collected as part of the IT risk assessment process. It defines the procedures for assessing and controlling reputational risks in coordination with the other control functions. It should be noted that the Risk Management Function is also responsible for monitoring the risk of outsourcing, on the basis of the tasks and activities indicated by internal and external regulations, with regard to the outsourcing of activities and services to third parties by the Bank. It is also responsible for drafting policies and regulations concerning all significant risks, and identifies and develops quantitative methodologies for managing significant Pillar I and Pillar II risks. For the Banking Group, it verifies on an ongoing basis the adequacy of the Risk Appetite Framework and coordinates the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) for those activities specifically assigned and governed by the dedicated regulations. As specifically required by the current legislation, the Risk Management function provides guidance and coordination for all Mediolanum Group companies through various areas of activity that are strategic, managerial and technical/managerial in nature. Traditional risks are continuously articulated within these, such as the above-mentioned IT risk and third-party risk, which fall under operational risk, but at the same time traditional risks are also characterised by exogenous risk factors. These risk factors, sometimes also regarded as "new risks" such as political instability, inflation and ESG issues, are all elements that can trigger more traditional risks with a different magnitude. With particular reference to ESG, Banca Mediolanum dedicated particular attention and importance to the environmental climate factor. In particular, following a dedicated project carried out in the last quarter of 2022, it was observed that climate risk may have an impact on the company's traditional risks, also assessing the means of transmission of this factor to the risk by verifying possible direct and indirect effects. To this end, measurement indicators have been identified that will be formalised in the dedicated policies.

Following assessment of the control activities by the Risk Committee, the Risk Management function reports to the Board of Directors on the various components of the overall risk situation.

ANTI-MONEY LAUNDERING FUNCTION

The Anti-Money Laundering function uses a risk-based approach to oversee money laundering risk and adapt processes based on changes in the regulatory and procedural environment. It continuously checks that company procedures are consistent with the objective of preventing and combating infringements of external regulatory provisions (laws and regulations) and internal regulations on anti-money laundering and counter terrorist financing.

It focuses particularly on the adequacy of internal systems and procedures for customer due diligence and storage, as well as systems for the detection, assessment and reporting of suspicious transactions, on the efficient detection of other situations where reporting is mandatory and on the proper storage of legally required documents and information.

COMPLIANCE FUNCTION

The Compliance function oversees the management of risks of non-compliance with regulations, using a risk-based approach, with regard to all company activities, making use, for the oversight of certain regulatory areas for which specialised supervision is envisaged, of specifically identified Specialist Units, to which certain phases of the compliance process are assigned, while maintaining responsibility for oversight.

More specifically, for the correct management of compliance risk, the function is responsible for constant monitoring of the regulatory environment, assessment of the impact of regulations on corporate processes, verification of the adequacy and functioning of these processes as regards compliance risks, and monitoring the adoption of proposed corrective measures.

The Compliance function of Banca Mediolanum S.p.A. also oversees non-compliance risks on behalf of the Italian companies of the Mediolanum Group, with which it has entered into appropriate service agreements.

The function also supervises and coordinates with the corresponding functions of the subsidiaries (Italian and foreign), on the basis of predefined information flows to and from the Parent Company, in order to direct and share relevant information to monitor the risk of non-compliance with the regulations in scope.

Finally, with reference to the oversight of supervisory body requests, the Compliance function records requests received from the Italian Supervisory Authorities and sends them to the relevant offices for processing, monitoring compliance with the established deadlines. It also receives requests from institutional counterparties to contractual and/or operational contacts and coordinates the various organisational units involved to ensure proper processing and filing.

The function reports regularly to the Board of Directors, the Risks Committee and the Board of Statutory Auditors on the various components of the overall compliance risk situation.

INTERNAL AUDIT FUNCTION

As part of the third-level controls, the Internal Audit Function checks that Company operations are properly performed, and the completeness, adequacy, functionality and reliability of the organisational structure, the risk management process and other components of the Internal Control System.

The function presents an annual audit plan to the corporate department heads, which is based on the risks and significance of company processes and structures.

During the year, the function periodically reports to the corporate department heads on the results of their work and promptly informs them of any significant infringements or deficiencies. Based on these checks, it makes suggestions and recommendations and monitors the resolution of any anomalies found in the operation and functioning of controls.

The function carries out the activities described above for Banca Mediolanum and for Group companies with which there are specific outsourcing contracts. For the other companies that have their own internal audit function, it performs audits in its capacity as Parent Company and provides guidance and implements methodology and information coordination activities for the local Audit functions.

Finally, in accordance with the provisions of the International Professional Practice Framework issued by The Institute of Internal Auditors - hereinafter also IPPF), the function has developed a Quality Assurance and Improvement Programme for all aspects of its activity.

RISK COMMITTEE

This is the body that assists the Board of Directors in the assessment, carried out at least once a year, of the compliance, adequacy and effective functioning of the Internal Control System, ensuring that the main risks faced by the Company, including first- and second-pillar risks, are correctly identified and measured, managed and adequately monitored. The Committee assists the Board of Directors with the task of determining the guidelines for the Internal Control System of the Company and its subsidiaries, and the periodic verification of its adequacy and effective functioning. In this context, the Committee pays particular attention to all activities that are instrumental and necessary for the Board to reach a correct and effective determination of the RAF (Risk Appetite Framework) and risk governance policies. In this regard, it assists the Board of Directors in determining the general ICAAP/ILAAP guidelines and expresses an opinion on their implementation and the results thereof with regard to capital adequacy and the management and control of the liquidity risk of the Bank and the Group, as well as the results of the Parent Company's self-assessment of the related processes.

It assesses beforehand the programmes, activity schedules and annual reports of the corporate control functions addressed to the Board of Directors (prepared respectively by the heads of the Compliance, Risk Management, Anti-Money Laundering and Internal Audit functions), as well as the periodic reports assessing the internal control and risk management system, and those of particular importance prepared by the Internal Audit function, the Board of Statutory Auditors or third-party investigations and/or examinations. It may, if it deems it necessary, ask the Internal Audit department to carry out inspections of specific operational areas, simultaneously notifying the Board of Directors and the Board of Statutory Auditors; it reports to the Board of Directors, at least every six months, at the time of approval of the financial statements and the half-year report, on the activities carried out by the Committee itself and on the internal control and risk management system; it performs the additional internal control assessment duties entrusted to it by the Board of Directors, also in relation to the correct use of accounting principles for the preparation of the separate and consolidated financial statements and their consistency for the purposes of preparation of the consolidated financial statements, in coordination with the manager responsible for preparing the accounting documents, the auditing company and the Board of Statutory Auditors.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is the control body that monitors compliance with laws, regulations and the articles of association, proper administration and the adequacy of the Bank's organisational and accounting structures.

It is responsible for carrying out checks throughout the company organisation, including checks of systems and procedures (e.g. information and administrative-accounting), the various business areas (finance, credit, etc.), operations (introduction of new products, entry into new business or geographical areas, business continuity, outsourcing);

It supervises the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework (RAF), checks compliance with the ICAAP/ILAAP process and examines the adequacy of the Recovery Plan and its functioning;

It forwards checks on the adequacy of all the functions involved in the Internal Control System, the correct performance of tasks and the adequate coordination of these, setting out measures to correct shortcomings and irregularities identified, making use of the reports from the control functions that must be sent directly by the heads of the respective functions also to the body with control functions. It also acts as the Supervisory Board pursuant to Legislative Decree 231/01.

Section I – Credit Risk

QUALITATIVE INFORMATION

1. General aspects

The guidelines issued to manage credit risk provide information and general principles for the supervision of loan disbursement and the monitoring of credit portfolio quality. The task of assessing overall exposure to credit risk and the responsibility for defining risk measurement methodologies at the consolidated level are centralised with Banca Mediolanum. Exposure to credit risk must also be assessed at the individual level by each individual company within the scope of its competence, by monitoring and measuring the risk associated with the various types of instruments. Capital adequacy and, in particular, compliance with the solvency and credit risk concentration ratios established by the local Supervisory Authorities are periodically monitored by the competent offices of the respective companies.

With regard to the European Banking Authority (EBA) guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07 - *Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis*), see the Public Disclosure document in the dedicated section of the Banca Mediolanum corporate website.

These guidelines, which were also adopted by the National Supervisory Authority in June 2020, require presentation of the following information on:

- > loans subject to “moratoria” falling within the scope of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- > loans subject to forbearance measures applied due to the Covid-19 crisis;
- > new loans guaranteed by the state or other public body.

Impacts of the pandemic and the European geo-political crisis

Within the scope of all the emergency measures, of a public and private nature, implemented and extended by various national and European institutional bodies, starting from the first official declaration of a state of pandemic due to the Sars Covid-19 virus, the banks continued to guarantee their commitment to the implementation of the above mainly support-based initiatives, to bolster Italy’s socio-economic fabric.

In 2022, with all the restrictions and decrees on the management of the health emergency no longer in place, there was a gradual and complete return to “normality”.

Banca Mediolanum consolidated and made its internal structure more efficient in terms of its operating procedures in order to support customers, both by adopting the legally established and extended support

measures, and through internal commercial initiatives to meet the needs of customers, particularly in the initial phase of the health emergency.

In accordance with the provisions in force, Banca Mediolanum continued to support customers through both the sales network (Family Bankers) and remote channels. In particular, in the context of the granting of credit, it carefully assessed the positions in order to ascertain whether they were eligible for “ristori” government relief.

The legislative and non-legislative moratoria that were in force in 2022 and those previously activated by customers and still present in the loan portfolio of Banca Mediolanum, are listed below:

- The “Cura Italia” Legislative Decree 18 of 17 March 2020, converted by Law 27 of 30 April 2020, Article 54 (Gasparrini Fund) extended until 31 December 2021 by the “Sostegni bis” Decree published in the Official Journal on 26 May 2021 and subsequently extended until 31 December 2022 by Law 234 of 30 December 2021 (the “Budget Law”);
- The “Cura Italia” Legislative Decree 18 of 17 March 2020, converted by Law 27 of 30 April 2020, Article 56 (Micro-enterprise and SME benefits), amended by Decree-Law 104 of 14 August 2020 (the August Decree) and subsequently extended until 31 December 2021 by the “Sostegni bis” Decree published in the Official Journal on 26 May 2021, not extended by the 2022 Budget Law;
- ABI moratorium “Enterprises in Recovery 2.0”, Addendum of 6 March 2020, 22 May 2020 and 16 December 2020, concluded on 31 March 2021;
- ABI Consumer Moratorium of 21 April 2020 and 16 December 2020, concluded on 31 March 2021;
- Moratorium on Assofin Consumer Credit, no longer in force in 2022.

Banca Mediolanum also continued to offer its customers some loans in 2022 that fall within the scope of the various agreements signed at the start of the health emergency, to contribute to the recovery of the Italian economy during the Covid-19 health crisis. In particular:

- Loans pursuant to “Liquidity” Decree 23 of 8 April 2020 and guaranteed by the Central Guarantee Fund for SMEs at the rate of 80% (as of 01/01/2022) for loans of up to €30,000, with simplification of operating procedures, and for loans pursuant to Section 3.2 of the Temporary Framework - until 30/06/2022;
- Loans under the SACE Italy Guarantee programme, an initiative to provide guarantees for loans disbursed to meet liquidity shortfalls and support the return of Italian companies to full operation. No disbursements were made in 2022;
- Loans guaranteed by the Central Guarantee Fund for SMEs pursuant to Article 2, paragraph 100, letter a) of Law 662/96, with a guarantee percentage ranging, according to the cases provided for by the Fund, from 60% to 80% of the financing for medium/long-term transactions to make tangible and intangible investments within Italy after the date of submission of the loan application to the bank and for liquidity needs for the purpose of supporting working capital (application of the measures provided for by Law 234 of 30 December 2021 (2022 Budget Law) and by Decree-Law 50 of 17 May 2022, converted with amendments by Law 91 of 15 July 2022 (Aid Decree-Law);
- Loans within the meaning of “Aid in the form of loan guarantees” - Section 2.2 of the Temporary Crisis Framework to support the economy in the context of the invasion of Ukraine by Russia (“Temporary Crisis Framework” or “TCF”) guaranteed by the Central Guarantee Fund at the rate of 80% (up to 90% for loans for the purpose of achieving energy efficiency or energy production diversification or consumption targets, pursuant to Article 16 of the Aid Decree-Law).

Clients were informed of initiatives through their publication on institutional websites.

It is confirmed that, as in the previous year, the ongoing monitoring of risk indicators showed a trend that continued within the physiological parameters of the normal evolution of the credit portfolio, without actually

leading to a deterioration in the credit portfolio's credit quality. With regard to the first- and second-level performance monitoring controls, no particular alert situations were identified during the year: all indicators were stable in accordance with the business model implemented by the Bank and characterised by a low risk profile. No significant changes to the Risk Appetite Framework indicators emerged with respect to credit risk, and these remained constantly below the tolerance limits. The performing portfolio also did not show any abnormal percentages of SICR criteria with respect to the staging allocation process analysis.

Finally, the changes in the non-performing portfolio are due to a normal and limited deterioration of creditworthiness in accordance with the provisions made during economic and financial planning.

The cost of credit risk remained at the levels recorded in previous years.

Credit risk management has therefore continued on the basis of current policies, credit policies and procedures, which involve ad-hoc processes aligned with the instructions of the Supervisory Authorities in the case of credit exposures subject to all past Covid-19 pandemic-related regulatory measures.

Also with regard to the effects of the Ukrainian Russian conflict, which have led to market uncertainty, rising energy prices, decreases in supplies of food and some raw or processed materials from the countries at war, no risk parameter values have been recorded above the alert thresholds. The monitoring focused on the portfolio values of owned securities and on the credit exposures of customers that were most affected by market trends: the increase in mortgage instalments was not reflected in anomalous positions in outstanding payments, which remained in line with the levels of previous years.

The Bank analysed the portfolio of financial instruments in order to ascertain any impact on these financial statements. In this regard, it should be noted that the Bank does not hold debt or equity instruments issued by counterparties resident in Russia or Belarus, nor does it have relationships with financial institutions resident there: the credit exposures and financial instruments of parties resident in areas of conflict within asset management products were not significant and had no impact on the process of valuing the NAV of the mutual investment funds.

2. Credit risk management policies

2.1 Organisational aspects

Lending in its various forms, whether for the purpose of purchasing a specific real estate or consumer asset, or in order to meet other financial needs, is an integral part of the commercial strategy of Banca Mediolanum and the other companies of the Banking Group.

In line with the Group mission, lending is complementary to the primary activity of distributing products in the areas of banking services and asset management, protection and pensions. The Group's lending policies are based on the utmost prudence and are oriented towards the development and consolidation of the relationship established with customers who hold assets invested in products managed by the Group companies.

Specifically with regard to Banca Mediolanum, the Loans department is responsible for ensuring adequate implementation of the Bank's lending policy, in accordance with applicable legislation. The Loans department consists of the Loan Operations, Ordinary Loans, Special Loans and Loan Service & Collection sections (divided into the Loans under Observation, Loan Document Management and After-Sales offices) and the Credit Quality Monitoring managerial support unit.

The Credit Operations section manages relations with customers and with the sales network, providing a support service that covers the entire logistical and administrative process of credit applications, both ordinary and special, and may assume an approval role solely for applications involving a low level of risk and limited amounts. The Ordinary Loans section oversees all processes related to the approval and disbursement of ordinary loans (credit lines, loans, unsecured loans) and the management of guarantees. Within the limits of the powers granted, it approves credit facilities for retail and corporate customers and informs and presents applications to higher bodies on matters not within its purview, expressing a non-binding opinion on the merits.

The Special Loans section is responsible for the process of approving and granting mortgage loans by the Bank, in accordance with the guidelines and rules defined in the Credit Risk Policy. It produces reports on the activity carried out for the Department Manager and collaborates with the Credit Quality Monitoring unit and the Risk Management function in drafting internal regulations and operational lending policies for special loans.

The Credit Services & Collection section aims to maximise synergies in after-sales management processes relating to ordinary and special loans. Within this category, the Loans office performs “Early Collection” activities, aiming for the repayment of positions that are showing the first signs of impairment and subsequently managing the positions until the proposed transition to non-performing loans and participating in the formulation and proposal of strategies and policies on credit management, defining the methodology principles and technical rules for managing credit risk.

The Credit Quality Monitoring unit oversees the first-level controls carried out by the management sections, liaising with the Compliance function on transparency and with the Risk Management function with regard to the auditing of operational risks. The unit also develops and analyses periodic reporting (both managerial and operational) and oversees the control of the correct contribution to public and private credit bureaus.

2.2 Management, measurement and control systems

Credit quality is controlled by means of a systematic review of risk information, with the support of specific operating procedures at every stage of the credit process. When granting loans, it is essential to fully understand the customer's economic and financial situation and to seek the most appropriate form of credit, taking into account the reasons for the loan application and the customer's creditworthiness, income and assets. To this end, during the application phase, the Bank acquires all the information necessary to assess the consistency between income, the amount of the exposure (including outstanding commitments) and the technical form and purpose of the loan. To carry out this check, performance and financial analysis systems and information from public and private credit bureaus are used. Particular attention is then paid to the assessment of guarantees. All positions are also subject to periodic review by the appropriate structures within the competent units. Control of the progress of accounts is carried out by means of continuous monitoring of existing credit lines with particular attention to higher-risk positions.

