

Mediolanum Group

2023 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 €600,563,828.4 fully paid up - Tax code and Milan Companies Register No. 02124090164 - VAT No. 10540610960 of the Banca Mediolanum VAT Group

Registered office

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Bancamediolanum.it

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Letter from the Chairman and Chief Executive Officer

Dear Shareholders,

The predominant trend of 2023, which has just ended, was the “great fragmentation” of the world order, characterised by the emergence of new crises and breaking points that have significantly strengthened “disruptive” trends in international politics, economically, geopolitically, socially, and technologically.

Against the backdrop of this “great fragmentation”, the global economy remained weak over the year, with a slowdown in international trade, which was affected, in addition to the uncertainty fuelled by the conflicts in Ukraine and the Middle East, by the difficulties of the Chinese economy, which has been plagued by a housing crisis, and by the obstacles to navigation in the Red Sea. In addition to this, monetary tightening by major central banks contributed to a sharp decrease in inflation, together with falling energy costs, but simultaneously dampened demand.

In this complex environment, our country has shown a good level of resilience. On the economic front, GDP increased by 0.7% compared with 2022. This was higher than the eurozone average, where annual growth stood at 0.5%. On the employment front, the labour market was strong, with a 1.9% increase in employment in 2023, which was better than expected.

Narrowing the focus to our reference sector, 2023 will be remembered as a stellar year in terms of results for the Italian banks. The banks benefited from the macroeconomic policies adopted to combat the crisis and the unusual market conditions of the last two years, characterised by a wide range of liquidity and fast-growing interest rates, with total net profits of around €25 billion.

In this particularly favourable context, Banca Mediolanum recorded excellent results in 2023, marking an extraordinary year in economic and commercial terms. This year should not be observed in isolation, but should be analysed in sequence with previous years, as a further confirmation of a trend of structural growth, that began some time ago and has gone through difficult years, including those of the pandemic and of geopolitical tensions.

We are therefore delighted to present company figures of which we are very proud, and 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 exceptional set of results.

In fact, 2023 closed with an extremely solid economic result, including profit of €822 million, up 62% compared with the previous year, and a record operating margin of €988 million, up 49% compared with 2022.

Total assets under management and administration reached €118 billion, up 14% on the previous year. The specific conditions described above also resulted in an interest margin of €752.4 million, up 85% compared with 2022.

The portfolio of loans to Group customers stood at €17.03 billion, up 4% compared with 2022, with a minimal incidence of net non-performing loans as a percentage of the Group's total loans of 0.79%.

The Common Equity Tier One Ratio, which is the bank's main indicator of solidity, was 22.3%, a level of absolute excellence in the European banking industry.

All this allows us to pursue a particularly generous dividend policy, with a dividend per share of 42 cents, net of the interim dividend of 28 cents paid in November 2023. Overall, the total dividend amount is approximately €519 million, 40% more than in 2022.

The excellent results shown here are also reflected in the employment capacity of Banca Mediolanum, which increased its workforce again in 2023. To date, the Group has 3,635 employees in total (+4% compared with 2022), alongside the 6,216 Family Bankers in Italy and Spain (+3% compared with 2022).

Also worthy of mention are the numbers relating to new customer acquisitions: the total number of banking customers now stands at 1,799,100, an increase of 7% compared with 2022.

It should be emphasised that 2023 again also saw excellent levels of growth in the size and income of Banco Mediolanum, our Spanish subsidiary. In terms of size, with 1,640 Family Bankers, Banca Mediolanum is now the absolute leader in Spain for financial advisors; an increase of 11% in customers compared with the previous year should also be noted. On the income side, Banco Mediolanum made a record contribution to the Group's profit (€61.9 million) and registered a 85% increase in its operating margin compared with 2022.

The figures presented so far confirm, once again, the competitive strength of Banca Mediolanum, which in recent years has invested heavily in consolidating a broadly diversified business model that is completely in line with the usual all-inclusive customer advisory strategy, making the current rapid increase in size possible.

Further confirming this growth in size, Banca Mediolanum participated for the first time in the 2023 EU-wide stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), in collaboration with the Bank of Italy and the European Systemic Risk Board (ESRB). The results of the stress test exercise confirmed the extraordinary financial solidity of Banca Mediolanum, as well as the high quality of its portfolio and operating performance, placing it at the forefront of the Italian banks that underwent the stress test and among the leaders in Europe.

Lastly, in 2023 there were further initiatives to memorialise our extraordinary founder, Ennio Doris. In particular, we should mention the publication of the book, *Ennio, my father*, written by Sara Doris. This idea was born within the broader scope of activities to promote the image and priceless legacy of our founder.

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 Bosio*

Financial Reporting Officer

Angelo Lietti

Board Secretary

Luca Maria Rovere

Independent Auditor

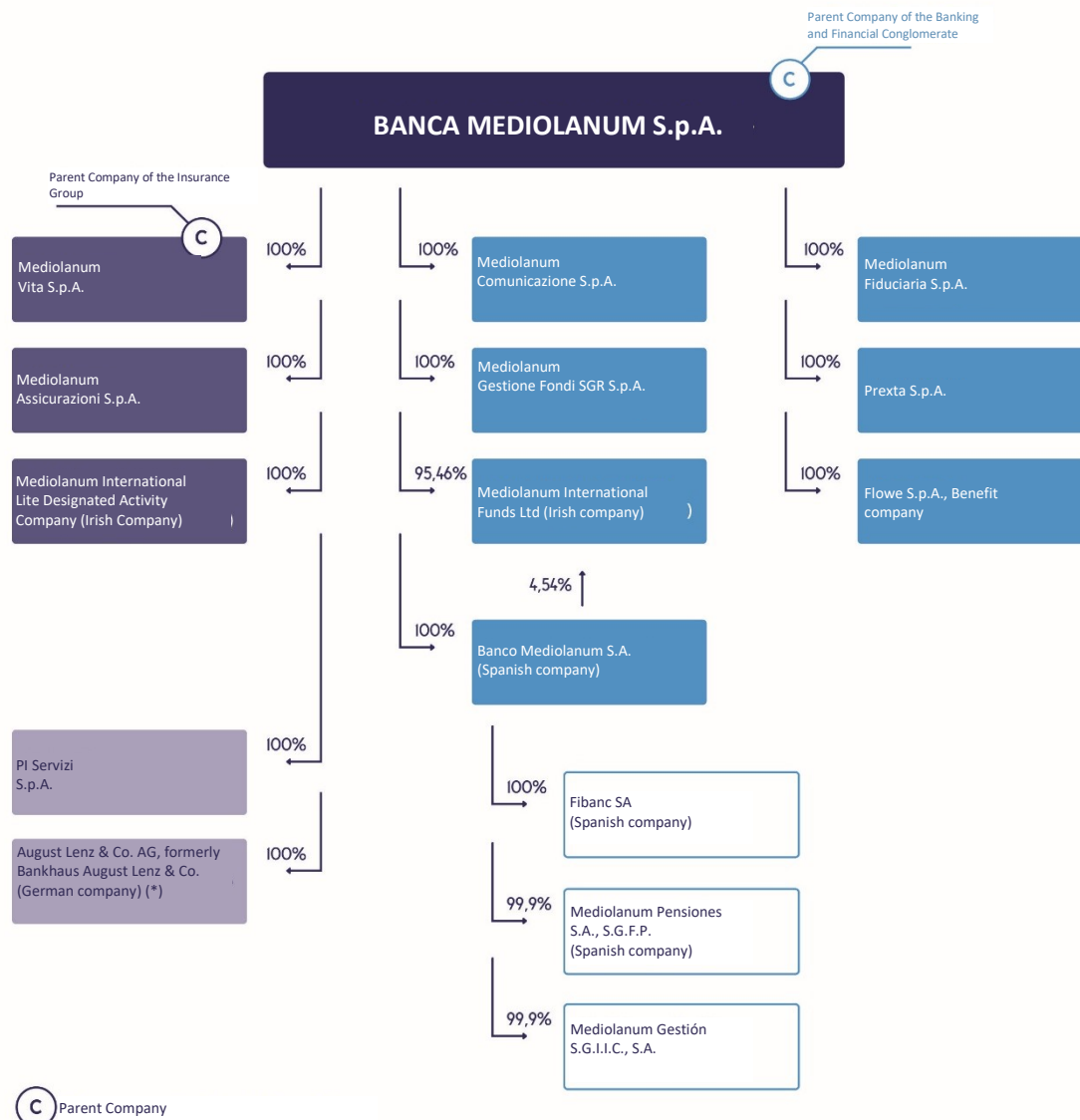
PricewaterhouseCoopers S.p.A.

* On 19 September 2023, the Board of Directors of Banca Mediolanum appointed, with effect from 1 January, Mr. Igor Garzesi as General Manager

Scope of consolidation at 31 December 2023

GROUP STRUCTURE

Group structure



(*) August Lenz & Co. AG in liquidation has not formed part of the Mediolanum Banking Group

since 7 November 2022. The ECB recognised the exit from the Banking Group by decision of 16 February 2023.

2023 Consolidated Highlights

The main results of the Mediolanum Group at 31 December 2023

ECONOMIC PERFORMANCE

The Mediolanum Group recorded net income of €821.9 million for 2023 (31.12.2022: €506.8 million). It should be noted that the result for the comparative year reflects the adoption of IFRS 17.

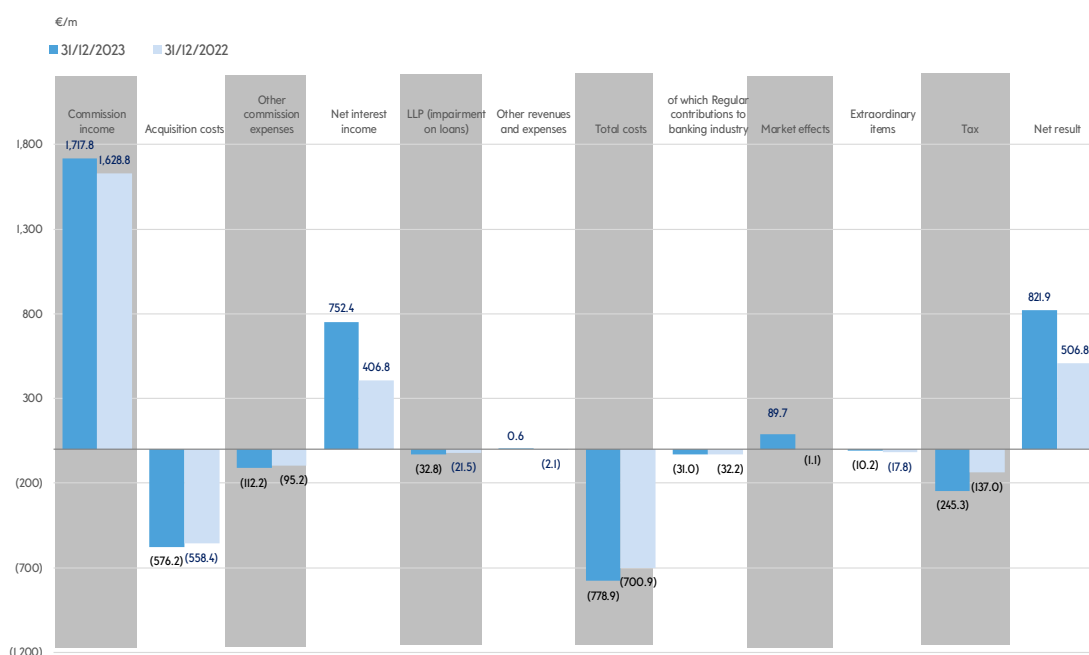
The operating margin for the period in question grew by 49% compared with the comparative period, due to the increase in the contribution margin (+€402.9 million); the interest margin contributed +345.6 million euros to this increase, compared with the comparative period; the change was primarily due, with regard to retail loans (+€212.0 million), to market rate trends and the growth in average loans, as well as, with regard to assets from money market lending (+€97 million), primarily to the performance of yields and, to a lesser extent, to the growth of the securities portfolio. Net commission income also increased by €54.2 million in the period.

G&A expenses for the period increased by 10.7% due to higher expenses related to development and commercial support activities and higher operating costs for operations, while cost income, net of market effects, continued to be significantly lower than in the comparative period.

The period under review was also influenced by positive market effects, which increased by €90.9 million compared with the comparative period, in particular due to the net result of investments at fair value (+€49.3 million compared with 31 December 2022) and to higher performance fees (+41.6 million euros).

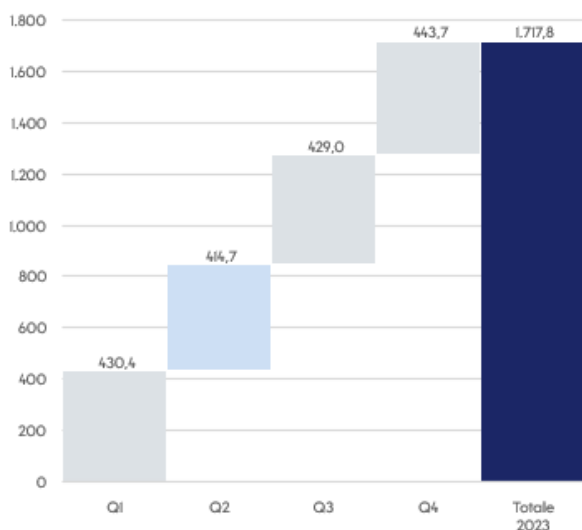
CONSOLIDATED INCOME STATEMENT DATA

Main items in the consolidated income statement

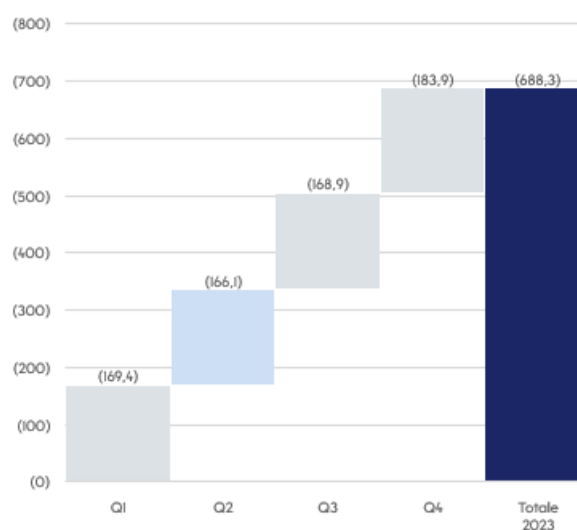


Quarterly changes in main reclassified consolidated operating data

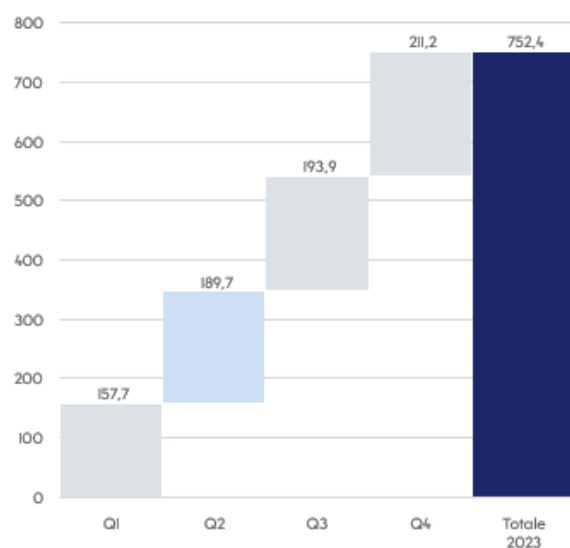
Commission income



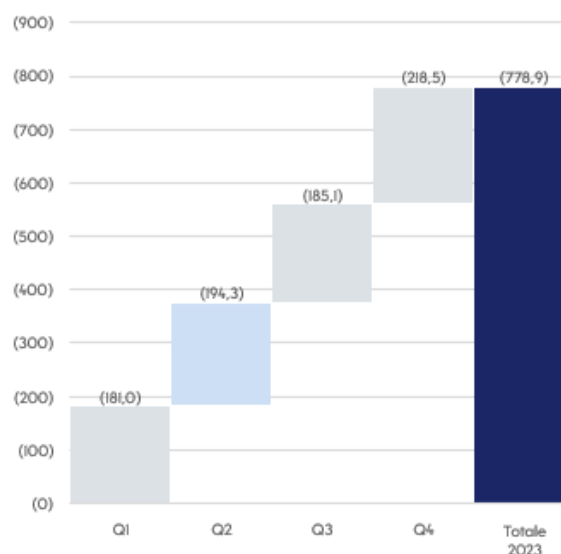
Commission expense



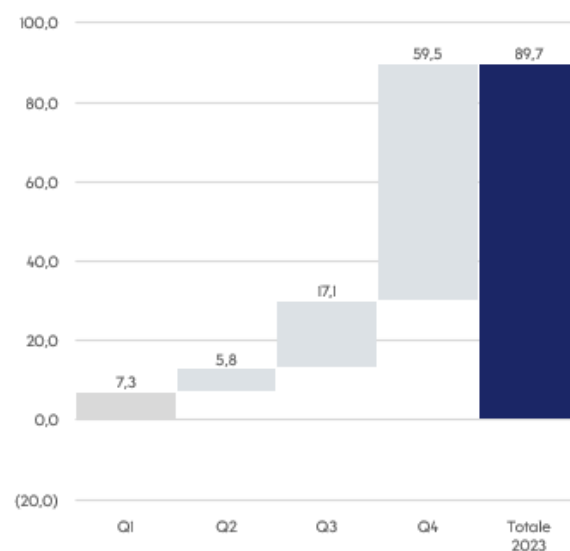
Net interest income



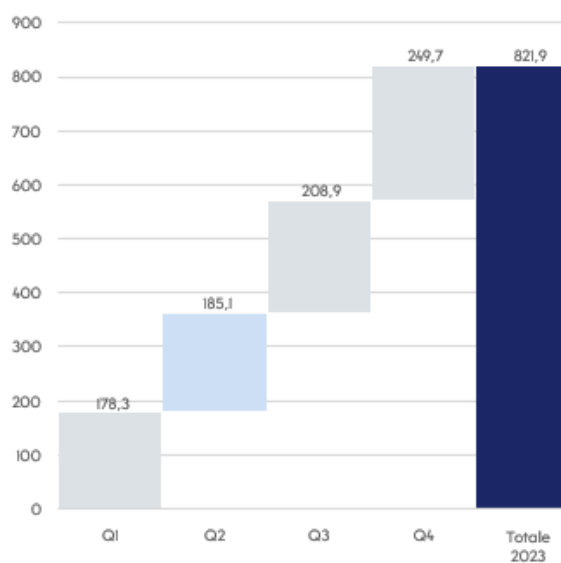
Total costs



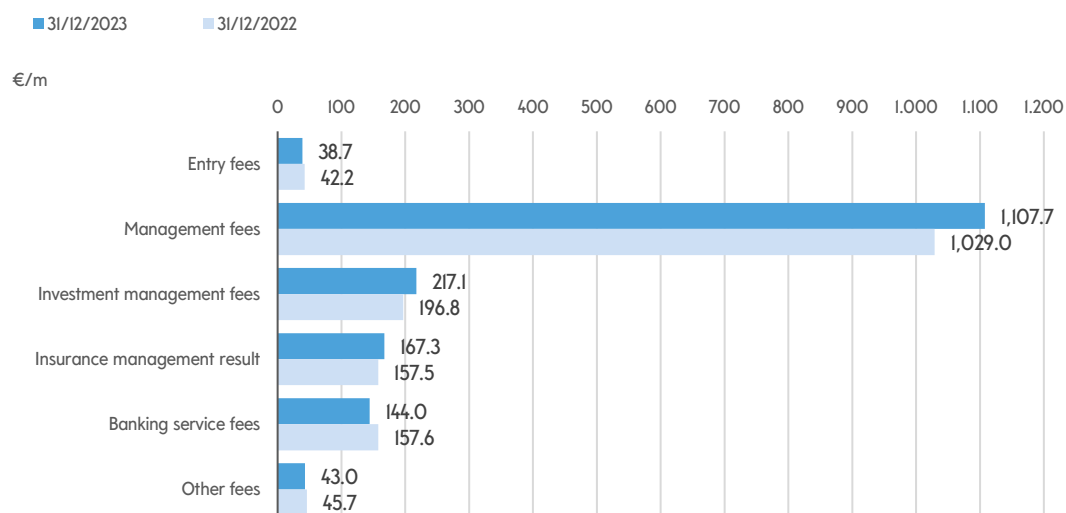
Market effects



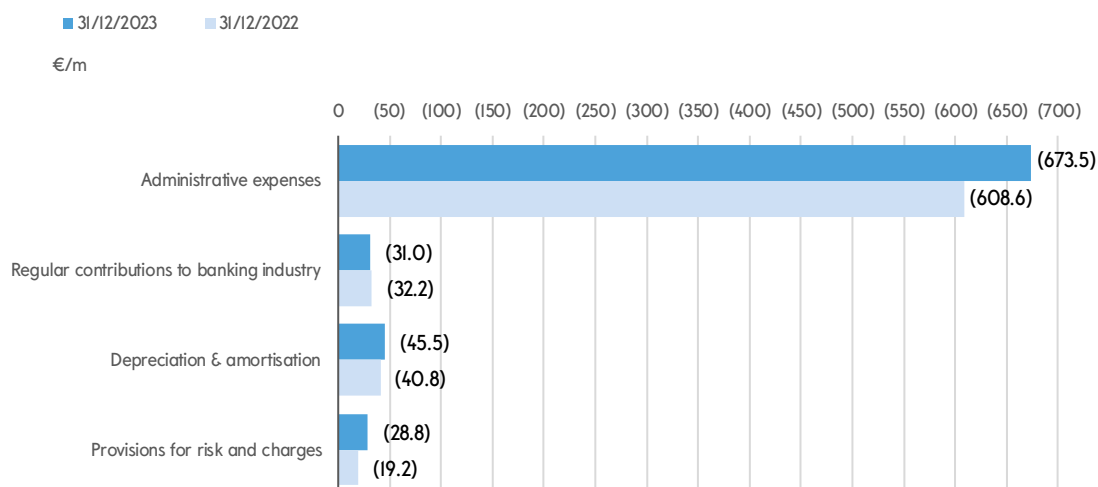
Net result



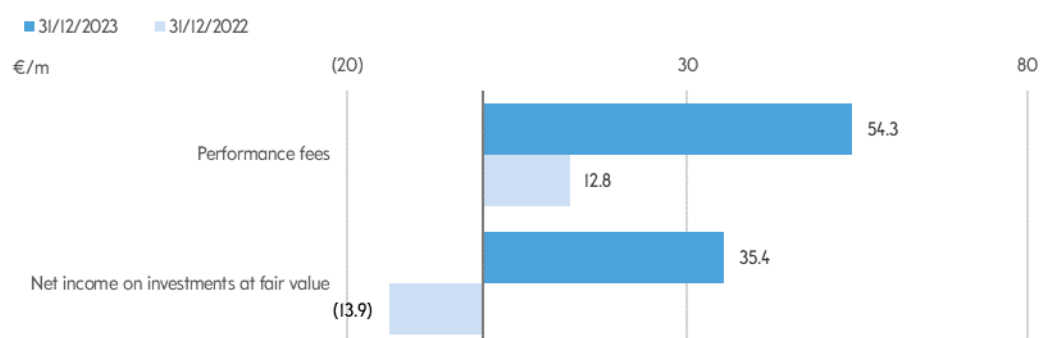
Commission income: breakdown by type



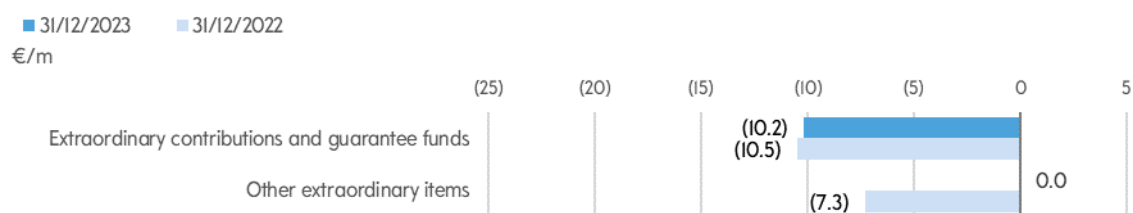
Costs: breakdown by type



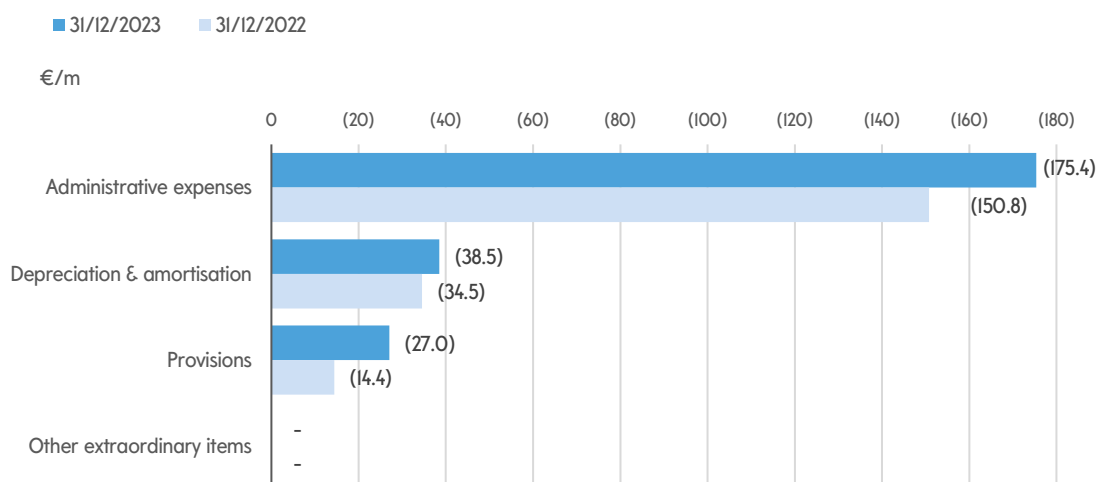
Market effects: breakdown by type



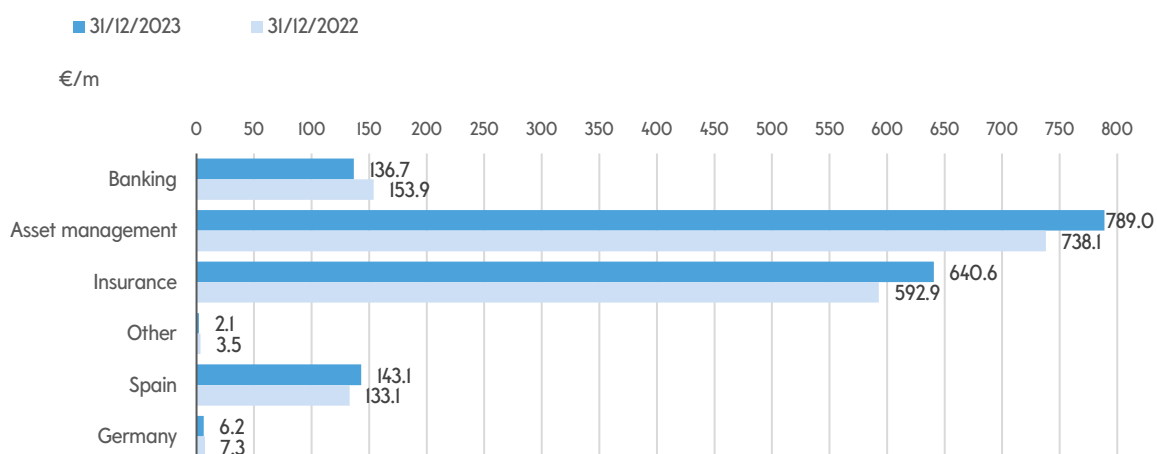
Extraordinary items: breakdown by nature



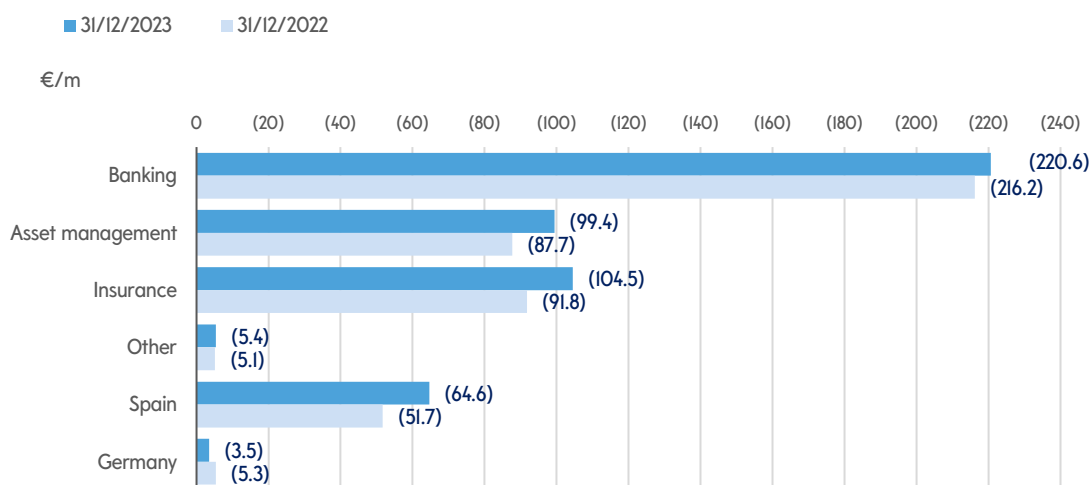
Unallocated costs: breakdown by type



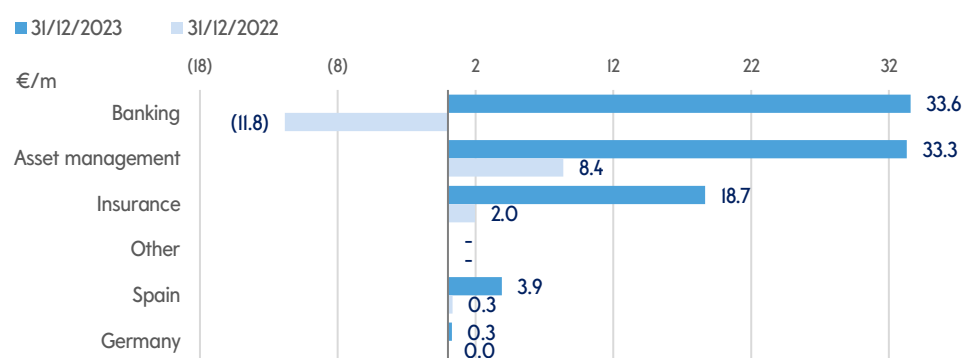
Commission income: breakdown by operating segment



Allocated costs¹: breakdown by operating segment

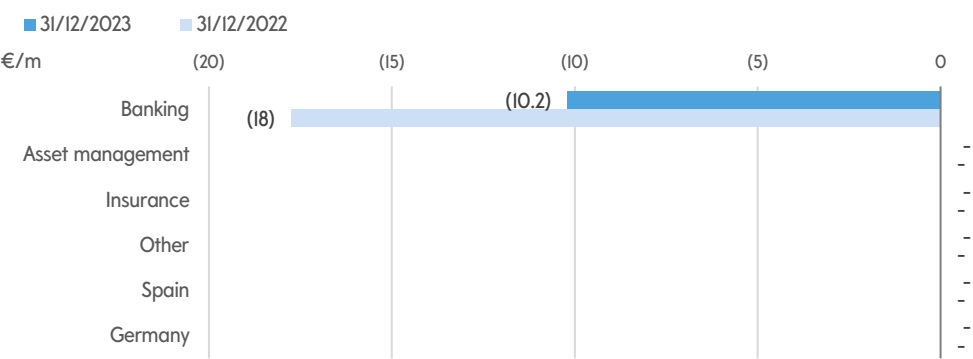


Market effects: breakdown by operating segment



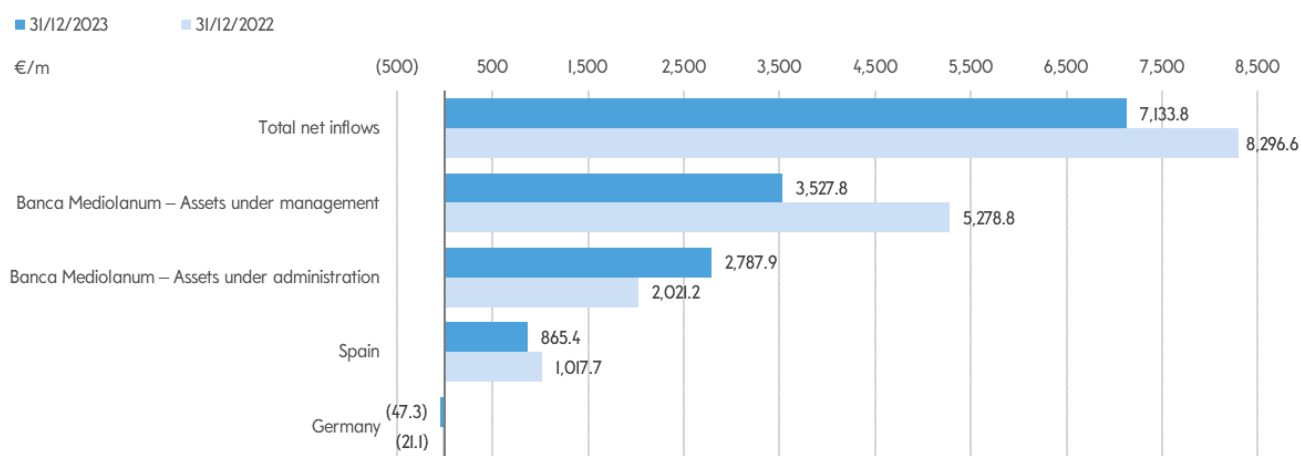
¹ For the Italian market (Banking, Asset Management, Insurance and Other segments) the allocated costs also include contributions to ordinary guarantee funds, while for the foreign market, they represent total costs for the segment (including depreciation, amortisation and provisions).