Performance ratings are assigned for both the Retail and Corporate segments using the CRS (Credit Rating System) procedure and the outsourcer Cedacri. For the Private segment of Banca Mediolanum, which constitutes the main portfolio in terms of exposure, the rating model is estimated and calibrated using internal data. In assessing creditworthiness, in order to make the data input into the model as complete as possible, both internal data (demographic and performance) and external data (credit bureau and CRIF reports) were taken into account, using a modular approach. For transactions with bank counterparties, the policies in place provide for the use of an internal rating model that defines methods for assessing the creditworthiness of all transactions undertaken by the Bank's treasury.

The credit safeguarding methods used are periodically reported to the respective boards of directors.

The second-level monitoring process, set up by the Risk Management function, is designed to analyse the credit quality and dynamics of risk exposures along fundamental regulatory and management guidelines by calculating

synthetic risk indicators and representing their development over time in order to prepare plans of action necessary to mitigate or avoid risk factors.

In particular, the Risk Management function prepares:

- > Periodic reporting: these are reports drawn up periodically to monitor the quality of the credit portfolio through the calculation of key risk indicators and the presentation of certain risk variables/parameters. In the context of this reporting, there is a focus on compliance with the limits and parameters defined in the RAF and the credit portfolio trend over time.
- > Large-scale checks: these are checks applied to the credit portfolio as a whole or to its relevant sub-groups (e.g. customer segment, geographical area, type of loan, etc.) that reveal any potentially “abnormal” behaviours of the portfolio being analysed. If the warning thresholds defined in correspondence with the large-scale checks are exceeded, spot checks may be carried out to explore the anomalies detected in individual positions.
- > Spot checks: these are checks carried out on individual credit positions that are part of samples selected by Risk Management on the basis of specific criteria. Spot checks may be activated either downstream of large-scale controls or independently of them. As they focus on individual credit positions, these checks may entail the acquisition of the relevant documents and assessments of the realisable value of the guarantees associated with the credit exposure. When carrying out spot checks, Risk Management ensures that all the information necessary to assess the credit and trace the recovery process is entered into automatic internal procedures. The available documentation on the basis of which the competent structure for the first-level assessment carries out its own analysis is also controlled.

Specifically, large-scale and spot checks have been defined in order to verify:

- > the correct performance monitoring: the aim of the check, which is carried out on individual positions, is to identify performing positions that present internal and/or external anomalies in order to define the most appropriate corrective actions with the first-level structures, preventing the deterioration of the credit rating and the impairment of the loan portfolio.
- > the correct classification of positions: on the basis of internal policies for classifying non-performing positions and the rules relating to the performance monitoring process, Risk Management verifies that the rules for classifying positions (both performing and in default) are applied appropriately on the basis of indicators that can detect any misclassification. Specifically, negative external events are assessed (e.g. credit bureau and CRIF) resulting in further deterioration of the credit rating of the position, including signs that might lead to outright non-recoverability. In the case of checks on individual positions, for each verified case, the assessments are documented in a summary comment indicating the outcome of the checks performed.
- > Consistency of provisions: Risk Management verifies, for homogeneous credit portfolios, the correct application of the impairment approaches indicated in internal policies. These checks are performed at both on a large scale, taking into account the entire performing/non-performing portfolio, and as spot checks.
- > Adequacy of the recovery process: the Risk Management Function defines the recovery process and checks that the relevant procedures are complied with in practice by the operating units. Adequacy is assessed by identifying critical issues and collaborating with the bodies responsible for identifying corrective actions. Risk Management also performs an independent control of the figures presented by the first-level structures relating to management time and amounts recovered.

The expected credit loss (ECL) approach set out in IFRS 9 requires financial intermediaries to restructure the credit risk management process, including strategic planning, the measurement of credit risk variables, monitoring and reporting activities, and the performance measurement and risk-based pricing system.

The risk parameters used to calculate the ECL are: PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default). According to the IFRS 9 expected credit loss model, a loss may be recognised without the event that causes the impairment of a receivable (the impairment trigger) necessarily occurring. Expected loss is always measured over a time horizon of 12 months, while expected losses over the residual life of the receivable are calculated in respect of assets for which there is a significant increase in credit risk after initial recognition.

This accounting standard introduces a three-stage classification model for financial assets and provides for the recognition of different expected loss amounts according to the level of deterioration in the credit quality of the financial instruments.

Stage allocation

Below are the three stages indicated by the accounting standard.

- > Stage 1: exposures not subject to significant deterioration in of credit quality since origination or purchase, or that are characterised by negligible credit risk as at the reporting date. For assets in this segment, the ECL is measured within a 12-month time frame (12-month ECL).
- > Stage 2: “performing” exposures whose original credit quality has deteriorated significantly and whose credit risk is not negligible, although they cannot yet be classified as non-performing. If at the valuation date there is a significant increase in the credit risk of the instrument, the expected loss is measured over a time horizon that covers the lifetime of the instrument until maturity (lifetime ECL). In the case of the credit portfolio, the criteria defined for determining Stage 2 are: a worsening in the PD or rating, forborne classification, past due by more than 30 days and internal classification as part of the performance monitoring process. With regard to the securities portfolio, Stage 2 classification depends on the deterioration of the rating of the security or the issuer according to the internal policies defined by the bank.
- > Stage 3: exposures whose credit risk has increased to the point that the instrument is considered to be impaired, i.e. classified as non-performing; this stage also includes financial instruments in default. The latter category includes all assets presenting objective evidence of impairment.

Loans

For the purposes of measuring a significant increase in credit risk, loans are classified in stages by type; different loans with the same borrower may therefore be classified in different stages depending on whether or not the following rules apply.

Stage 2 Private and business segment

Specifically, a transition from Stage 1 to Stage 2 is determined when at least one of the following occurs:

- > The probability of default is more likely (Private Segment): the probability of default measured at the reporting date has increased compared with that detected measured on origination of the receivable beyond a certain threshold established by the Risk Management Function. This threshold can be differentiated by class of rating.
- > deterioration of the rating (Other Segments): the rating at the observation date is at least two notches lower than the rating when the loan was originated.
- > Forborne: Performing forborne credit facilities.
- > Past due 30 days: there is a past due period of more than 30 days.
- > Internal monitoring process results: the offices responsible for credit monitoring identify performance anomalies that could result in a significant increase in credit risk (management watch-lists).

Securities

Securities are classified by purchase tranche, with a single staging rule that verifies the rating of the financial instrument, initially showing the quality of the issue or alternatively the issuer's creditworthiness. Several purchase tranches attributable to the same security (same ISIN) may be classified at different stages depending on the deterioration of the credit rating recorded on the purchase date, pursuant to the FIFO (first in, first out) criterion. Stage I allocation concerns exposures whose credit quality has not deteriorated since the time of purchase.

Stage 2 Securities portfolio

Stage 2 classification involves comparing the rating of the security or the issuer on the tranche purchase date and on the reporting date. If the rating class has declined by two or more notches since the purchase date and the security has a speculative grade rating on the observation date, the tranche is classified as Stage 2. Securities with an investment grade rating according to the ECAI rating scales at the reporting date are always classified at Stage I due to the use of the low credit risk exemption.

Expected Credit Loss estimate and inclusion of forward-looking scenarios

The ECL of the credit portfolio is calculated on the basis of the ratings assigned to the various customer segments (Retail/Corporate) developed by the Cedacri CRS (Credit Rating System) procedure.

In order to calculate the lifetime ECL, a PD curve of up to 30 years is associated with each individual rating. The lifetime PD curve identifies the probability that a borrower (associated with a certain rating class) will default between the reporting date and the year on the curve node. The updating process involves the incorporation in the estimates of a forward-looking component on the first three years of the PD curve according to estimated macroeconomic scenarios. In the LGD assessment, a distinction is made between the "private segment" for which a separate LGD is applied according to the type of account, quantified on the basis of market benchmark analyses and internal recovery rate figures, and the "corporate segment" for which the econometric models implemented by Cedacri as part of the CRS procedure are applied. To calculate the ECL of the securities portfolio, financial instruments are divided into three categories based on the segment to which the issuer belongs: financial, business or government institutions. The rating associated with each issue is established using the criteria described in the internal policies. The relative PD and LGD curves have been developed for each segment, using market best practices and taking the specific features of the portfolios into account.

Forward-looking information is incorporated into the ECL calculation (on either a 12-month or lifetime basis) by means of the Probability of Default (PD) component. Satellite models connect the PD performance with macroeconomic variables, thus simulating the prospective performance of the risk parameter with estimates of economic drivers. The forward-looking scenarios act in particular on the first three years of estimation of the parameters, while from the fourth year onwards the estimates obtained remain stable and are perpetuated over time.

The ECL not only quantifies the expected future loss on loans based on historic evidence channelled through statistical models, but also incorporates forward-looking information through a component that aims to simulate future performance. The purpose of forward-looking scenarios is to simulate future trends in macroeconomic variables (GDP, unemployment, etc.), which are incorporated annually into the calculation of the ECL of the loan portfolio.

These projections are typically provided by bank research centres, or in their absence, by accredited information providers.

In 2022, due to the start of the Russia-Ukraine war, a specific scenario of prolonged conflict was applied, leading to a significant reduction in oil and gas supplies, a global rise in inflation due to higher energy prices, and a global recession.

The following is an extract of the main macroeconomic indicators used in 2022 for ECL estimates.

	BASE (Russia-Ukraine Conflict scenario)		MILD		ADVERSE	
	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA
2021	-0.68%	10.35%	4.06%	8.88%	-4.94%	11.78%
2022	3.98%	10.70%	1.89%	8.59%	-1.94%	13.61%
2023	2.51%	10.40%	1.08%	8.54%	3.71%	12.46%

The macroeconomic scenarios adopted for the purposes of estimating the ECL have been incorporated into the annual calibration process prepared by the Risk Management Function and completed during the first quarter of 2022.

2.4 Credit risk mitigation techniques

In return for granting credit, Banca Mediolanum obtains suitable guarantees from the counterparty, such as collateral on property, typical personal guarantees, such as sureties and other atypical guarantees, such as mandates to sell. Although such guarantees are ancillary to the assessment of the customer's creditworthiness, considerable importance is attributed to the estimated value of the guarantee where prudential haircuts are applied, appropriately differentiated by type of collateral, the value of which is periodically reviewed according to the market value.

Banca Mediolanum does not apply processes for offsetting credit risk exposures with opposite sign entries in the financial statements or off-balance sheet.

Credit risk mitigation (CRM) techniques consist of contracts ancillary to the loan or other instruments and techniques that result in a reduction of credit risk, which is recognised when calculating capital requirements and, in terms of management, in internal policies. The recognised credit risk mitigation techniques are divided, for supervisory purposes, into two general categories:

1. Real protection.
2. Personal protection.

Real credit protection consists of:

- > financial collateral relating to cash, certain financial instruments, gold provided through pledge agreements, transfer of ownership to secure assets, repurchase agreements and securities lending and borrowing;
- > master netting agreements;
- > on-balance sheet netting;
- > real estate mortgages.

Rights in rem, pledges and other rights with equivalent content relating to assets with an adequate degree of liquidity and a sufficiently stable market value over time are recognised as credit risk mitigation techniques. This

category includes guarantees provided through a pledge. The financial product pledged, directly or indirectly, must be included among the following products:

- > current account balances at the Bank;
- > government or government guaranteed bonds and eligible securities;
- > units in investment funds and investment companies with variable capital (Sicav);
- > insurance policy restrictions;
- > assets under management;
- > bonds and certificates of deposit issued by our Bank and by other banks;
- > reverse repurchase agreements on listed, eligible or government bonds with ordinary customers with an agreement for later sale to the counterparty;
- > listed bonds;
- > listed equities.

If the guarantee net of internal policy haircuts does not fully cover the amount of the credit line granted, the loan is fully classified to the full risk category.

Credit risk arising from mortgage loans is mitigated by the guarantee provided by the property, which may be residential, semi-residential or non-residential. The property in question must be located in Italy. The maximum loan-to-value ratio is 80% for residential property provided as security (more than 80% only if there is a mortgage insurance policy in place) and 70% of the appraised value of semi-residential property. Semi-residential property is understood to be property that meets the following requirements:

- > The market value of the portion of the non-residential property must not exceed 40% of the total appraised value of the property.
- > The unit must be located in a residential area.
- > the borrower must be a self-employed person who intends to use the property as his or her primary residence.

In the case of semi-residential properties, the maximum LTV percentage may be increased by up to 80% if there is an irrevocable mandate to sell on the Group's products and other financial assets held by customers for between 70% and 80% of the LTV share.

The LTV maximum percentage for residential properties may exceed the 80% limit in the following cases:

- > Mortgage loans granted to employees or to the sales network, up to a limit of 95%.
- > Mortgage loans granted for the purchase of a first home by people under the age of 35, up to 90%.
- > Mortgage loans granted for the purchase of first homes with high energy efficiency (energy class A+, A and B), up to 90%.
- > Mortgage loans granted for purchases of first homes subject to the guarantee granted by the "First home Guarantee Fund" set up by the Ministry of Economy and Finance, up to a maximum limit of 100%. The amount of the loan must not exceed €250,000 and the Fund provides for a public guarantee of 50% (with a counterguarantee from the State), increased to 80% for certain requests made up to 30 June 2022.

In the case of transactions with a LTV above the 80% threshold, with the exception of the mortgage loan with guarantee granted by the “First Home Guarantee Fund”, provision must be made for a Mortgage Insurance policy to cover the part exceeding 80% of the LTV in order to comply with the collateral requirement.

In the case of non-residential property, the maximum loan-to-value ratio is 50%. This percentage may be increased up to 80% if there is an irrevocable mandate to sell on the Group's products and other financial assets held by customers for between 50% and 80% of the LTV share.

In the case of mortgage-type transactions to finance the liquidity needs of unencumbered property owners (or in the case of transactions on properties encumbered by mortgages for previous mortgage transactions with repayment thought the new mortgage in progress) the maximum loan-to-value percentage is 50%.

The Bank takes a cautious approach to such operations and implements control procedures, such as verifying the accuracy and quality of the document prepared by the valuer, which are essential requirements for the risk analysis. Any indication of approval of a mortgage must always be supported by a valid valuation report which must provide an estimated value that is consistent with the loan amount requested and certify, as far as possible, the building's compliance with building and planning regulations. Otherwise, the application will be rejected or the loan reduced so that it is proportionate to the real value of the property (depending on its marketability, location, etc.). The reference property value is the lower of the purchase price and the value in the valuation report. The valuation is carried out by referenced and affiliated experts who always fulfil the requirements of independence and professionalism. The specific technical function established within the Special Loans section of the Loans Department is responsible for checking that the internal procedures for drawing up the valuation report have been correctly followed. The first-level structure also performs a periodic control (due diligence on valuations) involving a second, different valuation company on a pre-defined sample of applications: this control verifies the soundness of the process in place and provides a revaluation consistent with the condition and market of property provided as collateral. As part of the second-level control process, the Risk Management function carries out quarterly controls on the revaluation of property provided as collateral. In particular, in agreement with the Loans department, any deviation (change) between the revalued value of the property and the last available value provided by a valuer is controlled, in order to identify properties which have decreased significantly in value. The Risk Management function is also involved in the periodic due diligence process in order to identify potential over-valuations of properties provided as collateral during the origination process, periodically controls the consistency of the valuation of secured properties by means of the IT procedures used by the Bank and checks that there is a connection between the loan and the corresponding mortgage guarantee.

Personal credit protection consists of personal guarantees and credit derivatives. The latter are not currently authorised by Banca Mediolanum among the credit mitigation techniques for the banking book, as they are only approved for trading.

In addition to collateral and personal guarantees, there is the irrevocable mandate to sell on the Group's products and other financial assets held by the customer. The mandate to sell has the undoubted advantage of being the leanest form of guarantee from an operational standpoint, although it does not constitute any prerogative or privilege on the part of the Bank in the event of insolvency proceedings. Furthermore, as an atypical guarantee, mandates to sell are not eligible for the purpose of reducing capital absorption and are therefore not recognised as collateral for the purpose of mitigating credit risk, although they help to facilitate the decision whether or not to grant a normal credit facility. The risks assumed under this form of guarantee will therefore necessarily be considered full risks.

3. Non-performing credit exposures

3.1 Management strategies and policies

The Bank's NPL management strategy was defined on the basis of an analysis of the historical management capacity, the external context, the characteristics of the non-performing portfolio in terms of technical form and the limited level of the non-performing portfolio. In terms of possible recovery actions, internal management prevails, and in the out-of-court phase of the recovery process, positions for which early collection activities have not been successfully performed are entrusted to specialised partners. In addition, restructuring and forbearance policies are considered in line with recent operations. Given the level of the non-performing portfolio, transfer strategies (securitisations) with derecognition of the assets transferred were not considered. The objectives set out in the economic and financial plan were established in terms of NPLs gross and net of impairment by type of non-performing loan (past due exposures, UTPs and non-performing loans), as an absolute value and as a percentage of total exposures to customers, in accordance with the RAF indicators. The objectives set result in an essentially unchanged level of the NPL ratio, which is already low, net of adjustments.

The assessment of the quality of the portfolio for the impairment process is divided into two distinct phases:

- > **identification of the assets** to be subjected to analytical, rather than collective, valuation;
- > quantification and accounting recognition of the loss in accordance with the rules for the specific type of impairment adopted.

The phase of identifying the assets to be valued analytically rather than collectively requires performing loans to be subjected to collective valuation in accordance with IFRS 9.

Loans classified as "non-performing" according to the reporting criteria established in current supervisory regulations (past due exposures, UTPs and non-performing loans), regardless of the significance of each individual exposure, are subject to analytical valuation, with a distinction being made between an "analytical-flat rate" valuation and an "analytical-individual valuation".

Non-performing forbore exposures, even if they do not constitute a separate category of defaulted loans, given that they come under the category of non-performing loans, UTPs or past due exposures, are subject to analytical-flat rate valuation or analytical-individual valuation depending on which class they belong to and the presence of breaches of advised limits/overdrafts/past due amounts.

Impaired financial assets

On-balance sheet financial assets (loans and debt securities) and off-balance sheet financial assets (guarantees given, irrevocable and revocable commitments to disburse funds, etc.) are defined as impaired when the relevant debtors fall into the non-performing category as defined in Commission Implementing Regulation (EU) No 680/2014 as amended (Implementing Technical Standards; hereinafter, ITS). Financial instruments included in the "Financial assets held for trading" portfolio and derivative contracts are excluded.

When identifying and classifying non-performing credit exposures, account must also be taken of the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07).

Non-performing loans can therefore be identified as a type of item where the position will be difficult to recover due to deterioration in the counterparty's creditworthiness. As a result of prudential supervisory regulations, there is increased capital absorption for this category of loans.

Depending on their severity, non-performing loans are classified as past due exposures, unlikely to pay exposures and non-performing loans.

Past due exposures

These are cash exposures other than those classified as non-performing loans or UTPs which, on the reporting reference date, are past due.

Past due exposures are determined with regard to individual borrowers.

As regards entry criteria, the overall exposure to a debtor is recognised as past due if the amount of principal, interest or fees not paid at the date on which it was due exceeds both of the following thresholds:

- > an absolute limit of €100 for retail exposures and €500 for exposures other than retail exposures;
- > the relative limit of 1% established by the ratio between the total amount past due and the total amount of all credit exposures to the same debtor (exposures transferred and not derecognised for the purposes of the financial statements are included in the calculation).

Margins still available on credit lines are not used to offset outstanding defaults and avoid classification as default, and therefore the customer is classified under non-performing loans even when there are funds available on other unused credit lines.

In the case of "revocable" credit facilities where the established credit limit has been breached (including if due to the compounding of interest), the breach begins either from the first date of non-payment of interest that results in the breach, or from the date of the first request for return of the capital, whichever occurs first.

For the purposes of verifying the thresholds, all exposures included within the scope of prudential consolidation for the same debtor are taken into account. Equity exposures are excluded.

The thresholds must be continuously exceeded, i.e. they must persist for 90 consecutive days, with the exception of certain types of commercial exposures undertaken with central governments, local authorities and public sector bodies.

The amounts past due and of exposure of the counterparty are used daily to monitor the exceeding of the materiality, relative and absolute thresholds. The past due calculation is therefore made daily: the number of days past due is increased only if both materiality thresholds provided for by the legislation are exceeded at the same time. The criteria for calculating continuous past due days include:

- > counting of the days in the event of both the absolute and relative thresholds being exceeded;
- > reduction to zero of the days if at least one of the absolute and/or relative thresholds is not exceeded;
- > classification of the counterparty exposures as past due after 90 days in which the overrun continuously exceeds both thresholds (absolute and relative).

The classification no longer applies once the "cure period" of 90 consecutive days has elapsed since the circumstances that led to the classification no longer applied.

Exit from the classification may be brought forward if it is found that a technical backlog situation has occurred, but such cases are not provided for in the case of Banca Mediolanum's loan portfolio.

Past due exposures include exposures to parties fulfilling the conditions for inclusion in past due exposures that have one or more credit facilities which meet the definition of “non-performing exposures with forbearance measures”.

Unlikely to pay exposures

Unlikely to pay exposures are on- and off-balance sheet exposures to a borrower that is regarded as unlikely to pay its credit obligations fully (principal and/or interest) without recourse to actions such as the realisation of collateral. This valuation is made regardless of the presence of any amounts (or instalments) past due and unpaid if there are elements that imply a situation of risk of default by the borrower (for example, a crisis in the business sector in which the borrower operates).

Unless the requirements are met for classification as non-performing loans, unlikely to pay positions include:

- > all exposures to parties fulfilling the conditions for inclusion in unlikely to pay exposures that have one or more credit facilities that meet the definition of “Non-performing exposures with forbearance measures”;
- > all exposures to issuers that have not duly fulfilled their payment obligations (principal and/or interest) in relation to listed debt securities. To this end, the “grace period” established in the contract or, in the absence thereof, by the listing market of the security, is recognised;
- > all exposures to borrowers that have applied for an arrangement with creditors with rights reserved to file ancillary documents at a later date (pursuant to Article 161 of the Italian Bankruptcy Law) from the date of submission of the application until its outcome is known. The exposures in question are classified as bad loans if new objective elements exist that cause the Bank to classify the borrower in this category, or if the exposures were already bad loans when the application was made; cases of applications for composition with creditors on a going-concern basis (Article 186-bis of the Bankruptcy Law), from the date of submission of the application until its outcome is known. If composition with creditors on a going-concern basis takes place with disposal of the company in operation or its contribution to one or more companies (including newly incorporated entities) not within the borrower's economic group, it should be noted that the exposure must be reclassified to performing assets. However, this is not an option in the case of disposal or contribution to a company within the borrower's economic group, presuming that the parent company/controlling company was involved, in the interest of the entire group, in the decision-making process that led the borrower to apply for composition with creditors. In this situation, the exposure to the transferee company continues to be reported as an impaired asset and is also recognised among non-performing forborne exposures. Exposures to borrowers that have initiated insolvency proceedings pursuant to the rules governing the “over-indebtedness” crisis of parties not eligible to file for bankruptcy proceedings (“civil insolvency”) are also classified as unlikely to pay. In the event of subsequent approval by the court of the restructuring agreement, the relevant exposures are also classified as non-performing forborne exposures.

The following are classified as unlikely to pay:

- > exposures to borrowers that have initiated insolvency proceedings in accordance with the rules governing the “over-indebtedness” crisis of parties not eligible to file for bankruptcy proceedings (“civil insolvency”). In the event of subsequent approval by the court of the restructuring agreement, the relevant exposures are also classified as non-performing forborne exposures.
- > on- and off-balance sheet exposures in respect of which, due to the deterioration of the borrower's economic and financial conditions, amendments to the original contractual conditions that gave rise to a

loss (formerly restructured loans) have been agreed. This classification is guided by the principle that, at the time of the forbearance measures, the previous past due date is “set to zero” and the allocation of the renegotiated exposure to non-performing exposures implies an assessment of the borrower’s status on the basis of the unlikely to pay principle.

Performing positions are also assessed for classification as unlikely to pay (unless the conditions exist for their classification as non-performing loans), if they meet the following specifications:

- > positions where it is known that the debtor’s sources of recurring income are no longer available to meet their obligations;
- > positions where there are reasonable concerns about a borrower’s future ability to generate stable and sufficient cash flows. Such positions may also be generated by events such as: negative equity; a significant reduction in equity; a significant reduction in turnover; insufficient cash flows to service the debt;
- > cases in which the debtor benefits from repeated forbearance measures without which it would not be able to fulfil its obligations in full;
- > cases of breach by the borrower of covenants for a credit agreement;
- > in the case of exposures to an individual, the default of a company fully owned by a natural person is assessed if the latter has provided a personal guarantee for all the obligations of the company;
- > positions for which the borrower’s overall level of leverage has increased significantly;
- > cases in which negative external information is present, such as: significant payment delays detected in the system (through the Central Credit Register or other Credit Bureau); information that a third party, in particular another entity, has filed for bankruptcy or similar protection of the debtor; a crisis in the sector in which the counterparty operates, together with a weak position of the counterparty in this sector;
- > positions for which any form of personal or real guarantee has been enforced non-consensually.

Finally, positions for which an onerous restructuring has been granted are classified as unlikely-to-pay, where this implies a reduced financial obligation for the borrower, due to substantial forgiveness of the debt or the deferral of payments for principal, interest or (where applicable) fees, i.e. where the onerous restructuring implies a reduced financial obligation with a threshold of more than 1%. Even if onerous restructuring involves a reduced financial obligation below the 1% threshold, the following elements are assessed for classification as unlikely to pay:

- > the presence of repayment plans with substantial repayments at the end of the scheduled instalment plan;
- > the presence of irregular repayment plans in which regular payments are significantly lower than the repayment of significant amounts;
- > a significant grace period at the start of the repayment schedule;
- > exposures to the borrower have been subject to onerous restructuring more than once.

The status of UTP remains from the time of identification for a minimum period of 90 days, until the conditions that led to the classification as UTP no longer exist.

Declassification from the status of unlikely to pay and return to performing status is decided if the following conditions are met simultaneously:

- > the minimum “cure period” of 90 days from the time the position became regular has elapsed;
- > the conditions that led to classification as unlikely to pay no longer exist.

Non-performing loans

These are all on- and off-balance sheet exposures to borrowers that are insolvent (even if not legally established as such) or in substantially equivalent situations, regardless of any loss forecasts made. Exposures in anomalous situations due to their country risk profile are excluded.

Furthermore, all exposures to parties fulfilling the conditions for inclusion in non-performing loans that have one or more credit facilities that meet the definition of “Non-performing exposures with forbearance measures” are included in this category. Lastly, exposures to borrowers that have initiated insolvency proceedings pursuant to the rules governing the “over-indebtedness” of parties not eligible to file for bankruptcy proceedings (“civil insolvency”) are also classified as non-performing loans if new objective elements exist that mean the borrower should be included in this category or if the exposures are already classified as non-performing loans when the application is made.

The status of non-performing loans remains from the time of identification for a minimum period of 90 days until the conditions that led to the classification as non-performing loans no longer exist.

Declassification from the status of non-performing loans and return to performing status is decided if the following conditions are met simultaneously:

- > the minimum “cure period” of 90 days from the time the position became regular has elapsed;
- > the conditions that led to classification as non-performing loans no longer exist.

3.2 Write-offs

Banca Mediolanum does not have a write-off policy in place. Financial assets were written off on completion of the credit recovery process, as indicated by the internal policies and procedures.

3.3 Purchased or originated impaired financial assets

In accordance with IFRS 9, loans already considered impaired from the time of initial recognition in the financial statements (or at the date of disbursement or purchase), depending on the degree of credit risk associated with them, are defined as purchased or originated credit-impaired assets (POCI). Where they fall within the scope of application of impairment under IFRS9, this type of credit position is measured by making a provision to cover the risk of loans already at the time of initial recognition, which covers the entire residual life of the loan and non-performing positions. Since these are non-performing loans, they are initially recognised in Stage 3, without prejudice to the possibility of being reclassified in the course of their lifetime to Stage 2 if, on the basis of a credit risk analysis, they are no longer non-performing.

4. Financial assets subject to commercial renegotiation and forbore exposures

Exposures may be subject to amendments to contractual terms favourable to the borrower in order to make repayment of the same sustainable if the borrower is in difficulty. Such changes may be short-term (e.g. by extending an existing condition) or long-term (e.g. by revising the interest rate of a loan) and result in the classification of these exposures as forbore. Forborne exposures are subject to specific provisions for classification and, if the forbearance measures are applied to performing exposures, these are classed as Stage 2 exposures. All forbore exposures are monitored by the relevant company functions. These functions verify the

effectiveness of the measures granted by recording subsequent improvements or deterioration in the customer's financial situation after forbearance measures. If, at the end of the observation period, the position meets all the criteria laid down by law, it is no longer included in forborne receivables; if, however, these criteria are not met, the exposure remains among forborne exposures.

It is confirmed that, also during 2022, all initiatives in support of customers affected by the economic impacts of the Covid-19 pandemic were granted in accordance with the EBA guidelines issued in 2020, with which the Bank of Italy declared its compliance in Note 4 of 12 May 2020.

During 2022, for counterparties subject to moratoria, the Mediolanum Group classified their loans in accordance with existing policies and practices, giving priority to the assessment of counterparties for which the effects of the Covid-19 pandemic have led to longer-term financial difficulties, leading to insolvency of the debtor. For assessment for non-performing classification purposes, as part of the periodic credit portfolio monitoring processes, debtors that were late in making payments or have been identified by the automatic systems for detecting external anomalies, depending on the severity of the anomaly detected, were considered priorities once the moratorium was lifted. Within the control framework prepared by the Risk Management Function, there is a thorough check with the aim of identifying anomalies attributable to the correct classification of the regulatory and forbearance status, giving priority to initiatives that accounted for larger shares of the loan portfolio stock.

Non-performing forborne exposures

Non-performing forborne credit exposures are defined as individual on-balance sheet exposures and revocable and irrevocable commitments to disburse funds that meet the definition of "Non-performing exposures with forbearance measures". Such exposures are included, depending on the case, in non-performing loans, unlikely to pay positions or past due exposures and do not form a separate category of impaired assets. Cases in which a credit exposure is restructured with the intent of settling the position are also included among non-performing loans.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, trends and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amount)

€/000		Non-performing loans	Unlikely to pay	Non-performing past due exposures	Other performing past due exposures	Other performing	TOTAL
1. Financial assets measured at amortised cost		16,080	61,064	14,172	35,538	30,683,797	30,810,651
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	98,397	98,397
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	-	-
5. Financial assets held for sale		-	-	-	-	-	-
TOTAL	31/12/2022	16,080	61,064	14,172	35,538	30,782,194	30,909,048
TOTAL	31/12/2021	20,246	53,825	13,089	26,720	31,547,910	31,661,790

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

€/000		Non-performing				Performing			TOTAL (net exposure)
		Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
	1. Financial assets measured at amortised cost	184,687	(93,371)	91,316	-	30,769,329	(49,994)	30,719,335	30,810,651
	2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	98,543	(146)	98,397	98,397
	3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
	4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
	5. Financial assets held for sale	-	-	-	-	-	-	-	-
TOTAL	31/12/2022	184,687	(93,371)	91,316	-	30,867,872	(50,140)	30,817,732	30,909,048
TOTAL	31/12/2021	171,696	(84,536)	87,160	-	31,621,655	(47,023)	31,574,632	31,661,792

* Value to be displayed for information purposes

€/000		Assets clearly of poor credit quality		Other assets
		Cumulative capital losses	Net exposure	Net exposure
	1. Financial assets held for trading	-	-	1,009,065
	2. Hedging derivatives	-	-	430
TOTAL	31/12/2022	-	-	1,009,495
TOTAL	31/12/2021	-	-	395

A.1.3 Distribution of financial assets by maturity brackets (carrying amounts)

€/000		Stage 1			Stage 2			Stage 3			Purchased or originated impaired		
		1 day to 30 days	Over 30 days to 90 days	Over 90 days	1 day to 30 days	Over 30 days to 90 days	Over 90 days	1 day to 30 days	Over 30 days to 90 days	Over 90 days	1 day to 30 days	Over 30 days to 90 days	Over 90 days
	1. Financial assets measured at amortised cost	7,380	-	-	14,260	12,187	1,647	2,973	4,340	44,325	1	158	248
	2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
	3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total	31/12/2022	7,380	-	-	14,260	12,187	1,647	2,973	4,340	44,325	1	158	248
Total	31/12/2021	8,514	12	-	7,608	8,905	1,659	2,139	3,289	42,928	1	64	199

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in overall value adjustments and overall provisions (Part 1 of 2)

€/000	Overall value adjustments																	
	Stage 1 assets						Stage 2 assets						Stage 3 assets					
	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	79	30,813	198	-	-	31,090	-	15,978	-	-	-	15,978	-	83,656	-	-	83,656	-
Increases in acquired or originated financial assets	-	5,513	83	-	-	5,596	-	3,538	-	-	-	3,538	-	1,533	-	-	1,533	-
Derecognitions other than write-offs	-	(3,234)	(110)	-	-	(3,344)	-	(842)	-	-	-	(842)	-	(5,853)	-	-	(5,853)	-
Credit-risk induced net value adjustments/write-backs (+/-)	-	(5,551)	(25)	-	-	(5,576)	-	3,721	-	-	-	3,721	-	13,513	-	-	13,513	-
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(353)	-	-	(353)	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(266)	-	-	(266)	-
Overall final adjustments	79	27,541	146	-	-	27,766	-	22,395	-	-	-	22,395	-	92,230	-	-	92,230	-
Recoveries from collection of financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	603	-	-	603	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	486	-	-	486	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in overall value adjustments and overall provisions (Part 2 of 2)

€/000	Overall value adjustments					Overall provisions for commitments to disburse funds and financial guarantees given					Total
	Purchased or originated impaired financial assets					Stage 1	Stage 2	Stage 3	Commitments to disburse finance and purchased or originated financial guarantees given		
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs						
Overall initial adjustments	914	-	-	880	34	68	49	-	-	131,755	
Increases in acquired or originated financial assets	X	X	X	X	X	70	8	-	-	10,745	
Derecognitions other than write-offs	(58)	-	-	(56)	(1)	(64)	(43)	-	-	(10,204)	
Credit-risk induced net value adjustments/write-backs (+/-)	(124)	-	-	(149)	25	-	(7)	-	-	11,527	
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-	
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-	
Write-offs not recognised directly in the income statement	(1)	-	-	(1)	-	-	-	-	-	(354)	
Other changes	467	-	-	467	-	-	-	-	-	201	
Overall final adjustments	1,198	-	-	1,141	58	74	7	-	-	143,670	
Recoveries from collection of financial assets subject to write-offs	2	-	-	2	-	-	-	-	-	605	
Write-offs recognised directly in the income statement	3	-	-	3	-	-	-	-	-	489	