Extraordinary items: breakdown by operating segment



DATA ON INFLOWS AND ASSETS

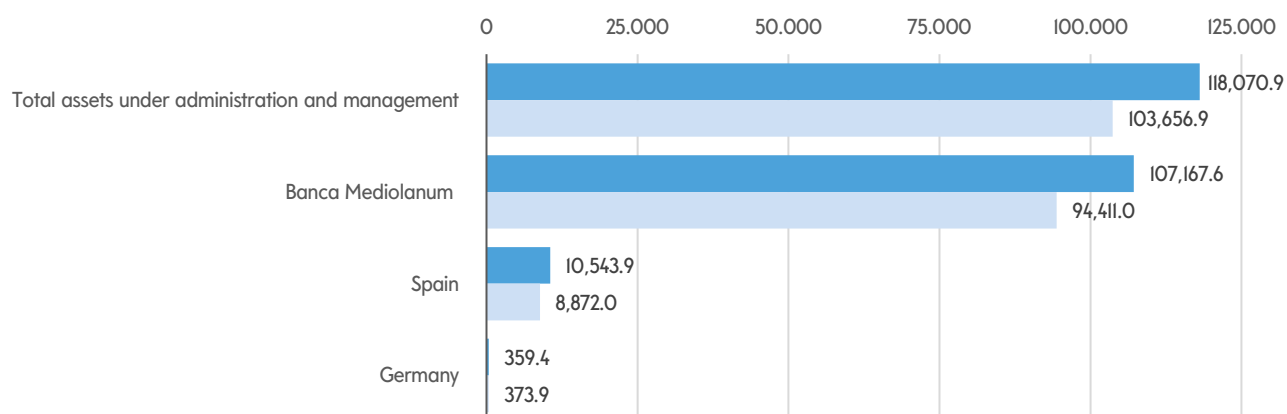
Net inflows



Assets under administration

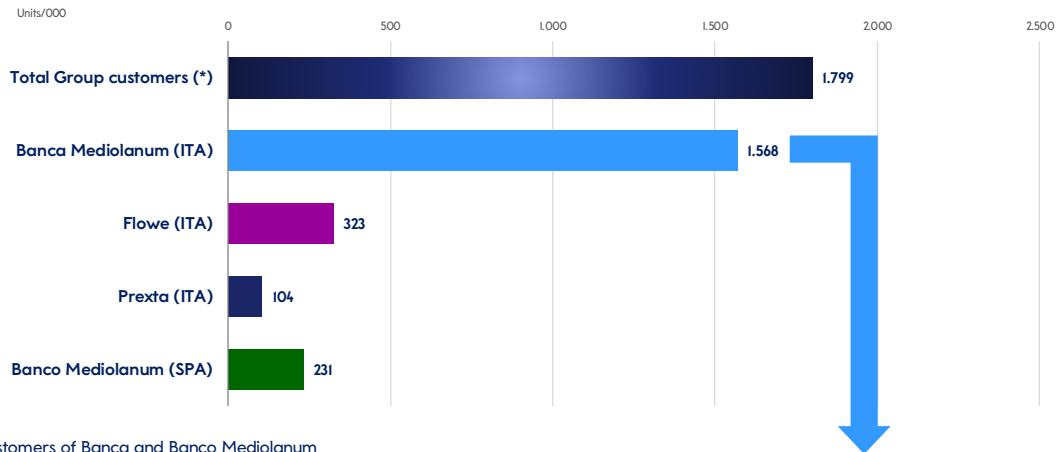
■ 31/12/2023 ■ 31.12.2022

€/m



CUSTOMERS

Trends in the customer base

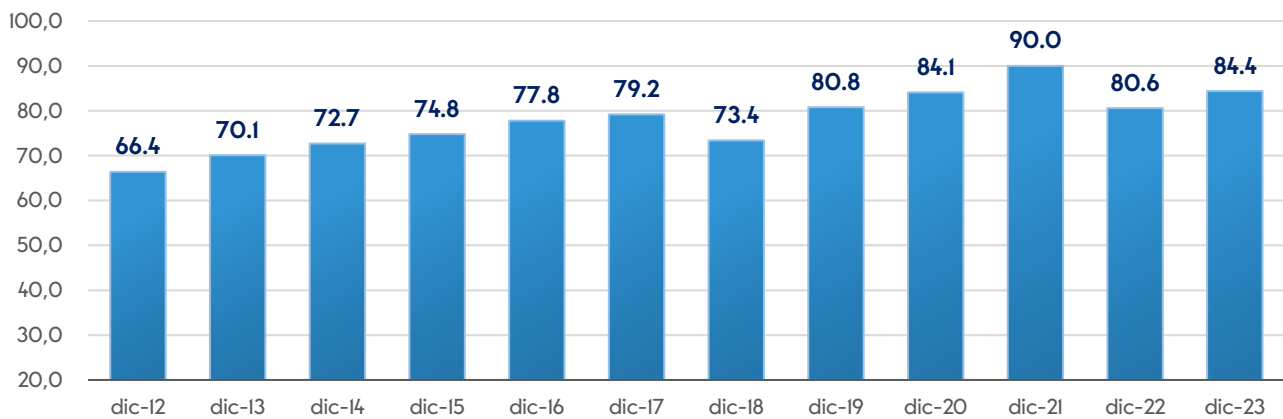


1,257 customers provided with bank access
of which 66% First Bank
of which 34% Only Bank

Average assets per customer

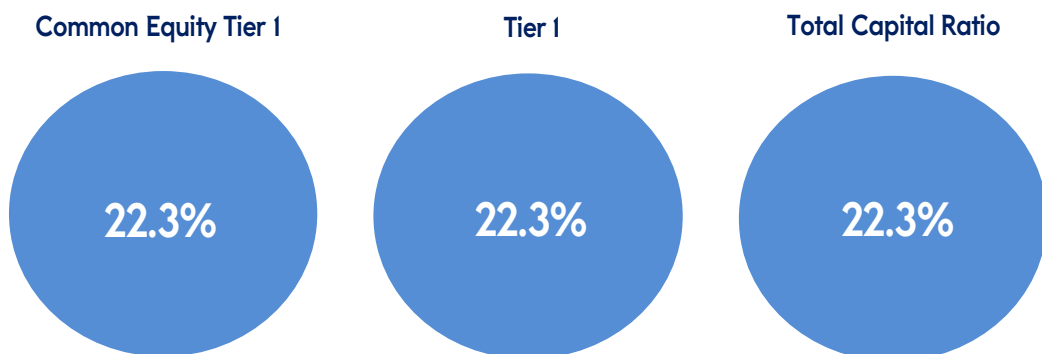
■ Average assets per First Bank

€/000



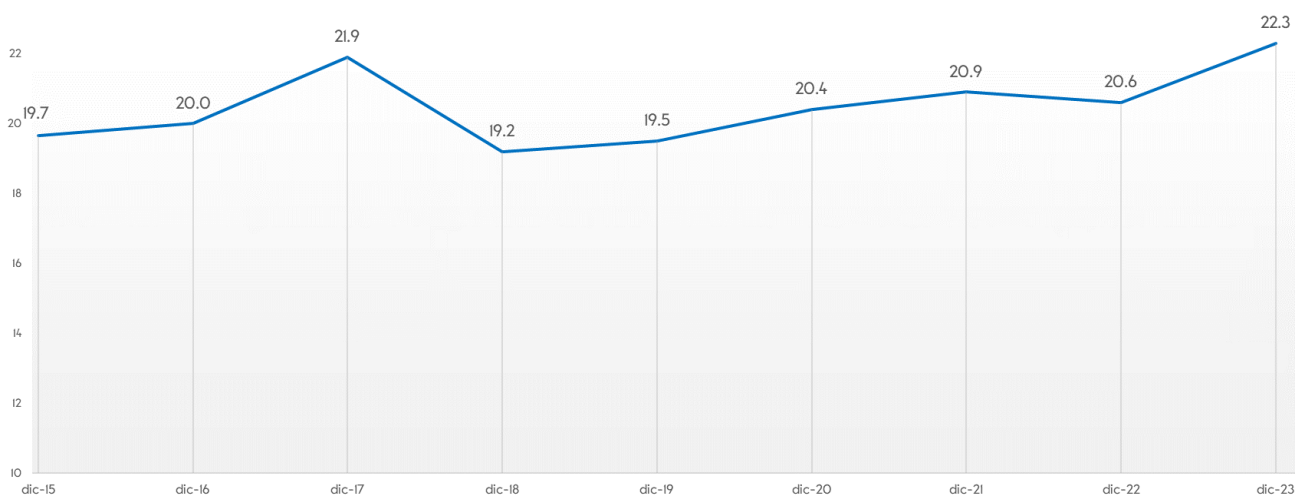
REGULATORY CAPITAL RATIOS

Consolidated capital ratios at 31 December 2023



Evolution of the Common Equity Tier 1 Ratio

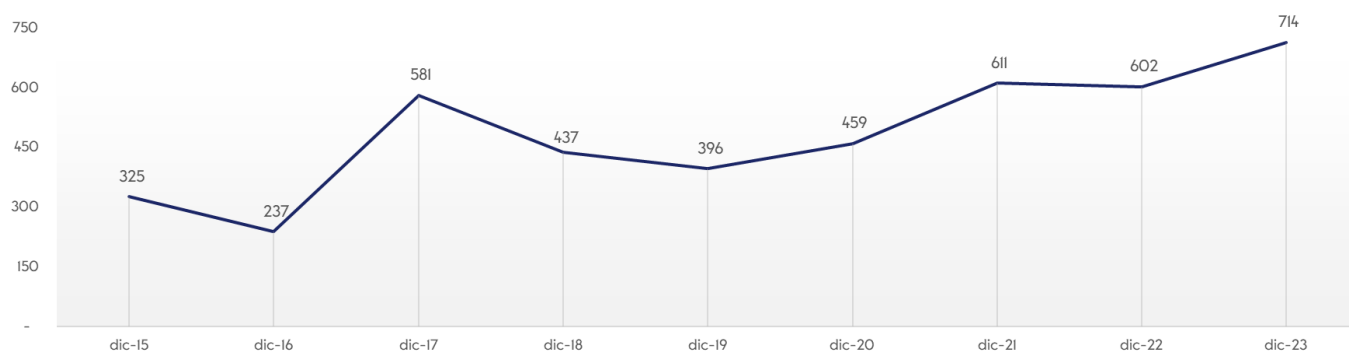
VALUES EXPRESSED AS A %



Capital adequacy of the Financial Conglomerate²

€/m	31/12/2023	31.12.2022
Financial conglomerate primarily engaged in banking		
Capital	3,471	2,940
Banking capital requirements	1,541	1,383
Insurance capital requirements	1,216	955
Capital surplus (deficit)	714	602

Changes in the capital surplus of the Financial Conglomerate



² The values set out in this report may be updated during the supervisory authority reporting phase.

OTHER INDICATORS

Information on the stock

	31.12.2023	31.12.2022
Number of ordinary shares (units)	744,040,141	742,920,891
Price at end of period (€)	8.53	7.80
Market capitalisation (€/m)	6,347	5,795
Shareholders' equity (€/m)	3,455	2,948

Earnings per share (EPS)

Euro	31.12.2023	31.12.2022
Basic EPS	1.111	0.687
Diluted EPS	1.105	0.681

Credit indicators

Ratio	31.12.2023	31.12.2022
Gross NPLs (non-performing loans)	1.45%	1.28%
Net NPLs (non-performing loans)	0.79%	0.68%
Cost of risk	0.19%	0.13%

Cost indicators

Ratio	31.12.2023	31.12.2022
Cost/Income ratio	39.9%	47.00%
Acquisition costs/gross commission income ratio	33.5%	34.28%

Operational structure

Units	31.12.2023	31.12.2022
Number of employees	3,635	3,490
Number of financial advisors	6,216	6,054

Group profile

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 their dreams.

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.

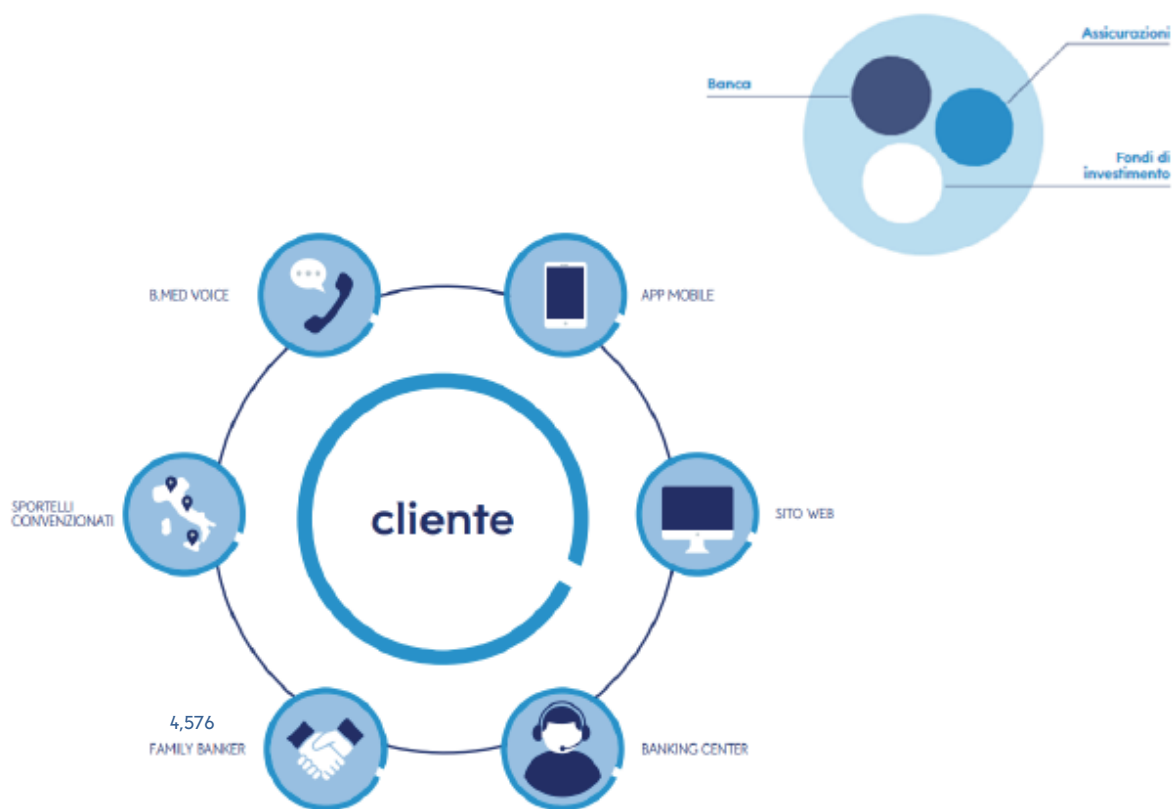
The Mediolanum Group's commercial business model

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 2023

THE MACROECONOMIC SCENARIO

2023, like 2022, was strongly influenced by the restrictive monetary policies adopted by the central banks, which kept interest rates high, and by the slowdown in the global economy, whose growth outlook was affected by geopolitical tensions and the decline of economic activity in China.

During the course of 2023, inflation continued to be a key factor in terms of the outlook for global economic growth. According to the forecasts of the International Monetary Fund (IMF) published in January 2024, global inflation is on a downward trend, from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025, thanks to tighter monetary policy, assisted by lower international commodity prices; however, the IMF has stressed that inflation will not return to the 2% target level before the end of 2025. This was influenced by various factors, including geopolitical conflicts that had a significant impact, such as the ongoing Russian-Ukrainian war and the emergence of new fronts of conflict in the Middle East, following the Hamas terrorist attacks in Israel in October 2023.

The global growth picture also shows a slowdown in both restrictive monetary conditions and the weak growth in international trade, as well as the decline in business and consumer confidence. The IMF forecasts presented in the World Economic Outlook of January 2024 indicate projected growth of 3.1% in 2024 and 3.2% in 2025, with a forecast for 2024 that is 0.2 percentage points higher than that of the World Economic Outlook (WEO) of October 2023, reflecting greater resilience in the US and several large emerging and developing economies, as well as fiscal support in China. However, the forecast for 2024-25 is below the historical average (2000-19) of 3.8%, due to high central monetary policy rates to counter inflation, a withdrawal of fiscal support amid high debt weighing on economic activity and low underlying productivity growth.

In the US, the Federal Reserve (Fed), after a series of rapid policy rate hikes since March 2022, starting with the September 2023 meeting of the Federal Open Market Committee (FOMC), decided to keep rates stable and signalled the possibility of three cuts over the next year in response to slowing inflationary pressures. Currently, the reference rate has been kept within a range of 5.25% to 5.50%, the highest level in 22 years. The Central Bank forecast that the policy rate would fall to 4.6% the following year, suggesting the possibility of three rate cuts in 2024. The forecasts indicated that Federal Reserve Chair Jerome Powell's desired "soft landing" – a gradual slowdown in the economy to avoid a recession – seems achievable: inflation is falling and the labour market should not be significantly affected, with unemployment projected at 3.8% for this year, subsequently remaining stable at 4.1% for the following three years.

In Europe, the European Central Bank (ECB) also suspended the rate hike at the end of October, after ten consecutive increases that began in July 2022, keeping interest rates on the main refinancing operations, the marginal lending facility and the deposit facility stable at 4.50%, 4.75% and 4.00% respectively. During the December meeting, the ECB President, Christine Lagarde, made it clear that the ECB would not start cutting rates before the "next two quarters" due to geopolitical uncertainties, saying that "it is too early to outline with certainty the monetary policy that the ECB will have to adopt in the coming months"; inflation in the euro area has decreased, mainly due to reduced energy costs, the impact of restrictive monetary policies and the continued easing of inflationary pressures and supply constraints. After six consecutive months of falling inflation, the Euro Area Consumer Price Index returned to an upward trend, from 2.4% in November to 2.9% in December,

due to higher energy prices. However, core inflation is expected to continue to fall, despite marked increases in labour costs, which are increasingly the main determinant of the Harmonised Index of Consumer Prices (HICP), excluding energy and food. While there has been a slight easing of conditions in the labour market, it is expected to remain tight and, along with the effects to compensate for past high inflation, should keep the nominal wage increase rate high, while headline inflation will experience a significant decline in the medium term. Inflation is expected to fall from 5.4% in 2023 to an average of 2.7% in 2024, followed by a further decline to 2.1% in 2025 and 1.9% in 2026. These projections indicate a downward trend, with a return to levels closer to the ECB's inflation target of 2%. This suggests a softening of inflationary pressures over the medium term, although the 2% target can only be achieved over a longer time horizon.

On the domestic front, in 2023 the Italian economy recorded a convergence of estimates between the various forecasting bodies, which indicate a slowing trend, with ranges of intensity that are not very different in quantitative terms. The latest projections are: for 2023, an increase of 0.7% for the IMF, the Bank of Italy and the European Commission, while the government's draft budget is expected to increase by 0.8%.

The main difference concerns the outlook for 2024: the International Monetary Fund estimates Italy's growth rate as unchanged from the previous year (+0.7%), while it is revised upward by both the Bank of Italy (+0.8%), the European Commission (+0.9%) and the Government in its draft budget (+1%).

According to the Bank of Italy's estimates, the macro-economic situation (worsening since the second quarter of 2023) will be adversely affected during the forecast two years by tighter financing conditions and weak international trade, while benefiting from the effects of the measures of the National Recovery and Resilience Plan (NRRP) and the gradual recovery of household purchasing power.

HICP inflation is expected to fall gradually, from 2.4% in 2024 (6.1% in 2023) to 1.9% in 2025, reflecting the slowdown in import commodity prices, particularly for energy commodities. The core component of inflation, excluding food and energy, remained high in 2023 (4.6%). Including past increases in energy prices, it is expected to decrease gradually only in the next two years (2.3% in 2024 and 1.9% in 2025).

The estimated increase in GDP in 2023-24 will mainly be supported by the contribution of consumption, with an expected increase of 1.3% in 2023 and 0.9% in 2024, maintaining a similar pace in the following year (+1%). Investment is expected to be sluggish in 2023 and 2024 (+0.5% and +0.3%), mainly due to tighter financing conditions and tighter access to credit (a marginal improvement in 2025 with an estimated 1.3% increase). These forecasts give an overall picture of slow recovery and an economic environment that depends heavily on future fiscal and monetary policy developments, as well as stable international conditions.

THE FINANCIAL MARKETS

Bond markets	Change (bps)		Yield		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
GOVERNMENT YIELDS					
United States					
2 years	(79.37)	(17.59)	4.25%	5.04%	4.43%
5 years	(76.19)	(15.68)	3.85%	4.61%	4.00%
10 years	(69.20)	0.43	3.88%	4.57%	3.87%
30 years	(67.10)	6.52	4.03%	4.70%	3.96%
Germany					
2 years	(79.90)	(36.00)	2.40%	3.20%	2.76%
5 years	(82.90)	(63.00)	1.95%	2.78%	2.58%
10 years	(81.50)	(54.70)	2.02%	2.84%	2.57%
30 years	(77.20)	(28.20)	2.26%	3.04%	2.55%
Italy					
2 years	(103.00)	(32.50)	2.99%	4.02%	3.31%
5 years	(113.80)	(96.90)	3.07%	4.20%	4.03%
10 years	(108.20)	(101.50)	3.70%	4.78%	4.72%
30 years	(87.70)	(41.50)	4.37%	5.25%	4.79%
SPREADS					
Italy - Germany					
2 years	(23.13)	3.51	0.58%	0.81%	0.55%
10 years	(26.81)	(46.84)	1.68%	1.94%	2.14%
Spain - Germany					
2 years	16.88	40.20	0.55%	0.38%	0.15%
10 years	(12.57)	(12.38)	0.97%	1.09%	1.09%

The central banks continued to raise interest rates during 2023. In the first quarter, government bond yields rose in line with current inflation dynamics. The volatility generated by the financial crisis that began in the US with Silicon Valley Bank, spreading to Europe with the Credit Suisse crisis, raised fears of contagion, leading the market to a “flight to quality”, with a trend towards buying government bonds. With the risk of the crisis spreading into the financial system overcome, yields resumed their upward trend, reaching their peak in October, i.e. until the gradual decline in inflation prompted central banks to announce a pause in their restrictive monetary policies.

In the first part of the year, the yield curve remained inverted, with the short and medium parts recording higher yields than the long end. In the US, the curve inverted by 70 bps, anticipating further rate hikes in the short end and rate cuts in the long end. The spread between curves peaked at -120 bps in July, before narrowing to -40 bps in the autumn and maintaining this level until the end of the year.

European government bonds followed a similar trend to that of the US, with the negative spread between 2-year and 10-year bond yields being -40 bps in the first five months of the year, peaking at -82 bps in July and then falling back to the levels of the start of the year as the European Central Bank paused its rate hikes.

As regards Italian government bonds, the BTP-Bund spread in the first five months of the year fluctuated between 180 and 190 bps, before dropping in June. However, market volatility, triggered in the autumn by Italian fiscal policy and political tensions in government, pushed the spread to 206 bps in October. Lastly, the ratings of the major rating agencies (stable, some positive) contributed to a narrowing of the spread to 160 bps, with the decrease in yields in advanced economies also a contributing factor.

	Change (bps)		Yield		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Bond markets					
HY and EM					
High yield bonds					
BBG Barclays US Corporate High Yield Yield To Worst	(129.0)	(137.0)	7.59%	8.88%	8.96%
Emerging bonds					
J.P. Morgan EMBI Global Sovereign Yields	(114.60)	(56.50)	7.21%	8.36%	7.77%

	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Equity markets					
World indices					
MSCI All Country World	10.68%	20.09%	727.00	656.82	605.38
MSCI World	11.07%	21.77%	3,169.18	2,853.24	2,602.69
US indices					
Dow Jones I.A.	12.48%	13.70%	37,689.54	33,507.50	33,147.25
S&P 500	11.24%	24.23%	4,769.83	4,288.05	3,839.50
Nasdaq Comp.	13.56%	43.42%	15,011.35	13,219.32	10,466.48
European indices					
STOXX Europe 600	6.40%	12.74%	479.02	450.22	424.89
EURO STOXX	7.54%	15.66%	474.17	440.92	409.97
FTSE MIB	7.47%	28.03%	30,351.62	28,243.26	23,706.96
DAX	8.87%	20.31%	16,751.64	15,386.58	13,923.59

CAC 40	5.72%	16.52%	7,543.18	7,135.06	6,473.76
AEX	7.96%	14.20%	786.82	728.79	689.01
IBEX 35	7.15%	22.76%	10,102.10	9,428.00	8,229.10
SMI	1.59%	3.81%	11,137.79	10,963.50	10,729.40
FTSE 100	1.65%	3.78%	7,733.24	7,608.08	7,451.74
Asian indices					
NIKKEI 225	5.04%	28.24%	33,464.17	31,857.62	26,094.50
S&P/ASX 200	7.69%	7.84%	7,590.82	7,048.64	7,038.69
Hang Seng	(4.28%)	(13.82%)	17,047.39	17,809.66	19,781.41
Emerging market indices					
MSCI Emerging Markets	7.45%	7.04%	1,023.74	952.78	956.38

Over the course of 2023, the global indices rallied particularly strongly at the aggregate level, against a backdrop of some dispersion at the geographic level. The performance in the last few months of the year was particularly positive, putting an end to a reversal that had characterised the stock markets in both the third and fourth quarters of the year.

The upturn was driven by renewed investor sentiment that the major central banks would reverse their monetary policies in the face of subdued inflation data and a growth picture that, in any case, does not seem to be particularly worrying. The year was characterised by some volatility, caused by several catalysts: some of these were positive, such as the end of COVID policies in China and the success of generative AI technologies, while others were more negative, such as the crisis related to some US regional banks.

At the geographical level, the outperformance of the US market was notable at an aggregate level, with the technology components of the US market being particularly supportive of the Nasdaq. Performance was also positive in the European area, with the Milan index foremost among the individual countries in the area. The emerging economies, on an aggregate basis, although their results were positive, underperformed other global indices, as weakness in the Chinese economy, grappling with the property crisis and a disappointing recovery in consumption, weighed on their performance. The only major market that ended the year in negative territory was Hong Kong, due to the aforementioned uncertainties in the Chinese market. In Asia, however, the Japanese market was particularly positive, ending the year close to its peak of the last 30 years.

Currency	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
EUR USD	4.41%	3.12%	1.10	1.06	1.07
EUR GBP	0.03%	(2.08%)	0.87	0.87	0.89
EUR JPY	(1.41%)	10.90%	155.72	157.95	140.41

The management of the currency component of the Funds in 2023 was strongly influenced by the monetary policies implemented by the major central banks; while at the beginning of the year these policies became strongly restrictive in order to counter the increasing inflationary pressures, towards the end of 2023 the first signs of slowing inflation led central banks to adopt a more accommodative stance, interrupting the rate hike cycle and causing the markets to price future cuts as early as mid-2024.

Over the course of the year, the European single currency recovered some of the ground lost in 2022, ending the year at +3.1% against the US dollar; although both the Fed and the ECB have embarked on a similar strategy in raising policy rates, this positive performance is due to the fact that in the US, the Fed reacted more promptly to the increase in inflation than the European area, where the first signs of an increase were seen as transitory, rather than structural. The quicker reaction resulted in an early pause in the rate hike cycle by the Fed (last hike at the July meeting) compared with the ECB (last hike in September) and hence a greater attractiveness in terms of the relative yield of the single currency.

The euro-pound sterling exchange rate was a different matter, however; in the UK, the Bank of England continued to reiterate its message of “higher for longer” interest rates at the final meetings of the year, on the back of concerns about inflation, which was still expected to rise slightly in the first few months of the next year. Finally, with regard to the Japanese yen, due to a partial slowing of inflation, the Bank of Japan confirmed the continuation of monetary easing at its last meeting, but against the backdrop of a huge return differential between Japanese rates and those of the other large global economies remaining in place, which resulted in the significant underperformance of the Japanese currency relative to the other major world currencies.

Commodities	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Oil (Brent)	(19.42%)	(4.60%)	77.60	96.30	81.35
GOLD	11.60%	13.10%	2,062.98	1,848.63	1,824.02

On commodities, oil prices reached their annual peak in September, driven by growing concerns about tightening global supply and expectations that the restrictive policies and strong production limits of the main OPEC+ countries will be maintained. However, the forecasts of the IEA (International Energy Agency) at the end of 2023, in which a significant increase in global demand for crude oil was expected in the light of the improved economic outlook in the United States, resulted in a contraction in the price of oil, which thus ended lower than at the beginning of the year.

Sectors (MSCI World AC)	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Info Tech	17.38%	49.82%	588.06	501.00	392.50
Healthcare	5.67%	2.22%	349.97	331.19	342.38
Industrial	12.95%	19.88%	340.09	301.10	283.70
Material	11.19%	9.13%	340.23	305.99	311.77
Cons. Discr.	9.60%	27.71%	354.22	323.19	277.37
Financials	12.00%	12.34%	148.47	132.56	132.16
Cons. Staples	4.78%	0.26%	267.84	255.63	267.14
Utilities	10.18%	(2.36%)	147.98	134.31	151.56
Real Estate	14.99%	5.34%	955.61	831.04	907.14
Tel. Services	9.08%	36.23%	95.95	87.96	70.43
Energy	(3.65%)	1.19%	243.89	253.13	241.02

The good performance of global stock indices was also reflected sectorally, with an excellent performance in the telecommunications and technology services sector in 2023, driven by Nvidia's strong results and the boom in artificial intelligence. Resilient consumer spending, especially in the United States, and good employment numbers offset tighter credit conditions. The value style was influenced by the volatility of returns: after the performance in early 2023 which suffered due to the banking crisis in March, the sector recorded positive returns, benefiting during the summer months from central bank rhetoric of "high rates for a long time". The disinflationary environment seen in the fourth quarter reinforced investors' view of a "soft landing" scenario, which saw returns fall by more than 100 basis points in US 10-year bonds (from 5% in October to less than 4% in December), benefiting in particular the technology, industrial, utilities and real estate sectors, which have historically been positively correlated to lower interest rates.

THE INSURANCE MARKET

LIFE PREMIUMS³

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, down by 0.2% compared with the same month in 2022, when the volume of new business contracted by 10.7% year on year. New life premiums written thus amounted to €70.3 billion in 2023, down 3.9% on the previous year, when a more significant annual decline of -14.0% was observed.

In December, 39% of companies, representing 52% of the market in terms of premiums, collected more premium income than in the same month of 2022.

Including the new life premiums of the sample of EU company agencies, which amounted to €639 million – down 7.2% compared with the same month in 2022 – total new life business in December came in at €6.4 billion (-1.0%), while in January it was €78.1 billion, down 5.9% compared to the previous year.

With regard to premiums by class, the volume of new Class I premiums for individual policies for Italian and non-EU companies amounted to €4.6 billion in December (80% of total new life business, compared with 73% in December 2022), up 8.0% compared with the same month in 2022, when a year-on-year increase of 13.7% was recorded. Of this figure, 17% came from new premiums invested in separate management of multi-class products (policies combining Class I and Class III components), whose volume is still decreasing (-30.3%) compared to the same month in 2022. In 2023, total Class I premiums amounted to €55.0 billion, 12.4% higher than the previous year (when there was a decrease of -3.1%).

Premium income from Class V policies was negative, meanwhile (-16.5% compared with December 2022), compared with €35 million, reaching a total of €329 million from January, with a negative change of -32.3% compared with 2022.

The remaining share of new life business, equal to 19% of the total (25% in December 2022) related to Class III (exclusively unit-linked) for €1.1 billion, down again compared with the same month of 2022 (-25.0%); 44% of new Class III premiums collected were invested in the unit-linked component of multi-class contracts, which also decreased by 36.6%. In 2023, the premium income of Class III new business was thus €14.8 billion, a 37.5% decrease compared with the previous year, when the amount was also down by 30.5%.

³ Source: ANIA TRENDS New Life Business – December 2023

For long-term health policies (Class IV), volumes of new premiums increased for the seventh consecutive month in December, compared with the same month in 2022 (+36.5%), to €10.5 million, which, added to premiums for the previous months of the year, added up to €77.8 million in 2023, 40.0% more than in 2022.

New contributions relating to the management of open-ended pension funds also increased (+42.1%) compared with the same month in 2022, for an amount of €48.1 million, reaching a volume of €181.5 million for the full year, with an annual increase of 14.6%.

In the full-year, the number of new policies/enrolments totalled €2.8 million, down by 5.0% compared with 2022.

With regard to the different types of products marketed, Table 2 and Annex III show that, in December, the new premiums/contributions relating to individual pension schemes amounted to €382 million, down 6.1% compared with the same month in 2022, recording a €1.6 billion premium income volume since January, a year-on-year increase of 2.3%. Just 11% of this total concerned 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 (+5.5% compared with 2022).

New premium income from pure risk policies increased again compared with the same month in 2022 (+60.5%), reaching a total of €916 million during the year, 6.8% more than 2022. Of this total, more than 57% consisted of policies not linked to mortgages or consumer credit, which grew by 41.1%.

New premiums relating to multi-class products, excluding pension products and PIRs (individual savings plans), amounted to €1.3 billion, down again compared with the same month in 2022 (-32.8%). Of this amount, 62% related to Class I (60% in December 2022), equal to 22% of total new business for the month (33% in December 2022). In 2023, these products reached €22.1 billion, down 42.3% compared with same last year. The portion of Class I premiums collected since January through multi-class products makes up 25% of total new Class I premiums, while the same portion of Class III premiums makes up 56% 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 €6.5 million in December, decreasing, after a four-month period of positive change, compared to the same month in 2022 (-22.3%) also considering what was collected in the previous months of the year, the total volume of premiums was €136 million in 2023 (0.2% of total new business), down by another 65.1% compared with the previous year.

NON-LIFE PREMIUMS⁴

At the end of the first quarter of 2023, the total premiums (Italian companies and representative offices) of the Italian direct portfolio in the non-life sector amounted to €31.2 billion, up 7.5% compared with the end of the first quarter of 2022, when the sector recorded growth of 6.3%. This was the ninth consecutive positive quarterly change that resulted in premium income surpassing €30 billion for the first time at the end of the first three months of the year. The increase in total Non-Life premiums recorded at the end of December 2023 is due, in particular, to the development of the Non-Motor segment, which increased by almost 8%; premiums in the Motor segment rose (+7.0%), essentially due to the increase in premiums for the Land Vehicles class (+12.1%), while the Motor recorded an increase of 5.4%. 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 Italian agencies of companies having their registered offices in European and non-European

⁴ Source: ANIA TRENDS Quarterly Non-Life Premiums – Q3 2023 data

countries. This included almost all Italian national companies and around 40 agencies of European companies representing more than 90% of total earned premiums in terms of market share.

For all companies (Italian, agencies of EU and non-EU companies), the premiums recognised at the end of the first quarter of 2023 amounted to €31,207 million, up 7.5% compared with the end of the first quarter of 2022, when premiums written amounted to €29,038 million, increasing by 6.3% year on year. In particular, Italian and non-European companies grew by 6.6%, while EU agencies grew significantly, by 14%.

It contributed to the growth of total non-life premiums in the first nine months of 2023:

- > a 7.0% increase in the Motor sector, just above the 6.5% increase recorded at the end of June 2023;
- > significant growth in the non-life classes other than the Motor sector, whose premiums grew by +8.0%, down from the end of June 2023 (+9.1%).

More specifically, in the Motor segment, at the end of September, premiums increased by 5.4% for Motor TPL and the particularly positive trend (+12.1%) in premiums for the Land Vehicles class was confirmed. The increase in Motor TPL premiums is in line with the change in the national ISTAT consumer price index for the whole community (including tobacco), which rose by 5.3% over the same period. The trend in the average premium was, in fact, influenced both by the increase in the claims frequency recorded in 2022, equal to +4.1% (from 4.92% in 2021 to 5.13% in 2022), due to the increase in traffic, and by the increase (almost +3%) in the average cost of claims, which rose from €4,985 in 2021 to €5,113 in 2022, reflecting the general rise in inflation. The Land Vehicles class (i.e. fire/theft and all risk cover), with €3,117 million in premium income at the end of September 2023, grew by approximately 12% on the previous year, just less than the figure recorded at the end of June 2023 (+12.9%), thanks to the recovery of new car registrations in the first nine months of 2023 (+20%). With regard to the other non-life classes, overall growth compared with the end of September 2022 was 8.0% and +9.1% at the end of June 2023. All the most representative lines of insurance in terms of premiums contributed to this increase: General TPL, with a premium volume of €3.7 billion, grew by 7.3%; the Sickness class, with a premium volume of approximately €2.9 billion, grew by 13.3%, confirming the sustained development in recent quarters; Other Damage to Property grew by 7.7%, achieving a premium volume of €3 billion; the Accident class, with €2.8 billion, grew by 4.3%; and, lastly, the Fire class, with approximately €2.2 billion, grew by 9.1%. Although with a limited weight on the total Non-Motor non-life business, there was growth in the Goods in Transit (+15.5%), Credit and Aircraft Hull (+14.4%) classes. At the end of September, the growth in the Miscellaneous Financial Loss, Legal Protection and Assistance classes continued.

THE BANKING MARKET⁵

BANK FUNDING

According to the initial estimates of SI-ABI, in December the customer deposits of total banks operating in Italy – consisting of deposits of resident customers (current account deposits, deposits with agreed maturity, net of those associated with sale of loans, deposits redeemable at notice and repurchase agreements; the deposits are net of transactions with central counterparties) and bonds (net of those repurchased by banks) – were €2,028 billion, down 1.5% from a year earlier (-1.7% in November).

In detail, resident customer deposits (current account deposits, deposits with agreed maturity net of those related to sale of loans, deposits refundable at notice, repurchase agreements net of transactions with central counterparties) in the same month stood at €1,779 billion and decreased by 3.8% (-4.1% in the previous month). Medium- and long-term funding through bonds increased compared with a year earlier (+19.1%; +18.6% in the previous month). Bonds amounted to €249 billion.

Foreign deposits increased in November 2023, year on year: in particular, Italian bank deposits amounted to approximately €418.4 billion, 29.8% more than a year earlier. Foreign deposits accounted for 15.2% of total inflows (12.0% a year earlier). Net funding inflows from abroad between November 2022 and November 2023 were positive at around €96.1 billion.

In November 2023, net foreign deposits (foreign deposits minus foreign loans) amounted to approximately €166.1 billion (+150.1%). They represented 9.7% of total domestic lending (3.7% a year earlier), while foreign loans – on the same date – amounted to approximately €252.3 billion. The ratio of foreign loans to foreign deposits was 60.3% (79.4% a year earlier).

BANK LENDING

In December 2023 total loans to Italian households and enterprises (private sector plus general governments, net of repurchase agreements with central counterparties) stood at €1.669,6 billion, with an annual increase of -3.9% (-3.5% in the previous month), calculated including loans not recognised in bank balance sheets because they are securitised and net of changes in amounts not linked to transactions (for example, changes due to exchange rate fluctuations, value adjustments or reclassifications).

In the same month, loans to Italian residents in the private sector amounted to €1,428 billion, up by 3.2% compared with one year earlier.

Loans to households and non-financial corporations amounted to €1,296 billion with an annual change of -2.2% (-3.0% in the previous month), calculated by including loans not recognised in bank balance sheets as securitised and net of changes in outstanding amounts not related to transactions (for example, changes due to exchange rate fluctuations, value adjustments or reclassifications). The decline in credit volumes is consistent with slowing economic growth, which is dampening demand for loans.

⁵ Source: ABI MONTHLY OUTLOOK – January 2024 - Summary

INTEREST RATE SPREADS

With regard to flows, the margin calculated as the difference between assets and liabilities on new transactions, with households and non-financial corporations, in December 2023, in Italy was 220 basis points (143 basis points in June 2022, before the increase in official interest rates).

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 2.98 percentage points in Italy (2.99 percentage points in the previous month).

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 2023, 177 bps in Italy, narrower than the 191 bps in Spain, 91 bps in France and 156 bps in Germany.

NON-PERFORMING BANK LOANS

Non-performing loans, net of write-downs and provisions already made by banks with their own resources, amounted to €17.7 billion in November 2023, down slightly compared with the previous month (€17.5 billion) and by around €1.6 billion (9.7%) compared with the previous year.

The decrease was around €71.1 billion (-80.0%) 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 1.05% compared with the previous month (1.04%).

SECURITIES PORTFOLIO

Based on SI-ABI initial estimates in December 2023, the total securities in the portfolio of banks operating in Italy amounted to €556.4 billion, up from the previous month (€543.2 billion).

According to official Bank of Italy figures, updated in November 2023, the value of government bonds on bank balance sheets was €353.1 billion, corresponding to approximately 65.0% of the total portfolio.