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/stages of risk		Gross exposure/nominal value					
		Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
		From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost		269,015	150,763	23,873	9,194	18,167	3,236
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given		99	3	-	-	-	-
TOTAL	31/12/2022	269,114	150,766	23,873	9,194	18,167	3,236
TOTAL	31/12/2021	371,424	280,482	47,125	3,435	13,782	3,135

A.1.5a Loans subject to Covid-19 support measures: transfers between the various stages of credit risk (gross values)

Portfolios/stages of risk		Gross values					
		Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
		From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost		-	13,257	-	-	-	32
A.1 forborne compliant with the GLs		-	-	-	-	-	-
A.2 subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne		-	796	-	-	-	-
A.3 subject to other forbearance measures		-	-	-	-	-	-
A.4 new loans		-	12,461	-	-	-	32
B. Loans measured at fair value through other comprehensive income		-	-	-	-	-	-
B.1 forborne compliant with the GLs		-	-	-	-	-	-
B.2 subject to existing moratorium measures no longer compliant with the GLs and not assessed as forborne		-	-	-	-	-	-
B.3 subject to other forbearance measures		-	-	-	-	-	-
B.4 new loans		-	-	-	-	-	-
Total	31/12/2022	-	13,257	-	-	-	32
Total	31/12/2021	15,606	2,324	5,823	-	1,124	-

A.1.6 On- and off-balance sheet credit exposures to banks: gross and net values

	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*
€/000		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. On-balance sheet credit exposures												
A.1 On demand	2,076,352	2,076,352	-	-	-	79	79	-	-	-	2,076,273	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,076,352	2,076,352	-	X	-	79	79	-	X	-	2,076,273	-
A.2 Other	331,612	331,612	-	-	-	143	143	-	-	-	331,469	-
a) Non-performing loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	331,612	331,612	-	X	-	143	143	-	X	-	331,469	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	2,407,964	2,407,964	-	-	-	222	222	-	-	-	2,407,742	-
B. Off-balance sheet credit exposures												
	-	-	-	-	-	-	-	-	-	-	-	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	442,296	73,621	-	X	-	-	-	-	X	-	442,296	-
Total (B)	442,296	73,621	-	-	-	-	-	-	-	-	442,296	-
Total (A+B)	2,850,260	2,481,585	-	-	-	222	222	-	-	-	2,850,038	-

* Value to be displayed for information purposes

A.1.7 Prudential consolidation – On- and off-balance sheet credit exposures to customers: gross and net values

€/000	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*
	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired				
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing loans	64,353	X	-	64,046	306	48,272	X	-	48,003	270	16,081	-
- of which: forborne exposures	7,906	X	-	7,599	306	4,780	X	-	4,511	270	3,126	-
b) Unlikely to pay	103,518	X	-	101,659	1,858	42,454	X	-	41,624	829	61,064	-
- of which: forborne exposures	53,348	X	-	51,499	1,849	20,924	X	-	20,098	826	32,424	-
c) Non-performing past due exposures	16,816	X	-	16,549	268	2,645	X	-	2,603	42	14,171	-
- of which: forborne exposures	4,407	X	-	4,302	105	790	X	-	768	21	3,617	-
d) Performing past due exposures	37,707	7,439	30,199	X	69	2,169	59	2,106	X	4	35,538	-
- of which: forborne exposures	6,924	-	6,857	X	67	419	-	415	X	4	6,505	-
e) Other performing exposures	31,507,146	29,949,849	547,534	X	1,170	47,828	27,484	20,289	X	54	31,459,318	-
- of which: forborne exposures	56,269	-	55,289	X	980	1,919	-	1,871	X	49	54,350	-
TOTAL (A)	31,729,540	29,957,288	577,733	182,254	3,671	143,368	27,543	22,395	92,230	1,199	31,586,172	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	239	X	-	239	-	19	X	-	19	-	220	-
b) Performing	9,116,193	969,580	26,038	X	-	441	181	260	X	-	9,115,752	-
TOTAL (B)	9,116,432	969,580	26,038	239	-	460	181	260	19	-	9,115,972	-
TOTAL (A+B)	40,845,972	30,926,868	603,771	182,493	3,671	143,828	27,724	22,655	92,249	1,199	40,702,144	-

* Value to be displayed for information purposes

A.1.7a On-balance sheet loan exposures to customers subject to Covid-19 support measures: gross and net values

Euro	Gross exposure				Overall value adjustments and overall provisions				Net exposure	Overall partial write-offs*
	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired		
A. NON-PERFORMING LOANS	-	-	-	-	-	-	-	-	-	-
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-
B. LOANS IN UNLIKELY TO PAY POSITIONS	11,935	-	-	11,935	-	2,170	-	2,170	-	9,765
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	585	-	-	585	-	119	-	119	-	466
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
d) New loans	11,350	-	-	11,350	-	2,051	-	2,051	-	9,299
C. NON-PERFORMING PAST DUE LOANS	745	-	-	745	-	92	-	92	-	653
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
d) New loans	745	-	-	745	-	92	-	92	-	653
D. PERFORMING LOANS	1,350	-	1,350	-	-	5	-	5	-	1,345
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
d) New loans	1,350	-	1,350	-	-	5	-	5	-	1,345
E. OTHER PERFORMING LOANS	269,139	243,754	25,363	-	22	684	389	296	-	268,455
a) Forborne compliant with the GLs	-	-	-	-	-	-	-	-	-	-
b) The subject of moratorium measures no longer compliant with the GLs and not assessed as forborne	10,457	8,394	2,063	-	-	140	16	125	-	10,317
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
d) New loans	258,682	235,360	23,300	-	22	544	373	171	-	258,138
TOTAL (A+B+C+D+E)	283,169	243,754	26,713	12,680	22	2,951	389	301	2,262	280,218

* Value to be displayed for information purposes

A.1.9 Prudential consolidation – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

Euro	Non-performing loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	66,601	89,307	15,788
- of which: exposures transferred and not written off	-	-	-
B. Increases	6,662	46,825	33,913
B.1 inflows from performing exposures	-	23,382	31,264
B.2 inflows from purchased or originated impaired financial assets	4	1,353	50
B.3 transfers from other categories of non-performing exposures	6,007	16,629	1,151
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	651	5,461	1,448
C. Decreases	8,910	32,614	32,885
C.1 outflows to performing exposures	44	10,915	9,139
C.2 write-offs	2,754	293	91
C.3 collections	2,195	10,135	5,610
C.4 proceeds from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	847	7,148	15,791
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	3,070	4,123	2,254
D. Final gross exposure	64,353	103,518	16,816
- of which: exposures transferred and not written off	-	-	-

A.1.9 *bis* On-balance sheet credit exposures to customers: changes in gross forborne exposures by credit quality

Euro	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	68,053	88,542
- of which: exposures transferred and not written off	-	-
B. Increases	19,660	38,103
B.1 inflows from performing non-forborne exposures	1,014	23,107
B.2 inflows from performing forborne exposures	9,765	X
B.3 inflows from non-performing forborne exposures	X	10,388
B.4 inflows from non-performing non-forborne exposures	4,486	141
B.5 other increases	4,395	4,467
C. Decreases	22,051	63,452
C.1 outflows to performing non-forborne exposures	X	42,412
C.2 outflows to performing forborne exposures	10,388	X
C.3 outflows to non-performing forborne exposures	X	9,765
C.4 write-offs	206	-
C.5 collections	2,853	6,913
C.6 proceeds from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	8,604	4,362
D. Final gross exposure	65,662	63,193
- of which: exposures transferred and not written off	-	-

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in overall value adjustments

Euro	Non-performing loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Overall initial adjustments	46,355	4,393	35,482	19,780	2,699	801
- of which: exposures transferred and not written off	-	-	-	-	-	-
B. Increases	7,187	974	15,071	4,871	2,548	726
B.1 value adjustments of purchased or originated impaired assets	-	X	3	X	20	X
B.2 other value adjustments	4,636	651	14,094	4,596	2,109	612
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	2,551	323	974	275	419	114
B.5 contractual changes without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	5,270	583	8,100	3,727	2,602	737
C.1 write-backs from valuation	488	71	2,849	1,788	860	276
C.2 write-backs from collection	2,028	310	2,001	1,502	664	186
C.3 profits from disposals	-	-	-	-	-	-
C.4 write-offs	2,754	202	293	-	91	-
C.5 transfers to other categories of non-performing exposures	-	-	2,957	437	987	275
C.6 contractual changes without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Overall final adjustments	48,272	4,784	42,453	20,924	2,645	790
- of which: exposures transferred and not written off	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given on the basis of external and internal ratings

A.2.1 Prudential consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given: by external rating classes (gross values)

€/000	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	109	1,936	14,876,603	148,372	95,669	38,324	15,793,020	30,954,033
- Stage 1	109	1,936	14,874,159	129,440	67,316	26,343	15,091,053	30,190,356
- Stage 2	-	-	2,444	18,932	17,056	2,371	536,928	577,731
- Stage 3	-	-	-	-	11,297	9,610	161,368	182,275
- Impaired acquired or originated	-	-	-	-	-	-	3,671	3,671
B. Financial assets measured at fair value through other comprehensive income	19,831	59,699	19,014	-	-	-	-	98,544
- Stage 1	19,831	59,699	19,014	-	-	-	-	98,544
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A+B+C)	19,940	61,635	14,895,617	148,372	95,669	38,324	15,793,020	31,052,577
D. Commitments to disburse funds and financial guarantees given	-	100,000	73,694	8,994	1,105	31	793,100	976,924
- Stage 1	-	100,000	73,655	8,274	1,083	31	773,110	956,153
- Stage 2	-	-	39	720	22	-	19,899	20,680
- Stage 3	-	-	-	-	-	-	91	91
- Impaired, acquired or originated	-	-	-	-	-	-	-	-
Total (D)	-	100,000	73,694	8,994	1,105	31	793,100	976,924
Total (A+B+C+D)	19,940	161,635	14,969,311	157,366	96,774	38,355	16,586,120	32,029,501

The table shows a breakdown of exposures to counterparties without ratings and those without an external rating (CERVED). The rating agencies provide a summary judgement on the creditworthiness of the counterparties.

The rating companies used to prepare the table are: Moody's, Standard & Poor's and Fitch.

In the event that there are ratings by several agencies for the same counterparty, the following order of priority is used, as defined in the specific policy document: Moody's, Standard & Poor's, and finally Fitch.

However, the Risk Management Function may, following appropriate considerations and on a prudential basis, modify the rating resulting from the automatic allocation and calculation system, where deemed necessary. The following is a reconciliation between the risk classes and ratings of the agencies used, with an indication of the Investment Grade/Speculative Grade.

Classe di merito di credito	CERVED	ECAI		
		MOODY'S	STANDARD&POORS	FITCH
1	-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-
2	A1.1 A1.2 A1.2 A1.3 A2.1 A2.1 A3.1	A1 A2 A3	A+ A A-	A+ A A-
3	B1.1 B1.2	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
4	B2.1 B2.2	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
5	C1.1 C1.2	B1 B2 B3	B+ B B-	B+ B B-
6	C1.2 C2.1	Caaa/Ca/C	CCC/C	CCC/C

Investment Grade

Speculative Grade

A.2.2 Distribution of on- and off-balance sheet exposures by internal rating classes

The bank does not have models for defining internal ratings.

A.3 Distribution of secured credit exposures by type of guarantee

A.3.2 Secured on- and off-balance sheet credit exposures to customers (Part 1 of 2)

€/000	Gross exposure	Net exposure	Collateral (I)				Personal guarantees (2)	
			Property - mortgages	Property - finance leases	Securities	Other collateral	Credit derivatives	
							Other derivatives	
							CLNs	CCPs
1. Secured on-balance sheet credit exposures:	11,317,180	11,240,618	10,632,773	-	32,155	86,576	-	-
1.1. fully secured	11,135,736	11,064,396	10,630,008	-	32,155	40,235	-	-
- of which non-performing	115,259	70,733	66,033	-	-	-	-	-
1.2. partially secured	181,444	176,222	2,765	-	-	46,341	-	-
- of which non-performing	10,571	5,749	137	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	30,970	30,948	658	-	-	1,387	-	-
2.1. fully secured	28,534	28,519	658	-	-	848	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially secured	2,436	2,429	-	-	-	539	-	-
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Secured on- and off-balance sheet credit exposures to customers (Part 2 of 2)

Personal guarantees (2)								
€/000	Credit derivatives			Unsecured loans				TOTAL (1) + (2)
	Other derivatives			General government	Banks	Other financial corporations	Other entities	
	Banks	Other financial corporations	Other entities					
1. Secured on-balance sheet credit exposures:	-	-	-	259,046	257	-	156,075	11,166,882
1.1. fully secured	-	-	-	177,984	257	-	140,350	11,020,989
- of which non-performing	-	-	-	4,442	11	-	113	70,599
1.2. partially secured	-	-	-	81,062	-	-	15,725	145,893
- of which non-performing	-	-	-	5,102	-	-	9	5,248
2. Secured off-balance sheet credit exposures:	-	-	-	-	-	-	27,957	30,002
2.1. fully secured	-	-	-	-	-	-	27,002	28,508
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially secured	-	-	-	-	-	-	955	1,494
- of which non-performing	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Distribution of on- and off-balance sheet credit exposures to customers by sector (Part 1 of 2)

		General government		Financial corporations		Financial corporations (of which: insurance companies)	
€/000		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures							
A.1 Non-performing loans		-	-	-	-	-	-
- of which forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	219	(7,130)	-	-
- of which forborne exposures		-	-	219	(7,130)	-	-
A.3 Non-performing past due exposures		15	(2)	-	-	-	-
- of which forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		15,520,460	(11,885)	2,319,883	(2,352)	24,014	-
- of which forborne exposures		-	(1)	-	-	-	-
TOTAL A		15,520,475	(11,887)	2,320,102	(9,482)	24,014	-
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		-	-	-	-	-	-
B.2 Performing exposures		-	-	287,990	(50)	-	-
TOTAL B		-	-	287,990	(50)	-	-
TOTAL (A+B)	31/12/2022	15,520,475	(11,887)	2,608,092	(9,532)	24,014	-
TOTAL (A+B)	31/12/2021	12,965,174	(11,027)	2,332,595	(10,975)	24,880	-

B.1 Distribution of on- and off-balance sheet credit exposures to customers by sector (Part 2 of 2)

€/000	Non-financial corporations		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures				
A.1 Non-performing loans	4	(2,088)	16,076	(46,184)
- of which forborne exposures	-	-	3,125	(4,780)
A.2 Unlikely to pay	20,441	(12,927)	40,404	(22,397)
- of which forborne exposures	10,639	(2,727)	21,567	(11,067)
A.3 Non-performing past due exposures	178	(33)	13,978	(2,610)
- of which forborne exposures	-	-	3,617	(790)
A.4 Performing exposures	634,299	(5,757)	13,020,214	(30,040)
- of which forborne exposures	4,815	(182)	56,040	(2,157)
TOTAL A	654,922	(20,805)	13,090,672	(101,231)
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	220	(19)
B.2 Performing exposures	243,594	(154)	474,928	(237)
TOTAL B	243,594	(154)	475,148	(256)
TOTAL (A+B)	898,516	(20,959)	13,565,820	(101,487)
TOTAL (A+B)	731,065	(17,724)	12,002,256	(92,008)

B.2 Distribution of on- and off-balance sheet credit exposures to customers by geographical area (Part 1 of 2)

€/000		Italy		Other European countries		America	
		Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures							
A.1 Non-performing loans		16,079	(48,268)	1	(4)	-	-
A.2 Unlikely to pay		60,950	(42,378)	114	(76)	-	-
A.3 Non-performing past due exposures		14,127	(2,632)	43	(13)	1	-
A.4 Performing exposures		31,410,785	(49,687)	72,319	(273)	4,242	(19)
Total (A)		31,501,941	(142,965)	72,477	(366)	4,243	(19)
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		206	(17)	14	(2)	-	-
B.2 Performing exposures		999,114	(432)	6,840	(10)	47	-
Total (B)		999,320	(449)	6,854	(12)	47	-
Total (A+B)	31/12/2022	32,501,261	(143,414)	79,331	(378)	4,290	(19)
Total (A+B)	31/12/2021	27,951,809	(131,459)	66,777	(138)	5,397	(9)

B.2 Distribution of on- and off-balance sheet credit exposures to customers by geographical area (Part 2 of 2)

€/000		Asia		Rest of world	
		Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures					
A.1 Non-performing loans		-	-	-	-
A.2 Unlikely to pay		-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-
A.4 Performing exposures		5,125	(17)	2,386	(1)
Total (A)		5,125	(17)	2,386	(1)
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures		-	-	-	-
B.2 Performing exposures		280	-	231	-
Total (B)		280	-	231	-
Total (A+B)	31/12/2022	5,405	(17)	2,617	(1)
Total (A+B)	31/12/2021	4,902	(124)	2,207	(4)

B.3 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to banks by geographical area (Part 1 of 2)

Exposures/Geographical areas		Italy		Other European countries		America	
		Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures							
A.1 Non-performing loans		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-	-
A.4 Performing exposures		2,334,336	(103)	69,987	(84)	3,418	(35)
Total (A)		2,334,336	(103)	69,987	(84)	3,418	(35)
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		-	-	-	-	-	-
B.2 Performing exposures		73,629	-	893	-	1	-
Total (B)		73,629	-	893	-	1	-
Total (A+B)	31/12/2022	2,407,965	(103)	70,880	(84)	3,419	(35)
Total (A+B)	31/12/2021	4,771,366	(161)	145,197	(150)	-	-

B.3 Distribution of on- and off-balance sheet credit exposures to banks by geographical area (Part 2 of 2)

Exposures/Geographical areas	Asia		Rest of world	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
A. On-balance sheet credit exposures				
A.1 Non-performing loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	-	-	-	-
Total (A)	-	-	-	-
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	-	-	-	-
Total (B)	-	-	-	-
Total (A+B)	31/12/2022	-	-	-
Total (A+B)	31/12/2021	-	-	-

B.4 Large exposures

€/000	31/12/2022
a) Amount (carrying amount)	31,076,319
b) Amount (weighted value)	1,304,345
c) Number	5

The number and amount of large risks have been determined in accordance with existing EU and national provisions. The provisions specify the nominal value of exposures as the parameter for identifying large risks.

C. Securitisation

Qualitative information

The company has no exposures arising from its own securitisation operations.

Quantitative information

C.1 Exposures arising from the main “own” securitisation operations, by type of securitised asset and type of exposure

The company has no exposures arising from its own securitisation operations.

C.2 Exposures arising from the main “third-party” securitisation operations, by type of securitised asset and type of exposure

€/000	On-balance sheet exposures						Guarantees given						Credit facilities							
	Senior		Mezzanine		Junior			Senior		Mezzanine		Junior			Senior		Mezzanine		Junior	
	Carrying amount	Adjustments/writ e-backs	Carrying amount	Adjustments/writ e-backs	Carrying amount	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs	Net exposure	Adjustments/writ e-backs
F-E Mortgages srl	109	-																		

E. Sale transactions

A. Financial assets sold but not fully derecognised

QUALITATIVE INFORMATION

Financial assets sold but not derecognised relate to repurchase agreements with the Cassa di Compensazione e Garanzia.

QUANTITATIVE INFORMATION

E.1 Financial assets sold but fully recognised and related financial liabilities: carrying amount

€/000	Financial assets sold but fully recognised				Related financial liabilities		
	Carrying amount	of which: subject to securitisation operations	of which: subject to repurchase agreements	of which impaired	Carrying amount	of which: subject to securitisation operations	of which: subject to repurchase agreements
A. Financial assets held for trading	677,824	-	677,824	X	679,492	-	679,492
1. Debt securities	677,824	-	677,824	X	679,492	-	679,492
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	7,975,260	-	7,975,260	-	7,767,843	-	7,767,843
1. Debt securities	7,975,260	-	7,975,260	-	7,767,843	-	7,767,843
2. Loans	-	-	-	-	-	-	-
TOTAL 31/12/2022	8,653,084	-	8,653,084	-	8,447,335	-	8,447,335
TOTAL 31/12/2021	5,892,375	-	5,892,375	-	5,955,844	-	5,955,844

F. Credit risk measurement models

Banca Mediolanum uses various models to measure credit risk, based on the area of activity.

In particular, quantitative models have been developed which, incorporating the regulatory framework, are used for accounting purposes, to quantify the Expected Credit Loss (ECL).

Management scoring models are also used for credit control, with the outcomes monitored for institutional reporting.

Finally, there are also forward-looking simulation models that are used to determine, including in stress-test scenarios, the various income statement and balance sheet values used to draw up the economic and financial plan and for the related determination of the risk appetite and risk tolerance thresholds.

Section 2 – Market risk

2.1 Interest rate risk and price risk – regulatory trading book

QUALITATIVE INFORMATION

A. General aspects

The “trading book”, as defined in the prudential regulations on market risk, includes the portfolio of financial instruments subject to the reference capital requirements. In particular, the financial positions authorised for management of trading activity are placed in this portfolio. With respect to banking operations, the objectives and strategies underlying this trading activity, carried out on an exclusively own account basis, are common to the principles applied in other business areas, such as the diversification of investments, risk control and attention to market opportunities.

In particular, the positions in the trading portfolio mainly consist of positions in bonds, with the remainder in equity securities, hedging derivatives and money market instruments.

As with the other banking portfolios, there are more domestic government securities in the trading book than securities of other issuers. It thus represents a level of default risk in line with country of residence risk. In the classic management of trading positions, the portfolio is hedged in terms of interest rate risk, possibly through listed derivatives (futures) or short positions. In line with the banking book, the trading positions on government securities also have a limited interest rate risk profile, as evidenced by the low average duration of the portfolios.

Banca Mediolanum's overall securities portfolio

Rating Composition (S & P Equivalent) Spot data (31/12/2022 vs 31/12/2021)

Classe di rating (S&P Equivalent)	2022		2021		Variazione (%)
	€/000	%	€/000	%	
Totale Portafoglio	15,528,416	100.00%	13,032,123	100%	19%
AAA	19,827	0.13%	20,191	0.2%	0%
da AA+ a AA-	-	0.00%	20,021	0.2%	(100%)
da A+ a A-	46,346	0.30%	47,739	0.4%	(3%)
da BBB+ a BBB-	15,462,243	99.57%	12,944,172	99.3%	19%
BB+ o inferiore	-	0.00%	-	0.0%	0%
Senza Rating	-	0.00%	-	0.0%	0%

NOTA: il valore del portafoglio titoli non prende in considerazione la quota, marginale, di Fondi, ABS, Azioni e Diritti.
Per l'anno corrente si è rappresentato il rating dell'emittente

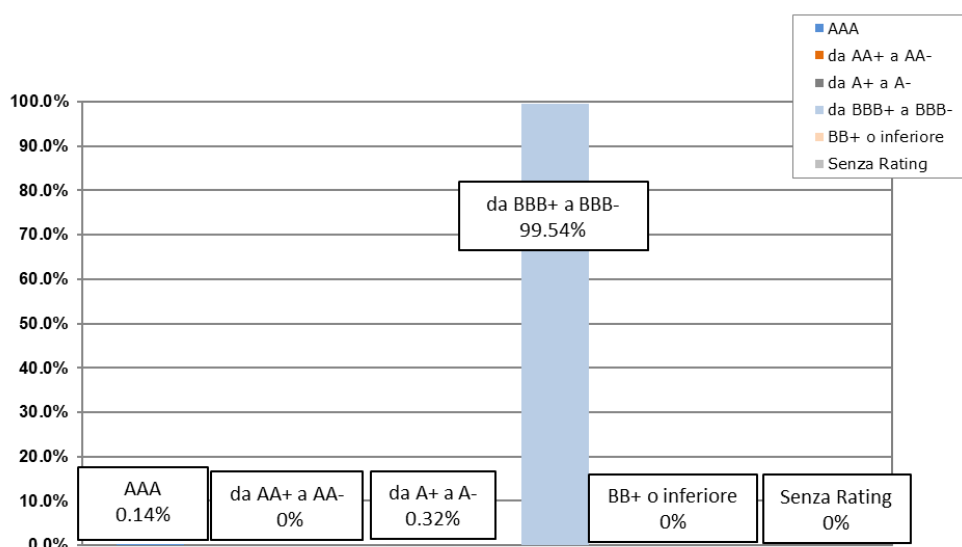
Rating composition of Banca Mediolanum's trading book S&P Equivalent (December 2022)

In line with the treasury management strategy, the value of the trading portfolio as at 31 December 2022 was €1,008,593 thousand.

Rating composition of Banca Mediolanum's HTCS, HTC and OTHER portfolio S&P Equivalent (December 2022)

Portfolio value: €14,519,823 thousand

Rating Composition portafogli HTC&S, HTC e Other Banca Mediolanum (dicembre 2022)



Impacts of the pandemic and the European geo-political crisis

The Risk Management Function of Banca Mediolanum focused closely on market performance, constantly monitoring the possible effects of market indicators on the portfolios of the individual companies and customers, where present, based on their operating policies.

In 2022, also, the adoption of a securities portfolio business model with a prevalence of sovereign bonds classified as “held to maturity” did not lead to significant impairment at the Banca Mediolanum level. Particular attention has been paid to the fall-out from the geopolitical tensions caused by the conflict between Russia and Ukraine, the resulting inflationary pressures generated by higher commodity prices, especially energy prices, and the reaction of the central banks, which promptly and decisively tightened their policies, pushing government yields higher worldwide and causing substantial declines in all bond sectors.

In light of the above, the monitoring measures adopted by Banca Mediolanum did not show significant evidence of post-pandemic impacts and the direct consequences of the Russia-Ukraine conflict in terms of symptomatic influence on the value of the portfolios owned.

B. Interest rate risk and price risk management procedures and measurement methods

The Parent Company’s Risk Management Function ensures that financial risk assessment methods are consistent across the various operating entities and helps to set credit limits and operating limits. Each Group Company is, however, directly responsible for controlling the risks assumed in accordance with the guidelines approved by the respective boards of directors in accordance with the principle of consistency between the complexity of the assets under management and the risk measures adopted. Interest rate risk is analysed using indicators of both portfolio composition (concentration limits, characteristics of admitted instruments, characteristics of issuers, etc.) and maximum loss (value at risk or VaR). The value at risk indicates the maximum potential observed loss with a certain level of probability α over a defined time frame, as a result of the movement of the financial markets: it is estimated using the historical simulation method. The historical simulation method, adopted by Banca Mediolanum, consists of determining both the portfolio value using the relevant parameters recorded on the market (risk factors) and the changes in this portfolio in response to changes in previously observed parameters. Stress testing involves the use of punitive scenarios, which define the shocks to be applied to the risk factors to which the Bank is exposed. The value of the proprietary portfolio is then recalculated against these scenarios in order to identify the gains and/or losses with respect to the baseline value. This no longer gives a potential distribution of losses, as with the VaR, but an individual loss value corresponding to the scenario defined. In 2022, the scenario used replicates the implicit credit risk of the 2011 crisis.

VaR tables

Trading book - MARKET RISK

Spot data (December 2022 vs December 2021)

Euro/migliaia	dic-22	dic-21	Variazione (%)
Nominale	1,040,003	1.19	n.s.
Valore di mercato	1,008,593	1.17	n.s.
Duration	0.99	-	n.s.
VaR 99% - 1 g	1,967	0	n.s.

The trading portfolio of Banca Mediolanum at 31 December 2022 has higher nominal and market values than at the end of 2021. This was due to the closing of the positions in the portfolio last year.

The minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in 2022 are shown below compared with the year-end spot values.

Euro/migliaia	dic-22	dic-21	Variazione (%)
Valore Minimo	0.02	0.01	111%
Valore Medio	2,247	1,134	98%
Valore Massimo	2,953	2,742	8%

QUANTITATIVE INFORMATION

1. Regulatory trading book: breakdown by time to maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - EURO

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	-	24,992	-	423,538	560,091	40	1	-
1.1 Debt securities	-	24,992	-	423,538	560,091	40	1	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	24,992	-	423,538	560,091	40	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	679,492	-	-	-	-	-	-
2.1 Repurchase agreements	-	679,492	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	3	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	943	2,055	6,920	68,924	76,335	39,893	-
+ Short positions	-	-	943	6,268	66,986	78,147	42,725	-
- Other derivatives								
+ Long positions	-	204,426	-	-	-	-	-	-
+ Short positions	-	89,519	4,402	8,574	64,145	64,071	55,398	-

1. Regulatory trading book: breakdown by time to maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – OTHER CURRENCIES

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	85,018	-	-	-	-	-	-
+ Short positions	-	3,354	-	-	-	-	-	-

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main country of listing

€/000	Listed
	ITALY
A. Equity securities	
Long positions	56,119
Short positions	-
B. Trading in equity securities not yet settled	
Long positions	
Short positions	-
C. Other equity derivatives	
Long positions	-
Short positions	-
D. Equity index derivatives	
Long positions	-
Short positions	-

2.2 Interest rate risk and price risk – banking book

QUALITATIVE INFORMATION

A. General aspects, interest rate risk and price risk management procedures and measurement methods

Interest rate risk quantifies the potential impact that unexpected changes in the market term structure may have on the Bank's current profits and shareholders' equity. This risk is typically monitored for positions in the banking book.

The Group's "banking book" includes all financial instruments not included in the trading book, i.e. all line items (assets and liabilities) and off-balance sheet items that are not held for trading purposes. The banking book therefore includes lending, funding sources, assets classified to the HTCS portfolio and the fixed component of the securities portfolio (IFRS category: Held to Collect). Monitoring of interest rate risk on the banking book is carried out by the Parent Company based on an asset liability management model. The aims of a correct interest rate risk governance process are:

- > to manage the stability of net interest income, minimising the negative impact of rate changes (current profits perspective), mainly with a focus on the short term. The stability of net interest income is mainly affected by repricing risk, yield curve risk, basis risk, refixing risk and optionality risk;
- > to safeguard economic value, understood as the sum of the present value of the expected cash flows generated by both sides of the statement of financial position. Unlike current profits, the economic value perspective is medium/long-term and mainly relates to repricing risk;
- > to ensure that the interest rate risk that is assumed or can be assumed is correctly identified, measured, controlled and managed in accordance with formalised and shared methodologies and procedures;
- > to verify that the risk measurement models are consistent with the actual income results achieved by the various risk owners;

- > to maintain the quality of the risk measurement systems and risk management processes in line with market best practice;
- > to define the system of limits and powers attributed to the various levels of responsibility;
- > to ensure the production of accurate information and reporting for the various organisational levels responsible for the management and control activities;
- > to ensure compliance with the organisational requirements of national and international supervisory bodies.

Compliance with the above principles and the strategic guidelines defined by senior management is ensured by the activation of a process of control of operating practices, coordinated at various levels of the organisational structure. These controls are accompanied by a system of procedures that guides the monitoring of margin sensitivity and economic value sensitivity indicators, both based on the assumption of a parallel shift in the yield curve. On the basis of the analyses carried out on the risk profile of the Mediolanum Banking Group and on the risk appetite, it was deemed appropriate to incorporate indications of sensitivity to economic value within the Group's RAF, also reflected within the structure of the limits established by the current policy. The banking book controls also include controlling the credit risk inherent in transactions with institutional counterparties, according to the limits and operating methods approved by the Board of Directors of each Group company, in accordance with the provisions provided by the Parent Company.

The Parent Company did not find any critical issues in 2022 as a result of the increases in market curves.

Banca Mediolanum's statement of financial position assets principally comprise a variable-rate indexed loan portfolio with frequent repricing and a portfolio of financial instruments with a high level of variable-rate securities; liabilities comprise securities-based loans at market rates and Retail funding with specific characteristics of stability and inflexibility.

Asset liability management process

Management of the rate risk calculated on line items is a typical asset liability management activity. The Mediolanum Banking Group has adopted an ALM system with which it oversees the performance of the Parent Company's annual net interest income and economic value (expressed as a percentage of its regulatory capital). This is also a fundamental tool for management to assess new funding and lending policies in relation to the Group's balance of assets and income, also providing support in the process of updating policies and revising limits and procedures.

QUANTITATIVE INFORMATION

1. Banking book: breakdown by residual duration (repricing date) of financial assets and liabilities - EURO

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	5,487,003	11,153,016	7,836,318	644,204	6,041,371	515,540	1,271,708	-
1.1 Debt securities	109	2,423,524	7,784,697	541,386	3,840,737	-	-	-
- with early redemption option	109	-	-	-	-	-	-	-
- other	-	2,423,524	7,784,697	541,386	3,840,737	-	-	-
1.2 Loans to banks	2,048,802	251,676	-	-	-	-	-	-
1.3 Loans to customers	3,438,092	8,477,816	51,622	102,818	2,200,634	515,540	1,271,708	-
- current account	427,361	6	-	19	117	26	-	-
- other loans	3,010,731	8,477,811	51,622	102,799	2,200,517	515,513	1,271,708	-
- with early redemption option	2,294,770	8,445,235	51,460	102,546	2,199,992	514,668	1,271,708	-
- other	715,962	32,576	161	252	525	846	-	-
2. On-balance sheet liabilities	24,429,086	7,813,778	108,322	4,105	332,041	15,912	1,421	-
2.1 Payables to customers	24,425,648	7,445,766	108,263	3,985	30,703	15,893	1,421	-
- current account	23,902,997	13,542	106,224	26	-	-	-	-
- other payables	522,651	7,432,224	2,039	3,960	30,703	15,893	1,421	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	522,651	7,432,224	2,039	3,960	30,703	15,893	1,421	-
2.2 Payables to banks	3,437	368,012	60	120	895	20	-	-
- current account	2,448	-	-	-	-	-	-	-
- other payables	990	368,012	60	120	895	20	-	-
2.3 Debt securities	-	-	-	-	300,443	-	-	-
- with early redemption option	-	-	-	-	300,443	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	528	2,873	10,039	141,667	142,775	95,504	-
+ Short positions	-	195,292	278	4,343	72,620	89,727	31,126	-
- Other derivatives								
+ Long positions	-	67,051	-	-	-	-	-	-
+ Short positions	-	1,536	1,555	3,138	21,004	21,053	18,766	-
4. Other off-balance sheet transactions								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1. Banking book: breakdown by residual duration (repricing date) of financial assets and liabilities – OTHER CURRENCIES

€/000	Demand	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. On-balance sheet assets	10,234	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	10,233	-	-	-	-	-	-	-
1.3 Loans to customers	1	-	-	-	-	-	-	-
- current account	1	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	90,965	-	-	-	-	-	-	-
2.1 Payables to customers	79,168	-	-	-	-	-	-	-
- current account	79,168	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	11,797	-	-	-	-	-	-	-
- current account	11,797	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2.3 Currency risk

QUALITATIVE INFORMATION

A. General aspects, currency risk management procedures and measurement methods

The following risk profile includes all assets and liabilities (on- and off-balance sheet) in foreign currencies, including transactions in euro linked to foreign currency exchange rates. In these cases, limits on exposure to currency risk are established in terms of the equivalent value of the net position of the main trading currencies. In view of the limited operations that could be affected by exchange rate risk, this type of risk is residual: therefore, the Bank does not conduct detailed analyses with dedicated stress scenarios.