HARMONISED INTEREST RATES IN ITALY AND THE EURO AREA

Interest rates on new business in the euro area and in Italy increased in November 2023. 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 5.56% in November 2023 (5.53% in the previous month; 3.40% in November 2022), compared with the 5.98% recorded in Italy (5.95% in the previous month; 3.47% 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 5.03% on average in the euro area (5.11% in the previous month; 3.01% a year earlier), compared with 5.30% in Italy (5.17% in the previous month; 2.68% a year earlier).

Finally, in the same month, the rate on current accounts and revolving loans to households was 7.97% in the euro area (like in the previous month and 5.79% a year earlier) and 6.32% in Italy (6.26% in the previous month; 3.99% a year earlier).

TREASURY MANAGEMENT

The tightening cycle of central banks, which raised official rates in the euro zone from 2.5% to 4.5% in 2023 alone, has created a widespread opportunity for high yields in bond markets.

This was an opportunity that Banca Mediolanum decided to take advantage of by purchasing, in addition to the total reinvestment of bonds maturing naturally during the year, additional government bonds that increased the stock of the HTC strategic portfolio.

Trading activities ended the year with a smaller trading book than at the end of 2022, and much of the remaining stock will be redeemed by maturity in the first few months of 2024.

Banca Mediolanum

€/m	31.12.2023	31.12.2022	Change
Financial assets held for trading	952	1,070	(118)
Financial assets measured at fair value through other comprehensive income	319	308	11
Financial assets measured at amortised cost - Debt securities	15,664	14,492	1,172
Total	16,935	15,870	1,065

The following guidelines were taken into account for new investments made in 2023:

- 1) issuer diversification;
- 2) predominant purchases of fixed-rate securities;
- 3) the total classification of purchases in the HTC portfolio.

A diversification of the banking book at the country risk level began in 2023.

At the end of 2023, the bond portfolio had a concentration of Italian government bonds of 86%, compared with 99.5% in the previous year, with a proportion of non-Italian bonds of 14%, with a view to greater diversification. In order to achieve this objective, bonds were purchased (almost all government bonds) issued by the Spanish and French treasuries and issued by the European government on the instruction of the European Commission to finance special projects dedicated to the euro area (Next Generation EU, Sure, etc.).

Strategically, the purchases made in 2023 focused on fixed-rate securities, thus seizing the opportunity of rising bond yields.

Of the total investments classified as HTC, only 15% 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 €1,172 million.

All 2023 purchases were classified in the same portfolio, which grew from €14,492 million at the end of 2022 to €15,664 million at the end of 2023.

The value of the HTCS (Held to Collect and Sell) portfolio, which is measured at fair value through other comprehensive income, increased slightly, by €11 million. It should be noted that the portfolio in question is no longer considered to be the preferred portfolio for the classification of investment financial instruments: accordingly, all purchases were placed in the HTC strategic portfolio.

It should be recalled that this portfolio contained the fixed assets guaranteeing the commitments of investee August Lenz, until the commitments with the German authorities ceased.

The stock at the end of 2023 stood at €319 million, compared with €308 million at the end of 2022.

The valuation reserve (including the equity investment in Mediobanca classified as HTCS) recorded in the financial statements is €28.9 million (net of taxes), compared with -€20.6 million at the end of 2022.

The debt securities trading books, measured at fair value through P&L (financial assets held for trading and financial liabilities held for trading) closed 2023 with a lower balance than at the end of 2022 (€952 million compared with €1,070 million).

The short average residual life of the securities held in Trading has enabled the full recovery of the capital losses accrued on the stocks at the end of 2022, keeping the securities in the portfolio until their maturity.

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, the weight of government bonds in the total owned portfolios was 99.6%, almost unchanged compared with the end of 2022, while the remaining portion was composed of financials bonds.

The breakdown of portfolios by rate type is 58% variable rate and 42% fixed rate.

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

The average duration of the portfolios was 1.1, compared with 0.79 at the end of 2022, an increase resulting from investments in Italian government bonds made to exploit the opportunity of yields on the long part of the curve, while remaining consistent with the Group's traditional low risk profile.

€/m	31.12.2023	31.12.2022	Change
Net interest income	578.6	319.0	259.6
Net gains (losses) from trading	35.1	(15.0)	50.1
Net gains (losses) from hedging	(0.7)	1.7	(2.4)
Total	613.0	305.7	307.3

At the end of 2023, the financial margin increased from €613.0 million to €305.7 million at the end of 2022 (+€307.3 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.

In addition, positions measured at fair value (trading assets) recorded a total capital gain of €35.1 million compared with the loss at the end of 2022 of -€15 million, an increase of €50.1 million.

Net interest income increased from €319.0 million at the end of 2022 to €578.6 million at the end of 2023 (+€259.6 million).

TRADING IN CUSTOMER SECURITIES

In 2023, numerous events affected the markets, not least the repeated increases in interest rates by both the Fed (01/02/23 +0.25%; 22/03/23 +0.25%; 03/05/23 +0.25%; 26/07/23 +0.25% - 5.50%) and the ECB (02/02/23 +0.50%; 16/03/23 +0.50%; 04/05/23 +0.25%; 15/06/23 +0.25%; 27/07/23 +0.25%; 14/09/23 +0.25% - 4.50%), the continuation of the war in Ukraine and the Israeli-Palestinian conflict in the Middle East.

The equity indices performed very well, both in Europe (FTSEMib +28%, EuroSTOXX50 +17%, DAX +18.7%, CAC40 +14%) and overseas, in the US (DOW JONES +13.6%; S&P 500 +24.5% and NASDAQ +44%).

In the wake of the increase in interest rates, the government bond market recorded an increase in inflows of its own issues, with specific reference to the placements of BTP Italia bonds in March (€9.9 billion) and BTP Valore bonds in June (€18.19 billion) and October (€17.19 billion).

Total volumes traded for retail customers decreased slightly compared with the previous year, to just over €12.5 billion, compared with almost €7 billion in 2022 (+71.42%); 746,000 trades were executed, down by 12.7% compared with 665,000 in the previous year.

The total value brokered on the Italian stock market was just under €5 billion, down 25% compared with 2022. The total value brokered in foreign equity markets was essentially unchanged at €0.95 billion. Considering the 2022 levels of €0.87 billion, we can say this was a phase of adjustment and consolidation. The value of government bonds traded increased exponentially from €1.23 billion in 2022 to €5 billion in 2023.

The total value of assets under administration held by retail customers was approximately €9.89 billion at the end of 2023, an increase of 73.55% compared with December 2022.

Specifically, the stock of government bonds increased from €1.27 billion at the end of 2022 to €3.5 billion. While corporate and bank bonds remained stable, confirming their previous positions at €0.36 billion; Certificate MedPlus stock rose from €2.12 billion to €2.7 billion, a significant increase of 27%.

The value of securities relating to the (Italian and foreign) shares segment was unchanged, remaining at €2.2 billion, with the Italian segment at €1,617 million and the foreign segment at €551 million.

At the end of December 2023, repurchase agreements for approximately €1.88 million were in place with customers.

During the year, a total of 88 Medplus Certificate placement transactions were carried out (including 41 personalised issues), for a total value of €1.1 billion.

The value of the MY STYLE managed assets almost doubled, from €915 million in 2022 to €1,124 million in 2023, up 22.8%. The Chorus managed assets (no longer marketed) have a residual value of €5 million.

NEW PRODUCTS AND MAIN INITIATIVES DURING THE YEAR

Banking services

In the year just ended, Banca Mediolanum continued to be close to its customers through promotional initiatives (mainly linked to the recognition of favourable conditions on current account constraints and the Double Chance product), sustainability and inclusion (natural disasters, welcome accounts, third-sector entity accounts).

At the beginning of the year (from 17 January to 30 April 2023), the promotion on the Double Chance investment strategy was renewed, with the payment to customers of:

- > a lending rate of 4% gross per annum on 3-, 6- and 12-month durations and 3% on 18- and 24-month durations in the equities segment;
- > a lending rate of 3% gross per annum on 3-, 6- and 12-month durations and 2% on 18- and 24-month durations in the bond segment;

In the following months (from 19 May to 31 December 2023), the Bank raised the value of lending rates by one percentage point, from:

- > 5% per annum gross on 3-, 6- and 12-month durations and 4% on 18- and 24-month durations in the equities segment;
- > 4% per annum gross on 3-, 6- and 12-month durations and 3% on 18- and 24-month bonds.

In 2023, the “Promo vincoli” offered a creditor rate of 4% gross per annum at 6 months on term deposits subscribed by new and existing customers (with different access requirements) that contributed new liquidity. The same rate, 4% gross per annum, was reserved for customers who joined the “Double Value” promotion in the first few months of the year, which provides for a 6-month deposit at 4% gross per annum and at the same time new investments in asset management products (with a 1:1 ratio between the tied amount and the amount invested) of at least 25,000 euros. In May and until 31 December 2023, the promo was extended, at a rate of 5% gross per annum.

With rates remaining in the world, Mediolanum has projected a gross annual 0.20% for the entire year 2023 on free current account stocks for the Black and Elite profiles of the M4Y programme. In July, the offer on the standard current account constraints, which does not require access, was restored, offering a rate of 2.5% per annum gross at 6 months on the Black, Elite and Privilege profiles and 2% per annum gross at 6 months on the remaining profiles (with a minimum constraint threshold of EUR 5,000).

This placed Mediolanum at the top of the banking rankings (both traditional and online) for remuneration on current account deposits, at a time in history when benchmark values for loans were high, which led to a considerable increase in borrowing rates to the detriment of customers.

In order to offer its customers an increasingly complete and advanced model for access to cash, in line with the multi-channel evolution approach and based on cutting-edge payment technology, in July 2023 Banca Mediolanum activated the “Mooney” cash withdrawal and payment service in cardless mode with direct debit to the current account: through the mobile application, a QR code is generated that allows the transaction to be carried out at the more than 45,000 businesses affiliated with Mooney S.p.A. located throughout Italy. In November 2023, in order to meet the growing needs of customers, the limits of withdrawal (up to €3,000) and payment (up to €2,999) were extended.

Action was also taken on the current account offer with the introduction of the “Reception Account” (February) for less well-off customers, on the poverty line, with strong debt exposure and without the minimum requirements for access to credit, identified by associations/foundations sponsored by the Mediolanum Foundation.

The “Mediolanum Tutor Account” (end of October) dedicated to customers with supporting administrators, banned, disabled, with the activation of digital device channels (Mediolanum website and app) and new banking services (newsletters, bills, ri.ba, etc.) was also enhanced.

The current account offer was created at the end of November, the “Third Sector Entity Account” designed for non-commercial or commercial organisations, such as Associations, Committees, Foundations, Businesses, Philanthropic Bodies, etc., which were created to pursue objectives of solidarity and social utility, i.e. not for profit. Banca Mediolanum has always been very attentive to social issues; for this reason also in 2023, it offered support to families affected by floods and natural disasters through concessions on current account conditions (zero fees, free transfers, stamp duty payable by bank, etc.) for residents in the regions of Emilia Romagna, Marche and Tuscany.

E-money area

With a view to the continuous evolution and improvement of its products and services, Banca Mediolanum launched the marketing of a new advanced and sustainable debit card product in May 2023. The new Mediolanum Card, launched in collaboration with Nexi Payments on the Mastercard circuit, allows worldwide withdrawals and payments, including through mobile payments services and for online purchases of goods and/or services. It also offers a wide range of advanced services that allow customers to personalise their card limits, temporarily block their card use and view all their card information directly from the Bank’s digital channels.

The debit card, moreover, is also sustainable because it is made of 100% recycled PVC a material that allows to reduce CO2 emissions by 36% at the time of production of its payment card.

The new debit card will gradually replace the ATM/Maestro debit cards in your portfolio. The replacement process was initiated in September 2023 and will continue through 2024. The new Mediolanum Card is sent to the customer's home at the Bank's initiative, at no additional cost and keeps the same PIN as the replaced one. In terms of commercial initiatives, throughout 2023 Banca Mediolanum encouraged the penetration and use of digital payments, both for new account holders and within the entire customer base, through prize competitions and co-marketing activities.

Trading Scope

In 2023, from the end of February, Banca Mediolanum launched a promotional initiative for a group of its customers, aimed at encouraging trading through self-trading channels. Beneficiaries of the initiative were: customers who carried out more than 10 trading transactions during the month, newly acquired customers and customers with a registry age of less than 30 years. All these customers were given the option of operating with reduced pricing per individual operation compared with the contractual pricing. The reduction in trading fees was also accompanied, for the same type of clients, by the reduction, up to zero, of the fees for custody of half-yearly securities due in the event that financial instruments were present in the Securities Deposit. The initiatives, initially launched on 30 June 2023, were renewed until 31 December 2023.

Credit services

In the first half of 2023, Banca Mediolanum proposed commercial initiatives designed to enhance the product offering and support families during a period of high inflation and steep rises in market interest rates.

Mortgages area

In the first half of 2023, in order to sustain the overall loans paid out and to support customers during this difficult period, Banca Mediolanum implemented the following series of initiatives:

- > During the year, approximately 70 thousand loans benefited from a reduction of 40 bps on the spread, thanks to the application of the contractual mechanism that provides for the automatic adjustment of the spread as the 3-month Euribor index changes;
- > Repricing on the best-in-class Loan List for customers with certain characteristics (valid for new disbursements as of November)
- > Remodelled the after-sale option "skip the instalment" by increasing the number from 6 to 18 overall in the life cycle of the loan;
- > Introduction of a new contractual after-sale option for the Mediolanum Casa+ loan that provides for a spread discount for improvement of the energy class after restructuring;
- > A series of promotions/campaigns have been launched with the aim of favouring customer mortgage applications, for example: reduction of overspread for Variable Rate Loans with CAP – Mixed Rate Mortgage step 10 with zero overspread – reduction/zero overspread in the event of subrogation – zero investigation and survey costs for certain client clusters - renewal of the Smart+ 50K Campaign, aimed at a target of preselected clients to whom improved pricing compared with the list is dedicated;
- > Renewal of a further 12 months of promotion launched in December 2022, which involved a 0.25% reduction in the spread for approximately 1,300 clients considered "vulnerable" (ratio of income to tense or at risk of abandonment);
- > Participation in the ABI initiative to deal with the increase in the instalments of variable-rate loans (for example by giving customers the possibility to extend the term of the Loan by 5 years, or to transform the rate from variable to fixed for customers with certain characteristics);

- > A package of measures to support families affected by the floods in Emilia-Romagna, Tuscany and Marche, through, for example, the suspension of loan and mortgage payments for 12 months and a 1% spread reduction for two years;
- > Accession to the initiative promoted by ABI concerning the suspension of the capital share of loans for women who are victims of violence.

Scope Loans and Credit Lines

During 2023, the following initiatives were implemented with the aim of supporting the disbursement of loans and total credit lines and supporting customers during this period of difficulty:

- > In May 2023, the new SelfyPay Time service was launched, with the aim of providing customers with increasingly advanced and digital services, which allows them to convert debits on their current accounts with the Bank into instalments, by granting one or more loans on the same account. The request for payment by instalments is made directly via the Banca Mediolanum app and the outcome and the paying out of the loan take place in "instant" mode;
- > As a sign of greater proximity to its customers (including "STAFF" customers), in this period of record increases in market interest rates, Banca Mediolanum decided to reduce the spread by 0.40% on outstanding secured loans with certain characteristics (this reduction applied to approximately 70,000 loans) for the entire term of the loan. The new spread was applied from the instalment due on 30 June.
- > Measures to repricing its Loans and Credit Lines in favour of customers (against new disbursements);
- > A series of promotions/campaigns have been launched with the aim of encouraging loan/credit requests from customers, for example: spread discount 0.25% on the Mediolanum Loan, guaranteed Mediolanum Loan Pricing net equal to the guaranteed gross, 12-month credit line for customers with assets > €350 thousand at a spread of 0% and CMDF 0%, etc.;
- > Reduction in the spread of loans and Staff (Employees and Family Bankers) in stock, by 45 bps and 50 bps respectively. The repricing also had an effect on the list price;
- > A new facilitated pricing offer has been launched since November 2023 dedicated to third sector entities (loans and credit lines);
- > Extension of loans to companies Guaranteed by the MCC Fund in support of companies affected by the effects of the Russian-Ukrainian conflict Temporary Crisis Framework) and guaranteed by the SACE fund for the same purposes Supportitalia);
- > Accession to the initiative promoted by ABI concerning the suspension of the capital share of loans for women victims of violence;
- > In the last quarter of 2023, a ceiling was opened for existing customers with certain characteristics for the sale of tax credits linked to building bonuses (superbonuses and ecobonuses).

Investment services

Asset management area

In 2023, financial markets were mixed but closed in a positive way for both the equity and bond asset classes. The first quarter started with a positive trend, followed by a decline in February due to signs of inflation and expectations of a rate hike by Central Banks. The month of March was characterized by high volatility due to turbulence in the US and European banking system. The second quarter saw a rebound, with the global stock index rising 4.8% since May and 5.1% since March. The S&P 500 and Nasdaq 100 gained 8.3% and 12.8%, respectively. The bond market also saw yields rise.

The macroeconomic trend continued to impact the economy in the third quarter, with a rebound in stock markets followed by a decline due to the Fed's restrictive monetary policy and turmoil in the Chinese property sector. In Europe, rates were raised to a record high of 4.5% to contain inflation. The fourth quarter saw real GDP growth in the US of 3.3%, driven mainly by consumer spending and public spending. Financial markets, especially technology, benefited from this growth. Bond markets were also a standout performer thanks to slowing inflation and rate cut expectations in 2024.

The Funds area

In order to enhance the economic context, Banca Mediolanum, together with Mediolanum International Funds and Mediolanum Gestione Fondi, worked on making new investment solutions available to its customers, which were presented to its Sales Network in May: three funds of Mediolanum International Funds and a new closed-end, non-reserved alternative investment fund of Mediolanum Gestione Fondi in accordance with the regulations on alternative PIR. More specifically:

1. the three new products of Mediolanum International Funds are:
 - a. Mediolanum Future Sustainable Nutrition - global equity segment of Mediolanum Best Brands which aims to contribute to environmental and social objectives by investing in companies engaged in sustainable activities throughout the food chain: from production to consumption - product classified as Article 9 according to European Reg. 2088/2019 ("SFDR");
 - b. Mediolanum India Opportunities - equity segment of Mediolanum Best Brands which invests in a selection of the most attractive companies operating in India, allowing subscribers to participate in the growth trend;
 - c. Mediolanum Global Equity Style Selection - strategy that invests in a portfolio diversification by style, through a fair-weighting of Quality, Growth and Value securities.
2. the fund of Mediolanum Gestione Fondi is a new alternative PIR called Mediolanum Private Markets Italia II, which is part of the path traced several years ago, i.e. being the player of reference in the PIR segment.

Portfolio management

With the aim of keeping the Mediolanum My Style portfolio management service up to date, the new funds of Mediolanum International Funds were included in its investment lines, as well as new UCIs from prestigious global investment companies.

Insurance area

Starting in early September, taking advantage of the market environment, the range of insurance investment products from Mediolanum International Life DAC has been enhanced by a new family of unit-linked insurance policies in a mixed form with a predefined maturity called Mediolanum Double Target. The first product belonging

to this family, for which placement began on 8 October, is called Mediolanum Double Target Global Trends 2028 and has the unguaranteed dual objective of:

- > protect at maturity the capital initially invested, net of credit, counterparty and country risk;
- > seeking capital appreciation through exposure to the main equity financial markets, while benefiting from the characteristics of insurance products.

Following the success of the initiative, Banca Mediolanum continued to compare its business with MIL DAC, so that it could always have valid solutions available to meet the needs of its customers.

At the same time, during the year, Mediolanum MyLife, Mediolanum Vita's insurance policy, expanded its spectrum of investable UCIs with the new funds launched by Mediolanum International Funds during the year and new UCIs of major asset managers.

Scope of Additional Investment Products

Mediolanum Medplus Certificate

Throughout 2023, 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

2023 was marked by a climate of general uncertainty fuelled by the destabilising events of the past few years and recent days, including the continuation of the daily experience of the coronavirus syndrome, the ongoing wars on several fronts and concerns about international political and economic stability, also in relation to the effects that such events may have on inflation and therefore on people's standard of living.

Nevertheless, the insurance sector has met growth expectations and has confirmed this trend for the next few years, particularly in the areas of health, housing and third-party liability, i.e. related to issues where the sensitivity of individuals and families is heightened by the context that has been ongoing for some time.

In this scenario, Banca Mediolanum is strongly committed, as usual, to activities aimed at fostering such sensitivity, bringing the public closer to the world of Protection, and promoting a focus on Protection as the basis of effective asset planning that, based on a precise identification of the need for safeguarding, enables customers to achieve their life objectives. These activities related to both the improvement of the insurance offering, with the aim of responding increasingly effectively to real market safeguarding needs, and the integration and efficiency of processes, as well as communication activities.

Interventions on the offer affected two key areas in the protection of individuals and their families: the individual and the home. In the "individual" area, activities focused on the protection of our customers, not only as individuals but as professionals, acting on the multi-risk Mediolanum Capitale KeyPeople policy, written by insurer Elips Life Ltd. and distributed by Banca Mediolanum, to protect business continuity. In order to facilitate the protection of key staff in their business, the age of insurable persons has been extended, on subscription or expiry in relation to the chosen membership formula, and the target of potential members has been expanded. In the world of "home" protection, just over a year after the launch of the new edition of the Mediolanum Capitale Casa e Famiglia product, the scope of cover has been extended and service components have been improved for the benefit both of new subscribers of the product and, with a more favourable approach, of those already insured.

This product offers, through a modular structure, a variety of types of cover: buildings cover (including buildings with green features and including photovoltaic panels), including catastrophic events such as earthquake and flooding; contents cover, including the risk of theft; cover of damage due to atmospheric events to both buildings and contents; Civil Liability and Legal Protection, both in the areas of Property, Private Life and Guests - in the context of Private Life, for Civil Liability, including the use of electric mobility vehicles and the practice of sport at amateur level and, for Legal Protection, the use of web, social and media networks and digital tools -; Assistance

services for the Residence (such as tradesmen for emergencies) and for the Home (such as babysitters, housekeepers, etc.). During the second quarter of the year, the cover offered was extended in order to meet our customers' needs even more effectively. To the three sub-limits already provided for water damage, electrical phenomenon and weather events in the cover for Buildings damage – all risk fire and Contents damage, a fourth option was added that enables the Customer to choose the new sub-limit up to a level of cover equal to the insured sum for damage to Buildings – all risk fire equivalent to the New Building Reconstruction Value and up to 30% of the Insured Sum for damage to Contents.

In addition, to support Customers in times of difficulty, as part of Residence Assistance Cover, the maximum amount of compensation for stays and breakfast expenses in a hotel or other accommodation has been significantly increased if the insured property is unfit for purpose. For the same purpose of support, the option for the Customer of obtaining an advance on compensation, in accordance with the contract conditions, in the event of a claim for damage to the Building, has also been included.

In support of a responsible sales proposition and a fluid distribution, in addition to product improvements, processes were also made more efficient.

First, we highlight digital interventions to improve the life cycle fundamentals of an insurance product. With the aim of identifying hedges suitable for the Client's real needs and the right level of cover, a tool has been introduced that facilitates the Sales Network to collect information on the hedging needs received by the Clients. In addition, to support the risk assessment process and, consequently, adequate customer coverage, the underwriting process was improved in digital signature through the integration in the placement platform, for products for the protection of the home, of information on the property and, for products for the protection of the person, of the document upload for the sending to the Company of supplementary medical documentation in electronic format. With regard to claims management, the tracking service has been integrated by making visible, both to the Customer and to the Sales Network, the fundamental states of the practices received through all the channels used by the Customers during the reporting phase.

In addition, the "Protection Center", consisting of a group of head office operators who are experts in support of the Sales Network for technical and operational assistance in relation to the policies underwritten by customers, began to operate.

Several commercial initiatives during the year supported in terms of communication the proposal and placement of non-life insurance products, the enhancement of Protection products through the recognition to Customers of dedicated advantages and benefits, the spread of the theme of the importance of Protection as a basis for family wealth planning (a theme that is also always fundamental in the context of training activities aimed at the Sales Network).

Through the digital event of a scientific and informative nature "Build Your Future" organised by Banca Mediolanum in collaboration with accredited partners and guests and streamed on the Bank's social media channels in September, the importance of Protection as a basis for asset planning that supports the achievement of the Customer's objectives at all stages of his/her life cycle, especially at times such as the one in which uncertainty may lead to unproductive immobility and to be carried away by emotions rather than rationality, as also indicated by the latest Censis survey carried out in collaboration with Banca Mediolanum and presented during the event.

Communication activities were carried out to support the protection of the individual, health and the home.

The "Protect Your Future" promotion has rewarded new customers who have immediately shown sensitivity to the value of protection, a fundamental value for the Bank, by subscribing to a product to protect the person or the house.

The "Mediolanum Human Capital: a better way to protect your family" campaign, dedicated to customers with children under the age of 20, supported the objective of promoting the protection of their ability

to produce income and thus to defend the family's financial stability and the possibility of realising its life plans. With this in mind, the Bank also carried out a campaign on Customers who are legal entities, potentially interested in protecting the continuity of their business by protecting those who are essential to the development and survival of the business, highlighting the improvement of the conditions of the Mediolanum Capitale KeyPeople product described above.

Various initiatives were launched and/or continued during the year on the subject of "health". First of all, we should recall the presence in various Family Banker Offices throughout Italy of an innovative caring tool, the "Health Corner", which enables a set of measurements designed to investigate the Customer's lifestyle and at the end of which a "receipt" is issued containing a summary of the parameters and a QR Code to access a detailed report of the measurements made. In addition, the premium operation already launched last year "Virtual Hospital ForYou" continued. This allows the best customers who have taken out a stand-alone policy to protect them from free access from the Bank channels to a package of services made available by the Blue Assistance partner (such as video/teleconsults, H24 general practitioner, access to a network of health and well-being facilities, home services at negotiated rates and delivery of drugs at home); in support of the actual use of these services and the benefits that derive from them to the Customers, the Sales Network was provided with tools designed to draw the Customers' attention to the availability of services dedicated to them in the field of health. As confirmation of Banca Mediolanum's interest in the well-being of its customers, the extension of video consultations with specialist doctors for themselves and their families has also been maintained, with a concessional rate for the best customers not holding a product to protect individuals and for members of some promotional profiles. In addition, in April and May, all remaining customers were granted free access to the "24-hour general practitioner" service and the benefit of a special discount for the purchase of lenses and frames from a third party partner. Finally, the "Personal Premium January 2023 - Protect Those Who Love" prize operation was launched, recognising a health check, which can be requested within the national network of Blue Assistance, to the new contracting customers of the "Mediolanum Personal Life Serenity" temporary death insurance policy with an insured capital of at least €200,000.

Another area of communication on which Banca Mediolanum has focused its attention has been the protection of the house, also in view of the atmospheric events such as those that significantly affected Emilia-Romagna in the first half of the year and which are occurring more and more frequently in many parts of our territory.

We recall the "Mediolanum Capitale Casa e Famiglia" initiative launched in June and renewed in November, to raise awareness among customers on the issue of protection against catastrophic events by providing for the free first three months of the premium of first year for home protection contracts that provided for the activation of the Earthquake and Flood option.

The overview of Banca Mediolanum's communication activities cannot fail to include a quotation from the usual corporate commitment of the Bank and of the Mediolanum EF Foundation to raise funds for three associations involved in hospital children, through the donation of a contribution in relation to the subscription of a Group product (for Protection, a donation of €50 for each "Mediolanum Capitale Salute" policy subscribed).

We conclude by recalling the simplification of contractual language to facilitate the reading and understanding of the Product Information Set, and therefore the access to the world of Protection by Customers. The above objective was also pursued through the improvements in terms of accessibility made to the Bank's new site, which also benefited from the area of protection.

Sustainability of products and services

The Responsible Finance safeguards of the Mediolanum Group were developed and consolidated during 2023. The Group sees the presence of companies that play the role of market participant (Banca Mediolanum, Mediolanum International Funds Limited, Mediolanum International Life, Mediolanum Vita, Mediolanum Gestione Fondi; Mediolanum Gestión, Mediolanum Pensiones) and the role of distributor (Banca Mediolanum, Banco Mediolanum). In the exercise of both roles, Group Companies have incorporated ESG criteria into their processes.

During 2023, activities were carried out related to the legal requirements that currently govern the subject of Responsible Finance (e.g. periodic reporting for investment products that promote sustainability characteristics or that target sustainable investment on the basis of EU Regulation 2019/2088 and related delegated regulations). Particular attention should be paid to the integration in 2023 of sustainability criteria within the framework of the financial advisory process, i.e. verification of the adequacy of clients' investment choices with respect to the profile declared by them (in accordance with MiFID II regulations).

In June 2023, in compliance with the provisions of EU Regulation 2019/2088 and EU Delegated Regulation 2022/1288, Group Companies operating as market participants published the first "Statement on the main negative effects of investment decisions on sustainability factors" (known as Principal Adverse Impacts – PAI), in order to represent and measure the contribution of companies to the process of reducing negative effects in the experiment of their activities.

In the first half of 2023, Mediolanum International Funds Limited launched a new investment fund meeting the criteria of Art. 9 of Reg. (EU) 2019/2088: Mediolanum Best Brands Future Sustainable Nutrition, a new equity segment of Mediolanum Best Brands, which invests in companies committed to generating an impact on the future supply of food products worldwide.

In 2023, Mediolanum International Funds Limited, Mediolanum Gestione Fondi and Mediolanum Vita became signatories of the United Nations Principles for Responsible Investment (UN PRI), joining more than 5,000 other organisations around the world that publicly demonstrate their commitment to responsible investment. The guiding principles of the PRI Code are:

- > Incorporate ESG issues into investment analysis and decision-making processes;
- > Incorporating ESG issues into our proprietary policies and practices;
- > Look for appropriate ESG disclosure from the entities in which we invest;
- > Promote acceptance and implementation of the principles within the investment sector;
- > Working together to improve our effectiveness in implementing the principles;
- > Report individually on their activities and progress towards the implementation of the agreed principles.

The aim is to understand the implications of sustainability for investors and support signatories to incorporate these themes into investment decision-making. In implementing the principles, signatories contribute to the development of a more sustainable global financial system.

The Bank and Group companies have embarked on a process of gradual internalisation of climate change in their internal risk, organisational and business processes and safeguards.

With regard to the field of investments, Group Companies that play the role of Financial Market Participant (FMP) have long considered climate change in their investment policies.

In addition to the metrics already used, in order to extend its monitoring of climate change in the investment area, the Group has decided to adopt additional climate indicators starting in 2024: the Weighted Average Carbon Intensity (WACI) and the Implied Temperature Rise (ITR).

Thanks to the adoption of the ITR and WACI monitoring indicators, the Group will have complete control over climate change in relation to investments.

More information can be found in the Non-Financial Statement to which reference is made.

Emergencies 2023

In 2023 Banca Mediolanum once again acted in solidarity with people affected by the following natural disasters:

- > Emilia-Romagna Flood (May 2023)
- > Tuscany Flood (November 2023)

There have been many customers and collaborators affected by these disasters and the donations will be provided in early 2024.

In addition, the following credit facilitation was granted:

- > 12-month loan with loan suspension option;
- > activation of preferential credit lines;
- > -1% reduction in the spread on mortgages and loans for 24 months;
- > cancellation of all current and subsequent charges for 24 months.

OPERATING PERFORMANCE

NET INFLOWS AND ASSETS UNDER ADMINISTRATION AND MANAGEMENT

Net inflows

€/m	31.12.2023	31.12.2022	Change	Chge (%)
ITALY				
Fund and unit-linked products	2,800.1	4,287.7	(1,487.6)	(34.7%)
of which directly in funds	1,583.4	1,879.3	(295.9)	(15.7%)
of which "My Life" unit-linked	796.8	1,624.3	(827.5)	(50.9%)
of which other unit-linked	419.9	784.1	(364.2)	(46.4%)
Other insurance products - Life	(17.9)	(9.8)	(8.1)	83.7%
Total managed	2,782.2	4,277.9	(1,495.7)	(35.0%)
Third-party structured notes	745.6	1,000.9	(255.3)	(25.5%)
Total managed + Structured notes	3,527.8	5,278.8	(1,751.0)	(33.2%)
Total administered	2,787.9	2,021.2	766.7	37.9%
BANCA MEDIOLANUM	6,315.7	7,300.0	(984.3)	(13.5%)
SPAIN	865.4	1,017.7	(152.3)	(15.0%)
GERMANY	(47.3)	(21.1)	(26.2)	n.s.
TOTAL FOREIGN MARKET	818.1	996.6	(178.5)	(17.9%)
TOTAL NET INFLOWS	7,133.8	8,296.6	(1,162.8)	(14.0%)

Total net inflows amounted to €7,133.8 million at 31 December 2023, a decrease of -€1,162.8 million on the comparative period (31.12.2022: €8,296.6 million).

In particular, net inflows on the domestic market reached +€6,315.7 million, compared with +€7,300.0 million at 31 December 2022.

More specifically, net inflows into mutual funds, both through direct investments and investments in unit-linked policies, amounted to +€2,800.1 million, down by 34.7% compared with 2022 (31/12/2022: +€4,287.7 million).

Assets under administration decreased by +€766.7 million compared with the comparative period, to €2,787.9 million.

Foreign market net inflows decreased by -€178.5 million compared with the previous year, to €818.1 million (31.12.2022: €996.6 million).

Assets under administration and management

€/m	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
ITALY				
Funds and management and unit-linked policies	71,249.8	63,072.9	8,176.9	13.00%
Other insurance products	1,955.8	1,861.4	94.4	5.10%
Bank funding	33,962.0	29,476.7	4,485.3	15.20%
BANCA MEDIOLANUM	107,167.6	94,411.0	12,756.6	13.50%
SPAIN	10,543.9	8,872.0	1,671.9	18.80%
GERMANY	359.4	373.9	(14.5)	(3.90%)
TOTAL FOREIGN	10,903.3	9,245.9	1,657.4	17.90%
TOTAL ASSETS UNDER ADMINISTRATION AND MANAGEMENT	118,070.7	103,656.9	14,414.0	13.90%

As at 31 December 2023, assets under administration stood at €118,070.9 million, an increase on the figure recorded at the end of 2022 (31 December 2022: €103,656.9 million).

The change is attributable both to the growth of "Funds and Management and Unit Linked Policies", up €8,176.9 million compared with 31 December 2022, due to the positive market performance, in addition to the positive funding for the year, and to the growth of "Bank funding", up €4,485.3 compared with the previous year in light of the commercial initiatives taken.

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 €33,962.0 million, summarised using management criteria, is as follows:

€/m	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
Current account deposits	23,522.1	23,337.8	184.3	0.8%
Third party structured bonds	2,988.4	2,125.2	863.2	40.6%
Securities custody and administration	7,449.6	3,993.4	3,456.2	86.5%
Repurchase agreements	1.9	20.3	(18.4)	(90.7%)
Total assets under administration	33,962.0	29,476.7	4,485.3	15.2%

The number of current accounts is no. 1,351,979, of which 90,285 deposit accounts, an increase of 97,571 units compared with the outstanding amounts in 2022 (1,254,408 units).

ITALY – Asset management

Net inflows

€/m	31.12.2023	31.12.2022	Change	Chge (%)
“Best Brands” funds of funds	564.0	1,183.8	(619.8)	(52.4%)
“Challenge” funds	814.6	428.1	386.5	90.3%
Other Italian mutual funds	(249.7)	(433.5)	183.8	(42.4%)
Third-party funds and other management	454.5	700.8	(246.3)	(35.2%)
Total direct inflows in mutual funds	1,583.4	1,879.2	(295.8)	(15.7%)
Funds included in “My Life” unit-linked	796.8	1,624.3	(827.5)	(50.9%)
Funds included in other unit-linked	419.9	784.1	(364.2)	(46.4%)
Total indirect inflows in mutual funds	1,216.7	2,408.4	(1,191.7)	(49.5%)
Total mutual funds and management	2,800.1	4,287.6	(1,487.5)	(34.7%)

Total net inflows in mutual funds and management amounted to €2,800.1 million, down compared with the previous year (31.12.2022: €4,287.6 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	31.12.2023	31.12.2022	Chge (%)
"Best Brands" funds of funds	26,801.3	24,229.6	10.6%
"Challenge" funds	21,669.6	18,028.9	20.2%
Funds of hedge funds	35.5	36.6	(3.0%)
Other Italian mutual funds	7,235.9	6,773.3	6.8%
Real estate funds	186.4	205.2	(9.2%)
Third-party funds and other management	7,599.2	6,529.6	16.4%
Adjustments for Group funds included in funds of funds and management	(537.8)	(490.1)	9.7%
<i>Funds included in "My Life" unit-linked</i>	<i>14,098.5</i>	<i>12,295.3</i>	<i>14.7%</i>
<i>Funds included in other unit-linked</i>	<i>19,724.6</i>	<i>17,533.2</i>	<i>12.5%</i>
Sub-total unit-linked funds	33,823.1	29,828.5	13.4%
Adjustments for own funds included in unit-linked	(25,563.5)	(22,068.7)	15.8%
Sub-total mutual funds and management (formerly unit-linked)	37,426.7	33,244.4	12.6%
Total assets mutual funds and management	71,249.8	63,072.9	13.0%

At 31 December 2023, total assets managed amounted to €71,249.8 million, an increase compared with the end of 2022 (31.12.2022: €63,072.9 million).