B. Currency risk hedging activities

On the basis of the details provided in Section A, there is nothing to report.

QUANTITATIVE INFORMATION

1. Breakdown by currency of denomination of assets and liabilities and of derivatives

€/000	US DOLLAR	BRITISH POUND	SWISS FRANC	CANADIAN DOLLAR	JAPANESE YEN	OTHER CURRENCIES	Total
A. Financial assets	51						51
A.1 Debt securities							
A.2 Equity securities	32						32
A.3 Loans to banks							
A.4 Loans to customers	19						19
A.5 Other financial assets							
B. Other assets	3,307	2,163	3,593	39	87	1,167	10,356
C. Financial liabilities	(77,113)	(2,100)	(3,278)			(62)	(82,553)
C.1 Payables to banks	(6,634)					(62)	(6,696)
C.2 Payables to customers	(70,479)	(2,100)	(3,278)				(75,857)
C.3 Debt securities							
C.4 Other financial liabilities							
D. Other liabilities							
E. Financial derivatives	78,527	79	468			10	79,084
- Options							
+ Long positions							
+ Short positions							
- Other	78,527	79	468			10	79,084
+ Long positions	75,932	60	106				76,098
+ Short positions	2,595	19	362			10	2,986
Total Assets	79,290	2,223	3,699	39	87	1,167	86,505
Total Liabilities	(79,708)	(2,119)	(3,640)			(72)	(85,539)
Imbalance (+/-)	(418)	104	59	39	87	1,095	966

Section 3 – Derivative instruments and hedging policies

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Financial trading derivatives: period-end notional amounts

€/000	31/12/2022				31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	CCPs	Without CCPs			CCPs	Without CCPs		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	-	-	219,436	-	-	-	233,194	-
a) Options	-	-	18,370	-	-	-	19,588	-
b) Swaps	-	-	201,066	-	-	-	213,606	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	3	-	-	-	7	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	4	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	3	-	-	-	3	-
3. Currencies and gold	-	-	88,373	-	-	-	79,083	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	88,373	-	-	-	79,083	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	-	-	307,812	-	-	-	312,284	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by product

€/000	31/12/2022				31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	CCPs	Without CCPs			CCPs	Without CCPs		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options	-	-	459	-	-	-	316	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	12	-	-	-	11	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	471	-	-	-	327	-
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	11,756	-	-	-	60,611	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	196	-	-	-	206	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	11,952	-	-	-	60,817	-

A.3 OTC trading financial derivatives – notional values, gross positive and negative fair value by counterparty

€/000	CCPs	Banks	Other financial corporations	Other entities
Contracts not based on netting arrangements				
1) Debt securities and interest rates				
- notional value	X	219,436	-	-
- positive fair value	X	459	-	-
- negative fair value	X	11,756	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	3
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	88,301	-	72
- positive fair value	X	12	-	-
- negative fair value	X	196	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts based on netting arrangements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

€/000	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	TOTAL	
A.1 Financial derivatives on debt securities and interest rates	17,451	64,145	137,839	219,435	
A.2 Financial derivatives on equity securities and equity indices	3	-	-	3	
A.3 Financial derivatives on currencies and gold	88,373	-	-	88,373	
A.4 Financial derivatives on commodities	-	-	-	-	
A.5 Other financial derivatives	-	-	-	-	
TOTAL	31/12/2022	105,827	64,145	137,839	307,811
TOTAL	31/12/2021	96,442	63,351	152,490	312,283

B. Credit derivatives

The Bank did not use credit derivatives during the year and at 31 December 2022 there were no outstanding positions on such instruments.

3.2 Accounting hedges

QUALITATIVE INFORMATION

A. Fair value hedging

Fair value hedges aim to neutralise adverse changes in the price of assets and liabilities recognised in the financial statements or of irrevocable commitments that, without a hedge, could affect financial performance for the year. Banca Mediolanum has adopted hedging policies through derivative instruments, exceptionally solely for exposures in its portfolio of fixed-rate or variable-rate loans with caps.

B. Cash-flow hedging

Nothing to report

C. Hedging of foreign investments

Nothing to report

D. Hedging instruments

Banca Mediolanum hedges the interest rate risk of fixed-rate or variable-rate loans with caps using interest rate swap (IRS) or interest rate option (IRO) derivatives. Hedge accounting can only be adopted if the effectiveness of the hedge is observed at the beginning and throughout its life, i.e. changes in fair value or in the cash flows of the hedged instrument must be almost completely offset by corresponding changes recorded for the hedging instrument. This effectiveness is monitored periodically through specific tests: it is highly effective when changes

in the fair value of the hedging instrument exactly offset changes in the hedged instrument. There are clear limits on how far a hedging instrument can deviate from a perfect hedge when offsetting changes in the hedged instrument. The effectiveness of the hedge should be assessed initially and continuously throughout the life of the hedge. The source of the possible ineffectiveness of the hedge over time, on the hedging instrument side, is market fluctuations that are reflected unevenly on the two elements of the hedging relationship.

E. Hedged items

The hedged instruments are fixed rate loans and floating rate loans with caps. The accounting method selected by Banca Mediolanum to hedge these instruments is the “group microhedge”, where the hedged item consists of a group of instruments that are homogeneous in terms of the associated risk and can in any case be identified individually. One of the possible sources of ineffectiveness of the hedge is the dynamics over time of the “group” initially chosen: in fact, over the years the pool of loans can shrink due to early repayment, renegotiation, substitution, etc. As the hedged item changes, the relationship with the hedging instrument is also altered, generating a misalignment that can reduce effectiveness over time.

The effectiveness of hedges is assessed by carrying out periodic effectiveness tests, which fall into two categories:

- > Prospective test: this test justifies the application of hedge accounting, demonstrating the expected effectiveness of the hedge during its life, and enables the justification and continuation of the hedging relationship. This test must also be carried out on the date of commencement of the hedge in order to start applying hedge accounting: in practice, it is a question of determining whether the hedging relationship would be maintained in the event of potential more or less extreme scenarios.
- > Retrospective test: this test reveals the degree of effectiveness of the hedge achieved in the period to which the test refers; in other words, it measures how far the actual results diverged from the perfect hedge. If the results fall within a defined range, hedge accounting may continue to be applied: otherwise, it must be discontinued.

QUANTITATIVE INFORMATION

A. Hedging financial derivatives

A.1 Hedging financial derivatives: period-end notional amounts

€/000	Total 31/12/2022				Total 31/12/2021				
	Over the counter			Organised markets	Over the counter			Organised markets	
	CCPs	Without CCPs			CCPs	Without CCPs			
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements		
1. Debt securities and interest rates	-	-	89,392	-	-	-	102,782	-	
a) Options	-	-	22,341	-	-	-	24,547	-	
b) Swaps	-	-	67,051	-	-	-	78,235	-	
c) Forwards	-	-	-	-	-	-	-	-	
d) Futures	-	-	-	-	-	-	-	-	
e) Other	-	-	-	-	-	-	-	-	
2. Equity securities and equity indices	-	-	-	-	-	-	-	-	
a) Options	-	-	-	-	-	-	-	-	
b) Swaps	-	-	-	-	-	-	-	-	
c) Forwards	-	-	-	-	-	-	-	-	
d) Futures	-	-	-	-	-	-	-	-	
e) Other	-	-	-	-	-	-	-	-	
3. Currencies and gold	-	-	-	-	-	-	-	-	
a) Options	-	-	-	-	-	-	-	-	
b) Swaps	-	-	-	-	-	-	-	-	
c) Forwards	-	-	-	-	-	-	-	-	
d) Futures	-	-	-	-	-	-	-	-	
e) Other	-	-	-	-	-	-	-	-	
4. Commodities	-	-	-	-	-	-	-	-	
5. Other	-	-	-	-	-	-	-	-	
TOTAL	-	-	89,392	-	-	-	102,782	-	

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

€/000	Positive and negative fair value								Change in value used to detect ineffectiveness of the hedge	
	31/12/2022				31/12/2021				31/12/2022	31/12/2021
	Over the counter			Organised markets	Over the counter			Organised markets		
	Without CCPs		CCPs		Without CCPs		CCPs			
	With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements				
Positive fair value										
a) Options	-	-	430	-	-	-	316	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	11	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	430	-	-	-	327	-	-	-
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	2,594	-	-	-	60,611	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	206	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	2,594	-	-	-	60,817	-	-	-

A.3 OTC hedging financial derivatives: notional values, gross positive and negative fair value by counterparty

	CCPs	Banks	Other financial corporations	Other entities
Contracts not based on netting arrangements				
1) Debt securities and interest rates				
- notional value	X	89,392	-	-
- positive fair value	X	430	-	-
- negative fair value	X	2,594	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts based on netting arrangements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional values

€/000	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	TOTAL
A.1 Financial derivatives on debt securities and interest rates	6,229	21,004	62,159	89,392
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
TOTAL 31/12/2022	6,229	21,004	62,159	89,392
TOTAL 31/12/2021	6,373	23,253	73,157	102,783

B. Hedging credit derivatives

Nothing to report.

C. Hedging non-derivative instruments

Nothing to report

D. Hedged instruments

D.1 Fair value hedges

€/000		Specific hedges					Generic hedges: Carrying amount
		Specific hedges: carrying amount	Specific hedges – net positions: carrying amount of assets or liabilities (before netting)	Cumulative changes in the fair value of the hedged instrument	Discontinuation of hedge: residual cumulative changes in fair value	Change in value used to detect ineffectiveness of the hedge	
A. ASSETS							
1. Financial assets measured at fair value through other comprehensive income - hedging of:		-	-	-	-	-	-
I.1 Debt securities and interest rates		-	-	-	-	-	x
I.2 Equity securities and equity indices		-	-	-	-	-	x
I.3 Currencies and gold		-	-	-	-	-	x
I.4 Loans		-	-	-	-	-	x
I.5 Other		-	-	-	-	-	x
2. Financial assets measured at amortised cost - hedging of:		77,830	-	2,500	-	15,290	-
I.1 Debt securities and interest rates		77,830	-	2,500	-	15,290	x
I.2 Equity securities and equity indices		-	-	-	-	-	x
I.3 Currencies and gold		-	-	-	-	-	x
I.4 Loans		-	-	-	-	-	x
I.5 Other		-	-	-	-	-	x
TOTAL	31/12/2022	77,830	-	2,500	-	15,290	-
TOTAL	31/12/2021	105,120	-	17,784	124	8,066	-
B. LIABILITIES							
1. Financial liabilities measured at amortised cost - hedging of:		-	-	-	-	-	-
I.1 Debt securities and interest rates		-	-	-	-	-	x
I.2 Currencies and gold		-	-	-	-	-	x
I.3 Other		-	-	-	-	-	x
TOTAL	31/12/2022	-	-	-	-	-	-
TOTAL	31/12/2021	-	-	-	-	-	-

E. Effects of equity hedging operations

Nothing to report.

Section 4 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management procedures and measurement methods

Banca Mediolanum's liquidity management model is structured in such a way as to ensure adequate liquidity levels in both the medium and long term. There are no identifiable problems with the liquidity conditions over the horizons indicated, thanks to the financial characteristics (duration and risk profile) of the instruments included in assets in the financial statements and the funding strategy adopted. From a structural point of view, Banca Mediolanum has "core" funding that substantially predominates over the volatile component of current accounts. At the same time, short-term collection policies are implemented through repurchase agreements and longer-term collection policies through deposits at notice. Liquidity risk is also overseen through the definition of guidelines for the implementation of the process of monitoring the indicators set out in the Risk Appetite Framework document. As part of the broader asset liability management model developed for the Mediolanum Banking Group, an operational and structural system of limits was established and a process of monitoring the maturity ladder was implemented. This method is outlined in the liquidity risk policy in the sections that define the Group's "characteristic" operations and supplements the instructions to be followed in "extreme but plausible" situations outlined in the "contingency funding plan". During the updating of the requirements of the reference regulations, Banca Mediolanum updated all documents and procedures relating to liquidity risk. Specifically, the policy adopted led to the implementation of a series of controls (and the production of the relevant reports) which can be summarised as follows: daily monitoring of operating liquidity limits relating to the treasury management of Banca Mediolanum; weekly monitoring on the scope of the Banking Group prepared and sent to the Supervisory Body; monthly calculation of regulatory liquidity ratios and preparation of the templates with specific additional information; quarterly reporting on structural liquidity control, to be brought to the attention of the Strategic Supervisory Body (also from a standpoint of compliance with the indicators defined in the RAF framework).

Liquidity risk stress testing procedures

Banca Mediolanum conducts daily liquidity monitoring under "normal course of business" conditions and incorporates this information into the analyses it performs periodically by simulating stress scenarios. These simulations are designed to replicate both systemic events (market stress scenarios - turbulence in the reference macroeconomic scenario) and events specific to the Bank (bank-specific stress scenarios - changes in commercial policies or customer behaviour). The systemic events considered in the simulation of stress scenarios generally concern:

- > shocks on the financial markets, resulting in a significant change in interest rate levels and credit spreads;
- > shocks on money market access conditions, replicating the substantial restriction post- September 11;
- > shocks on the interbank market, accentuating the tension arising from poor liquidity.
- > The events specifically of interest to Banca Mediolanum generally concern:
- > substantial withdrawals of customer deposits;
- > the reputational harm suffered, with the consequent difficulty of renewing sources of financing on the money market;

- > the default of a major market counterparty or significant source of funding;
- > deterioration in the quality of credit assets;
- > a marked increase in the use of “committed” guaranteed lines;
- > a significant reduction in the roll-over capacity of short-term funding;
- > major haircuts to the assets included in the counterbalancing capacity. By recalculating the indicators described above in the context of the various stress scenarios, the effects on the expected behaviour of cash inflows and outflows over the time horizon considered are simulated, in terms of expected cash flow levels and timing, resulting in the re-definition of a maturity ladder for each simulated scenario.

Considerations on impacts arising from emergency situations

The ongoing monitoring of daily liquidity and of short-term and long-term liquidity indicators carried out continuously during 2022 confirmed that the Banca Mediolanum Group holds a more than adequate liquidity position in any ordinary or extraordinary situation, thanks also to the careful monitoring by the Parent Company and subsidiaries of all the potential risks triggered by the current pandemic crisis.

It should be noted that the liquidity indicators have not changed significantly, also in view of the direct and indirect consequences of the Russian conflict in Ukraine and the transition from the health crisis period to a context of a return to normality.

QUANTITATIVE INFORMATION

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 1 OF 2) – EURO

€/000	Demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months
A. On-balance sheet assets	1,334,668	43,693	32,061	52,706	700,414
A.1 Government securities	1,511	-	31,882	-	471,481
A.2 Other debt securities	492	-	175	-	-
A.3 UCI units	123,362	-	-	-	-
A.4 Loans	1,209,303	43,693	4	52,706	228,933
- Banks	13,709	11,478	-	-	-
- Customers	1,195,594	32,215	4	52,706	228,933
B. On-balance sheet liabilities	24,431,487	7,334,155	673,680	470,738	19,283
B.1 Deposits and current accounts	24,148,128	-	-	-	15,295
- Banks	2,447	-	-	-	-
- Customers	24,145,681	-	-	-	15,295
B.2 Debt securities	-	-	-	2,524	-
B.3 Other liabilities	283,359	7,334,155	673,680	468,214	3,988
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	3,360	-	-	-
- Short positions	-	2,047	15,000	-	68,000
C.2 Financial derivatives without capital exchange					
- Long positions	459	-	-	-	-
- Short positions	11,756	-	-	96	219
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 2 OF 2) – EURO

€/000	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Undetermined duration
A. On-balance sheet assets	1,315,855	1,986,382	16,212,008	10,349,717	240,198
A.1 Government securities	947,034	1,279,664	10,879,501	1,895,001	-
A.2 Other debt securities	33,248	7,229	40,030	39	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	335,573	699,489	5,292,477	8,454,677	240,198
- Banks	-	-	-	-	240,198
- Customers	335,573	699,489	5,292,477	8,454,677	-
B. On-balance sheet liabilities	109,460	4,620	331,599	17,334	-
B.1 Deposits and current accounts	107,071	26	-	-	-
- Banks	-	-	-	-	-
- Customers	107,071	26	-	-	-
B.2 Debt securities	-	-	300,000	-	-
B.3 Other liabilities	2,389	4,594	31,599	17,334	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.2 Financial derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	310	584	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 1 OF 2) – OTHER CURRENCIES

€/000	Demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months
A. On-balance sheet assets	10,294	-	-	-	-
A.1 Government securities	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	10,294	-	-	-	-
- Banks	10,293	-	-	-	-
- Customers	1	-	-	-	-
B. On-balance sheet liabilities	90,965	-	-	-	-
B.1 Deposits and current accounts	90,965	-	-	-	-
- Banks	11,797	-	-	-	-
- Customers	79,168	-	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	2,051	14,978	-	67,989
- Short positions	-	3,354	-	-	-
C.2 Financial derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity (PART 2 OF 2)

€/000	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Undetermined duration
A. On-balance sheet assets	-	-	-	-	-
A.1 Government securities	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	-	-	-	-	-
- Banks	-	-	-	-	-
- Customers	-	-	-	-	-
B. On-balance sheet liabilities	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-
- Banks	-	-	-	-	-
- Customers	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.2 Financial derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without capital exchange					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

Section 5 – Operational risks

QUALITATIVE INFORMATION

A. General aspects, operational risk management procedures and measurement methods

Banca Mediolanum defines operational risks as “the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts”.

In line with industry regulations, Banca Mediolanum S.p.A. has adopted and regularly updates an operational risk management and control framework.

The Risk Management Function is responsible for monitoring operational risk and collaborates with the Internal Audit Function to control and manage the operational risks arising from the operations of the sales network of Banca Mediolanum S.p.A.

It also coordinates with the Administration, Accounting and Financial Reporting section in controlling capital adequacy in respect of the requirements for own funds for operational risks of Banca Mediolanum S.p.A. and the Banking Group.

The organisational positioning of the Risk Management function is based on the principles of “separation” and “independence” with respect to the operational lines, reporting directly to the senior management of Banca Mediolanum S.p.A.

In the light of the characteristics of the Company’s business model and the nature of the activities carried out, particular attention is paid to the risks generated by the sales network and those generated by the multi-channel approach, i.e. by all the tools that enable contact and remote operation, including by defining decentralised safeguards and procedures for risk control, assessment, mitigation and prevention.

The reference framework for the management and control of operational risks consists of the following four sequential phases:

- > 1. “Identification”;
- > 2. “Measurement”;
- > 3. “Monitoring, Control and Reporting”;
- > 4. “Management”.

Each of these phases is characterised by specific objectives, models, methodologies and tools.

Identification is the activity of identifying and collecting information on operational risks through the consistent and coordinated processing of all relevant sources of information. The aim is to establish a complete information base. Identification takes place through the definition and classification of the information necessary for integrated operational risk management. The information necessary for this purpose is:

- > the qualitative and quantitative assessments of the risk exposure of the main corporate processes, as part of the annual risk self-assessment process;
- > internal loss data, accompanied by all the relevant information for the purposes of measuring and managing risks (including insurance and direct recoveries), collected through the loss data collection process;

- > preliminary analysis of the risk exposure arising from entry into new businesses or the signing of new contracts/commercial agreements, as well as following organisational/regulatory changes;
- > performance indicators representative of operations and risks, internally known as “key risk indicators”, which form the basis of management analyses and part of the control model.

Measurement is the activity of analysing and assessing risk. The aim of this activity is to gain comprehensive knowledge of the overall risk profile of the enterprise, resulting in the quantification of:

- > regulatory capital: the capital requirement defined on the basis of regulatory provisions (Regulation (EU) 575/2013). Banca Mediolanum S.p.A. adopts the “standardised” approach to measuring regulatory capital for operational risk, calculating an individual capital requirement that contributes to the total capital requirement of the Banking Group;
- > economic capital: measurement of risks for internal purposes, using an integrated approach that reflects both actual losses from operational risks and potential losses, measured net of the effectiveness of the controls put in place to mitigate those risks. This measurement activity is therefore based on the results of the risk identification process, applying an actuarial statistical model, and constitutes a tool for controlling the adequacy of regulatory capital for operational risks.

Monitoring, control and reporting is a direct consequence of the preliminary phases of identification and measurement. They enable the analysis of the overall exposure to operational risks of the various business units and the prompt reporting of any critical issues encountered. The main tool used to carry out this process is periodic reporting to the business functions concerned, to senior management and to the Board of Directors.

Finally, the aim of the **management** phase is to periodically assess “strategies for control and reduction of risk”, deciding, according to the nature and size of the risk, whether to assume it, implement mitigation policies or transfer it to third parties, in relation to the risk appetite expressed by senior management.

With regard to the estimation of operational risk carried out on the Company's organisational units, with an approach and graduated depth depending on the expected risks and the nature of these units, the summary assessments showed a risk situation in line with the results for the previous year. However, certain activities were carried out to strengthen their oversight, including the automation of specific processes.

Impacts of the pandemic and the European geo-political crisis

The analysis of the exposure to operational risks following the Covid-19 pandemic situation that was carried out in 2022 confirmed that there was an overall focus on business continuity and business performance under normal conditions, in a year when remote working was formally adopted by most employees for the majority of their day-to-day tasks. As in previous years, activities to strengthen the capacity and security of IT systems and promote continuous improvements to procedures systematically continued, in order to achieve very high standards of service even in remote working mode and in the face of mobility restrictions, with an impact on customers. During 2022, some losses due to the pandemic were again recorded (approximately €500/1,000), but these are the effects of events that occurred in previous years and it is therefore possible to express a positive opinion on the safeguards adopted to mitigate the resulting operational risks. However, there are no operational losses that can be associated with the ongoing conflict between Russia and Ukraine.

QUANTITATIVE INFORMATION

During 2022, the risk assessment process covered almost all of the activities carried out, identifying close to 1,780 control points for operational risk which proved to be effective in more than 80% of cases; partially effective controls comprise normal risk associated with the activity in question or require corrective measures, for which specific actions to strengthen risk monitoring have already been activated or are being evaluated. Specific mitigation actions have already been implemented for controls deemed partially ineffective. In other cases, measures designed to make monitoring more robust are being assessed.

Part F - Information on capital

Section 1 - Company capital

A. QUALITATIVE INFORMATION

Capital is the main means of safeguarding the stability of a bank. International and local supervisory bodies have established strict rules for determining the regulatory capital and minimum capital requirements that banks must meet. In order to comply with the requirements of the supervisory bodies, Banca Mediolanum adopts the measures necessary to maintain adequate capital monitoring. Constant monitoring of the Bank's capital helps to prevent situations of tension from arising. Monitoring of the Group's capital helps to prevent potential situations of tension from arising. This activity is entrusted to the strategic supervisory body (the Board of Directors), which is responsible for the Group's management functions, and is tasked with defining the guidelines for the various operational functions, including the relevant acceptable risk profiles (formalised in the Risk Appetite Framework (RAF) document). The RAF, which is reviewed periodically, is the frame of reference that determines the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes for defining and implementing such policies, in accordance with the risk capacity. At 31 December 2022, the ratios of Banca Mediolanum, calculated according to the new regulatory provisions in effect as of 1 January 2014, as subsequently updated, are above the regulatory thresholds.

B. QUANTITATIVE INFORMATION

B.1 Company capital: breakdown

€/000	31/12/2022	31/12/2021
1. Capital	600,452	600,370
2. Issue premiums	5,297	4,364
3. Reserves	2,062,732	1,762,429
- earnings	2,058,472	1,758,169
a) legal	121,026	121,026
b) pursuant to the articles of association		
c) treasury shares		
d) other	1,937,446	1,637,143
- other	4,260	4,260
3.5 Interim dividends (-)	(177,133)	- 169,380.73
4. Equity instruments		
5. (Treasury shares)	(33,146)	(38,644)
6. Valuation reserves	(41,003)	14,706
- Equity securities designated at fair value through other comprehensive income	(19,090)	5,972
- Hedges on equity securities designated at fair value through other comprehensive income		
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(1,522)	210
- Tangible assets		
- Intangible assets		
- Hedging of foreign investments		
- Cash flow hedges		
- Hedging instruments [non-designated elements]		
- Foreign exchange gains and losses		
- Non-current assets and disposal groups		
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)		
- Actuarial gains (losses) relating to defined benefit pension plans	(28)	(1,129)
- Share of valuation reserves of equity investments measured at equity	(20,363)	9,652
- Special revaluation laws		
7. Net income for the year	516,777	712,581
TOTAL	2,933,977	2,886,425

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income

Assets/Values	Total	31/12/2022	Total	31/12/2021
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(1,523)	210	-
2. Equity securities	7	(19,096)	6,002	(30)
3. Loans	-	-	-	-
Total	7	(20,619)	6,212	(30)

The table does not include the valuation reserve of subsidiaries measured using the equity method, of €20,363 thousand.

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual change

	Debt securities	Equity securities	Loans
1. Opening balances	210	5,972	-
2. Increases	-	-	-
2.1 Fair value increases	-	-	-
2.2 Credit risk-induced value adjustments	-	X	-
2.3 Reversal to the income statement of negative reserves from disposal	-	X	-
2.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
2.5 Other changes	-	-	-
- of which business combinations	-	-	-
3. Negative changes	(1,732)	(25,062)	-
3.1 Fair value reductions	(1,621)	(25,062)	-
3.2 Credit risk induced write-backs	(52)	-	-
3.3 Reversal to the income statement from positive reserves: from disposal	(59)	X	-
3.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
3.5 Other changes	-	-	-
- of which business combinations	-	-	-
4. Closing balances	(1,522)	(19,090)	-

B.4 Valuation reserves related to defined-benefit plans: annual changes

Valuation reserves for defined benefit plans amount to €28 thousand, a net increase of €1,101 thousand year on year.

Section 2 – Own funds and regulatory ratios

For information on capital ratios as at the date and a comparison with previous periods, see the section on own funds in the Group Information (Pillar III).

Part G – Business combinations involving businesses or business units

SECTION 1 – Operations performed during the year

1.1 Business combinations

There are no merger operations undertaken during the year to be reported.

SECTION 2 – Operations performed after the end of the financial year

2.1 Business combinations

There are no events to report after the close of the financial year.

SECTION 3 – Retrospective adjustments

There are no retrospective adjustments to report.

Part H – Related party transactions

The Board of Directors of Banca Mediolanum has adopted a Single Group Regulation to manage transactions with related parties and affiliated persons in compliance with the procedures laid down by law. This document takes into account both Consob Resolution 17221/2010 as subsequently updated and the supervisory provisions concerning transactions with “Affiliated Persons”.

On 22 December 2020, Consob Resolution No. 21624 of 10 December 2020 was published in the Official Journal. This resolution contains, *inter alia*, amendments to the Regulations on Related Party Transactions. With regard to the rules governing related party transactions, the main changes introduced are:

- > the definition of related party: since the Directive refers to the definition of related party contained in the international accounting standards in force at the time (IAS 24);
- > the obligation to abstain from voting on the part of the director involved in the related party transaction;
- > the need for the timely involvement of the committee of independent directors in the negotiation and preparatory stages of a transaction of major significance;
- > the introduction of the obligation to identify transactions of small amounts according to different criteria, taking into account at least the nature of the counterparty.

At its meeting of 20 September 2022, the Board of Directors of Banca Mediolanum resolved to update the document entitled “Group Policy for the Management of Transactions with Related Parties of Banca Mediolanum and Associates of the Mediolanum Banking Group”.

In order to adapt the internal regulations to recent regulatory developments imposed by the amendments of December 2020 to Consob Regulation 17221 of 12 March 2010, the internal regulatory framework for transactions with related parties and associates was revised and internal regulations were drawn up in order to set out the more operational aspects.

Updates to the internal procedures were adopted from 1 July 2021, the date on which the same amendments to the Regulations on transactions with related parties and associates entered into force.

During the 2022 financial year, Banca Mediolanum entered into transactions with related parties. These transactions are part of the normal operations of the companies belonging to the Mediolanum Group and are regulated under market conditions.

In accordance with IAS 24, the related parties of Banca Mediolanum S.p.A. are:

- the Fin. Prog. companies, wholly owned by the Doris family and the Fininvest company headed by Silvio Berlusconi;
- “key management personnel” and close family members of “key management personnel” and companies subject to the control, including joint control, of key management personnel or their close family members;
- the Chief Executive Officer, other members of the Board of Directors and Statutory Auditors, their close family members and companies subject to their control, including joint control.

For the purposes of defining and managing related party transactions, reference is made to the rules defined in Consob Regulation 17221/2010, as subsequently updated, and Bank of Italy Circular 285. Considering that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions cited above, it was considered,

for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years, even if at present the connection for the purposes of inclusion in the IAS 28 consolidation scope has ceased.

1. Information concerning the remuneration of key management personnel

€/000	Directors, executives, deputy general managers and statutory auditors	Other key management personnel
Emoluments and social security contributions	(3,450)	(2,216)
Other remuneration	-	(29)

2. Information on related party transactions

€/000	31/12/2022
Asset items	
Financial assets at fair value through other comprehensive income	203,440
Loans to banks	1,290
Loans to customers	18,670
Liability items	
Payables to banks	291
Payables to customers	511,082
Financial liabilities held for trading	11,768
Other liabilities	3,733
Guarantees issued and commitments given	320
€/000	31/12/2022
Income statement items	
Interest income and similar income	264
Interest expense and similar expenses	(1,458)
Net interest	(1,194)
Commission income	44,829
Net commission income	44,829
Net gains (losses) from trading	(688)
Dividends	16,984
Administrative expenses	(4,576)
Other operating revenues and expenses	27

Part I – Share-based payment agreements

QUALITATIVE INFORMATION

Description of share-based payment agreements

STOCK OPTION PLANS

On 9 March 2010, the Board of Directors of Mediolanum S.p.A. approved the general guidelines for a share ownership plan for the directors and executives of the Company and its subsidiaries, called the “2010 Top Management Plan” and a share ownership plan for the staff – i.e., members of the sales network – of the Company and its subsidiaries, called the “2010 Employee Plan” (collectively the “Plans”), which were subsequently submitted for approval by the extraordinary shareholders’ meeting of 27 April 2010. In particular, pursuant to Article 84-bis(3) of the Issuers’ Regulations, the following is specified:

- > The 2010 Top Management Plan is for directors and executives of the Company and its subsidiaries who hold strategic roles within the Company and/or its subsidiaries.
- > The 2010 Employee Plan is for the staff of the Company and its subsidiaries, identified from time to time on the basis of the role held by each individual employee and his/her contribution to the development of the business.

The 2010 Top Management Plan specified a vesting period for the options of three to five years from the grant date, and that the options could be exercised for a period of three years from the end of the vesting period. The 2010 Employee Plan specified a vesting period for the options of five to ten years from the grant date, and that the options could be exercised for a period of three years from the end of the vesting period. Under both Plans, the exercise of the options is also conditional on the achievement of specific corporate and/or individual performance objectives. The Plans are designed to incentivise the beneficiaries and are also an appropriate tool for determining value creation and growth for the Company and, consequently, for shareholders.

On 8 July 2010, the Board of Directors of Mediolanum S.p.A. resolved by virtue of the powers conferred by the ordinary and extraordinary shareholders’ meeting of 27 April 2010 to:

- > approve the regulations of the share ownership plans for company directors and executives (the “2010 Top Management Plan”) and the plan for group and company employees (the “2010 Employee Plan”);
- > increase the Company’s capital for payment by a maximum of €160,000.00 through the issue of up to 1,600,000 shares to service the granting of options under the 2010 Top Management Plan;
- > increase the Company’s capital for payment by a maximum of €131,744.20 through the issue of up to 1,317,442 shares to service the granting of options under the 2010 Employee Plan.

On 12 May 2011, the Board of Directors of Mediolanum S.p.A., with the agreement of the Remuneration Committee, resolved, *inter alia*, by virtue of the powers conferred by the Ordinary and Extraordinary Shareholders’ Meeting of 27 April 2010, to:

- > approve the updating of the regulations of the share ownership plan for company directors and executives (the “2010 Top Management Plan”) and the plan for group and company employees (the “2010 Employee Plan”);
- > increase the share capital, partially executing the mandate conferred by the extraordinary shareholders’ meeting of 27 April 2010, by a maximum of €188,200.00 through the issue of up to 1,882,000 ordinary shares to service the granting of options under the 2010 Top Management Plan;

- > increase the share capital, partially executing the mandate conferred by the extraordinary shareholders' meeting of 27 April 2010, by a maximum of €67,427.50 through the issue of up to 674,275 ordinary shares to service the granting of options under the 2010 Employee Plan.

On 10 May 2012, in execution of the mandate conferred by the extraordinary shareholders' meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders' meeting of 19 April 2012, the Board of Directors resolved:

- > to increase the share capital for payment by a maximum of €186,405.00 through the issue of up to 1,864,050 ordinary shares to service the granting of options under the 2010 Top Management Plan;
- > to increase the share capital for payment by a maximum of €70,840.00 through the issue of up to 708,400 ordinary shares to service the granting of options under the 2010 Employee Plan.

On 9 May 2013, in execution of the mandate conferred by the extraordinary shareholders' meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders' meeting of 19 April 2012, the Board of Directors resolved:

- > to approve certain amendments and updates to the regulations of the share ownership plan for directors and executives of the Company and the Group ("2010 Top Management Plan") and the plan for Group and Company employees ("2010 Employee Plan") relating to certain specific corporate and/or individual performance targets which have to be achieved in order for the options to be exercised. The proposed amendments to the exercise conditions also apply to the options already granted in previous granting cycles;
- > to increase the Company's capital for payment by a maximum of €136,155.0 through the issue of up to 1,361,550 shares to service the granting of options under the 2010 Top Management Plan;
- > to increase the Company's capital for payment by a maximum of €95,100.00 through the issue of up to 951,000 shares to service the granting of options under the 2010 Employee Plan.