ITALY – Insurance

INSURANCE

Assets managed

€/m	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
Unit-linked products	33,823.1	29,828.5	3,994.6	13.4%
Traditional products	1,955.8	1,861.4	94.4	5.1%
Total life assets	35,778.9	31,689.9	4,089.0	12.9%

Total assets managed amounted to €35,778.9 million, up 12.9% compared with the previous year (31.12.2022: €31,689.9 million).

The table below shows the breakdown of insurance business at 31 December 2023:

Insurance business

€/m	31.12.2023	31.12.2022	Change	Chge (%)
Multi-year and recurring premiums	103.8	107.8	(3.97)	(3.7%)
Single premium and group policies	2,496.4	3,198.7	(702.4)	(22.0%)
Total new business	2,600.2	3,306.5	(706.3)	(21.4%)
Subsequent premiums – pension plans	614.0	585.5	28.5	4.9%
Subsequent premiums – other products	403.6	395.4	8.2	2.1%
Total portfolio	1,017.6	980.9	36.7	3.7%
Total gross premiums	3,617.8	4,287.4	(669.6)	(15.6%)

New business amounted to €2,600.2 million, down compared with the previous period (by -€706.3 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	31.12.2023	31.12.2022	Change	Chge (%)
Claims	251.1	265.8	(14.7)	(5.5%)
Coupons	67.4	58.1	9.3	16.1%
Expired	733.3	596.2	137.1	23.0%
Surrenders	1,367.2	968.7	398.5	41.1%
Total settlements	2,419.0	1,888.80	530.20	28.1%

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

Non-life premium income consists of:

€/m	31.12.2023	31.12.2022	Change	Chge (%)
Accident and Illness Class	95.0	97.40	(2.4)	(2.5%)
Other Classes	30.9	29.9	1.0	3.3%
Total direct premiums written	125.9	127.3	(1.4)	(1.1%)

At 31 December 2023, the volume of premiums written was €125.9 million (31.12.2022: 127.3 million euros), a slight decrease of -1.1%.

SPAIN

€/m	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
Assets under administration:	10,543.9	8,872.0	1,671.9	18.8%
<i>Assets under management</i>	7,279.4	6,092.0	1,187.4	19.5%
<i>Assets under administration</i>	3,264.5	2,779.9	484.5	17.4%

	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
Gross inflows assets under management:	1,939.50	2,475.50	(536.00)	(21.7%)
Net inflows:	865.30	1,017.70	(152.40)	(15.0%)
<i>Assets under management</i>	529.00	689.60	(160.60)	(23.3%)
<i>Assets under administration</i>	336.30	328.10	8.20	2.5%

Assets under administration amounted to €10,543.9 million, compared with €8,872.0 million at 31 December 2022, an increase of 18.8%.

Net inflows at the end of the period came to €865.3 million, down compared with the previous year (31.12.2022: €1,017.7 million).

GERMANY

€/m	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
Assets under administration:	359.4	373.9	(14.5)	(3.9%)
<i>Assets under management</i>	359.4	373.9	(14.5)	(3.9%)

	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
Gross inflows assets under management:	28.9	41.4	(12.5)	(30.1%)
Net inflows:	(47.3)	(21.1)	(26.1)	n.s.
<i>Assets under management</i>	(47.3)	(21.1)	(26.1)	n.s.

Assets under administration amounted to €359.4 million, down 3.9% compared with the end of 2022 (31.12.2022: €373.9 million).

Net new money was negative by -47.3 million euros, worse than the figure for the comparative period (31.12.2022: -21.1 million euros), in line with the liquidation process initiated on the German subsidiary, as further specified below.

THE SALES NETWORKS

Units	31.12.2023	31.12.2022	Chge vs Dec-2022	Chge (%) vs Dec-2022
ITALY - BANCA MEDIOLANUM	4,576	4,434	142	3.2%
SPAIN	1,640	1,620	20	1.2%
Total	6,216	6,054	162	2.7%

Overall, the sales network comprises 6,216 individuals (31.12.2022: 6,054 individuals).

At 31 December 2023, the financial advisors of Banca Mediolanum S.p.A. were 4,576 units higher than at the end of 2022 (+142 units).

RECLASSIFIED CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2023⁶

€/000	31.12.2023 a	31.12.2022* b	Change	
			value c=a-b	% c/b
Entry fees	38,703	42,209	(3,506)	(8.30%)
Management fees	1,107,601	1,029,004	78,597	7.60%
Investment management fees	217,142	196,767	20,375	10.40%
Insurance management result	167,313	157,570	9,743	6.20%
Banking service fees	144,019	157,567	(13,548)	(8.60%)
Other fees	42,998	45,674	(2,676)	(5.90%)
Gross commission income	1,717,776	1,628,791	88,985	5.50%
Acquisition costs	(576,171)	(558,410)	(17,761)	3.20%
Other commission expenses	(112,153)	(95,151)	(17,002)	17.90%
Total commission expense	(688,324)	(653,561)	(34,763)	5.30%
Net commission expense	1,029,452	975,230	54,222	5.60%
Net interest income	752,407	406,762	345,645	85.00%
Net income on other investments	16,837	5,181	11,656	n.s.
LLP (impairment on loans)	(32,793)	(21,481)	(11,312)	52.70%
Other revenues and expenses	628	(2,088)	2,716	n.s.
CONTRIBUTION MARGIN	1,766,531	1,363,604	402,927	29.50%
G&A expenses	(673,529)	(608,649)	(64,880)	10.70%
Regular contributions to banking industry	(30,998)	(32,224)	1,226	(3.80%)
Depreciation & amortisation	(45,500)	(40,829)	(4,671)	11.40%
Provisions for risk and charges	(28,840)	(19,173)	(9,667)	50.40%
TOTAL COSTS	(778,867)	(700,875)	(77,992)	11.10%
OPERATING MARGIN	987,664	662,729	324,935	49.00%
Performance fees	54,307	12,753	41,554	n.s.
Net income on investments at fair value	35,425	(13,878)	49,303	n.s.
MARKET EFFECTS	89,732	(1,125)	90,857	n.s.
Extraordinary contributions and guarantee funds	(10,210)	(10,465)	255	(2.40%)
Other extraordinary items	-	(7,300)	7,300	n.s.
EXTRAORDINARY ITEMS	(10,210)	(17,765)	7,555	(42.50%)
PROFIT BEFORE TAX	1,067,186	643,839	423,347	65.80%
Income tax	(245,316)	(137,010)	(108,306)	79.00%
NET INCOME	821,870	506,829	315,041	62.20%

*It should be noted that the balances for the comparative period have been restated for adoption of the new IFRS 17 – Insurance Contracts, in effect from 1 January 2023.

⁶ This income statement was prepared using a schedule that reflects the Group's management system, which provides for the reclassification of the components of profit before tax by type. 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 2023

€/m	31.12.2023	31.12.2022	Change	Change (%)
Net income	821.9	506.8	315.0	62.2%
of which:				
Commission income	1,717.8	1,628.8	89.0	5.5%

Commission income for the period was €1,717.8 million, compared with €1,628.8 million in the comparative period. In particular, there were higher recurring commissions (+€99 million) and higher net insurance income (+€9.7 million compared with the previous year), mainly due to the increase in interest rates and the contribution of new production, which resulted in higher releases to the income statement. There were also lower bank service fees (-€13.5 million), mainly due to the lower contribution deriving from the placement of certificates by Banca Mediolanum (-€11.6 million).

Acquisition costs	(576.2)	(558.4)	(17.8)	3.2%

Network commission expenses increased by -17.8 million euros compared with the comparative period, mainly due to the higher management fees paid to the sales network, although partially offset by lower costs for forms of incentive commensurate with the achievement of commercial objectives.

Net interest income	752.4	406.8	345.6	85.0%

Net interest income increased sharply compared with the previous period (+€345.6 million). The change was primarily due to the trend in market rates on retail loans (+€212.0 million), the growth in average loans and, with regard to assets from treasury loans (+€97 million), the trend in yields and, secondarily, the growth of the securities portfolio.

Net income on other investments	16.8	5.2	11.7	n.s.

The increase in the item **Net income from other investments** is mainly due to the lower write-downs made on properties owned by the Group compared with the comparative period (+€13.6 million), mainly affected by the value adjustment of the property located in Rome of the subsidiary Mediolanum Vita.

LLP (impairment on loans)	(32.8)	(21.5)	(11.3)	52.7%

Impairment on loans decreased by €11.3 million compared with 2022. In particular, there were greater analytical write-downs on non-performing loans (-6 million euros) and greater collective write-downs on the performing portfolio (-5.1 million euros) mainly attributable to the updating of macro-economic scenarios and the different product mix compared with the comparative period.

G&A expenses	(673.5)	(608.6)	(64.9)	10.7%

G&A expenses increased by €64.9 million compared with the comparative period. In particular, there were higher staff costs (-€11.4 million compared with the comparative period), due in particular to the increased average headcount (+€85 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	(28.8)	(19.2)	(9.7)	50.4%

Net provisions for risk and charges decreased by €9.7 million on the previous period. The change is mainly due to the lower increase in discount rates observed during 2023 compared with 2022.

Market effects	89.7	(1.1)	90.9	n.s.
of which:				
Performance fees	54.3	12.8	41.6	n.s.
Net income (losses) on investments at fair value	35.4	(13.9)	49.3	n.s.

Market effects as a whole increased significantly (+€90.9 million) due to the contribution of the higher performance fees recognised in the period under review (+€41.6 million compared with the previous period) and the positive contribution of NEXI S.p.A. It should be recalled that in 2022 the stock had recorded a loss of -€50.3 million.

Extraordinary items	(10.2)	(17.8)	7.6	(42.5%)
of which:				
Extraordinary contributions and guarantee funds	(10.2)	(10.5)	0.3	(2.4%)
Other extraordinary items	-	(7.3)	7.3	n.s.

Extraordinary items improved by €7.6 million compared with the comparative period, mainly due to the write-down of goodwill allocated to the Prexta CGU in the previous year.

INCOME STATEMENT AT 31 DECEMBER 2023 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	31.12.2023	31.12.2022	Change	Chge (%)
Banking service fees	135,313	149,086	(13,773)	(9.2%)
Other fees	1,421	4,805	(3,384)	(70.4%)
Gross commission income	136,734	153,891	(17,157)	(11.1%)
Acquisition costs	(97,400)	(101,608)	4,208	(4.1%)
Other commission expenses	(35,151)	(30,542)	(4,608)	15.1%
Total commission expense	(132,551)	(132,150)	(400)	0.3%
Net commission income	4,183	21,740	(17,557)	(80.8%)
Net interest income	616,387	369,505	246,881	66.8%
Net income on other investments	(6,908)	(789)	(6,119)	ns
LLP (impairment on loans)	(31,394)	(20,393)	(11,001)	53.9%
Other revenues and expenses	(6,029)	(6,484)	455	(7.0%)
LEVEL I CONTRIBUTION MARGIN	576,239	363,579	212,660	58.5%
Allocated costs	(220,616)	(216,217)	(4,399)	2.0%
Regular contributions to banking industry	(27,040)	(28,574)	1,534	(5.4%)
LEVEL II CONTRIBUTION MARGIN	328,583	118,788	209,795	ns
OPERATING MARGIN	328,583	118,788	209,795	ns
Net income (losses) on investments at fair value	33,575	(11,834)	45,410	ns
MARKET EFFECTS	33,575	(11,834)	45,410	ns
Extraordinary contributions and guarantee funds	(10,210)	(10,465)	255	(2.4%)
Other extraordinary items	-	(7,300)	7,300	n.a.
EXTRAORDINARY ITEMS	(10,210)	(17,765)	7,555	(42.5%)
PROFIT BEFORE TAX	351,948	89,189	262,759	ns

Profit before tax for the Italy – Banking segment was €352 million, compared with €89 million in 2022. The increase was mainly due to growth in net interest income, which rose by €247 million on the comparative half-year.

Commission income stood at €136.7 million, down by €17.2 million year on year. The decrease was mainly due to lower commissions on the placement of certificates for -11.6 million euros.

Commission expense decreased by €4.2 million, mainly due to a lower front fee recognised for the placement of certificates (€2.4 million) and a lower volume of disbursements by Prexta (€1.5 million).

Other commission expenses were up by €4.6 million, attributable to interbank charges (ATM withdrawals and POS transactions) as a result of the growth in volumes.

Net interest income stood at €616.4 million, an increase compared with the comparative period, boosted by the increase in interest income on retail loans.

Allocated costs increased by -€4.4 million, due to growth in trade volumes, which contributed -€1.3 million, in addition to the impact of the ECB's supervisory contributions following the transition to a "significant" bank of approximately -€2.5 million.

Ordinary contributions and guarantee funds decreased by €1.5 million as a result of a reduction in the request from the DGS (Deposit Guarantee Scheme) and the Interbank Deposit Protection Fund due to the reduction in customer deposits, with the consequent reduction in the target objective of creating reserves of available funds.

Market effects were approximately €33.6 million, down by +€45.4 million compared with 2022. Notably, the result of the trading book of Treasury that in 2023 contributes positively for +36 million euros compared with -11 million euros in 2022.

Extraordinary effects stood at -€10.2 million in 2023. This item includes extraordinary contributions and guarantee funds paid to rescue banks in difficulty. The decrease compared with the previous year is attributable to the write-down of Euro 7.3 million in goodwill allocated to the Prexta CGU during 2022.

ITALY SEGMENT – ASSET MANAGEMENT

€/000	31.12.2023	31.12.2022	Change	Chge (%)
Entry fees	28,062	29,009	(947)	(3.3%)
Management fees	614,217	579,860	34,357	5.9%
Investment management fees	122,856	106,064	16,792	15.8%
Other fees	23,854	23,184	670	2.9%
Gross commission income	788,989	738,117	50,872	6.9%
Acquisition costs	(260,409)	(245,079)	(15,330)	6.3%
Other commission expenses	(35,005)	(29,566)	(5,439)	18.4%
Total commission expense	(295,414)	(274,645)	(20,769)	7.6%
Net commission expense	493,575	463,472	30,103	6.5%
Net interest income	11,023	(14,515)	25,537	ns
Net income on other investments	(268)	139	(408)	ns
Other revenues and expenses	555	531	24	4.6%
LEVEL I CONTRIBUTION MARGIN	504,885	449,627	55,257	12.3%
Allocated costs	(99,426)	(87,674)	(11,752)	13.4%
LEVEL II CONTRIBUTION MARGIN	405,459	361,953	43,505	12.0%
OPERATING MARGIN	405,458	361,953	43,505	12.0%
Performance fees	33,349	8,404	24,944	ns
Net income on investments at fair value	(43)	(29)	(14)	46.8%
MARKET EFFECTS	33,306	8,375	24,930	ns
PROFIT BEFORE TAX	438,764	370,328	68,435	18.5%

The profit before tax of the Italy - Asset Management segment came in at €438.8 million, compared with the previous year's result of +€370.3 million.

Commission income for the period was €789 million, up by €50.9 million compared with the previous period. The increase is attributable to higher recurring fees, influenced by higher average fees than in 2022 and growth in assets under management.

Acquisition costs rose by -€15.3 million compared with the first half of 2022. The increase mainly reflected the increase of -€13.5 million in management fees and the increase in incentive items allocated according to products in the segment as a proportion of net inflows managed compared with the previous year.

Other fees and commissions were up by €-5.4 million due to the increase in assets under management and the recognition to external managers of performance fees related to management performance.

Allocated costs increased by -11.8 million euros and reflect the increase in marketing and support costs to the Sales Network compared with the comparative period (-8.6 million euros). The growth in the costs of the Irish subsidiary also affected the segment, with an impact of approximately -2.2 million euros compared with the previous year.

Market effects decreased by +€24.9 million compared with the same period a year earlier, due to lower performance fees.

ITALY SEGMENT – INSURANCE

€/000	31.12.2023	31.12.2022	Change	Chge (%)
Management fees	393,542	358,280	35,262	9.8%
Investment management fees	76,382	74,788	1,594	2.1%
Net insurance revenues (ex U-L commissions)	158,312	148,711	9,601	6.5%
Other fees	12,344	11,123	1,221	11.0%
Gross commission income	640,580	592,902	47,678	8.0%
Acquisition costs	(165,022)	(160,473)	(4,549)	2.8%
Other commission expenses	(28,191)	(23,315)	(4,876)	20.9%
Total commission expense	(193,213)	(183,788)	(9,425)	5.1%
Net commission expense	447,367	409,114	38,253	9.3%
Net interest income	48,745	17,001	31,743	ns
Net income on other investments	3,608	(11,799)	15,407	ns
Other revenues and expenses	(1,393)	(1,482)	90	(6.0%)
LEVEL I CONTRIBUTION MARGIN	498,327	412,834	85,493	20.7%
Allocated costs	(104,517)	(91,766)	(12,750)	13.9%
LEVEL II CONTRIBUTION MARGIN	393,810	321,068	72,743	22.7%
OPERATING MARGIN	393,810	321,068	72,743	22.7%
Performance fees	18,408	3,822	14,587	ns
Net income on investments at fair value	257	(1,850)	2,107	ns
MARKET EFFECTS	18,665	1,972	16,694	ns
PROFIT BEFORE TAX	412,475	323,040	89,437	27.7%

The **profit before tax** of the Italy segment - Insurance came in at +€412.5 million, an increase of €89.4 million compared with €323 million in 2022.

Commission income for the period was +€640.6 million, up by €47.7 million compared with the previous period. Of the increase, €36.7 million is attributable to recurring commissions, as a result of the increase in assets under management and the average commission, which increased. The increase in the result from insurance operations is attributable to the greater contribution from insurance products (Scope IFRS17); this effect is mainly attributable to the positive performance of the financial markets and to the contribution of the new business for the current year.

Net interest income, which came to €48.8 million, was up compared with the previous half-year due to the higher yields of the companies' portfolio invested in bonds.

Network commissions expense were up by -€4.6 million compared with the comparative period. This increase was mainly due to the higher recurring commissions on existing policies.

Other fees and commissions were up by €-4.9 million due to the increase in assets under management and the recognition to external managers of performance fees related to management performance.

Allocated costs increased by €12.8 million, reflecting the increase in marketing and support costs to the Sales Network compared with the comparative period (-€8.3 million). The growth in the costs of the Irish subsidiary also affected the segment, with an impact of approximately -3.1 million euros compared with the previous year.

Market effects were up by €16.7 million, mainly due to higher performance fees.

ITALY SEGMENT– OTHER

€/000	31.12.2023	31.12.2022	Change	Chge (%)
Other fees	2,125	3,524	(1,399)	(39.7%)
Acquisition costs	(863)	(50)	(813)	n.s.
Net commission expense	1,262	3,474	(2,212)	(63.7%)
Net interest income	131	6	125	n.s.
Net income on other investments	20,411	17,685	2,726	15.4%
Other revenues and expenses	6,488	4,038	2,450	60.7%
LEVEL I CONTRIBUTION MARGIN	28,292	25,203	3,089	12.3%
Allocated costs	(5,399)	(5,119)	(280)	5.5%
LEVEL II CONTRIBUTION MARGIN	22,893	20,084	2,809	14.0%
OPERATING MARGIN	22,893	20,084	2,809	14.0%
SEGMENT MARGIN BEFORE TAX	22,893	20,084	2,809	14.0%

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 €2.8 million due to the higher dividend received by Mediobanca (+€2.9 million).

SPAIN SEGMENT

€/000	31.12.2023	31.12.2022	Change	Chge (%)
Entry fees	10,641	13,200	(2,559)	(19.4%)
Management fees	95,180	85,378	9,802	11.5%
Investment management fees	16,834	14,765	2,069	14.0%
Net insurance revenues (ex U-L commissions)	8,733	8,609	124	1.4%
Banking service fees	8,706	8,423	283	3.4%
Other fees	3,031	2,696	335	12.4%
Gross commission income	143,125	133,071	10,054	7.6%
Acquisition costs	(50,393)	(49,054)	(1,339)	2.7%
Other commission expenses	(13,194)	(10,898)	(2,296)	21.1%
Total commission expense	(63,587)	(59,952)	(3,635)	6.1%
Net commission expense	79,538	73,119	6,419	8.8%
Net interest income	74,890	34,645	40,245	ns
Net income on other investments	(5)	(134)	129	(96.3%)
LLP (impairment on loans)	(1,377)	(1,051)	(326)	31.0%
Other revenues and expenses	785	1,139	(354)	(31.1%)
LEVEL I CONTRIBUTION MARGIN	153,831	107,718	46,113	42.8%
Allocated costs	(64,638)	(51,738)	(12,900)	24.9%
Regular contributions to banking industry	(3,958)	(3,614)	(344)	9.5%
LEVEL II CONTRIBUTION MARGIN	85,235	52,366	32,869	62.8%
Depreciation & amortisation	(6,962)	(6,176)	(786)	12.7%
Provisions for risk and charges	(1,807)	(4,763)	2,956	(62.1%)
OPERATING MARGIN	76,466	41,427	35,039	84.6%
Performance fees	2,389	492	1,897	ns
Net income on investments at fair value	1,517	(160)	1,677	ns
MARKET EFFECTS	3,906	332	3,574	ns
PROFIT BEFORE TAX	80,372	41,759	38,613	92.5%

The **profit before tax** for the Spain segment was +€80.4 million, compared with the result of +€41.8 million for the comparative period.

Commission income rose from €133.1 million in 2022 to €143.1 million in the reporting period. This performance is mainly attributable to the increase in recurring fees (+€11.9 million) deriving from the increase in assets under management offset by a reduction in subscription fees of €2.6 million.

Acquisition costs are in line with the previous year.

Other commission expenses increased mainly due to the increase in assets under management (-€2 million).

Net interest income amounted to approximately +€74.9 million, up €40.3 million compared with the comparative period, driven by the trend in average yields and growth in the credit portfolio.

Allocated costs, which represent the total G&A expenses for the segment, increased by €12.9 million on the previous year. This difference is mainly attributable to higher personnel costs (€3.7 million) (an average of 31

additional resources), €3.7 million to support and develop commercial activities (of which €2.9 million for the advertising campaign), €1.2 million to regulatory adaptation activities to support growth and, finally, €1.1 million in variable costs related to the increase in loans disbursed.

GERMANY SEGMENT

€/000	31.12.2023	31.12.2022	Change	Chge (%)
Management fees	4,663	5,487	(824)	(15.0%)
Investment management fees	1,070	1,150	(80)	(7.0%)
Net insurance revenues (ex U-L commissions)	268	250	18	7.2%
Banking service fees	-	58	(58)	(100.0%)
Other fees	223	342	(119)	(34.8%)
Gross commission income	6,224	7,287	(1,063)	(14.6%)
Acquisition costs	(2,084)	(2,147)	63	(2.9%)
Other commission expenses	(612)	(829)	217	(26.2%)
Total commission expense	(2,696)	(2,976)	280	(9.4%)
Net commission expense	3,528	4,311	(783)	(18.2%)
Net interest income	1,232	119	1,113	ns
Net income on other investments	(1)	79	(80)	ns.
LLP (impairment on loans)	(22)	(37)	15	(40.5%)
Other revenues and expenses	221	170	51	30.0%
LEVEL I CONTRIBUTION MARGIN	4,958	4,642	316	6.8%
Allocated costs	(3,538)	(5,339)	1,801	(33.7%)
Regular contributions to banking industry	-	(36)	36	(100.0%)
LEVEL II CONTRIBUTION MARGIN	1,420	(733)	2,153	ns
Depreciation & amortisation	(39)	(125)	86	(68.8%)
OPERATING MARGIN	1,381	(858)	2,239	ns
Performance fees	161	35	126	ns
Net income on investments at fair value	119	(4)	123	ns
MARKET EFFECTS	280	31	249	ns
SEGMENT MARGIN BEFORE TAX	1,661	(827)	2,488	ns

The **pre-tax margin** of the German segment shows a balance of €1.7 million, an improvement compared with December 2022, of -€0.8 million, thanks to the reduction in general 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 no. (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.

SHAREHOLDERS' EQUITY, TREASURY SHARES AND DIVIDENDS

At 31 December 2023, the share capital amounted to €600,564 thousand (31.12.2022: €600,452 thousand) divided into 744,040,141 shares with no par value. The number of treasury shares in the portfolio was 2,899,295 shares for a total of €19,781 thousand (31.12.2022: €33,146 thousand).

Shareholders' equity at the end of the 2023 financial year was €3,455 million, compared with €2,948 million a year earlier.

With regard to the allocation of earnings for 2022, it should be recalled that the Shareholders' Meeting of 18 April 2023 resolved to distribute a dividend of €0.50, of which €0.24 had already been distributed as an interim dividend in November 2022.

On 26 April 2023, the balance of €0.26 per eligible ordinary share was therefore distributed.

EPS (earnings per share) came to €1.111, compared with €0.687 in the first half of 2022.

CAPITAL ADEQUACY OF THE MEDIOLANUM FINANCIAL CONGLOMERATE AND OWN FUNDS AT 31 DECEMBER 2023⁷

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 2023, 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 €2,757 million, the capital resources of the conglomerate to cover the required margin amounted to €3,471 million, with a surplus of €714 million (€602 million at 31 December 2022).

The Mediolanum Group calculated the consolidated own funds for supervisory purposes and the relative capital ratios in accordance with the regulations in force (Regulation (EU) no 575/2013 (Basel 3)). 575/2013 (EU) - the so-called Basel 3 regulation). At the end of 2023, the Common Equity Tier I Ratio (CETI) was 22.3% (20.6% at 31 December 2022).

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

*Value re-presented at 31.12.2022 following the adoption of accounting standard IFRS 17

Own funds totalled €2,936.2 million (31.12.2022: €2,555.7 million) while RWAs (risk-weighted assets) amounted to €13,172.7 million (31.12.2022: €12,405.6 million).

CETI was determined by considering the profit for the year of €821.9 million, net of the planned distribution of dividends of €518.9 million. The profit for the year calculated therefore amounted to €303 million.

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 31.12.2023	2,638,063	833,707	3,471,770
Derecognition of intercompany transaction effects	-	185	185
Other transactions	(5,193)	(12,022)	(17,215)
Consolidated financial statements at 31.12.2023	2,632,870	821,870	3,454,740

By accounting for equity investments using the equity method in the Parent Company, the latter's equity is substantially in line with consolidated equity.

In other transactions, the amount of -€12,022 thousand mainly includes the economic effect of adjusting the profitability of insurance products measured at the consolidated level.

OTHER INFORMATION

Impairment testing - Goodwill

Goodwill recorded in the consolidated financial statements, already present in the previous year, referred to “Cash Generating Units” (“CGUs”) Spain, Italy.

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;

The assistance of an independent expert was requested for impairment testing for the period ended 31 December 2023. 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, no write-down is necessary.

For the sake of completeness, it should be noted that, with respect to the Italy 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 2022.

Equity investment in the German subsidiary, August Lenz

With regard to the German subsidiary August Lenz, as reported, 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 Banking Group.

It should also be recalled that on 1 July 2023, the company began the liquidation process and produced its first liquidation balance sheet.

At 31 December 2023, the costs incurred by the company to meet disposal costs were €0.9 million. These were absorbed by the provision for risk and charges, the remainder of which was €12.4 million at 31 December 2023, which is consistent with the hypothetical scenarios.

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.

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 90/436/EC (the 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 amicable treaty procedure was activated, pursuant to Article 24 of the Convention against double taxation between Italy and Ireland, the aim of which is to obtain a tax credit from the Irish authority corresponding to the higher taxable income 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 2023.

As at 31 December 2023, the total provision set aside by Banca Mediolanum in connection with the above dispute was €45.6 million and the charge for the period in question was €6.4 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 initiation of the Mutual Agreement Procedure ("MAP") provided for by the European Arbitration Convention 90/436/EC 90/436/EC (the 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 amicable treaty procedure was activated, pursuant to Article 24 of the Convention against double taxation between Italy and Ireland, the aim of which is to obtain a tax credit from the Irish authority corresponding to the higher taxable income 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 €13.8 million, and the charge for the period in question amounts to €0.9 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 €59.4 million for the tax dispute currently ongoing and incurred a charge for 2023 of €7.3 million.

Pillar Two Disclosure

It should be noted that the Mediolanum Group applied the temporary exemption provided for in the amendment to IAS 12, issued by the International Accounting Standards Board ("IASB") on 23 May 2023, concerning the recognition and related disclosure to be provided in the consolidated financial statements of assets and liabilities for deferred taxes deriving from the application of the minimum level of tax ("Global Minimum Tax") provided for by Directive (EU) 2022/2523 of 14 December 2022 (the "Directive"), within the framework of the Model of Global Anti-Base Erosion Rules ("Pillar Two").

In this context, on 28 December 2023, Legislative Decree No. 209, implementing the tax reform on international taxation which entered into force on 29 December 2023, laying down Italian provisions relating to Pillar Two.

Under this legislation, the parent entity of a multinational group (and intermediate participants) located in the territory of the Italian State will (will) be required to pay a minimum additional tax ("IIR") on the accrued profits of its subsidiaries in States with an effective rate of less than 15% ("Minimum Tax Rate").

In addition, under the regulations of the individual States in which these groups operate, the Qualified Domestic Minimum Top-up Tax may apply. The above tax may, depending on its characteristics, be deducted from the minimum supplementary tax or determine its non-application in relation to the countries of reference.

On the basis of its current composition, in addition to Italy, the Mediolanum Banking Group operates in Spain through its subsidiary Banco Mediolanum and in Ireland through the subsidiaries Mediolanum International Funds and Mediolanum International Life.

Spain has expressed its intention to implement the provisions relating to Pillar Two as well as a Qualified Domestic Minimum Top-up Tax regime without, however, issuing detailed legislation to date.

On the other hand, Ireland has provided for a Pillar Two and Qualified Domestic Minimum Top-up Tax, which applies with effect from 1 January 2024.

In the light of the above, a simplified preliminary analysis was conducted to estimate the potential impact that the application of the legislation relating to Pillar Two would have on the Group. On the basis of this analysis, carried out with regard to the application of transitional safe harbours for the 2022 and 2023 financial years, the country in which the Group operates and from which supplementary taxation could emerge is Ireland.

This analysis is at present a preliminary study which includes simplifications and may be subject to modifications and refinements. On the basis of this review on 31 December 2023, in view of the significance of the Irish jurisdiction's contribution, the subjection of such income to an effective rate lower than the Minimum Tax Rate would lead to the potential application of supplementary taxation, the impact of which could represent approximately 2% of the consolidated profit.

The reported impact is currently purely indicative and not necessarily representative of future impacts, as it is the result of an analysis of an exercise prior to that of first application of the Pillar Two rules and is defined on the basis of the adoption of a simplified approach. The potential tax burden arises from the multiplication of the income generated by the Group in Ireland by the difference between the effective Irish rate and the Minimum Tax Rate.

Other aspects

On 7 August 2023, the Italian Council of Ministers approved the Omnibus Decree (Decree-Law no. 104) which was subsequently published in the Official Gazette (General Series No. 186) on 10 August. In detail, the Decree introduced a tax for the year 2023 on the extra profits deriving from the net interest margin ("NII") recorded by banks. On 9 October, the process of converting the law was completed; the final text consists mainly of:

- the calculation of the tax by applying a rate of 40% to the amount of the net interest margin of 2023 that exceeds by at least 10% the net interest margin of 2021 (individually);
- a cap on the amount of the tax equal to 0.26% of the 2022 Risk Weighted Assets (individually);
- the option not to pay the tax if the Bank, at the 2024 annual shareholders' meeting for the allocation of the profit for the year, constitutes as of the 2023 net profit (or, if this is not sufficient, from other available reserves) a specific equity reserve for an amount equal to 2.5 times the amount of the tax. This equity reserve may not be used to pay dividends but may absorb losses and is therefore computable for the purpose of calculating Common Equity Tier I capital. If this reserve is subsequently distributed, the Bank shall pay the entire tax due and, in addition, the interest accruing from the date of hypothetical payment.

In particular, at the date of preparation, Banca Mediolanum met the requirements to apply a cap of 0.26% of Banca Mediolanum's risk-weighted assets at the parent company level at 31 December 2022. By virtue of the fulfilment of this condition, the value of the tax would amount to 26.9 million euros. However, considering the option of being able to allocate an amount of 2.5 times the amount of the tax to a specific unavailable equity reserve, the amount that Banca Mediolanum should allocate is €67.4 million. It should be noted that the above reserve could not be distributed but would be fully computable for the purposes of absorbing losses and therefore for the purposes of calculating the Common Equity Tier I Capital.

On this latter point, the Board of Directors of Banca Mediolanum S.p.A. proposed that the 2024 annual shareholders' meeting resolve in favour of the power provided for in Art. 26 (5 bis) of Law no. 136/2023 to make use of the future establishment of the non-distributable reserve mentioned above.

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 2023.

BUSINESS OUTLOOK

The unmistakable fact that December has given us is that the hiking cycle, on both sides of the Atlantic, has come to an end: this has become very clear in the United States and equally clear in Europe.

In the light of the economic data, central banks currently seem to be succeeding in bringing inflation increases under control without this having so far caused the widely assumed recession in early 2023: growth in Europe looks weak, but as we have seen, employment health remains good; the United States, on the other hand, has not so far experienced any slowdown.

As Fed Chair Jerome Powell – already much criticised for not having started the monetary tightening cycle promptly (in light of the assumed “transitory nature” of inflation, indicated in the autumn of 2021 and then refuted) – pointed out in December in a comment in the Financial Times, he may in the future be remembered as one of the most effective central bankers in history, because at the moment he appears to have been able to lay the groundwork for a “soft landing”, which not everyone believed in last year.

And that, if you will, was the other big surprise of 2023, after the economic resilience.

After the pause initiated in December, the prevailing demand is since the rate cuts, and thus the much-cited “pivot”, which marks the shift from restrictive to expansionary monetary policy, begin. In the market's expectations, perhaps too much optimism seemed to prevail on the spot at the end of 2023. So much so that in the days following the meetings of the executive bodies, officials from the Fed and the ECB issued a series of statements designed to calm the excitement. Several Fed members spoke, trying to fade expectations about a rate cut as early as the end of the first quarter of 2024, and some ECB members spoke, stressing that it is still early to declare victory on inflation and that the market's expectations about the cuts are, in fact, too optimistic. Indeed, on closer inspection, officials expect about 250 basis points of reduction by 2026, that is, over the next 36 months: a slower pace than in previous episodes and far removed from the “Fed put” experienced in the past.

The market recoveries we have seen in the last two months of 2023 owe much to the optimistic expectations we have just mentioned, that earlier rate cuts will begin than the Fed and the ECB indicated. In short, the “higher for longer” seems to have been called into question, despite the rigour of the communication of the officials of the two institutions, and in particular the presidency of the European Central Bank.

Despite all the caution, 2024 could see a continuation of the positivity of the last two months of 2023. The year will be full of ideas for reflection and attention. These include calendar elections: on 17 March, the presidential elections will take place in Russia (and President Putin is a candidate); on 6-9 June, the European elections will be held to renew the composition of the EU Parliament; finally, the presidential elections will be monitored in the United States in November.

In a more general context, it will be necessary to see if the “soft landing” signals are confirmed. And maintain, in the meantime, an appropriately diversified approach across asset classes.

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 2024.

Consolidated financial statements

STATEMENT OF FINANCIAL POSITION

Asset items

€/000		31.12.2023	31.12.2022*
10.	Cash and cash equivalents	188,134	2,351,741
20.	Financial assets at fair value through profit or loss	36,196,039	32,003,209
	a) financial assets held for trading	999,295	1,148,437
	b) financial assets designated at fair value	34,990,416	30,667,223
	c) other financial assets mandatorily measured at fair value	206,328	187,549
30.	Financial assets measured at fair value through other comprehensive income	2,033,758	1,660,455
40.	Financial assets measured at amortised cost	36,920,252	35,524,867
	a) loans to banks	160,702	355,059
	b) loans to customers	36,759,550	35,169,808
50.	Hedging derivatives	53	430
80.	Insurance assets	78,227	69,107
	b) reinsurance cessions that are classified as assets	78,227	69,107
90.	Tangible assets	212,514	229,248
100.	Intangible assets	206,869	207,782
	of which:	-	-
	- goodwill	125,625	125,625
110.	Tax assets	663,588	649,268
	a) current	501,782	496,940
	b) deferred	161,806	152,328
120.	Non-current assets and disposal groups	56	2,010
130.	Other assets	1,331,361	920,020
TOTAL ASSETS		77,830,851	73,618,137

* The balances have been restated due to the adoption of IFRS 17.

Liabilities and shareholders' equity

€/000	31.12.2023	31.12.2022*
10. Financial liabilities measured at amortised cost	35,225,709	36,297,889
a) payables to banks	1,184,872	370,622
b) payables to customers	33,727,721	35,626,824
c) debt securities in issue	313,116	300,443
20. Financial liabilities held for trading	8,458	11,952
30. Financial liabilities designated at fair value	15,011,219	13,086,968
40. Hedging derivatives	3,605	2,594
60. Tax liabilities	309,931	180,748
a) current	229,608	115,327
b) deferred	80,323	65,421
80. Other liabilities	1,094,079	887,937
90. Employee severance benefits	11,876	11,657
100. Provisions for risk and charges	309,958	313,202
a) commitments and guarantees given	1,490	658
b) pensions and similar obligations	109	499
c) other provisions for risk and charges	308,359	312,045
110. Insurance liabilities	22,401,276	19,877,200
a) insurance contracts written that are classified as liabilities	22,401,276	19,877,200
120. Valuation reserves	39,315	(30,177)
150. Reserves	2,213,256	2,075,868
155 of which interim dividends	(207,519)	(177,133)
160. Issue premiums	7,035	5,297
170. Capital	600,564	600,452
180. Treasury shares (-)	(19,781)	(33,146)
200. Net income for the year (+/-)	821,870	506,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	77,830,851	73,618,137

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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

Income statement

€/000	31.12.2023	31.12.2022*
10. Interest income and similar income	1,331,765	552,927
of which: interest income calculated using the effective interest method	1,233,451	503,872
20. Interest expense and similar expenses	(505,771)	(78,486)
30. Net interest income	825,994	474,441
40. Commission income	1,746,045	1,578,319
50. Commission expense	(722,829)	(658,989)
60. Net commission expense	1,023,216	919,330
70. Dividends and similar income	28,340	25,420
80. Net gains (losses) from trading	37,157	(15,183)
90. Net gains (losses) from hedging	(666)	1,702
100. Gains (losses) from disposal or repurchase of:	(107)	1,787
a) financial assets measured at amortised cost	(11)	(155)
b) financial assets measured at fair value through other comprehensive income	(96)	1,942
110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	1,848,408	(2,806,219)
a) financial assets and liabilities designated at fair value	1,849,043	(2,805,835)
b) other financial assets mandatorily measured at fair value	(635)	(384)
120. Operating income	3,762,342	(1,398,722)
130. Credit-risk induced net value adjustments/write-backs relating to:	(32,746)	(22,424)
a) financial assets measured at amortised cost	(33,136)	(22,600)
b) financial assets measured at fair value through other comprehensive income	390	176
150. Net gain (loss) from financial operations	3,729,596	(1,421,146)
160. Result of insurance services	168,844	161,134
a) insurance revenues deriving from insurance contracts written	379,927	355,702
b) costs of insurance services deriving from insurance contracts written	(212,222)	(192,242)
c) insurance revenues deriving from reinsurance cessions	40,082	30,917
d) costs of insurance services deriving from reinsurance cessions	(38,943)	(33,243)
170. Balance of revenues and financial costs relating to insurance management	(2,029,233)	2,633,329
a) net financial costs/revenues relating to insurance contracts written	(2,030,437)	2,634,239
b) net financial revenues/costs relating to reinsurance cessions	1,204	(910)
180. Net gain (loss) from financial and insurance operations	1,869,207	1,373,317
190. Administrative expenses:	(710,422)	(648,473)
a) staff costs	(286,396)	(267,294)
b) other administrative expenses	(424,026)	(381,179)
200. Net provisions for risk and charges	(28,848)	(14,535)
a) commitments and guarantees given	(818)	(277)
b) other net provisions	(28,030)	(14,258)
210. Net value adjustments/write-backs of tangible assets	(26,771)	(33,659)
220. Net value adjustments/write-backs of intangible assets	(39,877)	(33,539)
230. Other operating income/expenses	3,116	3,854
240. Operating costs	(802,802)	(726,352)
270. Goodwill value adjustments	-	(7,300)
280. Gains (losses) on disposal of investments	763	4,174
290. Net income from continuing operations before tax	1,067,168	643,839
300. Taxes on income from continuing operations	(245,316)	(137,010)
310. Net income from continuing operations after tax	821,852	506,829
320. Profit (loss) on discontinued operations after tax	18	-
330. Net income for the year	821,870	506,829
350. Net income attributable to the Parent Company	821,870	506,829

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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

STATEMENT OF COMPREHENSIVE INCOME*

€/000	31.12.2023	31.12.2022*
10. Net income for the year	821,870	506,829
Other income net of taxes without reversal to the income statement	61,900	(30,826)
20. Equity securities designated at fair value through other comprehensive income	61,969	(32,320)
70. Defined benefit plans	(69)	1,494
Other income net of taxes with reversal to the income statement	7,592	(11,776)
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income	39,157	(109,346)
180. Financial revenues or costs relating to insurance contracts written	(32,542)	97,040
190. Financial revenues or costs relating to reinsurance cessions	977	530
200. Total other income net of taxes	69,492	(42,602)
210. Comprehensive income (item 10+200)	891,362	464,227
230. Consolidated comprehensive income attributable to the Parent Company	891,362	464,277

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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 2023

€/000				Allocation of previous year's result		Changes during the year										Shareholders' equity at 31.12.2023
						Changes in reserves	Transactions on shareholders' equity								Comprehensive income at 31.12.2023	
							Issue of new shares	Share buybacks	Interim dividends	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares			
Balances at 31.12.2022	Change in opening balances*	Balances at 01.01.2023	Reserves	Dividends and other destinations												
Capital:																
a) ordinary shares	600,452	600,452				112									600,564	
b) other shares	-														-	
Issue premiums	5,297	5,297				1,738									7,035	
Reserves:																
a) earnings	1,989,434	16,653	2,006,087	137,284											2,143,371	
b) other	69,781	-	69,781			(1,613)							1,717		69,885	
Valuation reserves	(41,109)	10,932	(30,177)											69,492	39,315	
Equity instruments	-	-													-	
Interim dividends	(177,133)		(177,133)		177,133				(207,519)						(207,519)	
Treasury shares	(33,146)		(33,146)				13,365	-							(19,781)	
Net profit (loss) for the year	521,803	(14,974)	506,829	(137,284)	(369,545)									821,870	821,870	
Shareholders' equity attributable to the Group	2,935,379	12,611	2,947,990	-	(192,412)	(1,613)	15,215	-	(207,519)	-	-	-	1,717	891,362	3,454,740	
Shareholders' equity attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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 2022

€/000				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		
Balances at 31.12.2021	Change in opening balances	Balances at 01.01.2022	Reserves	Dividends and other destinations											
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	16,653	1,720,457	285,630	-				-					2,006,087	
b) other	54,635		54,635			176							14,970	69,781	
Valuation reserves	14,612	(2,187)	12,425										(42,602)	(30,177)	
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 profit (loss) for the year	713,055		713,055	(285,630)	(427,425)								506,829	506,829	
Shareholders' equity attributable to the Group	2,882,815	14,466	2,897,281	-	(258,044)	176	6,513	-	(177,133)	-	-	-	14,970	464,227	2,947,990
Shareholders' equity attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method

€/000	31.12.2023	31.12.2022*
A. OPERATING ACTIVITIES		
1. Management	1,267,591	22,485
- profit (loss) for the year (+/-)	821,870	506,829
- capital gains (losses) on financial assets held for trading and on other assets/liabilities at fair value through profit or loss (-/+)	(1,659,829)	2,245,499
- capital gains (losses) on hedging activities (-/+)	339	(1,729)
- credit-risk induced net value adjustments/write-backs (+/-)	32,746	22,424
- net value adjustments/write-backs of tangible and intangible assets (+/-)	66,648	67,196
- net provisions for risk and charges and other costs/revenues (+/-)	28,848	14,535
- net revenues and costs of insurance contracts written and reinsurance cessions (-/+)	1,860,389	(2,794,463)
- unpaid taxes, duties and tax credits (+/-)	114,863	(85,975)
- other adjustments (+/-)	1,717	48,169
2. Cash generated by/utilised for financial assets	(3,543,958)	(553,571)
- financial assets held for trading	173,859	(932,068)
- financial assets designated at fair value	(1,561,406)	139,857
- other assets mandatorily measured at fair value	(19,623)	(6,540)
- financial assets measured at fair value through other comprehensive income	(271,856)	287,305
- financial assets measured at amortised cost	(1,428,521)	153,179
- other assets	(436,411)	(195,304)
3. Cash generated by/utilised for financial liabilities	(100,667)	2,384,625
- financial liabilities measured at amortised cost	(1,072,180)	2,788,044
- financial liabilities held for trading	(3,494)	(48,866)
- financial liabilities designated at fair value	798,797	(481,491)
- other liabilities	176,210	126,938
4. Cash generated by/utilised for insurance contracts written and reinsurance cessions	623,002	444,745
- insurance contracts written that are classified as liabilities/assets (+/-)	628,802	449,010
- reinsurance cessions that are classified as assets/liabilities (+/-)	(5,800)	(4,265)
Net cash generated by/utilised for operating activities	(1,754,032)	2,298,284
B. INVESTMENT ACTIVITIES		
1. Cash generated by	28,340	22,635
- dividends received on equity investments	28,340	25,421
- sales of tangible assets	-	(2,786)
2. Cash utilised for	(52,269)	(56,697)
- purchases of tangible assets	(13,276)	(19,241)
- purchases of intangible assets	(38,993)	(37,456)
Net cash generated by/utilised for investment activities	(23,929)	(34,062)
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	13,477	5,580
- issues/purchases of equity instruments	1,738	933
- dividend distribution and other purposes	(400,861)	(438,019)
Net cash generated by/utilised for financing activities	(385,646)	(431,506)
NET CASH GENERATED/UTILISED DURING THE YEAR	(2,163,607)	1,832,716

* The balances have been restated due to the adoption of IFRS 17.

Legend: (+) generated (-) utilised

RECONCILIATION TABLE

€/000	31.12.2023	31.12.2022
Line items		
Cash and cash equivalents at beginning of year	2,351,741	519,025
Total net cash generated/utilised during the year	(2,163,607)	1,832,716
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of year	188,134	2,351,741

Basiglio, 6 March 2024

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 2023 have been prepared in application of Legislative Decree No. 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 No. 1606 of 19 July 2002, and subsequent updates.

The Mediolanum Group, in accordance with the provisions of Legislative Decree No. 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 2023 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 No. 38/2005, with Circular No. 262 of 22 December 2005 as amended, in particular the 8th update to the Bank of Italy Circular, which introduced new formats and supplemented consolidated financial reporting to take account of the adoption of the new IFRS 17 international accounting standard.

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 2023 (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 No. 38 of 28 February 2005, the consolidated financial statements have been prepared using the euro as the reporting currency.

The accounting policies used to prepare these condensed consolidated half-year financial statements, with reference to the phases of classification, recognition, measurement and derecognition of assets and liabilities, as well as the methods of recognising revenues and costs and the consolidation criteria, are consistent with those used to prepare the consolidated financial statements at 31 December 2022 of the Banca Mediolanum Group, with the exception of those relating to the statement of financial position and income statement items concerned, which have been revised following the adoption, with effect from 1 January 2023, of international accounting standard "IFRS 17 – Insurance Contracts". See the section "A2 – Part relating to the main balance sheet items" below for more details.

The financial statements and notes include, in addition to amounts for the reporting period, comparative data at 31 December 2022 that has been restated in light of the effects of the above new IFRS 17.

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 schemes comply with those defined by the Bank of Italy in Circular No. 262 of 22 December 2005 and subsequent updates. 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 2023 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

The Consolidated Financial Statements have been adjusted in their structure and updated to comply with the new legislative provisions in accordance with the provisions of the 8th update of Circular No. No. 262/2005 of the Bank of Italy, and the comparative periods amended by retrospective application of the new Standard are presented. Specifically, the statement of financial position balances are compared with the amended 31 December 2022, while the income statement balances are compared with the amended first half of 17; accordingly, the comparative figures presented in the tables detailing certain statement of financial position and income statement items presented in the explanatory notes have also been amended to take account of the application of the new standard.

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 explanatory notes include the information required by international accounting standards and Circular no. 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 of the entity, as a result of a legal right or a mere de facto situation, and also be exposed to the variability of the results deriving from this power. The following table shows the equity investments within 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	Capital social (€/000)	Share of possession	Registered office/Operational HQ	Type of relationship*	Assets held
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.	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.

2. 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
Mediolanum International Funds Ltd**	165	4.54%	Dublin	1	Mutual 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 = unitary management pursuant to Art. 39, paragraph 1, of "Legislative Decree 136/2015"
6 = unitary management pursuant to Art. 39, paragraph 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 2023, 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 combination

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). 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). 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 2023.

SECTION 5 – Other aspects

First time adoption of “IFRS 17 – Insurance Contracts”

The following is a report on the main impacts of the introduction of the accounting standard IFRS 17 – Insurance Contracts and the effects on part of the portfolio of financial instruments held by the Group's insurance companies following the interrelations between IFRS 17 and IFRS 9 – Financial Instruments, given the close correlation between the methods of accounting for insurance contracts and related financial assets, in accordance with IAS 8, paragraph 28 and with the instructions of the European Securities and Markets Authority (ESMA).

The new accounting standard IFRS 17, published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020 and 9 December 2021, was approved by EU Regulation No. 2036/2021 of 19 November 2021 and has entered into force compulsorily from 1 January 2023. The European approval regulation allows – on an optional basis – for the exemption of contracts characterised by intergenerational mutualisation and adequacy of financial flows from application of the requirement to group contracts into annual cohorts under IFRS 17. Furthermore, by Regulation no. In addition, Regulation No 1491/2022 of 8 September 2022 introduced some limited amendments for the preparation of comparative information during first time adoption of IFRS 17 and IFRS 9.

With regard to accounting standard IFRS 9 – Financial Instruments, the Banca Mediolanum Group, as a financial conglomerate primarily engaged in banking, had not previously made use of the option to apply the temporary exemption (the “deferral approach”), according to which the financial assets and liabilities of the subsidiaries could have continued to be recognised pursuant to IAS 39 until the entry into force of the new accounting standard on insurance contracts (IFRS 17), i.e. 1 January 2023. Therefore, for the purposes of the consolidated financial statements, the financial assets and liabilities held by the Group's insurance companies, including before 1 January 2023, the date of first time adoption of IFRS 17, were classified and assessed in a manner consistent with the accounting standards applied by the other non-insurance entities of the Group. In this regard, it should be noted that on 1 January 2023, Mediolanum Vita carried out a reassessment of the designation of financial assets to service the portfolio of insurance contracts relating to the Medinvest separate management, in order to make the valuation criteria for these insurance contracts consistent with those of the related securities in order to eliminate accounting mismatches; this is in accordance with the provisions of IFRS 17, paragraph C29, according to which, if a company has applied IFRS 9 since its entry into force (1 January 2018), on the date of first time adoption of IFRS 17, that company may carry out a reassessment of the designation of the financial assets underlying insurance contracts.

QUALIFYING ASPECTS OF IFRS 17

The following is a description of the main areas of impact deriving from the adoption of IFRS 17 for Group Companies and the main methodological choices made by the Group in this regard.

Classification and measurement criteria

IFRS 17 provides for two measurement models:

- ✓ the General Model - applicable in principle to all contracts
- ✓ the Variable Fee Approach ("VFA"): applicable in particular to contracts with direct participation features.
- ✓ There is also an optional simplified model (Premium Allocation Approach – PAA) for the valuation of the liability for remaining coverage (LRC) for contracts with a coverage period equal to or less than one year and for all contracts if the valuation is not materially different from that resulting from the application of the General Model.

Initial recognition

Insurance assets and liabilities issued are initially recognised on the first of the following dates:

- a) the beginning of the coverage period of the group of contracts;
- b) the date on which the first payment by an insured holder of a contract included in the group is due; and
- c) in the case of a group of onerous contracts, the date on which the group becomes onerous.

The initial recognition value of insurance liability is equal to the algebraic sum of the fulfilment cash flows (fulfilment cash flow) and the contractual service margin (CSM), where fulfilment cash flow is represented by an estimate of the discounted expected contractual cash flows (present value future cash flow – "PVFCF"), including the explicit Risk Adjustment component ("RA") to take into account non-financial risks, while the CSM represents the present value of expected future profits arising from the contract

All contracts are grouped in order to identify "portfolios" that have similar risks and can be managed together. Each portfolio is then divided into groups of contracts:

- a) groups of contracts that are expensive at the time of initial recognition;
- b) groups of contracts which at the time of initial recognition have no significant possibility of becoming onerous thereafter; and
- c) the group comprising the other contracts in the portfolio.

Measurement

International accounting standard IFRS 17 requires an update of the insurance liability in each reporting period to verify the consistency of estimates made with market conditions, to reflect the changes arising from the insurance services provided and the recognition of any liabilities for claims that have occurred

The effects of any updates recorded are included in the income statement if the changes refer to current or past events or to a reduction in the contractual service margin if the changes are due to future events.

With regard to financial assumptions, the standard gives the option of representing the effects of the changes in the income statement or shareholders' equity (OCI option).

The standard provides that the profitability generated by the policies over the course of their life “by margins” is represented in the income statement, i.e. a representation of the effect of the expected margins of insurance contracts through the initial quantification of the CSM and its release over the life of the underlying contracts. Accordingly, it does not provide for the recognition of premiums as revenues at the time of signing the contract and claims as costs. This margin is included in the table within captions I60. Result of insurance services Balance of revenues and financial costs relating to insurance management that include both insurance revenues and costs for insurance services arising from insurance contracts issued. However, it should be noted that in the case of onerous contracts, the loss is recognised directly in profit or loss.

Transition

On first time adoption, the standard stipulates that all contracts in the portfolio are to be recognised as if the standards introduced had always been in force, with retroactive application.

This methodology, called the Full Retrospective Approach (FRA), can be difficult to apply due to the unavailability of historical series and attributes provided for in the new standard. The standard therefore gives the option of using two other methods:

- the Modified Retrospective Approach (MRA), which approximates the results of the model described above through a retrospective approach, with some simplifications;
- the Fair Value Approach (FVA), according to which the contractual service margin is determined as the difference between the fair value of the group of contracts and the value of the fulfilment cash flows at the same date.

METHODOLOGICAL CHOICES OF THE MEDIOLANUM GROUP

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 the 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. The simplified accounting model (Premium Allocation Approach) is not applied.

Coverage Units

For the purposes of representing profitability profiles over time ("amortisation 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 was retroactively represented from 1 January 2022.

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 the estimate of liabilities to policyholders and the contractual service margin, in accordance with the business model adopted by the Group, which provides that insurance companies pay distribution companies (Banca Mediolanum and Banco Mediolanum) remuneration for sales and maintenance of the insurance portfolio, while distribution companies incur direct costs for this remuneration to the sales network, for the purposes of preparing the consolidated financial statements of the financial conglomerate, to determine cash flows and therefore the contractual service margin, account was taken of the remuneration of the network for the part closely associated with insurance products rather than the remuneration between companies and distribution companies.

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.

It should be noted, in particular, that the main differences between the two frameworks for the measurement of insurance liabilities relate to:

- the identification of contract boundaries, i.e. the determination of whether a contractual option should be included in the projected cash flows from the issue of the contract or whether its exercise entails the generation of a new group of contracts;
- the determination of the discount curve;
- the determination of the risk margin under the Solvency regime and the risk adjustment in the IFRS 17 accounting standard.

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.

EFFECTS OF FIRST TIME ADOPTION

Under International Accounting Standard and Circular 262, a comparative period must be presented. The transition date is therefore 1 January 2022, i.e. the start date of the financial year immediately preceding the date of initial application (1 January 2023 - First Time Adoption – FTA).

The effect on shareholders' equity of the adoption of the new standard consists of the first time adoption reserve and the valuation reserve, determined on 1 January 2022.

The rules used to restate the items in the statement of financial position and the income statement according to the schedule introduced by the 8th update to Bank of Italy Circular No. 262/2005 are as follows:

7th update to Bank of Italy Circular 262/2005	8th update to Bank of Italy Circular 262/2005
Statement of financial position – Assets	
80. Reinsurers' share of reserves	80. Insurance assets <i>a) insurance contracts written that are classified as assets</i> <i>b) reinsurance cessions that are classified as assets</i>
Statement of financial position – Liabilities	
110. Technical provisions	110. Insurance liabilities <i>a) insurance contracts written that are classified as liabilities</i> <i>b) reinsurance cessions that are classified as liabilities</i>
Income statement	
160. Net premiums	160. Result of insurance services <i>a) insurance revenues deriving from insurance contracts written</i> <i>b) costs of insurance services deriving from insurance contracts written</i> <i>c) insurance revenues deriving from reinsurance cessions</i> <i>d) costs of insurance services deriving from reinsurance cessions</i>
170. Balance of other income/expenses of insurance management	170. Balance of revenues and financial costs relating to insurance management <i>a) net financial costs/revenues relating to insurance contracts written</i> <i>b) net financial revenues/costs relating to reinsurance cessions</i>

Reconciliation between the consolidated financial statements at 31 December 2022 and the consolidated financial statements of the new Circular No. 262 8th update at 31 December 2022

The reconciliation statements between the Group's consolidated accounting schedules as presented in the financial statements at 31 December 2022 and the accounting schedules introduced by the 8th update to Bank of Italy Circular No. 262, which take into account the entry into force of the new IFRS 17 international accounting standard, are set out below. In these schedules, the balances at 31 December 2022 (determined according to IFRS 4) presented according to the accounting schedule previously presented, are reconciled to the new items according to the classification criteria introduced by IFRS 17.

Data in €/000

Statement of financial position – Assets

ASSETS		31.12.2022		Circular No. 262/2005 8th update																		
				10. Cash and cash equivalents	20. Financial assets at fair value through profit or loss	a)Financial assets held for trading	b)Financial assets designated at fair value	c)Other financial assets mandatorily measured at fair value	30. Financial assets measured at fair value through other comprehensive income	40. Financial assets measured at amortised cost	a)loans to banks	b)loans to customers	50. Hedging derivatives	80. Insurance assets	b) reinsurance cessions that are classified as assets	90. Tangible assets	100. Intangible assets	- goodwill	110. Tax assets	a) current	b) deferred	120. Non-current assets and disposal groups
Circular No. 262/2005 7th update	10. Cash and cash equivalents	2,351,741																				
	20. Financial assets at fair value through profit or loss	32,003,209	32,003,209																			
	a)Financial assets held for trading	1,148,437		1,148,437																		
	b)Financial assets designated at fair value	30,667,223			30,667,223																	
	c)Other financial assets mandatorily measured at fair value	187,549				187,549																
	30. Financial assets measured at fair value through other comprehensive income	1,089,785					1,089,785															
	40. Financial assets measured at amortised cost	36,132,707						36,132,707														
	a)Loans to banks	455,358						455,358														
	b)Loans to customers	35,677,349							35,677,349													
	50. Hedging derivatives	430								430												
	80. Reinsurers' share of technical provisions	71,825									71,825	71,825										
	90. Tangible assets	229,248											229,248									
	100. Intangible assets	207,782												207,782								
	of which:																					
	- goodwill	125,625													125,625							
	110. Tax assets	589,083														589,083						
	a) current	496,940														496,940						
	b) deferred	92,143																92,143				
	120. Non-current assets and disposal groups	2,010																		2,010		
	130. Other assets	921,070																			921,070	
	Total assets		73,598,890	2,351,741	32,003,209	1,148,437	30,667,223	187,549	1,089,785	36,132,707	455,358	35,677,349	430	71,825	71,825	229,248	207,782	125,625	589,083	496,940	92,143	2,010

With regard to assets, the reclassifications concerned:

- item 80. *Reinsurers' share of technical provisions*, which stood at €71.8 million at 31 December 2022, was fully allocated to the new item 80. *Insurance assets* as a result of the new presentation introduced by IFRS 17.

Statement of financial position – Liabilities

LIABILITIES 31/12/2022			Circular No. 262/2005 8th update																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
			10. Financial liabilities measured at amortised cost	a) Payables to banks	b) Payables to customers	c) Debt securities in issue	20. Financial liabilities held for trading	30. Financial liabilities measured at fair value	40. Hedging derivatives	60. Tax liabilities	a) current	b) deferred	80. Other liabilities	90. Employee severance benefits	100. Provisions for risk and charges	a) commitments and guarantees given	b) quiescence and other liabilities	c) other provisions for risk and charges	110. Insurance liabilities	a) insurance contracts written that are classified as liabilities	b) reinsurance cessions that are classified as liabilities																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
Circular No. 262/2005 7th update	10.	Financial liabilities measured at amortised cost	36,297,889	36,297,889																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
	a)	Payables to banks	370,622	370,622																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
	b)	Payables to customers	35,626,824		35,626,824																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
	c)	Debt securities in issue	300,443		300,443																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
	20.	Financial liabilities held for trading	11,952		11,952																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
	30.	Financial liabilities measured at fair value	13,086,968			13,086,968																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
	40.	Hedging derivatives	2,594				2,594																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	60.	Tax liabilities	138,788					138,788																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
	a)	currents	115,327						115,327																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	b)	deferred	23,461							23,461																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
	80.	Other liabilities	830,636								830,636																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
	90.	Employee severance benefits	11,657									11,657																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
	100.	Provisions for risk and charges	313,202										313,202																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
	a)	commitments and guarantees given	658											658																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
	b)	quiescence and similar liabilities	499												499																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
	c)	other provisions for risk and charges	312,045.00													321,045																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
	110.	Technical provisions	19,969,825											57,301																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			

With respect to liabilities, the reclassifications concerned:

- item 110. *Technical provisions*, which amounted to €19,969.8 million at 31 December 2022, allocated to the new item 110. *Insurance liabilities* and partly to item 80. *Other liabilities*.

Statement of financial position – Shareholders' equity

LIABILITIES 31/12/2022			Circular No. 262/2005 8th update						
			120. Valuation reserves	150. Reserves	155. of which interim dividends	160. Issue premiums	170. Capital	180. Treasury shares (-)	200. Net income for the year (+/-)
Circular No. 262/2005 7th update	120. Valuation reserves	(41,109)	(41,109)						
	150. Reserves	2,059,215		2,059,215					
	155. Interim dividends	(177,133)			(177,133)				
	160. Issue premiums	5,297				5,297			
	170. Capital	600,452					600,452		
	180. Treasury shares (-)	(33,146)						(33,146)	
	200. Net income for the year (+/-)	521,803							521,803
2,935,379			(41,109)	2,059,215	(177,133)	5,297	600,452	(33,146)	521,803

Income Statement at 31 December 2022

		8th update of Circ. 262 Bank of Italy																			
		10.	20.	30.	40.	50.	60.	70.	80.	90.	100.	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	a) financial assets and liabilities designated at fair value	b) other financial assets mandatorily measured at fair value	Operating income	Credit-risk induced net value adjustments/write-backs relating to:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other financial operations	
✓	10. Interest income and similar income	552,927	552,927																		
✓	20. Interest expense and similar expenses	(80,143)	(80,143)																		
✓	30. Net interest income	472,784		472,784																	
✓	40. Commission income	1,829,922			1,829,922																
✓	50. Commission expense	(767,297)				(767,297)															
✓	60. Net commission expense	1,062,625					1,062,625														
✓	70. Dividends and similar income	25,421						25,421													
✓	80. Net gains (losses) from trading	(15,183)							(15,183)												
✓	90. Net gains (losses) from hedging	1,702								1,702											
✓	100. Gains (losses) from disposal or repurchase of:	1,798									1,798										
	a) financial assets measured at amortised cost	(144)										(144)									
	b) financial assets measured at fair value through other comprehensive income	1,942											1,942								
✓	110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	(3,107,530)												(3,107,530)							
	a) financial assets and liabilities designated at fair value	(3,107,146)													(3,107,146)						
	b) other financial assets mandatorily measured at fair value	(384)														(384)					
✓	120. Operating income	(1,558,383)															(1,558,383)				
✓	130. Credit-risk induced net value adjustments/write-backs relating to:	(22,424)																(22,424)			
	a) financial assets measured at amortised cost	(22,600)																	(22,600)		
	b) financial assets measured at fair value through other comprehensive income	176																		176	
✓	150. Net gain (loss) from financial operations	(1,580,807)																			(1,580,807)
	Net gain (loss) from financial operations	(1,580,807)	552,927	(80,143)	472,784	1,829,922	(767,297)	1,062,625	25,421	(15,183)	1,702	1,798	(144)	1,942	(3,107,530)	(3,107,146)	(384)	(1,558,383)	(22,424)	(22,600)	176

Income statement 31 December 2022

		8th update of Circ. 262 Bank of Italy																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
		Real of Insurance services a) Insurance revenue from contracts written b) Costs of insurance contracts written c) Insurance revenue deriving from insurance contracts d) Costs of insurance services deriving from insurance contracts e) Balance of revenues from insurance management f) Net financial result from insurance contracts written g) Net financial result from insurance operations Net gain (loss) from financial and insurance operations Administrative expenses: a) Staff costs b) Other administrative expenses Net provisions for risk and charges a) Commitments and guarantees given b) Other net provisions Net value adjustments/write-backs of tangible assets Net value adjustments/write-backs of intangible assets Other operating income/expenses Operating costs Gains (losses) on disposal of investments Net income from continuing operations before tax Taxes on income from continuing operations Net income from continuing operations after tax Net income for the period Net income for the period attributable to the Parent Company Net income from continuing operations after tax Net income for the year Net income from continuing operations after tax Net income for the year Net income from continuing operations after tax Net income for the year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
7th update of Circ. 262 Bank of Italy	160.	Net premiums	2,206,984	2,206,984	2,244,186	(37,202)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												

The reclassifications concerned:

- Item 160. Net premiums and Item 170. Other insurance operating income/expenses, which amounted to €2,207 million and €793 million respectively at 31 June 2022, allocated to the new items: 160. Result of insurance management and 170. Balance of revenues and financial costs relating to insurance management



Opening financial statements

Reconciliation between the Group's consolidated statement of financial position at 31 December 2022 (incorporating the new IFRS 17 presentation rules) and the Group's consolidated statement of financial position at 1 January 2023 (which

The statements of reconciliation between the Group's consolidated statement of financial position at 31 December 2022, incorporating the reclassification at parity of the accounting balances under the new IFRS 17 classification rules, and the statement of financial position at 1 January 2023, are set out below. The accounting balances at 31 December 2022 (values determined pursuant to IFRS 4 for the insurance companies) were changed due to the adoption of IFRS 17; the reclassification and adjustment effects deriving from the redesign of the financial assets underlying the Medinvest separate management were also indicated. In particular, securities were reclassified from the "Hold to collect" section to the "Hold to collect and sell" section.

In particular, the following are presented:

- Effect as at 1 January 2022: shows the impacts of the application of IFRS 17 existing at the transition date;
- Effect during 2022: shows the impacts of the application of IFRS 17 that would have occurred in 2022.

Assets

€/000	31.12.2022	Impacts 01/01/2022	Movements in FY 2022	01.01.2023
10. Cash and cash equivalents	2,351,741			2,351,741
20. Financial assets at fair value through profit or loss	32,003,209			32,003,209
a) Financial assets held for trading	1,148,437			1,148,437
b) Financial assets designated at fair value	30,667,223			30,667,223
c) Other financial assets mandatorily measured at fair value	187,549			187,549
30. Financial assets measured at fair value through other comprehensive income	1,089,785	444,098	126,572	1,660,455
40. Financial assets measured at amortised cost	36,132,707	(375,851)	(231,989)	35,524,867
a) Loans to banks	455,358	(71,157)	(29,142)	355,059
b) Loans to customers	35,677,349	(304,694)	(202,847)	35,169,808
50. Hedging derivatives	430			430
80. Insurance assets	71,825	(2,434)	(284)	69,107
90. Tangible assets	229,248			229,248
100. Intangible assets	207,782			207,782
of which:				
- goodwill	125,625			125,625
110. Tax assets	589,083	46,160	14,025	649,268
a) current	496,940			496,940
b) deferred	92,143	46,160	14,025	152,328
120. Non-current assets and disposal groups	2,010			2,010
130. Other assets	921,070		(1,050)	920,020
TOTAL ASSETS	73,598,890	111,973	(92,726)	73,618,137

The most significant impacts on asset items due to the adoption of IFRS 17 were as follows:

- a reclassification of approximately €444 million between the "Financial assets measured at amortised cost" section and the "Financial assets designated at fair value through other comprehensive income" section, including the effect of the change in the valuation criterion from amortised cost to fair value. The change between the two portfolios is due to the reassessment of the designation of the financial assets underlying certain

insurance contracts previously mentioned. This reclassification also affected the change in the balances recorded in 2022;

- there was also a reduction in Item 80. Insurance assets of approximately €2.4 million at 1 January 2022 due to the new IFRS 17 valuation criteria, which determine a different method for the measurement of reinsurers' share of reserves. In 2022, the change in this item due to the change of standard was a decrease of -€0.2 million.

As a result of the overall changes recognised at the transition date and the date of first-time adoption, a tax effect was recognised equal to higher prepaid taxes of +€46 million at 1 January 2022 and of +€14 million during 2022.

Liabilities and shareholders' equity

€/000	31.12.2022	Impacts 01/01/2022	Movements in FY 2022	01.01.2023
10. Financial liabilities measured at amortised cost	36,297,889			36,297,889
a) Payables to banks	370,622			370,622
b) Payables to customers	35,626,824			35,626,824
c) Debt securities in issue	300,443			300,443
20. Financial liabilities held for trading	11,952			11,952
30. Financial liabilities designated at fair value	13,086,968			13,086,968
40. Hedging derivatives	2,594			2,594
60. Tax liabilities	138,788	25,944	16,016	180,748
a) current	115,327			115,327
b) deferred	23,461	25,944	16,016	65,421
80. Other liabilities	887,937			887,937
90. Employee severance benefits	11,657			11,657
100. Provisions for risk and charges	313,202			313,202
a) commitments and guarantees given	658			658
b) pensions and similar obligations	499			499
c) other provisions for risk and charges	312,045			312,045
110. Insurance liabilities	19,912,524	71,563	(106,887)	19,877,200
a) insurance contracts written that are classified as liabilities				19,877,200
120. Valuation reserves	(41,109)	(2,187)	13,119	(30,177)
150. Reserves	2,059,215	16,653		2,075,868
155. Interim dividends	(177,133)			(177,133)
160. Issue premiums	5,297			5,297
170. Capital	600,452			600,452
180. Treasury shares (-)	(33,146)			(33,146)
200. Net income for the year (+/-)	521,803		(14,974)	506,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	73,598,890	111,973	(92,726)	73,618,137

With regard to liabilities, the application of the new IFRS 17 valuation criteria had an effect, mainly on item 110. Insurance liabilities, which increased by +€71.6 million at 1 January 2022. This value was more than offset during 2022 due to the financial performance (-€107 million). With regard to contracts with direct participation features, capital losses recognised on underlying investments are recognised in insurance liabilities, as a balancing entry to the valuation reserve

With regard to the impacts recognised in shareholders' equity, please see the description in the section "Effects on shareholders' equity of the adoption of IFRS 17" below.

Effects on shareholders' equity of the adoption of IFRS 17

Details of the changes in shareholders' equity at 1 January 2023 following the application of IFRS 17 are provided below.

Data in €/000

CONSOLIDATED SHAREHOLDERS' EQUITY 31/12/2022	2,935,379
Effects of first time adoption at 1 January 2022	16,653
2022 profit delta	(14,974)
OCI reserve delta at 31 December 2022	10,932
CONSOLIDATED SHAREHOLDERS' EQUITY 01/01/2023	2,947,990

The change in opening shareholders' equity in the consolidated financial statements was €12.6 million and can be broken down as follows:

- €16.7 million relating to the impacts of the first time adoption of IFRS 17 at 1 January 2022;
- -€15.0 million relating to the change in the profit for 2022 of the three companies, Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life, compared with the amount determined in accordance with IFRS 4;
- +€10.9 million relating to the other comprehensive income (OCI) valuation reserve, influenced by both the reassessment of the business model mentioned above and the application of the "accounting option" ("OCI option") that allows for the recognition in other comprehensive income 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.

It should be noted that the application of this standard also had an effect on the individual financial statements of Banca Mediolanum.

In particular, in accordance with the valuation criterion of the equity investments adopted, i.e. the equity method, the application of the new standard had an effect on the shareholders' equity of the investees at 1 January 2022, as shown above, of €19,732 thousand, on the result for 2022 of these with an effect on the profit performance of Banca Mediolanum in 2022 of -€8,484 thousand, and on the valuation reserve of the subsidiaries, with an impact on the corresponding item of Banca Mediolanum of €11,926 thousand. Therefore, the effects of the first-time adoption of IFRS 17 on Banca Mediolanum's financial statements are substantially in line with those recorded in the consolidated financial statements.

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;

non-financial assumptions (e.g. demographic assumptions related to the prospective mortality of the insured population, expected evolution of claims) and financial assumptions (deriving from the possible evolution of the financial markets) used for the valuation of insurance products in accordance with IFRS 17.

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 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

The accounting policies used to prepare these consolidated financial statements, with reference to the phases of classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the methods of recognising revenues and costs and the consolidation criteria, are consistent with those used to prepare the 2022 consolidated financial statements of the Banca Mediolanum Group, with the exception of those relating to the insurance items in the statement of financial position and income statement that have been revised following the mandatory adoption, with effect from 1 January 2023, of the international accounting standard: “IFRS 17 – Insurance Contracts” which replaced IFRS 4 with regard to the rules governing the classification and measurement of insurance contracts.

The following information is provided below:

- the IFRS accounting standards, amendments and interpretations applied as of 1 January 2023;
- 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 2023;
- the IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union.

IFRS accounting standards, amendments and interpretations applicable as of 1 January 2023

The following table shows the new international accounting standards or amendments to accounting standards that came into force in 2023.