On 14 May 2014, in execution of the mandate conferred by the extraordinary shareholders' meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders' meeting of 19 April 2012, the Board of Directors resolved:

- > to increase the Company's capital for payment by a maximum of €97,335.0 through the issue of up to 973,350 shares to service the granting of options under the 2010 Top Management Plan;
- > to increase the Company's capital for payment by a maximum of €121,425.00 through the issue of up to 1,214,250 shares to service the granting of options under the 2010 Employee Plan.

On 25 February 2015, in execution of the mandate conferred by the extraordinary shareholders' meeting of 27 April 2010, as amended by the ordinary and extraordinary shareholders' meeting of 19 April 2012, the Board of Directors resolved:

- > to increase the Company's capital for payment by a maximum of €700,000.00 through the issue of up to 7,000,000 shares to service the granting of options under the 2010 Employee Plan.
The issue price was determined in implementation and in full compliance with the objective criteria already approved by the shareholders' meeting resolution and already the subject of a fairness opinion of the independent auditor.

PERFORMANCE SHARE PLANS

On 16 April 2020, the ordinary shareholders' meeting of Banca Mediolanum, as in the previous year, approved the establishment of a new performance share plan, called:

- > the "2020 Top Management Plan - Key Personnel", for directors and executives of Banca Mediolanum and/or the subsidiaries of the Mediolanum Banking Group and/or the other companies of the Mediolanum Group;

- > the “2020 Top Management Plan - Other Personnel”, for the senior management of Banca Mediolanum and/or the other companies of the Mediolanum Group, known as the “Executive” plan;
- > the “2020 Employee Plan - Key Personnel” for employees, understood as members of the sales network of Banca Mediolanum and/or other Group companies that are classed as Key Personnel;
- > the “2020 Employee Plan - Other Personnel” for employees of Banca Mediolanum and/or other Group companies that are not classed as Key Personnel.

Under the Performance Share Plans, a portion of the variable component of the remuneration of beneficiaries, or of the non-recurring component for employees, is granted through the free assignment to each of the beneficiaries of rights (“Units”) to receive, again free of charge, ordinary shares of Banca Mediolanum (“Shares”) held by the same in the ratio of one ordinary share for each unit accrued.

The set of circumstances described led the Bank to view the transaction as a share-based payment to be settled with equity instruments (“Equity-settled share-based payment transaction”) booked from the performance reference period and throughout the service period, in accordance with IFRS 2.

In line with the Group’s remuneration policies for previous financial year, the shareholders’ meeting of 15 April 2021 approved the Group’s remuneration policies for 2021. The plan comprises:

1. A performance share plan called the “2021 Top Management Plan – Key Personnel” intended for: (i) the directors of Banca Mediolanum, and/or (b) of the companies and, together with the Bank, persons that have an employment relationship of indefinite duration with the Bank and/or other Group companies that can be classed as “key personnel” pursuant to the Supervisory Provisions, as well as the 2021 Remuneration Policies (“Key Personnel”) and whose accrued variable remuneration exceeds €75,000 (“Top Management”).
2. A performance share plan called the “2021 Top Management Plan – Other Personnel” intended for the directors of Banca Mediolanum and/or other Group companies and persons that have an employment relationship of indefinite duration with the Bank and/or other Group companies whose accrued variable remuneration is less than €75,000, whether or not they are classed as Key Personnel.
3. A performance share plan called the “2021 Employee Plan – Key Personnel”, intended for employees – understood as components of the network of Banca Mediolanum and/or other Group companies that qualify as Key Personnel and whose non-recurring remuneration accrued during 2021 is above the materiality threshold of €25,000
4. A performance share plan called the “2021 Employee Plan - Other Personnel” for employees of Banca Mediolanum and/or other Group companies that are not classed as Key Personnel.

In line with the performance share-based plans already in place, the 2021 Performance Share Plans involve the free allocation of rights to receive ordinary shares held by the Bank, also free of charge. Access to Variable Remuneration in Financial Instruments is subject to the achievement of certain Group performance targets and, where established, individual targets, to be verified by the Bank’s Board of Directors, or by the body and/or persons delegated for that purpose by the Bank, in consultation with the Committee.

PHANTOM SHARE PLANS

The 2020 Remuneration Policies also allow the Bank to establish long-term incentive plans based on a multi-year future performance assessment. The Shareholders’ Meeting of 16 April 2020 also approved a long-term incentive and loyalty plan called the “2020-2022 Phantom Share LTI Plan” aimed at various top key people who play crucial roles relating to particular responsibilities and/or competences and have a strong impact on the growth of the business and the governance of the Mediolanum Group.

The purpose of the Plan is to encourage and retain the top management and the Bank/Group personnel regarded as key to particular responsibilities and/or competences, with a strong impact on the business

growth and governance of the Bank and the Group from a long-term perspective, and to link a component of the variable remuneration of the beneficiaries of the Plan to the achievement of certain corporate performance targets to be assessed over a multi-year future period, in order to align the interests of the beneficiaries with the pursuit of the priority objective of creating value for shareholders in a long-term perspective.

Phantom shares are virtual units of measure that represent a right to payment the valuation of which replicates the performance of an ordinary share of the Bank and which, once vested under the terms and conditions set out in the Plan and after the Retention Period has elapsed, will be redeemed in cash through the payment of a sum to each Beneficiary free of charge.

QUANTITATIVE INFORMATION

I. Annual changes

	Total 31/12/2022			Total 31/12/2021		
	Number of options	Average exercise price (euro)	Average maturity	Number of options	Average exercise price (euro)	Average maturity
A. Opening balances	3,623,888	1.55	Apr-23	4,319,518	1.50	Oct-25
B. Increases	-		X	-		X
B1. New issues	-			-		
B2. Other changes	-		X	-		X
C. Decreases	943,013		X	695,631		X
C1. Cancelled			X			X
C2. Exercised	943,013	0.54	X	695,631	0.78	X
C3. Expired	-	-	X	-	-	X
C4. Other changes			X			X
D. Closing balances	2,680,876	1.70	Jul-26	3,623,888	1.55	Apr-23
E. Options exercisable at the end of the year	-	-	X	-	-	X

Under the stock option plans, as at 31 December 2022 815,076 new ordinary shares of Banca Mediolanum with regular dividend rights were issued, due to the exercise of options by directors and employees of the Mediolanum Group companies. This entailed an increase in the ordinary capital of Banca Mediolanum of €81.5 thousand and an increase in the share premium reserve of €932.7 thousand.

The cost incurred for stock options for 2022 was €1.0 million; and for performance shares the cost incurred was around €11.6 million. The cost recorded for phantom shares was €0.7 million.

Part L – Segment reporting

For segment reporting, see to the description provided in Chapter L of the consolidated notes.

Part M – Lease reporting

SECTION I – Lessor

QUALITATIVE INFORMATION

The adoption of IFRS 16 mainly relates to property leases. To estimate the lease term, the first renewal period provided for in the agreements was regarded as reasonably certain, unless any contractual clauses or specific circumstances resulted in the inclusion of additional renewals or vice versa in the term of the contract. These contracts generally do not include options to purchase the property at the end of the lease. Banca Mediolanum takes advantage of the exemption allowed under IFRS 16:5 (a) in relation to short-term leases, understood as leases with a residual term of 12 months or less.

Finally, please note that the events referred to in IFRS 16, paragraph 59, letters b), c) and d) and paragraph 55 are not considered relevant for the Company.

QUANTITATIVE INFORMATION

For quantitative information on the rights of use acquired under the lease, see Part B, Assets, Section 9 – Tangible assets. Information on lease liabilities is contained in Part B, Liabilities, Section I – Financial liabilities measured at amortised cost. Information on interest expense on lease liabilities and other charges related to the rights of use acquired with lease is set out in Part C, Income statement.

It should be noted that no gains and losses arising from sales and leaseback transactions, or income from sub-leasing transactions, have been recognised. The amortisation recognised in the year for rights of use acquired through leasing, broken down by class of underlying asset, is shown below:

€/000	Amortisation 2022
ASSETS	
Rights of use acquired through leasing	
I. Tangible assets	(8,056)
I.1 land	
I.2 buildings	(8,056)
I.3 furniture	
I.4 electronic equipment	
I.5 other	

SECTION 2 – Lessor

QUALITATIVE INFORMATION

The Bank as lessor has leases in place consisting exclusively of lease agreements classified in the financial statements as operating leases. With respect to the methods by which the lessor manages the risk associated with the rights it holds over the underlying assets, it should be noted that the agreements include clauses prohibiting the lessee from ceding the agreement to third parties without the written consent of the lessor, periodic rent updates according to the confirmed change in the ISTAT consumer price index for blue and white collar worker households, and a contractual term at the end of which, unless renewed where provided for, the lease agreement ceases and the premises become available to the lessor.

QUANTITATIVE INFORMATION

Payments due under operating leases were recognised, on an accruals basis, in the income statement as income.

1. Information about the statement of financial position and income statement

The Bank did not recognise any leasing loans. With regard to the assets granted under operating leases, as described above, the Bank as lessor has leases in place consisting of lease agreements for properties owned by Banca Mediolanum.

Payments due under operating leases were recognised, on an accruals basis, in the income statement as income. For further details, see Part C – Section I4 – Other operating revenues and expenses – Item 200 of these notes.

2. Finance leases

2.1 Classification of payments to be received by time bands and reconciliation with leasing loans recognised under assets

No data to report.

2.2 Other information

No data to report.

3. Operating leases

3.1 Classification of payments to be received by time bands

The following are the non-discounted lease payments to be received by maturity. Note that the payments relate to the contractual rents provided for in the lease agreements for properties owned by Banca Mediolanum, which allow the lessees early withdrawal subject to the notice provided for in the agreement.

€/'000	2022 lease payments to be received
TIME BANDS	
Up to 1 year	8,086
1 to 5 years	31,599
Over 5 years	17,334
Overall total	57,019

3.2 Other information

As previously indicated, the Bank as lessor has leases in place consisting of lease agreements for owned properties. For information about how the Bank manages the risk associated with the rights it holds over the underlying assets, see the paragraph "Qualitative information" in this section.

Disclosure of audit fees

The following tables provide details of the fees paid to the independent auditors PricewaterhouseCoopers S.p.A. and entities in the network to which the Independent Auditor belongs:

MEDIOLANUM GROUP

(in euro, net of VAT and expenses)

TYPE OF SERVICES	PARTY PROVIDING THE SERVICE	COMPENSATION
Audit	PricewaterhouseCoopers SpA and other entities of the PwC Network	2,116,489
Certification services	PricewaterhouseCoopers SpA and other entities of the PwC Network	482,878
Other services	PricewaterhouseCoopers SpA and other entities of the PwC Network	12,909
TOTAL		2,612,277

It should be noted that for 2022, PwC audited the reports on operations of the mutual funds managed by the Mediolanum Group management companies; the relative fees of €769,664 are a cost to the funds and not to the companies conferring the audit mandate.

BANCA MEDIOLANUM S.P.A.

(in euro, net of VAT and expenses)

TYPE OF SERVICES	PARTY PROVIDING THE SERVICE	COMPENSATION
Audit	PricewaterhouseCoopers S.p.A.	703,272
Certification services	PricewaterhouseCoopers S.p.A.	306,402
Other services	PricewaterhouseCoopers S.p.A.	12,909
TOTAL		1,022,583

Declaration of the Financial Reporting Officer



ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED

- I. The undersigned, Massimo Antonio Doris, as the Chief Executive Officer, and Angelo Lietti, as the Financial Reporting Officer of Banca Mediolanum S.p.A., hereby certify, also taking account of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
 - > the appropriateness in relation to the characteristics of the company and
 - > the effective application of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2022.
2. The assessment of the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2022 was based on a process defined by Banca Mediolanum S.p.A. consistent with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally accepted international framework.
3. It is further certified that:
 - 3.1 the financial statements:
 - > a) have been prepared in accordance with the international accounting standards recognised in the European Community in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 and Article 9 of Legislative Decree 38/2005;
 - > b) correspond to the figures in the accounting books and records;
 - > c) are suitable to provide a true and correct representation of the issuer's financial position and profit performance.
 - 3.2 The Report on Operations includes a reliable analysis of the performance and operating results, as well as the situation, of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Basiglio, 07 March 2023

The Financial Reporting Officer

(Angelo Lietti)

The Chief Executive Officer

(Massimo Antonio Doris)

Independent auditor's report





Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Banca Mediolanum SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Banca Mediolanum SpA (the “Company” or the “Bank”), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Estimation of provisions for risks and charges related to indemnities paid to the network of financial advisors

Notes to the financial statements:

Part A – Accounting policies, Section “10 - Provisions for liabilities and charges”

Part B – Information on the Statement of Financial Position, Liabilities, Section 10 “Provisions for liabilities and charges – Item 100”

Part C – Information on the Income Statement, Section 11 “Net provisions for liabilities and charges – Item 170”

The financial statements as of 31 December 2022 include provisions for liabilities and charges of Euro 282 million, whereof Euro 257 million relates to contractual and bonus allowances paid to financial advisors.

The measurement of provisions for liabilities and charges recognised for contractual and bonus allowances owed to financial advisors is the subject of a structured valuation process based on the analysis of contractual clauses and internal regulations, on actuarial criteria and on other historical and statistical parameters related to the operation of the network of financial advisors.

In consideration of the materiality of the amounts, the complexity of the estimation processes and the high degree of professional judgement required, we considered the measurement of provisions for liabilities and charges related to indemnities paid to the network of financial advisors to be a key audit matter.

We understood and evaluated the design of controls relevant to the identification, monitoring and recognition of provisions for liabilities and charges as of 31 December 2022, and we verified their operating effectiveness.

We discussed with management and the Bank’s functions involved about the nature of the provisions recognised and the methodological appropriateness of the evaluations performed by the Bank to determine amounts posted to provisions for liabilities and charges.

In detail, we performed the following audit procedures, also with the support of actuarial valuation experts from the PwC network:

- we obtained and analysed the criteria applied to recognise and measure provisions for liabilities and charges and assessed their reasonableness and consistency with contractual agreements;
 - we obtained and understood the calculation models used by management to estimate the provisions in question and we analysed their mathematical accuracy;
 - we verified, on a sample basis, the accuracy of inputs and the reasonableness of the methods used by management, of relevant assumptions, also in light of the uncertainties related to the current economic environment, and of the actuarial hypothesis adopted;
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- we performed a critical analysis of the results of the verification activities carried out by the internal functions involved in various capacities in the process of determining provisions for liabilities and charges;
 - we analysed the consistency of the input parameters used in the determination of provisions for liabilities and charges with the historical trends of underlying data, also to understand the predictive capabilities of the models used by management.

Finally, we verified the completeness and adequacy of disclosures provided in the financial statements in accordance with the relevant financial reporting standards and the applicable regulatory framework.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.



Among the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

On 9 April 2019 the shareholders of Banca Mediolanum SpA in general meeting engaged us to perform the statutory audit of the Bank's financial statements and the consolidated financial statements of the Mediolanum Group for the years ending 31 December 2020 to 31 December 2028.

We state that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Banca Mediolanum SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Banca Mediolanum SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Bank as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Banca Mediolanum SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Banca Mediolanum SpA as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 24 March 2023

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Glossary



Assets Under Management

Assets Under Management These consist of: - managed assets, which include the assets of mutual funds and pension funds and the assets under management and technical reserves of the Life class; - non-managed assets, which include securities in custody (net of shares in the Group's funds), the technical reserves of the Non-Life class and the debit balances of current accounts.

Common Equity Tier 1 or CET 1

The highest quality capital component pursuant to the Basel III regulations, mainly consisting of ordinary paid-up capital, the relative share premium reserves, calculable net income for the period, reserves and shareholders' equity of minority interests (calculable within certain limits), net of certain regulatory adjustments, as provided for by Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, as subsequently updated.

Common Equity Tier 1 Ratio or CET 1 Ratio

The solvency ratio expressed by the relationship between Common Equity Tier I and risk weighted assets (RWAs, as defined below) calculated on the basis of Basel III regulations in application of the provisions of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 and of Directive 2013/36/EU (CRD IV) as subsequently updated.

Family Bankers

The figurative wordmark used to describe the financial advisors of Banca Mediolanum.

Own funds

Own funds are made up of a series of items (net of negative items to be deducted) classified on the basis of capital quality and the ability to absorb losses determined pursuant to Part Two of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 as amended. Own funds consist of Tier I and Tier 2 capital.

Net inflows

Amount of subscriptions net of divestments.

RWA or risk-weighted assets

This is the risk-weighted value of on- and off-balance sheet assets. Depending on the types of assets concerned, bank assets are weighted by factors representing their risk level and default potential in order to calculate a capital adequacy indicator.

Total Capital Ratio

Solvency ratio expressed by the relationship between Total Capital and RWAs calculated on the basis of the Basel 2 regulation.

Consolidated basic earnings per share (EPS)

Ratio of consolidated net income to the weighted average number of ordinary shares outstanding.

Consolidated diluted earnings per share (EPS)

Diluted earnings per share are determined by dividing net profit by the weighted average number of shares outstanding in the period, excluding treasury shares, plus the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares under stock option plans.