Title of document issued by the IASB	Date of publication of the IASB document	Approval date	Effective Date	Date of publication in the OJEU
IFRS 17 “Insurance Contracts” and subsequent amendments	18 May 2017, 25 June 2020 and December 2021	Regulation (EU) 2016/1191 2036 of 19 November 2021	1 January 2023	23 November 2021 and 9 September 2022
Amendments to IAS 8: Definition of accounting estimates	12 February 2021	Regulation (EU) 2016/1191 1491 of 8 September 2022	1 January 2023	3 March 2022
Amendments to IAS 1 and IFRS Practice Statement 2: Information about accounting policies	12 February 2021	Regulation (EU) 2016/1191 357 of 2 March 2022	1 January 2023	3 March 2022
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7 May 2021	Regulation (EU) 2016/1191 1392 of 11 August 2022	1 January 2023	12 August 2022
International Tax Reform – Second Pillar Standard Rules (Amendments to IAS 12)	23 May 2023	Regulation (EU) 2016/1191 2468 of 8 November 2023	Immediately/ 1 January 2023	9 November 2023

In addition to what has been indicated with reference to the introduction of IFRS 17 and what has been specified with regard to the International Tax Reform (Pillar II Disclosure) in the relevant sections of the financial statements, Regulation No. 357/2022 of 2 March 2022, adopting amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and Regulation No. 1392/2022 of 11 August 2022, adopting amendments to IAS 12 Income Taxes, the main contents of which are set out below.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments to IAS 8 seek to clarify the distinction between changes in accounting policies and changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and events, while changes in accounting standards are generally applied retroactively to past transactions and events. The definition of an accounting estimate was also added, which was not previously provided for – “accounting estimates are monetary amounts in the financial statements subject to valuation uncertainty” – and other amendments introduced in order to provide more clarifications.

It should be noted that an entity may need to change an accounting estimate if there are changes in the circumstances on which the estimate was based or as a result of new information, new developments or greater experience. By its nature, the modification of an estimate is not related to previous years and is not the correction of an error, it may only affect the profit or loss for the current year or future years. Corrections of errors are distinguished from changes in accounting estimates: accounting estimates, by their nature, are approximations that require modification if additional information is known.

The procedures in IAS 8 cited above had no particular effect on the consolidated financial statements at 31 December 2023, as the Group already applied changes in principle and changes in estimates in a manner consistent with the clarifications provided.

Amendments to IAS 1 and IFRS Practice Statement 2: Information about accounting policies

These are limited amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 “Making Materiality Judgements”. The amendments to IAS 1 require companies to provide information on material accounting standards, replacing the previous wording “significant”. Information on accounting policies is material if, considered in conjunction with other information contained in the financial statements, it is reasonable to expect that it may influence the decisions of primary users of the financial statements. It is not necessary to explain accounting policies relating to immaterial transactions or events and, in any event, this information must not obscure the relevant information. In any case, entity-specific information is more useful than standardised information or that merely reproduces or summarises IFRS requirements. Some changes are also made to Practice Statement 2, which provides guidance on how to apply the concept of materiality to reporting on accounting standards. When preparing the consolidated financial statements for the year ended 31 December 2023, the Group took these indications into account, in accordance with the provisions of Circular no. BANK OF ITALY

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

With effect from 1 January 2023, the amendments to IAS 12 relating to the recognition of deferred taxes at the time of initial recognition of transactions giving rise to taxable and deductible temporary differences of equal amount are to be applied. The amendments remove the differences of treatment in the recognition of deferred taxes on transactions such as leasing and decommissioning obligations.

Amendments to IAS 12 may have significant impacts on the preparation of the financial statements of companies that have significant amounts of rights of use, lease liabilities, dismantling or restoration obligations and other similar liabilities.

The effect of the application for the parties concerned could be the recognition of further deferred tax assets and liabilities.

The adoption of this amendment had no effects on the Company's 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 2023

The following IFRS accounting standards, amendments and interpretations have been approved by the European Union but are not yet mandatorily applicable and were not adopted in advance by the Group at 31 December 2023.

Accounting standards or amendments	Date of IASB publication	Approval date	Effective Date	Date of publication in the OJEU
Amendments to IAS 1: Presentation of liabilities as current or non-current and subsequent – deferral of first application date				
• <i>Classification of Liabilities as Current or Non-current;</i> • <i>Classification of liabilities as current or non-current - deferral of effective date;</i> • <i>Non-current Liabilities with Covenants</i>	23 January 2020, 15 July 2020 and 31 October 2022	Regulation (EU) 2016/1191 at 2822 December 19	1 January 2024	20 December 2023
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22 September 2022	Regulation (EU) No 2579 of 20 November 2023	1 January 2024	21 November 2023

These amendments have been analysed and it is therefore specified that, given the nature of the business and the capital structure of the Group, these new changes to the standards will have a very limited, if not null, impact on the consolidated financial statements.

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	Date of publication in the OJEU
Amendments to IAS 7: Statement of cash flows	25 May 2023	---	1 January 2024	---
Amendments to IAS 7: a) Financial instruments	25 May 2023	---	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 designated at fair value” also includes financial assets designated at fair value through profit or loss in connection with insurance or investment contracts falling within the scope of IFRS 17 issued by an index-linked and unit-linked enterprise.

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 option Fair Value Option granted 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 “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.

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 asset 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 participate in the so-called "national tax consolidation" for IRES purposes, governed by Articles 117-129 of the TUIR, introduced into the tax legislation by Legislative Decree no. 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: a) commitments and guarantees given".

For these cases, the same methods of allocation between credit risk stages and calculation of expected loss are adopted as shown with reference to financial assets measured at amortised cost or at fair value with an impact on comprehensive income.

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.

Contributions made in each financial year are considered as separate units, recognised and valued individually for the purposes of determining the final obligation. Actuarial gains and losses (i.e. changes in the present value of the obligation arising from changes in actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

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. Provisions are released when it becomes unlikely that resources capable of yielding economic benefits will be expended in order to discharge the obligation or when the obligation is extinguished.

“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. This item includes liabilities related to unit-linked products classified as financial in accordance with accounting standards.

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

Classification criteria

This category includes insurance assets and liabilities falling within the scope of IFRS 17 – Insurance Contracts.

In particular, *insurance assets and liabilities* are recorded assets and liabilities that transfer an insurance risk measured as significant and include temporary death policies, certain types of unit-linked policies, non-life policies and reinsurance components. Also included are liabilities recognised for investment products with discretionary participation features (separate management) as well as Class V capitalisation policies.

Classification depends on the net balance of the portfolio to which the contracts belong. Insurance contracts with a positive balance are classified as insurance liabilities, while reinsurance cession contracts have a positive balance and are therefore classified as insurance assets.

Recognition criteria

The initial recognition value of insurance liability is equal to the algebraic sum of the fulfilment cash flows (fulfilment cash flow) and the contractual service margin (CSM), where fulfilment cash flow is represented by an estimate of the expected discounted contractual cash flows, including the explicit component of risk adjustment to take into account non-financial risks, while the CSM, which represents the present value of the expected future profits arising from the contract. Accounting takes place by groups of contracts (units of account) that present similar risk and combined management and do not contain contracts written more than 12 months apart (cohorts). Each group of contracts is further classified according to its profitability. The following are treated separately: onerous contracts at initial recognition, contracts that at the time of initial recognition have no significant possibility of subsequently becoming onerous and the group comprising the other contracts in the portfolio. In order to define the profitability classes, an onerousness test is carried out.

Measurement criteria

At each reporting date, an insurance liability measurement must be carried out on the basis of the latest information.

In particular, the Mediolanum Group applies:

- 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).

General Model

At initial recognition, the General Model measures a group of contracts according to the sum of the expected contractual cash flows, the risk adjustment and the contractual service margin.

Expected cash flows are determined according to defined contract boundaries, which are linked to the insurance contracts. The contractual service margin defined at the consolidated level takes into account the costs incurred by the Group vis-a-vis third parties, as the insurance products are distributed by the Parent Company, Banca Mediolanum, and by the Spanish subsidiary, Banco Mediolanum.

After initial recognition, the book value is redefined on the basis of more up-to-date financial and non-financial assumptions. At each reporting date, a cash flow update is then carried out. The update to these assumptions is recognised as a balancing entry to the contractual service margin, if they relate to future services, or directly in profit or loss if they relate to past services.

After the update, the contractual service margin is released into profit according to the service provided over the term of the contract

Variable Fee Approach

The standard requires this model to be applied to contracts with profit participation features. The VFA has the same initial recognition rules as the model described above but envisages some changes in the movements in subsequent observations.

In addition to the provisions of the General Model, the model includes the financial profits attributable to the Group deriving from the management of the assets underlying the contracts valued using the VFA.

This model includes all unit-linked insurance contracts and all contracts related to the Medinvest separate management of Mediolanum Vita.

Modification and Cancellation Criteria

The insurance contract must be eliminated from the accounts when the contract is terminated, or when the obligation provided for in the contract has expired or been cancelled.

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. The estimate of future disbursements is made on the basis of historical statistical analyses (for example turnover and retirements) and the demographic curve, including the hypotheses of salary increase provided for by Article 2120 of the Italian Civil Code (application of a fixed rate of 1.5% 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 receivables introduced by decrees No. 18/2020 "Cura Italia" and No. 34/2020 "Relaunch" purchased following the sale by the direct beneficiaries or previous purchasers refers to tax incentive measures relating to investment expenses (e.g. eco and sismabonus).

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.

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 1.

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.

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	4,983,666	N.A.

The above value represents the carrying amount of the residual securities at the end of 2023.

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 floating-rate securities and medium/long-term fixed-rate securities were assigned to the HtC portfolio as, according to the Bank, they were more consistent with stable funding.

2023 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 taken as an approximation of the fair value, provided that it can actually be considered an approximation of the FV.

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. On the basis of the work performed, sensitivity analyses were carried out on the fair value of the equity investment, showing a variability thereof of +/-4% when the liquidity discount changed (100 bps).

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 2023 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 2023, 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. At 30 November 2023, there was a change in the fair value level of 1 stock that has moved from Level 1 to Level 2. At the reference date, the security in question no longer had the liquidity and listing characteristics typical of level 1. As a result, the possibility of pricing through the procedures provided for in the policy or through verification of possible market contributors was no longer possible, an ad hoc pricer was prepared with FV at level 2.

On the same security, specifically the Italian public debt security, another change was recorded on 31 December 23 with the change in level 2 to level 1 as the security, on the date indicated, once again has the market characteristics necessary to overcome the active market rules provided for by the Group's internal regulations, and was therefore not subject to assessment through internal pricing.

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	31.12.2023			31.12.2022		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	35,781,572	159,467	255,000	31,584,845	196,523	221,841
a) Financial assets held for trading	991,747	552	6,996	1,142,015	473	5,949
b) Financial assets designated at fair value	34,759,934	158,915	71,567	30,414,016	196,050	57,157
c) Other financial assets mandatorily measured at fair value	29,891	-	176,437	28,814	-	158,735
2. Financial assets measured at fair value through other comprehensive income	1,975,750	5,137	52,871	1,606,121	3,827	50,507
3. Hedging derivatives	-	53	-	-	430	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	37,757,322	164,657	307,871	33,190,966	200,780	272,348
1. Financial liabilities held for trading	-	8,453	5	-	11,952	-
2. Financial liabilities designated at fair value	15,005,819	5,400	-	13,086,968	-	-
3. Hedging derivatives	-	3,605	-	-	2,594	-
TOTAL	15,005,819	17,458	5	13,086,968	14,546	-

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	221,841	5,949	57,157	158,735	50,507	-	-	-
2. Increases	67,823	2,073	24,441	41,309	2,391	-	-	-
2.1. Purchases	43,081	757	24,441	17,883	1,000	-	-	-
2.2. Profits booked to:	10,645	1,180	-	9,465	1,163	-	-	-
2.2.1. Income statement	10,645	1,180	-	9,465	-	-	-	-
- of which, capital gains	10,382	1,092	-	9,290	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	1,163	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	14,097	136	-	13,961	228	-	-	-
3. Decreases	(34,664)	(1,026)	(10,031)	(23,607)	(27)	-	-	-
3.1. Sales	(7,755)	(693)	(373)	(6,689)	(2)	-	-	-
3.2. Redemptions	(442)	-	-	(442)	-	-	-	-
3.3. Losses charged to:	(21,186)	(333)	(9,658)	(11,195)	-	-	-	-
3.3.1. Income statement	(21,186)	(333)	(9,658)	(11,195)	-	-	-	-
- of which, capital losses	(1,872)	(250)	-	(1,622)	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(5,281)	-	-	(5,281)	(25)	-	-	-
4. Closing balances	255,000	6,996	71,567	176,437	52,871	-	-	-

A.4.5.3 Changes during the year in assets measured at fair value on a recurring basis (Level 3)

€/000	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balances	-	-	-
2. Increases	5	-	-
2.1. Emissions	-	-	-
2.2. Losses charged to:	-	-	-
2.2.1. Income statement	-	-	-
- of which, capital losses	-	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	5	-	-
3. Decreases	-	-	-
3.1. Redemptions	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits booked to:	-	-	-
3.3.1. Income statement	-	-	-
- of which, capital gains	-	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	5	-	-

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	31.12.2023				31.12.2022			
	CA	LI	L2	L3	CA	LI	L2	L3
1. Financial assets measured at amortised cost	36,920,252	18,884,914	-	19,354,964	35,524,867	17,279,765	-	18,192,218
2. Tangible assets held for investment purposes	58,695	-	-	63,960	61,255	-	-	67,210
3. Non-current assets and disposal groups	56	-	-	-	2,010	-	-	2,787
TOTAL	36,979,003	18,884,914	-	19,418,924	35,588,132	17,279,765	-	18,262,215
1. Financial liabilities measured at amortised cost	35,225,709	322,880	-	34,912,593	36,297,889	300,699	-	35,997,446
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	35,225,709	322,880	-	34,912,593	36,297,889	300,699	-	35,997,446

A.5 – REPORTING ON DAY ONE PROFIT/LOSS

The Group did not carry out any transactions leading to “day one profit/loss”

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

Euro	Total	Total
	31.12.2023	31.12.2022
a) Cash	3,065	2,999
b) Current accounts and demand deposits with central banks	27,154	2,197,150
c) Current accounts and demand deposits with banks	157,915	151,592
Total	188,134	2,351,741

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	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	935,572	-	173	1,086,109		110
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	935,572	-	173	1,086,087		110
2. Equity securities	56,175	-	6,823	55,869	-	5,839
3. Units in investment funds (UCIs)	-	-	-	37	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	991,747	-	6,996	1,142,015		5,949
B. Derivative instruments						
1. Financial derivatives	-	552	-	-	473	-
1.1 for trading	-	552	-	-	473	-
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)	-	552	-	-	473	-
TOTAL (A+B)	991,747	552	6,996	1,142,015	473	5,949

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

€/000	31.12.2023	31.12.2022
A. ON-BALANCE SHEET ASSETS		
1. Debt securities	935,745	1,086,219
a) Central banks	-	-
b) General government	935,594	1,086,083
c) Banks	126	107
d) Other financial corporations	25	29
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	62,998	61,708
a) Banks	-	-
b) Other financial corporations	62,994	61,458
of which: insurance companies	-	-
c) Non-financial corporations	4	250
d) Other issuers	-	-
3. Units of UCIs	-	37
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)	998,743	1,147,964
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	552	473
TOTAL (B)	552	473
TOTAL (A+B)	999,295	1,148,437

2.3 Financial assets designated at fair value: breakdown by type

€/000	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,224,160	4,702	71,567	1,377,041	42,591	57,157
1.1 Structured notes	1,224,160	4,702	71,567	1,377,041	42,591	57,157
1.2 Other debt securities	-	-	-	-	-	-
2. Loans	33,535,774	154,213	-	29,036,975	153,459	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	33,535,774	154,213	-	29,036,975	153,459	-
TOTAL	34,759,934	158,915	71,567	30,414,016	196,050	57,157

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

€/000	31.12.2023	31.12.2022
1. Debt securities	1,269,346	1,476,789
a) Central banks	-	-
b) General government	199,488	162,866
c) Banks	153,340	194,711
d) Other financial corporations	294,664	397,489
of which: insurance companies	5,557	15,032
e) Non-financial corporations	621,854	721,723
2. Loans	33,721,070	29,190,434
a) Central banks	-	-
b) General government	-	-
c) Banks	49,821	41,782
d) Other financial corporations	33,671,249	29,148,652
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
TOTAL	34,990,416	30,667,223

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

€/000	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. Units in investment funds (UCIs)	29,891	-	176,437	28,814	-	158,735
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	29,891	-	176,437	28,814	-	158,735

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	31.12.2023	31.12.2022
1. Equity securities	-	-
of which: banks	-	-
of which: other financial corporations	-	-
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)	206,328	187,549
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	206,328	187,549

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	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,649,707	5,137	45,030	1,344,690	3,827	43,859
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	1,649,707	5,137	45,030	1,344,690	3,827	43,859
2. Equity securities	326,043	-	7,841	261,431	-	6,648
3. Loans	-	-	-	-	-	-
TOTAL	1,975,750	5,137	52,871	1,606,121	3,827	50,507

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	31.12.2023	31.12.2022
1. Debt securities	1,699,874	1,392,375
a) Central banks	-	-
b) General government	1,364,593	1,040,725
c) Banks	211,756	242,115
d) Other financial corporations	104,705	90,085
of which: insurance companies	30,786	26,690
e) Non-financial corporations	18,820	19,450
2. Equity securities	333,884	268,080
a) Banks	326,013	261,390
b) Other issuers:	7,871	6,690
- other financial corporations	534	360
of which: insurance companies	-	-
- non-financial corporations	7,313	6,289
- other	24	41
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	2,033,758	1,660,455

3.3 Financial assets measured at fair value through other comprehensive income: gross value and overall 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	1,702,605	1,702,605	-	-	-	(2,731)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	1,702,605	1,702,605	-	-	-	(2,731)	-	-	-	-
Total 31.12.2022	1,394,719	1,394,719	-	-	-	(2,344)	-	-	-	-

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						
	31.12.2023						
	Carrying amount			Fair value			
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3	
A. Loans to central banks	26,645	-	-	-	-	-	26,645
1. Deposits at notice	-	-	-	X	X	X	X
2. Mandatory reserve	26,645	-	-	X	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	X
4. Other	-	-	-	X	X	X	X
B. Loans to banks	134,057	-	-	46,172	-	-	88,308
1. Loans	88,307	-	-	-	-	-	88,308
1.1 Current accounts	-	-	-	X	X	X	X
1.2. Deposits at notice	50,175	-	-	X	X	X	X
1.3. - Other loans:	38,132	-	-	X	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	X
- Leasing loans	-	-	-	X	X	X	X
- Other	38,132	-	-	X	X	X	X
2. Debt securities	45,750	-	-	46,172	-	-	-
2.1 Structured notes	-	-	-	-	-	-	-
2.2 Other debt securities	45,750	-	-	46,172	-	-	-
Total	160,702	-	-	46,172	-	-	114,953

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 2 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	-	-	-	-	265,792
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	89,266	-	-	19,174	-	47,460
1. Loans	69,028	-	-	-	-	47,460
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	20,238	-	-	19,174	-	-
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	20,238	-	-	19,174	-	-
Total	355,059	-	-	19,174	-	313,252

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					
	31.12.2023					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	17,707,579	133,120	2,919	-	-	19,240,011
1.1. Current accounts	493,362	5,257	389	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X
1.3. Mortgages	12,047,317	64,999	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	3,027,503	32,403	2,441	X	X	X
1.5. Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	2,139,397	30,461	89	X	X	X
2. Debt securities	18,915,932	-	-	18,838,742	-	-
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	18,915,932	-	-	18,838,742	-	-
Total	36,623,511	133,120	2,919	18,838,742	-	19,240,011

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 2 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	116,314	2,472	-	-	17,878,847
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	17,818,353	-	-	17,260,591	-	119
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	17,818,353	-	-	17,260,591	-	119
Total	35,051,022	116,314	2,472	17,260,591	-	17,878,966

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by borrower/issuer

€/000	Total			Total		
	31.12.2023			31.12.2022		
	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	18,915,932	-	-	17,818,353	-	-
a) General government	18,903,200	-	-	17,802,672	-	-
b) Other financial corporations	12,732	-	-	15,681	-	-
of which: insurance companies	2,733	-	-	2,769	-	-
c) Non-financial corporations	-	-	-	-	-	-
2. Loans to:	17,707,579	133,120	2,919	17,232,669	116,314	2,472
a) General government	1,937	435	-	1,322	696	-
b) Other financial corporations	827,343	345	-	776,464	1,154	-
of which: insurance companies	3,196	-	-	2,604	592	-
c) Non-financial corporations	677,695	28,490	-	684,825	21,894	117
d) Households	16,200,604	103,850	2,919	15,770,058	92,570	2,355
Total	36,623,511	133,120	2,919	35,051,022	116,314	2,472

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	18,975,705	18,975,705	-	-	-	14,023	-	-	-	-
Loans	17,228,302	-	644,870	245,592	4,395	22,970	27,669	112,474	1,476	171
Total	31.12.2023	36,204,007	18,975,705	644,870	245,592	4,395	36,993	27,669	112,474	1,476
Total	31.12.2022	34,859,747	16,585,289	600,756	218,360	3,671	31,447	22,975	102,046	1,199

* 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

												Overall partial write-offs*			
Gross value												Overall value adjustments			
€ / 000															
			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				
New loans			186,915	-	10,200	31,299	16	(375)	(54)	(5,070)	-				
	Total	31.12.2023	186,915	-	10,200	31,299	16	(375)	(54)	(5,070)	-				
	Total	31.12.2022	235,360	-	24,650	12,095	22	(373)	(176)	(2,143)	-				

* 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	31.12.2023				31.12.2022			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	53	-	3,556	-	430	-	22,341
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	53	-	3,556	-	430	-	22,341

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 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	53	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	53	-	-	-	-	-	-	-	-	-
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 – Insurance activities – item 80

Dynamics of the carrying amount of reinsurance cessions - GMM – assets for residual coverage and claims occurred – Basis of aggregation I

€/000	Assets for residual coverage 31/12/2023		Activities for claims occurred	Total	Assets for residual coverage 31/12/2022		Activities for claims occurred	Total
	Net of loss recovery component	Loss recovery component			Net of loss recovery component	Loss recovery component		
A. Initial carrying amount	47,180	-	2,530	49,710	50,928	-	2,295	53,223
1. Reinsurance cessions that are classified as assets	47,180	-	2,530	49,710	-	-	-	-
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	47,180	-	2,530	49,710	50,928	-	2,295	53,223
B. Economic effects related to reinsurance cessions								
1. Cost of reinsurance	(24,093)	-	-	(24,093)	(20,916)	-	-	(20,916)
2. Claims and other costs recovered	-	-	14,403	14,403	-	-	20,798	20,798
3. Changes in the asset for incurred claims	-	-	412	412	-	-	235	235
4. Reinsurance cessions covering onerous contracts	-	-	-	-	-	-	-	-
4.1 Revenues related to the recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4.2 Releases of the loss recovery component other than changes in the cash flows of reinsurance contracts	-	-	-	-	-	-	-	-
4.3 Changes in cash flows of reinsurance cessions deriving from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
5. Effects of changes in the risk of default on the part of reinsurers	-	-	-	-	-	-	-	-
6. Total	(24,093)	-	14,815	(9,278)	(20,916)	-	21,033	117
C. Result of insurance services (Total B)	(24,093)	-	14,815	(9,278)	(20,916)	-	21,033	117
D. Financial revenues/costs								
1. Relating to reinsurance cessions	1,699	-	-	1,699	(1,742)	-	-	(1,742)
1.1. Recognised in profit or loss	207	-	-	207	(1,029)	-	-	(1,029)
1.2. Recognised in other comprehensive income	1,492	-	-	1,492	(713)	-	-	(713)
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	1,699	-	-	1,699	(1,742)	-	-	(1,742)
E. Investment components	-	-	-	-	-	-	-	-
F. Total amount recognised in profit or loss and in OCI (C+D+E)	(22,394)	-	-	(7,579)	(22,658)	-	-	(1,625)
G. Other changes	-	-	-	-	-	-	-	-
H. Cash movements								
1. Premiums paid net of amounts not related to claims recovered from reinsurers	18,689	-	-	18,689	18,910	-	-	18,910
2. Amount of claims recovered by reinsurers	-	-	(14,403)	(14,403)	-	-	(20,798)	(20,798)
3. Total	18,689	-	(14,403)	4,286	18,910	-	(20,798)	(1,888)
I. Net carrying amount at 31 December (A.3+F+G+H.3)	43,475	-	2,942	46,417	47,180	-	2,530	49,710
L. Closing carrying amount								
1. Reinsurance cessions that are classified as assets	43,475	-	2,942	46,417	47,180	-	2,530	49,710
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	43,475	-	2,942	46,417	47,180	-	2,530	49,710

Key

Aggregation Basis I = Life Segment

Aggregation Basis II = Non-Life Segment

Dynamics of the carrying amount of reinsurance cessions - GMM – assets for residual coverage and claims occurred – Basis of aggregation 2

€/000	Assets for residual coverage 31/12/2023		Activities for claims occurred	Total	Assets for residual coverage 31/12/2022		Activities for claims occurred	Total
	Net of loss recovery component	Loss recovery component †			Net of loss recovery component †	Loss recovery component		
A. Initial carrying amount	14,133	-	5,264	19,397	9,782	-	4,671	14,453
1. Reinsurance cessions that are classified as assets	14,133	-	5,264	19,397	-	-	-	-
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	14,133	-	5,264	19,397	9,782	-	4,671	14,453
B. Economic effects related to reinsurance cessions						-		
1. Cost of reinsurance	(14,526)	-	(282)	(14,808)	(12,246)	-	(82)	(12,328)
2. Claims and other costs recovered	96	-	19,701	19,797	411	-	8,752	9,163
3. Changes in the asset for incurred claims	-	-	5,427	5,427	-	-	722	722
4. Reinsurance cessions covering onerous contracts	-	-	-	-	-	-	-	-
4.1 Revenues related to the recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4.2 Releases of the loss recovery component other than changes in the cash flows of reinsurance contracts	-	-	-	-	-	-	-	-
4.3 Changes in cash flows of reinsurance cessions deriving from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
5. C. Effects of changes in the risk of default on the part of reinsurers	-	-	-	-	-	-	-	-
6. Total	(14,430)	-	24,846	10,416	(11,835)	-	9,392	(2,443)
C. Result of insurance services (Total B)	(14,430)	-	24,846	10,416	(11,835)	-	9,392	(2,443)
D. Financial revenues/costs								
1. Relating to reinsurance cessions	(466)	-	1,065	599	932	-	(47)	885
1.1. Recognised in profit or loss	57	-	940	997	17	-	102	119
1.2. Recognised in other comprehensive income	(523)	-	125	(398)	915	-	(149)	766
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	(466)	-	1,065	599	932	-	(47)	885
E. Investment components	-	-	-	-	-	-	-	-
F. Total amount recognised in profit or loss and in OCI (C+D+E)	(14,896)	-	25,911	11,015	(10,903)	-	9,345	(1,558)
G. Other changes	-	-	-	-	-	-	-	-
H. Cash movements								
1. Premiums paid net of amounts not related to claims recovered from reinsurers	21,124	-	-	21,124	15,254	-	-	15,254
2. Amount of claims recovered by reinsurers	(26)	-	(19,700)	(19,726)	-	-	(8,752)	(8,752)
3. Total	21,098	-	(19,700)	1,398	15,254	-	(8,752)	6,502
I. Net carrying amount at 31 December (A.3+F+G+H.3)	20,335	-	11,475	31,810	14,133	-	5,264	19,397
L. Closing carrying amount								
1. Reinsurance cessions that are classified as assets	20,335	-	11,475	31,810	14,133	-	5,264	19,397
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	20,335	-	11,475	31,810	14,133	-	5,264	19,397

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Changes in the carrying amount of reinsurance cessions for elements underlying measurement - Aggregation Basis 1

Balance sheet items/breakdown	Changes in the carrying amount of reinsurance cessions for elements underlying measurement							
	Present value of cash flows 31.12.2023	Adjustment for non-financial risks 31.12.2023	Contractual service margin 31.12.2023	Total 31.12.2023	Present value of cash flows 31.12.2022	Adjustment for non-financial risks 31.12.2022	Contractual service margin 31.12.2022	Total 31.12.2022
A. Initial carrying amount	14,647	5,161	29,902	49,710	35,121	5,056	13,047	53,224
1. Reinsurance cessions that are classified as assets	14,647	5,161	29,902	49,710	-	-	-	-
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	14,647	5,161	29,902	49,710	35,121	5,056	13,047	53,224
B. Changes related to current services								
1. Contractual service margin recorded in profit or loss	-	-	(1,027)	(1,027)	-	-	(6,322)	(6,322)
2. Change due to overdue non-financial risks	-	(357)	-	(357)	-	(303)	-	(303)
3. Experience-related changes	(8,306)	-	-	(8,306)	6,508	-	-	6,508
4. Total	(8,306)	(357)	(1,027)	(9,690)	6,508	(303)	(6,322)	(117)
C. Changes related to future services								
1. Changes in estimates adjusting the contractual service margin	(905)	2,995	(2,090)	-	(22,461)	408	22,053	-
2. Effects of contracts entered into during the year	(347)	53	294	-	(685)	-	685	-
3. Adjustment of contractual service margin linked to recoveries related to the initial recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4. Releases of the loss recovery component other than changes in the cash flows of reinsurance contracts	-	-	-	-	-	-	-	-
5. Changes in cash flows of reinsurance cessions deriving from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
6. Total	(1,252)	3,048	(1,796)	-	(23,146)	408	22,738	-
D. Changes related to past services	412	-	-	412	235	-	-	235
1. adjustments to the asset for incurred claims	412	-	-	412	235	-	-	235
E. Effects of changes in the default risk	-	-	-	-	-	-	-	-
F. Result of insurance services (B+C+D+E)	(9,146)	2,691	(2,823)	(9,278)	(16,403)	105	16,416	118
G. Financial revenues/costs								
1. Relating to reinsurance cessions	1,722	-	(23)	1,699	(2,182)	-	439	(1,743)
1.1 Recognised in profit or loss	230	-	(23)	207	(1,469)	-	439	(1,030)
1.2. Recognised in other comprehensive income	1,492	-	-	1,492	(713)	-	-	(713)
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	1,722	-	(23)	1,699	(2,182)	-	439	(1,743)
H. Total amount recognised in profit or loss and in OCI (F+G)	(7,424)	2,691	(2,846)	(7,579)	(18,585)	105	16,855	(1,625)
I. Other changes	-	-	-	-	-	-	-	-
L. Cash movements								
1. Premiums paid net of amounts not related to claims recovered from reinsurers	18,689	-	-	18,689	17,253	-	-	17,253
2. Amounts recovered from reinsurers	(14,403)	-	-	(14,403)	(19,142)	-	-	(19,142)
3. Total	4,286	-	-	4,286	(1,889)	-	-	(1,889)
M. Net carrying amount at 31 December (A.3+H+I+L.3)	11,509	7,852	27,056	46,417	14,647	5,161	29,902	49,710
N. Closing carrying amount								
1. Reinsurance cessions that are classified as assets	11,509	7,852	27,056	46,417	14,647	5,161	29,902	49,710
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	11,509	7,852	27,056	46,417	14,647	5,161	29,902	49,710

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Changes in the carrying amount of reinsurance cessions for elements underlying measurement - Aggregation Basis 2

Balance sheet items/breakdown	Changes in the carrying amount of reinsurance cessions for elements underlying measurement							
	Present value of cash flows 31.12.2023	Adjustment for non-financial risks 31.12.2023	Contractual service margin 31.12.2023	Total 31.12.2023	Present value of cash flows 31.12.2022	Adjustment for non-financial risks 31.12.2022	Contractual service margin 31.12.2022	Total 31.12.2022
A. Initial carrying amount	4,416	824	14,157	19,397	876	1,108	12,468	14,452
1. Reinsurance cessions that are classified as assets	4,416	824	14,157	19,397	-	-	-	-
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	4,416	824	14,157	19,397	876	1,108	12,468	14,452
B. Changes related to current services								
1. Contractual service margin recorded in profit or loss	-	-	(8,361)	(8,361)	-	-	(5,500)	(5,500)
2. Change due to overdue non-financial risks	-	(361)	-	(361)	-	(275)	-	(275)
3. Experience-related changes	13,711	-	-	13,711	2,609	-	-	2,609
4. Total	13,711	(361)	(8,361)	4,989	2,609	(275)	(5,500)	(3,166)
C. Changes related to future services								
1. Changes in estimates adjusting the contractual service margin	22,035	(818)	(21,217)	-	(4,219)	(86)	4,305	-
2. Effects of contracts entered into during the year	(32,309)	511	31,799	1	(2,815)	-	2,815	-
3. Adjustment of contractual service margin linked to recoveries related to the initial recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4. Releases of the loss recovery component other than changes in the cash flows of reinsurance contracts	-	-	-	-	-	-	-	-
5. Changes in cash flows of reinsurance cessions deriving from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
6. Total	(10,274)	(307)	10,582	1	(7,034)	(86)	7,120	-
D. Changes related to past services	5,427	-	-	5,427	722	-	-	722
1. adjustments to the asset for incurred claims	5,427	-	-	5,427	722	-	-	722
E. Effects of changes in the default risk	-	-	-	-	-	-	-	-
F. Result of insurance services (B+C+D+E)	8,864	(668)	2,221	10,417	(3,703)	(361)	1,620	(2,444)
G. Financial revenues/costs								
1. Relating to reinsurance cessions	(396)	816	181	601	739	77	69	885
1.1. Recognised in profit or loss	1	816	181	998	(28)	77	69	118
1.2. Recognised in other comprehensive income	(397)	-	-	(397)	767	-	-	767
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	(396)	816	181	601	739	77	69	885
H. Total amount recognised in profit or loss and in OCI (F+G)	8,468	148	2,402	11,018	(2,964)	(284)	1,689	(1,559)
I. Other changes	-	-	-	-	-	-	-	-
L. Cash movements								
1. Premiums paid net of amounts not related to claims recovered from reinsurers	21,123	-	-	21,123	15,242	-	-	15,242
2. Amounts recovered from reinsurers	(19,727)	-	-	(19,727)	(8,738)	-	-	(8,738)
3. Total	1,396	-	-	1,396	6,504	-	-	6,504
M. Net carrying amount at 31 December (A.3+H+I+L.3)	14,280	971	16,559	31,810	4,416	824	14,157	19,397
N. Closing carrying amount								
1. Reinsurance cessions that are classified as assets	14,280	971	16,559	31,810	4,416	824	14,157	19,397
2. Reinsurance cessions that are classified as liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	14,280	971	16,559	31,810	4,416	824	14,157	19,397

Key

Aggregation Basis I = Life Segment

Aggregation Basis II = Non-Life Segment

Dynamics of the margin on contractual services of reinsurance cessions broken down by contracts existing at the time of transition to IFRS 17 in financial year T – Basis of aggregation I

	31.12.2023				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Margin on contract services – Opening balances	8,425	-	21,477	-	29,902
Changes from current services	(208)	-	(819)	-	(1,027)
- Margin on contractual services recognised in profit or loss to reflect received services	(208)	-	(819)	-	(1,027)
Changes for future services	1,668	-	(3,464)	-	(1,796)
- Changes in estimates adjusting the contractual service margin	1,374	-	(3,464)	-	(2,090)
- Effects of contracts initially recognised in the reporting year	294	-	-	-	294
Financial revenues/costs					
1. Relating to reinsurance cessions	-	-	(23)	-	(23)
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	-	-	(23)	-	(23)
Total changes recognised in profit or loss and comprehensive income	1,460	-	(4,306)	-	(2,846)
Margin on contractual services – Closing inventories	9,885	-	17,171	-	27,056

Key

Aggregation Basis I = Life Segment

Aggregation Basis II = Non-Life Segment

Dynamics of the margin on contractual services of reinsurance cessions broken down by contracts existing at the time of transition to IFRS 17 in financial year T-1 – Basis of aggregation I

	31.12.2022				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Margin on contract services – Opening balances	-	-	13,047	-	13,047
Changes from current services	(1,849)	-	(4,473)	-	(6,322)
- Margin on contractual services recognised in profit or loss to reflect received services	(1,849)	-	(4,473)	-	(6,322)
Changes for future services	10,271	-	12,466	-	22,737
- Changes in estimates adjusting the contractual service margin	9,587	-	12,466	-	22,053
- Effects of contracts initially recognised in the reporting year	684	-	-	-	684
Financial revenues/costs					
1. Relating to reinsurance cessions	2	-	438	-	440
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	2	-	438	-	440
Total changes recognised in profit or loss and comprehensive income	8,424	-	8,431	-	16,855
Margin on contractual services – Closing inventories	8,424	-	21,478	-	29,902

Key

Aggregation Basis I = Life Segment

Aggregation Basis 2 = Nonlife Segment

Dynamics of the margin on contractual services of reinsurance cessions broken down on the basis of contracts existing at the time of transition to IFRS 17 in year T – Basis of aggregation 2

	31.12.2023				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Margin on contract services – Opening balances	3,393	-	10,765	-	14,158
Changes from current services	(5,260)	-	(3,100)	-	(8,360)
- Margin on contractual services recognised in profit or loss to reflect received services	(5,260)	-	(3,100)	-	(8,360)
Changes for future services	18,649	-	(8,069)	-	10,580
- Changes in estimates adjusting the contractual service margin	(13,150)	-	(8,069)	-	(21,219)
- Effects of contracts initially recognised in the reporting year	31,799	-	-	-	31,799
Financial revenues/costs					
1. Relating to reinsurance cessions	197	-	(16)	-	181
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	197	-	(16)	-	181
Total changes recognised in profit or loss and comprehensive income	13,586	-	(11,185)	-	2,401
Margin on contractual services – Closing inventories	16,979	-	(420)	-	16,559

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Dynamics of the margin on contractual services of reinsurance cessions broken down based on contracts existing at the time of transition to IFRS 17 in year T-1 – Basis of aggregation 2

	31.12.2022				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Margin on contract services – Opening balances	-	-	12,468	-	12,468
Changes from current services	(1,047)	-	(4,452)	-	(5,499)
- Margin on contractual services recognised in profit or loss to reflect received services	(1,047)	-	(4,452)	-	(5,499)
Changes for future services	4,440	-	2,679	-	7,119
- Changes in estimates adjusting the contractual service margin	1,626	-	2,679	-	4,305
- Effects of contracts initially recognised in the reporting year	2,814	-	-	-	2,814
Financial revenues/costs					
1. Relating to reinsurance cessions	-	-	69	-	69
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	-	-	69	-	69
Total changes recognised in profit or loss and comprehensive income	3,393	-	(1,704)	-	1,689
Margin on contractual services – Closing inventories	3,393	-	10,764	-	14,157

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Elements underlying the measurement of reinsurance cessions recognised in the year T – Basis of aggregation 1

€/000	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total
A. Estimate of the present value of cash outflows	(1,781)	-	(1,781)	-	-	-	-	-	-
of which: Cash flows associated with the acquisition of contracts	-	-	-	-	-	-	-	-	-
B. Estimate of the present value of cash inflows	(1,434)	-	(1,434)	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	(347)	-	(347)	-	-	-	-	-	-
D. Information estimation for non-financial risks	53	-	53	-	-	-	-	-	-
E. Elimination of previously recognised cash flows	-	-	-	-	-	-	-	-	-
F. Contractual service margin	294	-	294	-	-	-	-	-	-
G. Increase in assets for reinsurance transfers recorded during the year due to the recording of new contracts (C+D+E+F)	-	-	-	-	-	-	-	-	-

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Dann Segment

Elements underlying the measurement of reinsurance cessions recognised in year T -1 – Basis of aggregation 1

	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total
A. Estimate of the present value of cash outflows	(5,387)	-	(5,387)	-	-	-	-	-	-
of which: Cash flows associated with the acquisition of contracts	-	-	-	-	-	-	-	-	-
B. Estimate of the present value of cash inflows	(4,701)	-	(4,701)	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	(686)	-	(686)	-	-	-	-	-	-
D. Information estimation for non-financial risks	-	-	-	-	-	-	-	-	-
E. Elimination of previously recognised cash flows	-	-	-	-	-	-	-	-	-
F. Contractual service margin	685	-	685	-	-	-	-	-	-
G. Increase in assets for reinsurance transfers recorded during the year due to the recording of new contracts (C+D+E+F)	(1)	-	(1)	-	-	-	-	-	-

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Elements underlying the measurement of reinsurance cessions recognised in the year T – Basis of aggregation 2

€/000	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total
A. Estimate of the present value of cash outflows	(39,841)	-	(39,841)	-	-	-	-	-	-
of which: Cash flows associated with the acquisition of contracts	-	-	-	-	-	-	-	-	-
B. Estimate of the present value of cash inflows	(7,532)	-	(7,532)	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	(32,309)	-	(32,309)	-	-	-	-	-	-
D. Information estimation for non-financial risks	511	-	511	-	-	-	-	-	-
E. Elimination of previously recognised cash flows	-	-	-	-	-	-	-	-	-
F. Contractual service margin	31,799	-	31,799	-	-	-	-	-	-
G. Increase in assets for reinsurance transfers recorded during the year due to the recording of new contracts (C+D+E+F)	1	-	1	-	-	-	-	-	-

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Elements underlying the measurement of reinsurance cessions recognised in year T-1 – Basis of aggregation 2

	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total	Contracts without loss recovery component	Contracts with loss recovery component	Total
A. Estimate of the present value of cash outflows	(6,063)	-	(6,063)	-	-	-	-	-	-
of which: Cash flows associated with the acquisition of contracts	-	-	-	-	-	-	-	-	-
B. Estimate of the present value of cash inflows	(3,248)	-	(3,248)	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	(2,815)	-	(2,815)	-	-	-	-	-	-
D. Information estimation for non-financial risks	-	-	-	-	-	-	-	-	-
E. Elimination of previously recognised cash flows	-	-	-	-	-	-	-	-	-
F. Contractual service margin	2,815	-	2,815	-	-	-	-	-	-
G. Increase in assets for reinsurance transfers recorded during the year due to the recording of new contracts (C+D+E+F)	-	-	-	-	-	-	-	-	-

Key

Aggregation Basis 1 = Life Segment

Aggregation Basis 2 = Nonlife Segment

Reinsurance cessions – Margin on contractual services broken down by expected timing of recognition in the income statement

The tables below are broken down by Life and Non-Life segments:

Life & Nonlife_Direct segment

€/000	Life segment	Non-Life segment
Up to 3 year	3,890	10,357
4-5 years	2,754	2,333
over 5 years	20,412	3,869
Total	27,056	16,559

Section 9 – Tangible assets – Item 90

9.1 Tangible assets for business use: breakdown of assets measured at cost

€/000	31.12.2023	31.12.2022
1. Own assets	95,146	102,442
a) land	50,625	56,720
b) buildings	34,531	35,076
c) furniture	3,048	3,524
d) electronic equipment	3,873	4,208
e) other	3,069	2,914
2. Rights of use acquired through leasing	58,673	65,551
a) land	-	-
b) buildings	58,364	65,367
c) furniture	-	-
d) electronic equipment	-	-
e) other	309	184
TOTAL	153,819	167,993
of which: obtained through the realisation of collateral		-

9.2 Investment property: breakdown of assets measured at cost

€/000	31.12.2023				31.12.2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Own assets	58,695	-	-	63,960	61,255	-	-	67,210
a) land	33,647	-	-	35,735	46,756	-	-	48,316
b) buildings	25,048	-	-	28,225	15,499	-	-	18,894
2. Rights of use acquired through leasing	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	58,695	-	-	63,960	61,255	-	-	67,210
of which: obtained through the realisation of collateral		-	-	-		-	-	-

9.6 Tangible assets for business use: changes during the year

€/000	Land	Buildings	Furniture	Electronic equipment	Other	TOTAL
A. Gross opening balances	56,895	196,921	32,648	42,921	5,607	334,992
A.1 Total net impairment losses	175	96,478	29,124	38,713	2,509	166,999
A.2 Net opening balances	56,720	100,443	3,524	4,208	3,098	167,993
B. Increases:	-	9,255	543	1,691	5,103	16,593
B.1 Purchases	-	7,064	543	1,681	3,986	13,275
- 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	-	2,191	-	10	1,117	3,318
C. Decreases:	6,095	16,803	1,019	2,026	4,823	30,766
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation & amortization	-	11,927	1,015	2,016	969	15,927
C.3 Impairment losses recognised in	4,153	4,125	-	-	-	8,278
a) shareholders' equity	-	-	-	-	-	-
b) income statement	4,153	4,125	-	-	-	8,278
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	1,942	751	4	10	3,854	6,551
D. Net closing balances	50,625	92,895	3,048	3,873	3,378	153,819
A.1 Total net impairment losses	6,270	113,281	30,143	40,739	7,332	197,765
D.2 Gross closing balances	56,895	206,176	33,191	44,612	10,710	351,584
E. Valuation at cost	-	-	-	-	-	-

9.7 Tangible assets held for investment purposes: changes during the year

€/000	Land	Buildings
A. Opening balances	45,756	15,499
B. Increases	-	12,241
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	-	12,241
C. Decreases	(12,109)	(2,692)
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Depreciation & amortization	(788)	-
C.3 Decreases in fair value	-	-
C.4 Impairment losses	-	(2,692)
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	(11,321)	-
D. Closing balances	33,647	25,048
E. Measurement at fair value	-	-

Section 10 – Intangible assets – Item 10

10.1 Intangible assets: breakdown by type of asset

€/000	Total		Total	
	31.12.2023		31.12.2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	125,625	X	125,625
A.1.1 attributable to the group	X	125,625	X	125,625
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	81,244	-	82,157	-
of which: software	77,482	-	60,090	-
A.2.1 Assets measured at cost:	81,244	-	82,157	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	81,244	-	82,157	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	81,244	125,625	82,157	125,625

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	125,625	-	-	100,963	-	226,588
A.1 Total net impairment losses	-	-	-	18,806	-	18,806
A.2 Net opening balances	125,625	-	-	82,157	-	207,782
B. Increases	-	-	-	38,994	-	38,994
B.1 Purchases	-	-	-	38,994	-	38,994
- 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	-	-	-	(39,907)	-	(39,907)
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	(39,878)	-	(39,878)
- Depreciation & amortization	X	-	-	(34,544)	-	(34,544)
- Write-downs	-	-	-	(5,334)	-	(5,334)
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	(5,334)	-	(5,334)
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	-	-	-	(29)	-	(29)
D Net closing balances	125,625	-	-	81,244	-	206,869
D.1 Total net value adjustments	-	-	-	(26,202)	-	(26,202)
E. Gross closing balances	125,625	-	-	107,446	-	233,071
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 2023 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 2023, total goodwill was €125.6 million (31.12.2022: €125.6 million). Of this amount, €102.8 million was allocated to the Spain CGU and €22.8 million to the Italy CGU.

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

* 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 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. 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 1,700 to 2,200;
- > an increase in assets under administration at an average annual rate of 13.1%;
- > the discount rate for future cash flows (K_e) is estimated at 12.76% based on the Capital Asset Pricing Model and considering the following parameters:
 - > a risk-free rate of 3.57%, based on the average historical half-yearly return on 10-year bonds issued by the Spanish government;
 - > the beta coefficient of 1.20, 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, the CGU's value was estimated on the basis of the available flow in 2026, 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 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 elimination of the long-term growth rate – 1.7% shows a change in value of use of approximately -9%;
- > the achievement of the economic objectives contained in the plan– 5% net profit entails a reduction of approximately 4% in the recoverable amount.

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 comparison between the market capitalisation of Banca Mediolanum S.p.A. (€6.3 billion at 31 December 2023) and tangible shareholders' equity or shareholders' equity shows an implicit multiple of 1.8x and 2.0x respectively (balance sheet data as at 30 September 2023). 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.

Section II – Tax assets and tax liabilities – Item 110 of assets and Item 60 of liabilities

11.1 Deferred tax assets: breakdown

€/000	31.12.2023	31.12.2022
Balancing item in the income statement	91,887	83,154
Balancing item in shareholders' equity	69,919	69,174
TOTAL	161,806	152,328

11.2 Deferred tax liabilities: breakdown

€/000	31.12.2023	31.12.2022
Balancing item in the income statement	31,585	23,265
Balancing item in shareholders' equity	48,738	42,156
TOTAL	80,323	65,421

11.3 Changes in prepaid taxes (balancing item of the income statement)

€/000	31.12.2023	31.12.2022
1. Initial amount	83,154	89,808
2. Increases	32,140	17,264
2.1 Prepaid taxes recognised during the year	32,140	17,264
a) relating to previous years	-	171
b) due to the change in accounting policies	4,383	-
c) write-backs	-	-
d) other	27,757	17,093
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(23,407)	(23,918)
3.1 Prepaid taxes cancelled during the year	(22,916)	(23,210)
a) reversals	(2,795)	(253)
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(20,121)	(22,957)
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	(491)	(708)
a) conversion into tax credits pursuant to Law 214/2011	(490)	(708)
b) other	(1)	-
4. Final amount	91,887	83,154

11.4 bis Changes in prepaid taxes pursuant to Law 214/2011

€/000	31.12.2023	31.12.2022
1. Initial amount	4,370	5,177
2. Increases	-	490
- of which business combinations	-	-
3. Decreases	(1,767)	(1,297)
3.1 Reversals	(1,277)	(589)
3.2 Transformation into tax credits	(490)	(708)
a) deriving from operating losses	-	-
b) deriving from tax losses	(490)	(708)
3.3 Other decreases	-	-
4. Final amount	2,603	4,370

11.5 Changes in deferred taxes (balancing item of the income statement)

€/000	31.12.2023	31.12.2022
1. Initial amount	23,265	23,011
2. Increases	18,232	17,444
2.1 Deferred taxes recognised in the year	14,561	17,444
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	14,561	17,444
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,671	-
3. Decreases	(9,912)	(17,190)
3.1 Deferred taxes cancelled during the year	(9,912)	(17,190)
a) reversals	-	-
b) due to the change in accounting policies	-	-
c) other	(9,912)	(17,190)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	31,585	23,265

11.6 Changes in prepaid taxes (balancing item of shareholders' equity)

€/000	31.12.2023	31.12.2022
1. Initial amount	69,174	4,736
2. Increases	1,138	69,403
2.1 Prepaid taxes recognised during the year	1,138	69,403
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	1,138	69,403
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(393)	(4,965)
3.1 Prepaid taxes cancelled during the year	(393)	(4,965)
a) reversals	-	-
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(393)	(4,965)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	69,919	69,174

11.7 Changes in deferred taxes (balancing item of shareholders' equity)

€/000	31.12.2023	31.12.2022
1. Initial amount	42,156	7,549
2. Increases	6,953	43,266
2.1 Deferred taxes recognised in the year	6,953	43,266
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	6,953	43,266
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(371)	(8,659)
3.1 Deferred taxes cancelled during the year	(371)	(8,659)
a) reversals	-	(123)
b) due to the change in accounting policies	-	-
c) other	-	(8,536)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	(371)	-
4. Final amount	48,738	42,156

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.

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 (the 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 amicable treaty procedure was activated, pursuant to Article 24 of the Convention against double taxation between Italy and Ireland, the aim of which is to obtain a tax credit from the Irish authority corresponding to the higher taxable income 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 2023.

As at 31 December 2023, the total provision set aside by Banca Mediolanum in connection with the above dispute was €45.6 million and the charge for the period in question was €6.4 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 initiation of the Mutual Agreement Procedure ("MAP") provided for by the European Arbitration Convention 90/436/EC (the "MAP"), 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 amicable treaty procedure was activated, pursuant to Article 24 of the Convention against double taxation between Italy and Ireland, the aim of which is to obtain a tax credit from the Irish authority corresponding to the higher taxable income 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 €13.8 million, and the charge for the period in question amounts to €0.9 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 €59.4 million for the tax dispute currently ongoing and incurred a charge for 2023 of €7.3 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	31.12.2023	31.12.2022
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	56	2,010
of which: obtained through the realisation of collateral	56	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	56	2,010
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	56	2,787
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	-	-

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

€/000	31.12.2023	31.12.2022
Receivables for commission income	9,149	11,378
Receivables from the tax authorities	895,504	564,988
Receivables from financial advisors	973	1,197
Advances to suppliers and professionals	18,305	21,001
Security deposits	21,762	21,511
Receivables from employees	224	179
Other receivables	223,544	177,055
Assets for transit items	98,061	63,919
Accrued income	6,170	4,765
Prepaid expenses	30,508	25,748
Receivables for collection	1,000	265
Other sundry assets	26,161	28,014
TOTAL	1,331,361	920,020

Other assets amounted to €1,331.4 thousand, representing a year-on-year increase of +€411.4 thousand. The change is due to the increase in receivables from the tax authorities, mainly reflecting the increase of approximately €336 million in customer receivables for Ecobonus transferred to the Parent Company, Banca Mediolanum.

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	31.12.2023				31.12.2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	-	X	X	X	-	X	X	X
2. Payables to banks	1,184,872	X	X	X	370,622	X	X	X
2.1 Current accounts and demand deposits	83,556	X	X	X	291	X	X	X
2.2 Term deposits	3,030	X	X	X	-	X	X	X
2.3 Loans	1,092,810	X	X	X	368,012	X	X	X
2.3.1 Repurchase agreements	1,092,810	X	X	X	368,012	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	915	X	X	X	1,154	X	X	X
2.6 Other payables	4,561	X	X	X	1,165	X	X	X
TOTAL	1,184,872	-	-	1,184,872	370,622	-	-	370,622

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to banks came to €1,184.9 million, up €814.2 million compared with 31 December 2022. The change is mainly due to the increase in repurchase agreements payable of +724.8 million euros and the increase in current accounts of €83.3 million.

1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers by type

€/000	31.12.2023				31.12.2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	24,318,416	X	X	X	26,067,829	X	X	X
2. Deposits at notice	2,027,515	X	X	X	202,230	X	X	X
3. Loans	7,072,112	X	X	X	8,964,354	X	X	X
3.1 Repurchase agreements	7,062,375	X	X	X	8,962,554	X	X	X
3.2 Other	9,737	X	X	X	1,800	X	X	X
4. Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
5. Lease liabilities	62,230	X	X	X	68,896	X	X	X
6. Other payables	247,448	X	X	X	323,515	X	X	X
TOTAL	33,727,721	-	-	33,727,721	35,626,824	-	-	35,626,824

Payables to banks came to €33,727.7 million, down €1,899.1 million compared with 31 December 2022. This change was primarily due to the decrease in repurchase agreements of Euro 1,900.1 million.

1.3 Financial liabilities measured at amortised cost: breakdown of securities in issue by type

€/000	31.12.2023				31.12.2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	313,116	322,880	-	-	300,443	300,699	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	313,116	322,880	-	-	300,443	300,699	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
TOTAL	313,116	322,880	-	-	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 €313.1 million. This item includes the Green Senior Preferred Bond issued by Banca Mediolanum on 15 November 2022, maturing in four years and two months. With reference to the characteristics of the green bond or for further details, please refer to the Investor Relations section of the website.

1.6 Lease liabilities

€/000	31.12.2023	
Breakdown of the contractual flows of lease agreements based on contractual term	Payables to banks	Payables to customers
Up to 1 year	-	1,316
1 to 5 years	-	21,250
Over 5 years	915	39,664
Overall total	915	62,230

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	31.12.2023					31.12.2022				
	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	-	-	-	5	5	-	-	-	-	-
3. Debt securities	-	-	-	-	0	-	-	-	-	-
3.1 Bonds	-	-	-	-	0	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	0	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	-	-	-	5	5	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	8,453	-	0	-	-	11,952	-	-
1.1 For trading	X	-	8,453	-	X	X	-	11,952	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	0	-	-	-	-	-
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	-	8,453	-	X	X	-	11,952	-	X
TOTAL (A+B)	X	-	8,453	5	X	X	-	11,952	-	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	31.12.2023					31.12.2022				
	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	15,011,219	15,005,819	5,400	-	15,011,219	13,086,968	13,086,968	-	-	13,086,968
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	15,011,219	15,005,819	5,400	-	X	13,086,968	13,086,968	-	-	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	15,011,219	15,005,819	5,400	-	15,011,219	13,086,968	13,086,968	-	-	13,086,968

Key:

NV= Nominal value

L1=Level 1

L2=Level 2

L3=Level 3

This item amounts to €15,011.2 thousand (31 December 2022: €13,087.0 thousand) and includes financial liabilities associated with investment contracts of the Linked type that do not present a significant insurance risk and therefore valued in accordance with IFRS 9.

SECTION 4 – HEDGING DERIVATIVES – ITEM 40

4.1 Hedging derivatives: breakdown by type of hedge and level

€/000	31.12.2023				31.12.2022			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	3,605	-	47,365	-	2,594	-	67,051
1) Fair value	-	3,605	-	47,365	-	2,594	-	67,051
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	3,605	-	47,365	-	2,594	-	67,051

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	3,605	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	3,605	-	-	-	-	-	-	-	-	-
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	31.12.2023	31.12.2022
Payables for agency termination indemnities	7,820	7,703
Payables to promoters, producers and mediators	41,249	48,948
Trade payables	107,548	110,374
Payables to the tax authorities	200,447	96,083
Social security contributions	11,648	8,519
Payables to employees	35,713	39,732
Payables to professionals, directors and statutory auditors	5,101	4,786
Security deposits	42	112
Payables for transit items	391,556	305,855
Deferred income	1,673	2,411
Accrued expenses	2,604	3,714
Other sundry liabilities	283,425	251,810
Escrow accounts	4,014	6,625
Tax payables from policyholders	1,239	1,265
TOTAL	1,094,079	887,937

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 2024 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 TERMINATION BENEFITS – ITEM 90

9.1 Employee severance benefits: changes during the year

€/000	31.12.2023	31.12.2022
A. Opening balances	11,657	13,259
B. Increases	10,507	7,307
B.1 Provision for the year	9,790	6,799
B.2 Other changes	717	508
C. Decreases	(10,288)	(8,909)
C.1 Settlement payments	(787)	(414)
C.2 Other changes	(9,501)	(8,495)
D. Closing balances	11,876	11,657
TOTAL	11,876	11,657

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 RG48;
- > Inflation rate: 2%;
- > Frequency of early severance pay: 3.7%;
- > Turnover rate: 6%.

SECTION 10 – PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 100

10.1 Provisions for risk and charges: breakdown

€/000	31.12.2023	31.12.2022
1. Provisions for credit risk relating to commitments and financial guarantees given	716	74
2. Provisions on other commitments and guarantees given	774	584
3. Company pension funds	109	499
4. Other provisions for risk and charges	308,359	312,045
4.1 legal and tax disputes	13,390	14,266
4.2 staff costs	-	-
4.3 Other	294,969	297,779
TOTAL	309,958	313,202

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	584	499	312,045	313,128
B. Increases	416	61	45,179	45,656
B.1 Provision for the year	416	61	45,179	45,656
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
- of which business combinations	-	-	-	-
C. Decreases	(226)	(451)	(48,865)	(49,542)
C.1 Utilisation during the year	-	(36)	(31,728)	(31,764)
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	(226)	(415)	(17,137)	(17,778)
- of which business combinations	-	-	-	-
D. Closing balances	774	109	308,359	309,242

10.3 Provisions for credit risk relating to commitments and financial guarantees given

€/000	31.12.2023				Total
	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	
Commitments to disburse funds	467	5	-	-	472
Financial guarantees given	227	-	17	-	244
Total	694	5	17	-	716

10.6 Provisions for risk and charges: other provisions

€/000	Balance as of 31.12.2022	Allocations in the period	Other changes	Utilisations in the period	Balance as of 31.12.2023
Provision name:					
- legal disputes	14,266	5,344	(4,104)	(2,116)	13,390
- other:					
Managers' allowance	80,252	11,566	(2,410)	(11,040)	78,368
Risk of misconduct by financial advisors	9,800	3,224	(5,261)	(504)	7,259
Additional customers' allowance	151,294	8,321	(2,010)	(2,907)	154,698
Portfolio Indemnities	27,134	5,401	(3,147)	(5,422)	23,966
Future expenses on distributed products	-	-	-	-	-
Sundry provisions	29,299	11,323	(205)	(9,739)	30,678
TOTAL	312,045	45,179	(17,137)	(31,728)	308,359

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. The provision is estimated on the basis of updated historical trends and takes into account the situation of claims reported to the Bank at the reporting date.

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. Such indemnities, consisting of a Portfolio or Structure Allowance, and a Consultant Manager Allowance, shall include the following: the Portfolio or Structure Allowance shall consist, as the case may be, in compensation relating to the value of the client portfolio or agent structure managed by a financial adviser. 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 may take place during the course of the relationship, due to the reduction of the customer or agent portfolio, or with the departure of a financial advisor, as a result of the termination of the agency relationship and the succession of another financial advisor. 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). In the course of the activity of the transferring agent, the indemnity shall be paid in 3 or 5 years from the time of the transfer and, at the same time, the successor agent shall be recovered during the same period. In the event of termination of the relationship by the transferring agent, the indemnity shall be paid at the end of the third year. 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 – INSURANCE LIABILITIES – Item 110

It should be noted that in accordance with Annex I (Instructions) of ISVAP Regulation No. 7 and subsequent updates in the tables of direct business, the Group has made use of the right to display within Base I – Insurance contracts issued with direct participation (Life segment) also investment contracts issued with discretionary participation elements (Life segment).

Changes in the carrying amount of insurance contracts issued - GMM or VFA - liabilities for residual coverage and claims incurred - Basis of aggregation 1

Items/Liabilities	Liabilities for residual coverage 31/12/2023				Liabilities for residual coverage 31/12/2022			
	Net of loss	Loss	Liabilities for claims incurred	Total	Net of loss	Loss	Liabilities for claims incurred	Total
A. Initial carrying amount								
1. Insurance contracts written that are classified as liabilities	19,522,546	225	62,524	19,585,295	-	-	-	-
2. Insurance contracts written that are classified as assets	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	19,522,546	225	62,524	19,585,295	21,666,048	-	70,616	21,736,664
B. Insurance revenues	(255,279)	(3)	-	(255,282)	(239,986)	(1)	-	(239,987)
C. Costs of insurance services								
1. Incurred claims and other directly attributable costs	-	-	110,105	110,105	-	-	112,362	112,362
2. Changes in liabilities for incurred claims	-	-	774	774	-	-	(11)	(11)
3. Losses and related recoveries on onerous contracts	-	15	-	15	-	222	-	222
4. Amortization of contract acquisition costs	14,221	-	-	14,221	14,587	-	-	14,587
5. Total	14,221	15	110,879	125,115	14,587	222	112,351	127,160
D. Result of insurance services (B+C)	(241,058)	12	110,879	(130,167)	(225,399)	221	112,351	(112,827)
E. Financial costs/revenues								
1. Relating to recruitment contracts issued	2,074,164	-	-	2,074,164	(2,768,156)	-	-	(2,768,156)
1.1 Recognised in profit or loss	2,027,128	-	-	2,027,128	(2,634,137)	-	-	(2,634,137)
1.2 Recognised in other comprehensive income	47,036	-	-	47,036	(134,019)	-	-	(134,019)
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	2,074,164	-	-	2,074,164	(2,768,156)	-	-	(2,768,156)
F. Investment components	(1,403,041)	(3)	1,403,043	(1)	(1,324,566)	4	1,324,562	-
G. Total amount recognised in profit or loss and in OCI (D+E+F)	430,065	9	1,513,922	1,943,996	(4,318,121)	225	1,436,913	(2,880,983)
H. Other changes	-	-	-	-	-	-	-	-
I. Cash movements								
1. Premiums received	2,082,665	-	-	2,082,665	2,209,253	-	-	2,209,253
2. Payments related to the costs of acquiring contracts	(35,346)	-	-	(35,346)	(34,634)	-	-	(34,634)
3. Claims paid and other cash outflows	-	-	(1,504,098)	(1,504,098)	-	-	(1,445,005)	(1,445,005)
4. Total	2,047,319	-	(1,504,098)	543,221	2,174,619	-	(1,445,005)	729,614
L. Net carrying amount at 31 December (A.3+G+H+I.4)	21,999,930	234	72,348	22,072,512	19,522,546	225	62,524	19,585,295
M. Closing carrying amount								
1. Insurance contracts written that are classified as liabilities	21,999,930	234	72,348	22,072,512	19,522,546	225	62,524	19,585,295
2. Insurance contracts written that are classified as assets	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	21,999,930	234	72,348	22,072,512	19,522,546	225	62,524	19,585,295

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Changes in the carrying amount of insurance contracts issued - GMM or VFA - liabilities for residual coverage and claims occurred – Basis of aggregation 2

Items/Liabilities	Liabilities for residual coverage 31/12/2023				Liabilities for residual coverage 31/12/2022			
	Net of loss	Loss	Liabilities for claims incurred	Total	Net of loss	Loss	Liabilities for claims incurred	Total
A. Initial carrying amount								
1. Insurance contracts written that are classified as liabilities	96,701	-	5,266	101,967	-	-	-	-
2. Insurance contracts written that are classified as assets	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	96,701	-	5,266	101,967	80,480	-	3,876	84,356
B. Insurance revenues	(33,187)	-	-	(33,187)	(27,252)	-	-	(27,252)
C. Costs of insurance services								
1. Incurred claims and other directly attributable costs	-	-	11,192	11,192	-	-	3,856	3,856
2. Changes in liabilities for incurred claims	-	-	794	794	-	-	1,390	1,390
3. Losses and related recoveries on onerous contracts	-	-	-	-	-	-	-	-
4. Amortization of contract acquisition costs	1,152	-	-	1,152	423	-	-	423
5. Total	1,152	-	11,986	13,138	423	-	5,246	5,669
D. Result of insurance services (B+C)	(32,035)	-	11,986	(20,049)	(26,829)	-	5,246	(21,583)
E. Financial costs/revenues								
1. Relating to recruitment contracts issued	(1,972)	-	-	(1,972)	3,077	-	-	3,077
1.1 Recognised in profit or loss	2	-	-	2	(451)	-	-	(451)
1.2 Recognised in other comprehensive income	(1,974)	-	-	(1,974)	3,528	-	-	3,528
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	(1,972)	-	-	(1,972)	3,077	-	-	3,077
F. Investment components	-	-	-	-	-	-	-	-
G. Total amount recognised in profit or loss and in OCI (D+E+F)	(34,007)	-	11,986	(22,021)	(23,752)	-	5,246	(18,506)
H. Other changes	-	-	-	-	-	-	-	-
I. Cash movements								
1. Premiums received	46,518	-	-	46,518	48,988	-	-	48,988
2. Payments related to the costs of acquiring contracts	(5,520)	-	-	(5,520)	(9,015)	-	-	(9,015)
3. Claims paid and other cash outflows	-	-	(11,192)	(11,192)	-	-	(3,856)	(3,856)
4. Total	40,998	-	(11,192)	29,806	39,973	-	(3,856)	36,117
L. Net carrying amount at 31 December (A.3+G+H+I.4)	103,692	-	6,060	109,752	96,701	-	5,266	101,967
M. Closing carrying amount								
1. Insurance contracts written that are classified as liabilities	103,692	-	6,060	109,752	96,701	-	5,266	101,967
2. Insurance contracts written that are classified as assets	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	103,692	-	6,060	109,752	96,701	-	5,266	101,967

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Changes in the carrying amount of insurance contracts issued - GMM or VFA - liabilities for residual coverage and claims occurred – Basis of aggregation 4

Items/Liabilities	Liabilities for residual coverage 31/12/2023				Liabilities for residual coverage 31/12/2022			
	Net of loss	Loss	Liabilities for claims incurred	Total	Net of loss	Loss	Liabilities for claims incurred	Total
A. Initial carrying amount								
1. Insurance contracts written that are classified as liabilities	152,549	-	37,388	189,938	-	-	-	-
2. Insurance contracts written that are classified as assets	-	-	-	-	-	-	-	-
3. Net carrying amount at 1 January	152,549	-	37,388	189,938	134,636	-	30,599	165,235
B. Insurance revenues	(91,458)	-	-	(91,458)	(88,462)	-	-	(88,462)
C. Costs of insurance services								
1. Incurred claims and other directly attributable costs	-	-	49,093	49,093	-	-	36,831	36,831
2. Changes in liabilities for incurred claims	-	-	10,632	10,632	-	-	6,864	6,864
3. Losses and related recoveries on onerous contracts	-	-	-	-	-	-	-	-
4. Amortization of contract acquisition costs	14,244	-	-	14,244	15,718	-	-	15,718
5. Total	14,244	-	59,725	73,969	15,718	-	43,695	59,413
D. Result of insurance services (B+C)	(77,214)	-	59,725	(17,489)	(72,744)	-	43,695	(29,049)
E. Financial costs/revenues								
1. Relating to recruitment contracts issued	2,315	-	2,955	5,270	(8,013)	-	(74)	(8,087)
1.1 Recognised in profit or loss	484	-	2,808	3,292	(645)	-	1,007	362
1.2 Recognised in other comprehensive income	1,831	-	147	1,978	(7,368)	-	(1,081)	(8,449)
2. Effects related to exchange rate fluctuations	-	-	-	-	-	-	-	-
3. Total	2,315	-	2,955	5,270	(8,013)	-	(74)	(8,087)
F. Investment components	(4,169)	-	4,169	-	-	-	-	-
G. Total amount recognised in profit or loss and in OCI (D+E+F)	(79,068)	-	66,849	(12,219)	(80,757)	-	43,621	(37,136)
H. Other changes	-	-	-	-	-	-	-	-
I. Cash movements								
1. Premiums received	115,537	-	-	115,537	120,515	-	-	120,515
2. Payments related to the costs of acquiring contracts	(20,982)	-	-	(20,982)	(21,845)	-	-	(21,845)
3. Claims paid and other cash outflows	-	-	(53,262)	(53,262)	-	-	(36,831)	(36,831)
4. Total	94,555	-	(53,262)	41,293	98,670	-	(36,831)	61,839
L. Net carrying amount at 31 December (A.3+G+H+I.4)	168,036	-	50,975	219,012	152,549	-	37,389	189,938
M. Closing carrying amount								
1. Insurance contracts written that are classified as liabilities	168,036	-	50,975	219,012	152,549	-	37,389	189,938
2. Insurance contracts written that are classified as assets	-	-	-	-	-	-	-	-
3. Net carrying amount at 31 December	168,036	-	50,975	219,012	152,549	-	37,389	189,938

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Changes in the carrying amount of insurance contracts issued broken down by elements underlying the measurement – Basis of aggregation I

Elements underlying the measurement of the carrying amount of insurance contracts written								
Items/Elements underlying the measurement	Present value of cash flows 31.12.2023	Adjustment for non-financial risks 31.12.2023	Contractual service margin 31.12.2023	Total 31.12.2023	Present value of cash flows 31.12.2022	Adjustment for non-financial risks 31.12.2022	Contractual service margin 31.12.2022	Total 31.12.2022
A. Initial carrying amount								
1. Insurance contracts written that are classified as liabilities	17,891,970	61,200	1,632,125	19,585,295				
2. Insurance contracts written that are classified as assets								
3. Net carrying amount at 1 January	17,891,970	61,200	1,632,125	19,585,295	20,656,980	107,439	972,243	21,736,662
B. Changes related to current services								
1. Contractual service margin recorded in profit or loss			(109,490)	(109,490)			(95,045)	(95,045)
2. Change due to overdue non-financial risks		(3,650)		(3,650)		(8,034)		(8,034)
3. Experience-related changes	(17,814)			(17,814)	(9,958)			(9,958)
4. Total	(17,814)	(3,650)	(109,490)	(130,954)	(9,958)	(8,034)	(95,045)	(113,037)
C. Changes related to future services								
1. Changes in the contractual service margin	1,830,385	(3,915)	(1,826,471)	(1)	(3,332,032)	(43,293)	3,375,325	-
2. Losses on onerous contract groups and related recoveries	3		12	15	1		197	198
3. Effects of contracts initially recognised in the reporting year	(119,848)	2,286	117,563	1	(152,626)	5,088	147,561	23
4. Total	1,710,540	(1,629)	(1,708,896)	15	(3,484,657)	(38,205)	3,523,083	221
D. Changes related to past services								
1. Adjustments to the liability for incurred claims	774			774	(11)			(11)
2. Experience-related changes								
3. Total	774			774	(11)			(11)
E. Result of insurance services (B+C+D)	1,693,500	(5,279)	(1,818,386)	(130,165)	(3,494,626)	(46,239)	3,428,038	(112,827)
F. Financial costs/revenues								
1. Relating to recruitment contracts issued			2,074,164	2,074,164			(2,768,156)	(2,768,156)
1.1 Recognised in profit or loss			2,027,128	2,027,128			(2,634,137)	(2,634,137)
1.2 Recognised in other comprehensive income			47,036	47,036			(134,019)	(134,019)
2. Effects related to exchange rate fluctuations								
3. Total			2,074,164	2,074,164			(2,768,156)	(2,768,156)
G. Total amount of changes recognised in profit or loss and in OCI (E+F)	1,693,500	(5,279)	255,778	1,943,999	(3,494,626)	(46,239)	659,882	(2,880,983)
H. Other changes								
I. Cash movements								
1. Premiums received	2,082,662			2,082,662	2,209,255			2,209,255
2. Payments related to the costs of acquiring contracts	(35,346)			(35,346)	(34,634)			(34,634)
3. Claims paid and other cash outflows	(1,504,098)			(1,504,098)	(1,445,005)			(1,445,005)
4. Total	543,218			543,218	729,616			729,616
L. Net carrying amount at 31 December (A.3+G+H+I.4)	20,128,688	55,921	1,887,903	22,072,512	17,891,970	61,200	1,632,125	19,585,295
M. Closing carrying amount								
1. Insurance contracts written that are classified as liabilities	20,128,688	55,921	1,887,903	22,072,512	17,891,970	61,200	1,632,125	19,585,295
2. Insurance contracts written that are classified as assets								
3. Net carrying amount at 31 December	20,128,688	55,921	1,887,903	22,072,512	17,891,970	61,200	1,632,125	19,585,295

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Changes in the carrying amount of insurance contracts issued broken down by elements underlying the measurement – Aggregation basis 2

Elements underlying the measurement of the carrying amount of insurance contracts written								
Items/Elements underlying the measurement	Present value of cash flows 31.12.2023	Adjustment for non-financial risks 31.12.2023	Contractual service margin 31.12.2023	Total 31.12.2023	Present value of cash flows 31.12.2022	Adjustment for non-financial risks 31.12.2022	Contractual service margin 31.12.2022	Total 31.12.2022
A. Initial carrying amount								
1. Insurance contracts written that are classified as liabilities	(60,449)	7,451	154,965	101,967				
2. Insurance contracts written that are classified as assets								
3. Net carrying amount at 1 January	(60,449)	7,451	154,965	101,967	(48,226)	7,414	125,167	84,355
B. Changes related to current services								
1. Contractual service margin recorded in profit or loss			(14,957)	(14,957)			(12,571)	(12,571)
2. Change due to overdue non-financial risks		(606)		(606)		(224)		(224)
3. Experience-related changes	(5,280)			(5,280)	(10,178)			(10,178)
4. Total	(5,280)	(606)	(14,957)	(20,843)	(10,178)	(224)	(12,571)	(22,973)
C. Changes related to future services								
1. Changes in the contractual service margin	(16,230)	549	15,681		(10,252)	(272)	10,523	(1)
2. Losses on onerous contract groups and related recoveries								
3. Effects of contracts initially recognised in the reporting year	(29,566)	1,386	28,180		(33,193)	533	32,660	
4. Total	(45,796)	1,935	43,861		(43,445)	261	43,183	(1)
D. Changes related to past services								
1. Adjustments to the liability for incurred claims	794			794	1,390			1,390
2. Experience-related changes								
3. Total	794			794	1,390			1,390
E. Result of insurance services (B+C+D)	(50,282)	1,329	28,904	(20,049)	(52,233)	37	30,612	(21,584)
F. Financial costs/revenues								
1. Relating to recruitment contracts issued	(2,294)		322	(1,972)	3,893		(814)	3,079
1.1 Recognised in profit or loss	(320)		322	2	365		(814)	(449)
1.2 Recognised in other comprehensive income	(1,974)			(1,974)	3,528			3,528
2. Effects related to exchange rate fluctuations								
3. Total	(2,294)		322	(1,972)	3,893		(814)	3,079
G. Total amount of changes recognised in profit or loss and in OCI (E+F)	(52,576)	1,329	29,226	(22,021)	(48,340)	37	29,798	(18,505)
H. Other changes								
I. Cash movements								
1. Premiums received	46,518			46,518	48,988			48,988
2. Payments related to the costs of acquiring contracts	(5,520)			(5,520)	(9,015)			(9,015)
3. Claims paid and other cash outflows	(11,192)			(11,192)	(3,856)			(3,856)
4. Total	29,806			29,806	36,117			36,117
L. Net carrying amount at 31 December (A.3+G+H+I.4)	(83,219)	8,780	184,191	109,752	(60,449)	7,451	154,965	101,967
M. Closing carrying amount								
1. Insurance contracts written that are classified as liabilities	(83,219)	8,780	184,191	109,752	(60,449)	7,451	154,965	101,967
2. Insurance contracts written that are classified as assets								
3. Net carrying amount at 31 December	(83,219)	8,780	184,191	109,752	(60,449)	7,451	154,965	101,967

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Changes in the carrying amount of insurance contracts issued broken down by elements underlying the measurement – Aggregation basis 4

Elements underlying the measurement of the carrying amount of insurance contracts written								
Items/Elements underlying the measurement	Present value of cash flows 31.12.2023	Adjustment for non-financial risks 31.12.2023	Contractual service margin 31.12.2023	Total 31.12.2023	Present value of cash flows 31.12.2022	Adjustment for non-financial risks 31.12.2022	Contractual service margin 31.12.2022	Total 31.12.2022
A. Initial carrying amount								
1. Insurance contracts written that are classified as liabilities	65,207	6,025	118,706	189,938				
2. Insurance contracts written that are classified as assets								
3. Net carrying amount at 1 January	65,207	6,025	118,706	189,938	62,420	9,576	93,239	165,235
B. Changes related to current services								
1. Contractual service margin recorded in profit or loss			(41,145)	(41,145)			(35,876)	(35,876)
2. Change due to overdue non-financial risks		(2,864)		(2,864)		(3,206)		(3,206)
3. Experience-related changes	15,895			15,895	3,170			3,170
4. Total	15,895	(2,864)	(41,145)	(28,114)	3,170	(3,206)	(35,876)	(35,912)
C. Changes related to future services								
1. Changes in the contractual service margin	22,689	(598)	(22,090)	1	9,099	(4,055)	(5,044)	
2. Losses on onerous contract groups and related recoveries								
3. Effects of contracts initially recognised in the reporting year	(66,709)	4,221	62,488		(71,060)	4,106	66,955	1
4. Total	(44,020)	3,623	40,398	1	(61,961)	51	61,911	1
D. Changes related to past services								
1. Adjustments to the liability for incurred claims	12,247	(1,623)		10,624	8,440	(1,577)		6,863
2. Experience-related changes								
3. Total	12,247	(1,623)	-	10,624	8,440	(1,577)		6,863
E. Result of insurance services (B+C+D)	(15,878)	(864)	(747)	(17,489)	(50,351)	(4,732)	26,035	(29,048)
F. Financial costs/revenues								
1. Relating to recruitment contracts issued	1,741	2,714	815	5,270	(8,701)	1,181	(568)	(8,088)
1.1 Recognised in profit or loss	(237)	2,714	815	3,292	(251)	1,181	(568)	362
1.2 Recognised in other comprehensive income	1,978			1,978	(8,450)			(8,450)
2. Effects related to exchange rate fluctuations								
3. Total	1,741	2,714	815	5,270	(8,701)	1,181	(568)	(8,088)
G. Total amount of changes recognised in profit or loss and in OCI (E+F)	(14,137)	1,850	68	(12,219)	(59,052)	(3,551)	25,467	(37,136)
H. Other changes								
I. Cash movements								
1. Premiums received	115,537			115,537	120,515			120,515
2. Payments related to the costs of acquiring contracts	(20,982)			(20,982)	(21,845)			(21,845)
3. Claims paid and other cash outflows	(53,262)			(53,262)	(36,831)			(36,831)
4. Total	41,293			41,293	61,839			61,839
L. Net carrying amount at 31 December (A.3+G+H+I.4)	92,363	7,875	118,774	219,012	65,207	6,025	118,706	189,938
M. Closing carrying amount								
1. Insurance contracts written that are classified as liabilities	92,363	7,875	118,774	219,012	65,207	6,025	118,706	189,938
2. Insurance contracts written that are classified as assets								
3. Net carrying amount at 31 December	92,363	7,875	118,774	219,012	65,207	6,025	118,706	189,938

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Dynamics of insurance revenues and margin on contractual services of insurance contracts issued broken down by contracts existing at the time of transition to IFRS 17 during the year T- Basis of aggregation I

	31.12.2023				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Insurance revenues	18,479	-	73,903	17,109	109,491
Margin on contract services – Opening balances	305,991	-	1,039,273	286,861	1,632,125
Changes from current services	(18,479)	-	(73,903)	(17,109)	(109,491)
- Margin on contractual services recognised in profit or loss to reflect services provided	(18,479)	-	(73,903)	(17,109)	(109,491)
Changes for future services	(30,298)	-	(1,579,817)	(98,783)	(1,708,898)
- Changes in estimates adjusting the contractual service margin	(147,861)	-	(1,579,817)	(98,783)	(1,826,461)
- Effects of contracts initially recognised in the reporting year	117,563	-	-	-	117,563
Financial revenues/costs					
1. Related to insurance contracts written	264,366	-	1,730,122	79,675	2,074,163
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	264,366	-	1,730,122	79,675	2,074,163
Total changes recognised in profit or loss and comprehensive income	215,589	-	76,402	(36,217)	255,774
Margin on contractual services – Closing inventories	521,580	-	1,115,675	250,644	1,887,899

Performance of insurance revenues and margin on contractual services of insurance contracts issued broken down by contracts existing at the time of transition to IFRS 17 in year T-1 - Basis of aggregation I

	31.12.2022				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Insurance revenues	11,755	-	72,705	10,586	95,046
Margin on contract services – Opening balances	60,642	-	898,498	13,103	972,243
Changes from current services	(11,755)	-	(72,705)	(10,586)	(95,046)
- Margin on contractual services recognised in profit or loss to reflect services provided	(11,755)	-	(72,705)	(10,586)	(95,046)
Changes for future services	380,680	-	2,763,197	379,207	3,523,084
- Changes in estimates adjusting the contractual service margin	233,119	-	2,763,197	379,207	3,375,523
- Effects of contracts initially recognised in the reporting year	147,561	-	-	-	147,561
Financial revenues/costs					
1. Related to insurance contracts written	(123,577)	-	(2,549,717)	(94,863)	(2,768,157)
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	(123,577)	-	(2,549,717)	(94,863)	(2,768,157)
Total changes recognised in profit or loss and comprehensive income	245,348	-	140,775	273,758	659,881
Margin on contractual services – Closing inventories	305,990	-	1,039,273	286,861	1,632,124

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Dynamics of insurance revenues and margin on contractual services of insurance contracts issued, broken down according to contracts existing at the time of transition to IFRS 17 in year T – Basis of aggregation 2

	31.12.2023				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Insurance revenues	3,591	11,367	-	-	14,958
Margin on contract services – Opening balances	33,388	121,576	-	-	154,964
Changes from current services	(3,591)	(11,367)	-	-	(14,958)
- Margin on contractual services recognised in profit or loss to reflect services provided	(3,591)	(11,367)	-	-	(14,958)
Changes for future services	33,762	10,098	-	-	43,860
- Changes in estimates adjusting the contractual service margin	5,582	10,098	-	-	15,680
- Effects of contracts initially recognised in the reporting year	28,180	-	-	-	28,180
Financial revenues/costs					
1. Related to insurance contracts written	539	(216)	-	-	323
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	539	(216)	-	-	323
Total changes recognised in profit or loss and comprehensive income	30,710	(1,485)	-	-	29,225
Margin on contractual services – Closing inventories	64,098	120,091	-	-	184,189

Performance of insurance revenues and margin on contractual services of insurance contracts issued, broken down according to contracts existing at the time of transition to IFRS 17 during year T-1 – Basis of aggregation 2

	31.12.2022				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Insurance revenues	1,384	11,186	-	-	12,570
Margin on contract services – Opening balances	-	125,167	-	-	125,167
Changes from current services	(1,384)	(11,186)	-	-	(12,570)
- Margin on contractual services recognised in profit or loss to reflect services provided	(1,384)	(11,186)	-	-	(12,570)
Changes for future services	34,886	8,297	-	-	43,183
- Changes in estimates adjusting the contractual service margin	2,226	8,297	-	-	10,523
- Effects of contracts initially recognised in the reporting year	32,660	-	-	-	32,660
Financial revenues/costs					
1. Related to insurance contracts written	(113)	(702)	-	-	(815)
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	(113)	(702)	-	-	(815)
Total changes recognised in profit or loss and comprehensive income	33,389	(3,591)	-	-	29,798
Margin on contractual services – Closing inventories	33,389	121,576	-	-	154,965

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Dynamics of insurance revenues and margin on contractual services of insurance contracts issued allocated on the basis of contracts existing at the time of transition to IFRS 17 in financial year T
– Aggregation Base 4

	31.12.2023				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Insurance revenues	30,892	-	10,253	-	41,145
Margin on contract services – Opening balances	56,074	-	62,631	-	118,705
Changes from current services	(30,892)	-	(10,253)	-	(41,145)
- Margin on contractual services recognised in profit or loss to reflect services provided	(30,892)	-	(10,253)	-	(41,145)
Changes for future services	55,943	-	(15,546)	-	40,397
- Changes in estimates adjusting the contractual service margin	(6,545)	-	(15,546)	-	(22,091)
- Effects of contracts initially recognised in the reporting year	62,488	-	-	-	62,488
Financial revenues/costs					
1. Related to insurance contracts written	904	-	(89)	-	815
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	904	-	(89)	-	815
Total changes recognised in profit or loss and comprehensive income	25,955	-	(25,888)	-	67
Margin on contractual services – Closing inventories	82,029	-	36,743	-	118,772

Performance of insurance revenues and the margin on contractual services of insurance contracts issued, broken down according to contracts existing at the time of transition to IFRS 17 during year T-I – Aggregation Base 4

	31.12.2022				
	New contracts and contracts measured at transition date with full retroactive application method	Contracts measured at transition date with the modified retroactive application method	Contracts measured at transition date using the fair value method	Carve-out contracts	Total
Insurance revenues	10,486	-	25,391	-	35,877
Margin on contract services – Opening balances	-	-	93,239	-	93,239
Changes from current services	(10,486)	-	(25,391)	-	(35,877)
- Margin on contractual services recognised in profit or loss to reflect services provided	(10,486)	-	(25,391)	-	(35,877)
Changes for future services	66,694	-	(4,783)	-	61,911
- Changes in estimates adjusting the contractual service margin	(261)	-	(4,783)	-	(5,044)
- Effects of contracts initially recognised in the reporting year	66,955	-	-	-	66,955
Financial revenues/costs					
1. Related to insurance contracts written	(133)	-	(435)	-	(568)
2. Effects related to exchange rate fluctuations	-	-	-	-	-
3. Total	(133)	-	(435)	-	(568)
Total changes recognised in profit or loss and comprehensive income	56,075	-	(30,609)	-	25,466
Margin on contractual services – Closing inventories	56,075	-	62,630	-	118,705

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Elements underlying the measurement of insurance contracts issued entered in year T Base aggregation I

Contract Items/Groups	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimating the present value of future cash inflows									
1. Acquisition costs of contracts	-	34,133	34,133	-	-	-	-	-	-
2. Amount of claims and other directly attributable costs	-	1,446,285	1,446,285	-	-	-	-	-	-
3. Total	-	1,480,418	1,480,418	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	1,600,266	1,600,266	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	-	(119,848)	(119,848)	-	-	-	-	-	-
D. Adjustment for non-financial risks	-	2,285	2,285	-	-	-	-	-	-
E. Elimination of assets already recognised for cash flows associated with insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	117,563	117,563	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued during the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Elements underlying the measurement of insurance contracts issued recognised in financial year T-1 - Basis of aggregation I

Contract Items/Groups	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimating the present value of future cash inflows									
1. Acquisition costs of contracts	101	43,524	43,625	-	-	-	-	-	-
2. Amount of claims and other directly attributable costs	1,094	1,705,221	1,706,315	-	-	-	-	-	-
3. Total	1,195	1,748,745	1,749,940	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	1,176	1,901,390	1,902,566	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	19	(152,645)	(152,626)	-	-	-	-	-	-
D. Adjustment for non-financial risks	4	5,084	5,088	-	-	-	-	-	-
E. Elimination of assets already recognised for cash flows associated with insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	147,561	147,561	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued during the year (C+D+E+F)	23	-	23	-	-	-	-	-	-

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Elements underlying the measurement of insurance contracts issued entered in year T – Aggregation Base 2

Contract Items/Groups	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimating the present value of future cash inflows									
1. Acquisition costs of contracts	-	5,295	5,295	-	-	-	-	-	-
2. Amount of claims and other directly attributable costs	-	34,731	34,731	-	-	-	-	-	-
3. Total	-	40,026	40,026	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	69,592	69,592	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	-	(29,566)	(29,566)	-	-	-	-	-	-
D. Adjustment for non-financial risks	-	1,386	1,386	-	-	-	-	-	-
E. Elimination of assets already recognised for cash flows associated with insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	28,180	28,180	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued during the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Elements underlying the measurement of insurance contracts issued recognised in year T-1 – Aggregation Base 2

Contract Items/Groups	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimating the present value of future cash inflows									
1. Acquisition costs of contracts	-	5,015	5,015	-	-	-	-	-	-
2. Amount of claims and other directly attributable costs	-	50,476	50,476	-	-	-	-	-	-
3. Total	-	55,491	55,491	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	88,685	88,685	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	-	(33,193)	(33,193)	-	-	-	-	-	-
D. Adjustment for non-financial risks	-	533	533	-	-	-	-	-	-
E. Elimination of assets already recognised for cash flows associated with insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	32,660	32,660	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued during the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Elements underlying the measurement of insurance contracts issued recognised in year T – Aggregation Basis 4

Contract Items/Groups	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimating the present value of future cash inflows									
1. Acquisition costs of contracts	-	20,540	20,540	-	-	-	-	-	-
2. Amount of claims and other directly attributable costs	-	44,657	44,657	-	-	-	-	-	-
3. Total	-	65,197	65,197	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	131,906	131,906	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	-	(66,709)	(66,709)	-	-	-	-	-	-
D. Adjustment for non-financial risks	-	4,221	4,221	-	-	-	-	-	-
E. Elimination of assets already recognised for cash flows associated with insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	62,488	62,488	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued during the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Elements underlying the measurement of insurance contracts issued recognised in year T-1 – Basis of aggregation 4

Contract Items/Groups	Originated contracts			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimating the present value of future cash inflows									
1. Acquisition costs of contracts	-	21,355	21,355	-	-	-	-	-	-
2. Amount of claims and other directly attributable costs	-	47,574	47,574	-	-	-	-	-	-
3. Total	-	68,929	68,929	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	139,989	139,989	-	-	-	-	-	-
C. Estimated net present value of future cash flows (A-B)	-	(71,060)	(71,060)	-	-	-	-	-	-
D. Adjustment for non-financial risks	-	4,105	4,105	-	-	-	-	-	-
E. Elimination of assets already recognised for cash flows associated with insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	66,955	66,955	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued during the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment
 Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Insurance contracts issued - Claims development gross of reinsurance (Non-Life Segment)

Claims / Time Bands	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Total
	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	
A. Cumulative claims paid and other attributable management costs paid											
1. At the end of the year of occurrence	2,389	3,449	3,130	3,556	4,519	6,298	7,981	11,895	14,782	22,804	X
2. One year later	2,965	3,478	4,210	5,565	4,778	6,654	8,940	10,601	13,939	X	X
3. Two years later	956	1,674	3,286	667	1,473	2,440	1,955	4,036	X	X	X
4. Three years later	416	364	241	203	750	260	887	X	X	X	X
5. Four years later	62	25	128	182	39	317	X	X	X	X	X
6. Five years later	0	21	-	213	89	X	X	X	X	X	X
7. Six years later	14	0	0	31	X	X	X	X	X	X	X
8. Seven years later	(19)	60	190	X	X	X	X	X	X	X	X
9. Eight years later	-	6	X	X	X	X	X	X	X	X	X
10. Nine years later	-	X	X	X	X	X	X	X	X	X	X
Total accumulated claims paid and other directly attributable costs paid (Total A)	6,784	9,078	11,185	10,415	11,648	15,969	19,763	26,533	28,721	22,804	162,900
B. Estimate of the final cost of cumulative claims (amount gross of outward reinsurance and not discounted)											
1. At the end of the year of occurrence	2,498	3,626	12,625	11,904	13,759	15,245	21,430	30,605	38,514	55,845	X
2. One year later	3,177	6,679	642	(90)	(1,088)	2,166	(1,094)	(1,620)	182	X	X
3. Two years later	2,439	(690)	(1,987)	(1,258)	(266)	(1,077)	379	353	X	X	X
4. Three years later	(1,232)	122	(56)	(30)	(353)	136	(415)	X	X	X	X
5. Four years later	(71)	(153)	162	(143)	(200)	(146)	X	X	X	X	X
6. Five years later	(15)	(322)	(88)	64	(84)	X	X	X	X	X	X
7. Six years later	26	(66)	(6)	28	X	X	X	X	X	X	X
8. Seven years later	(23)	(10)	32	X	X	X	X	X	X	X	X
9. Eight years later	(7)	(89)	X	X	X	X	X	X	X	X	X
10. Nine years later	(0)	X	X	X	X	X	X	X	X	X	X
Estimate of the final cost of gross cumulative claims not discounted at the balance sheet date (Total B)	6,789	9,097	11,324	10,475	11,768	16,325	20,300	29,338	38,696	55,845	209,957
C. Liabilities for undiscounted gross claims - year of occurrence from T to T-9 (Total B - Total A)	6	18	140	59	121	355	537	2,805	9,975	33,041	47,058
D. Liabilities for undiscounted gross claims - years prior to T-9	X	X	X	X	X	X	X	X	X	X	2,024
E. Discounting effect	X	X	X	X	X	X	X	X	X	X	-
F. Effect of adjustment for non-financial risks	X	X	X	X	X	X	X	X	X	X	(1,509)
G. Liabilities for claims that occur gross of insurance contracts issued	X	X	X	X	X	X	X	X	X	X	-

Insurance contracts issued - Claims development net of reinsurance (Non-Life Segment)

Claims / Time Bands	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Total
	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	
A. Cumulative claims paid and other directly attributable costs paid net of reinsurance											
1. At the end of the year of occurrence	2,213	3,045	2,864	3,081	4,037	5,127	5,885	7,102	9,246	13,305	X
2. One year later	2,635	3,198	3,843	5,301	4,325	5,678	5,928	7,927	10,596	X	X
3. Two years later	903	1,628	2,913	603	1,262	2,195	1,699	3,683	X	X	X
4. Three years later	407	319	237	172	676	236	855	X	X	X	X
5. Four years later	62	25	(45)	179	20	305	X	X	X	X	X
6. Five years later	0	21	-	172	76	X	X	X	X	X	X
7. Six years later	14	0	0	31	X	X	X	X	X	X	X
8. Seven years later	(19)	60	189	X	X	X	X	X	X	X	X
9. Eight years later	-	6	X	X	X	X	X	X	X	X	X
10. Nine years later	-	X	X	X	X	X	X	X	X	X	X
Total cumulative claims paid and other directly attributable costs paid net of reinsurance (Total A)											
Estimate of the ultimate cost of cumulative claims (amount net of outward reinsurance and not discounted)											
1. At the end of the year of occurrence	2,322	3,222	11,525	10,846	12,337	13,388	16,040	22,283	28,797	38,084	X
2. One year later	2,847	6,232	661	38	(973)	1,391	(1,108)	(1,293)	(311)	X	X
3. Two years later	2,309	(613)	(1,928)	(1,198)	(402)	(916)	267	275	X	X	X
4. Three years later	(1,167)	119	(90)	(11)	(256)	131	(293)	X	X	X	X
5. Four years later	(71)	(152)	(51)	(141)	(182)	(98)	X	X	X	X	X
6. Five years later	(14)	(322)	(73)	34	(22)	X	X	X	X	X	X
7. Six years later	26	(77)	(6)	24	X	X	X	X	X	X	X
8. Seven years later	(24)	(5)	70	X	X	X	X	X	X	X	X
9. Eight years later	(7)	(82)	X	X	X	X	X	X	X	X	X
10. Nine years later	(3)	X	X	X	X	X	X	X	X	X	X
Estimate of the final cost of the net cumulative claims not discounted at the reporting date (Total B)											
	6,218	8,323	10,108	9,592	10,504	13,895	14,907	21,265	28,486	38,084	161,381
C. Liabilities for undiscounted net claims – year of occurrence from T to T-9 (Total A – Total B)											
	3	19	106	54	107	353	540	2,552	8,644	24,780	37,157
D. Liabilities for undiscounted net claims – years prior to T-9											
	X	X	X	X	X	X	X	X	X	X	2,009
E. Discounting effect											
	X	X	X	X	X	X	X	X	X	X	(2,237)
F. Effect of adjustment for non-financial risks											
	X	X	X	X	X	X	X	X	X	X	-
G. Liabilities for claims incurred net of insurance contracts issued											
	X	X	X	X	X	X	X	X	X	X	-

Insurance contracts issued - Margin on contractual services broken down by expected timing of recognition in the income statement

The table below broken down by Life and Non-Life Segments:

	31.12.2023	
€/000	<i>Life segment</i>	<i>Non-Life segment</i>
Up to 3 year	380,589	53,803
4-5 years	230,326	17,282
over 5 years	1,461,174	47,689
Total	2,072,088	118,772

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 2023, the share capital amounted to €600,564 thousand (31.12.2022: €600,452 thousand) divided into 744,040,141 shares with no par value. The number of treasury shares in the portfolio was 2,899,295 shares for a total of €19,781 thousand (31.12.2022: €33,146 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	742,920,891	-
- fully paid-up	-	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	4,858,190	-
A.2 Shares in issue: opening balances	738,062,701	-
B. Increases	3,078,145	-
B.1 New issues	1,119,250	-
- for payment	1,119,250	-
- business combinations	-	-
- bond conversion	-	-
- exercise of warrants	-	-
- other	1,119,250	-
- free of charge	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	1,958,895	-
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	741,140,846	-
D.1 Treasury shares (+)	2,899,295	-
D.2 Shares existing at the end of the year	744,040,141	-
- fully paid-up	744,040,141	-
- 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 €2,213.3 million (31.12.2022: €2,075.9 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. 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	31.12.2023	31.12.2022
1. Commitments to disburse funds	841,785	20,918	1,789	-	864,492	983,638
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	-	-	-	-	-	44
d) Other financial corporations	215,284	2,502	1	-	217,787	265,242
e) Non-financial corporations	188,591	6,394	3	-	194,988	229,571
f) Households	437,910	12,022	1,785	-	451,717	488,781
2. Financial guarantees given	75,448	-	-	-	75,448	73,650
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	75,324	-	-	-	75,324	73,520
d) Other financial corporations	-	-	-	-	-	6
e) Non-financial corporations	124	-	-	-	124	124
f) Households	-	-	-	-	-	-

2. Other commitments and guarantees given

€/000	31.12.2023	31.12.2022
1. Other guarantees given	107,471	92,556
of which: non-performing credit exposures	446	147
a) Central banks	-	-
b) General government	-	-
c) Banks	57	57
d) Other financial corporations	11,030	11,649
e) Non-financial corporations	26,197	22,468
f) Households	70,187	58,382
2. Other commitments	66,956	26,617
of which: non-performing credit exposures	33	33
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	58,677	11,405
e) Non-financial corporations	3,423	2,760
f) Households	4,856	12,452

3. Assets pledged as collateral for liabilities and commitments

€/000	31.12.2023	31.12.2022
1. Financial assets at fair value through profit or loss	81,611	677,824
2. Financial assets measured at fair value through other comprehensive income	-	98,397
3. Financial assets measured at amortised cost	19,953,100	8,885,904
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
	Year 2023	Year 2023	Year 2023
Assets on the balance sheet	34,990,416	-	34,990,416
Intra-group activities*	264,942	-	264,942
Total Assets	35,255,358	-	35,255,358
Financial liabilities on the balance sheet	15,011,219	-	15,011,219
Insurance liabilities	20,653,836	-	20,653,836
Intragroup liabilities*	-	-	-
Total Liabilities	35,665,055	-	35,665,055

(*) Assets and liabilities eliminated in the consolidation process

5. Asset management and trading on behalf of third parties

€/000	31.12.2023
1. Execution of orders on behalf of customers	
a) purchases	1,942,538
1. settled	1,942,538
2. not settled	-
b) sales	1,496,220
1. settled	1,496,220
2. not settled	-
2. Portfolio management	
a) individual	4,710,829
b) collective	34,544,220
3. Securities custody and administration	
a) third-party securities in custody: connected to custodian bank operations (excluding portfolio management)	371,383
1. securities issued by the companies included in the consolidation	-
2. other securities	371,383
b) third-party securities in custody (excluding portfolio management): other	17,905,381
1. securities issued by the companies included in the consolidation	3,847
2. other securities	17,901,534
c) third-party securities held with third parties	17,900,352
d) own securities held with third parties	50,784,930
4. Other transactions	13,102,849

Part C – Information on the consolidated 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
				31.12.2023	31.12.2022
1. Financial assets at fair value through profit or loss:	57,924	-	-	57,924	41,599
1.1 Financial assets held for trading	11,941	-	-	11,941	9
1.2 Financial assets designated at fair value	45,983	-	-	45,983	41,590
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	46,523	-	X	46,523	13,189
3. Financial assets measured at amortised cost:	522,636	663,303	-	1,185,939	458,999
3.1 Loans to banks	683	21,976	X	22,659	10,835
3.2 Loans to customers	521,953	641,327	X	1,163,280	448,164
4. Hedging derivatives	X	X	2,051	2,051	314
5. Other assets	X	X	38,339	38,339	7,143
6. Financial liabilities	X	X	X	989	31,683
Total	627,083	663,303	40,390	1,331,765	552,927
of which: interest income on impaired financial assets	-	9,262	-	9,262	4,578
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	31.12.2023	31.12.2022
Interest income on foreign-currency financial assets	2,278	653
TOTAL	2,278	653

1.3 Interest expense and similar expenses: breakdown

€/000	Payables	Securities	Other transactions	Total	Total
				31.12.2023	31.12.2022
1. Financial liabilities measured at amortised cost	(487,229)	(15,511)	X	(502,740)	(69,260)
1.1 Payables to central banks	-	X	X	-	-
1.2 Payables to banks	(25,146)	X	X	(25,146)	(1,707)
1.3 Payables to customers	(462,083)	X	X	(462,083)	(65,936)
1.4 Debt securities in issue	X	(15,511)	X	(15,511)	(1,617)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(588)	(588)	(2,293)
5. Hedging derivatives	X	X	(2,333)	(2,333)	(2,930)
6. Financial assets	X	X	X	(110)	(4,003)
Total	(487,229)	(15,511)	(2,921)	(505,771)	(78,486)
of which: interest expense relating to lease liabilities	(1,342)	X	X	(1,342)	(1,446)

1.4 Interest expense and similar expenses: other information

1.4.1 Interest expense on foreign-currency liabilities

€/000	31.12.2023	31.12.2022
Interest expense on foreign-currency financial assets	(2,852)	(1,508)
TOTAL	(2,852)	(1,508)

1.5 Differentials relating to hedging transactions

€/000	31.12.2023	31.12.2022
A. Positive differentials relating to hedging transactions	2,051	314
B. Negative differentials relating to hedging transactions	(2,333)	(2,930)
C. Balance (A-B)	(282)	(2,616)

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 Commission income: breakdown

€/000	Total 31.12.2023	Total 31.12.2022
a) Financial instruments	89,828	95,139
1. Placement of securities	60,730	70,492
1.1 With an underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	60,730	70,492
2. Receipt and transmission of orders and execution of orders on behalf of clients	11,738	11,402
2.1 Receipt and transmission of orders for one or more financial instruments	1,222	1,022
2.2 Execution of orders on behalf of clients	10,516	10,380
3. Other fees for activities associated with financial instruments	17,360	13,245
of which: own-account trading	-	-
of which: management of individual portfolios	17,360	13,245
b) Corporate finance	-	-
1. Merger and acquisition advisory	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory activities	2,047	3,082
d) Clearing and settlement	-	-
e) Collective portfolio management	1,407,248	1,270,783
f) Custody and administration	4,937	4,847
1. Custodian bank	-	-
2. Other custody and administration fees	4,937	4,847
g) Central administrative services for collective portfolio management	-	-
h) Trust activity	527	194
i) Payment services	75,264	49,280
1. Current accounts	29,148	26,509
2. Credit cards	26,276	5,026
3. Debit and other payment cards	12,735	11,470
4. Wire transfers and other payment orders	3,455	2,381
5. Other payment service fees	3,650	3,894
j) Distribution of third-party services	59,213	61,881
1. Collective portfolio management	53,196	53,472
2. Insurance products	1,382	1,146
3. Other products	4,635	7,263
of which: management of individual portfolios	-	-
k) Structured finance	-	-
l) Servicing of securitisation operations	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	800	694
of which: derivatives on receivables	-	-
o) Financing transactions	17,431	19,609
of which: for factoring transactions	-	-
p) Foreign exchange trading	7	9
q) Goods	-	-
r) Other commission income	88,743	72,801
of which: for management of multilateral trading facilities	-	-
of which: management of organised trading systems	237	290
Total	1,746,045	1,578,319

2.2 Commission expense: breakdown

€/000	Total 31.12.2023	Total 31.12.2022
a) Financial instruments	(1,260)	(1,304)
of which: trading of financial instruments	(1,260)	(1,304)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Collective portfolio management	(74,576)	(62,636)
1. Own	(70,358)	(59,081)
2. Delegated to third parties	(4,218)	(3,555)
d) Custody and administration	(2,025)	(1,832)
e) Collection and payment services	(67,548)	(33,871)
of which: credit cards, debit cards and other payment cards	(42,174)	(12,680)
f) Securitisation servicing services	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: derivatives on receivables	-	-
i) Financial solicitation	(618,691)	(356,095)
j) Foreign exchange trading	-	-
k) Other commission expenses	41,271	(203,251)
Total	(722,829)	(658,989)

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

€/000	31.12.2023		31.12.2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	45	-	64	-
B. Other financial assets mandatorily measured at fair value	-	3,556	-	3,520
C. Financial assets measured at fair value through other comprehensive income	24,739	-	21,836	-
D. Equity investments	-	-	-	-
TOTAL	24,784	3,556	21,900	3,520

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	21,401	19,057	(1,561)	(912)	37,985
1.1 Debt securities	19,690	19,054	(1,273)	(895)	36,576
1.2 Equity securities	1,711	3	(251)	(17)	1,446
1.3 Units in investment funds (UCIs)	-	-	(37)	-	(37)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	10	-	(17)	(7)
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	(2)	(2)
2.3 Other	-	10	-	(15)	(5)
3. Financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	(142)
4. Derivative instruments	5,107	8,265	(228)	(18,551)	(679)
4.1 Financial derivatives:	5,107	8,265	(228)	(18,551)	(679)
- On debt securities and interest rates	5,107	8,261	(228)	(18,551)	(5,411)
- On equity instruments and equity indices	-	4	-	-	4
- On currencies and gold	X	X	X	X	4,728
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	26,508	27,332	(1,789)	(19,480)	37,157

SECTION 5 – NET GAINS (LOSSES) FROM HEDGING – ITEM 90

5.1 Net gains (losses) from hedging: breakdown

€/000	31.12.2023	31.12.2022
A. Income relating to:		
A.1 Fair value hedging derivatives	210	17,019
A.2 Hedged financial assets (fair value)	1,444	-
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)	1,654	17,019
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(2,320)	(27)
B.2 Hedged financial assets (fair value)	-	(15,290)
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)	(2,320)	(15,317)
C. Net gains (losses) from hedging (A - B)	(666)	1,702
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	31.12.2023			31.12.2022		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	13	(24)	(11)	11	(166)	(155)
1.1 Loans to banks	1	-	1	-	-	-
1.2 Loans to customers	12	(24)	(12)	11	(166)	(155)
2. Financial assets measured at fair value through other comprehensive income	25	(121)	(96)	1,942	-	1,942
2.1 Debt securities	25	(121)	(96)	1,942	-	1,942
2.2 Loans	-	-	-	-	-	-
TOTAL ASSETS (A)	38	(145)	(107)	1,953	(166)	1,787
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 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	2,924,755	460,260	(163,344)	(247,174)	2,974,497
1.1 Debt securities	-	-	-	-	-
1.2 Loans	2,924,755	460,260	(163,344)	(247,174)	2,974,497
2. Financial liabilities	1,306	-	(1,126,760)	-	(1,125,454)
2.1 Debt securities in issue	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-
2.3 Payables to customers	1,306	-	(1,126,760)	-	(1,125,454)
3. Foreign-currency financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	-
TOTAL	2,926,061	460,260	(1,290,104)	(247,174)	1,849,043

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	10,448	227	(11,294)	(16)	(635)
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	10,448	227	(11,294)	(16)	(635)
1.4 Loans	-	-	-	-	-
2. Financial assets: foreign exchange gains and losses	X	X	X	X	-
TOTAL	10,448	227	(11,294)	(16)	(635)

SECTION 8 – CREDIT-RISK INDUCED NET 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						
											31.12.2023	31.12.2022
A. Loans to banks	(21)	-	(25)	-	-	-	18	-	3	-	(25)	814
- Loans	-	-	(25)	-	-	-	-	-	3	-	(22)	(37)
- Debt securities	(21)	-	-	-	-	-	18	-	-	-	(3)	851
B. Loans to customers	(4,680)	(5,481)	(1,649)	(39,376)	-	(12)	806	762	16,519	-	(33,111)	(23,414)
- Loans	(4,560)	(5,481)	(1,649)	(39,376)	-	(12)	504	762	16,519	-	(33,293)	(22,379)
- Debt securities	(120)	-	-	-	-	-	302	-	-	-	182	(1,035)
Total	(4,701)	(5,481)	(1,674)	(39,376)	-	(12)	824	762	16,522	-	(33,136)	(22,600)

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 31.12.2023	Total 31.12.2022
	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	(541)	-	-	-	-	-	931	-	-	-	390	407
B. Loans	-	-	-	-	-	-	-	-	-	-	-	(231)
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	(231)
Total	(541)	-	-	-	-	-	931	-	-	-	390	176

SECTION 10 – RESULT OF INSURANCE SERVICES – ITEM 160

Insurance revenues and costs deriving from insurance contracts written in year T – Breakdown

Items/Bases of aggregation	Base A1 31.12.2023	Base A2 31.12.2023	Base A3 31.12.2023	Base A4 31.12.2023	Base A5 31.12.2023	Total 31.12.2023
A. Insurance revenues deriving from insurance contracts written measured according to GMM and VFA						
A.1 Amounts related to changes in ARC	241,059	32,035	-	77,214	-	350,308
1. Incurred claims and other expected costs of insurance services	127,877	16,472	-	36,562	-	180,911
2. Changes in adjustment for non-financial risks	3,650	606	-	2,864	-	7,120
3. Contractual service margin recorded in profit or loss for services provided	109,490	14,957	-	41,145	-	165,592
4. Other amounts	42	-	-	(3,357)	-	(3,315)
A.2 Costs of acquiring recovered insurance contracts	14,221	1,152	-	14,244	-	29,617
A.3 Total insurance revenues deriving from insurance contracts written measured according to GMM or VFA	255,280	33,187		91,458		379,925
A.4 Total insurance revenues deriving from insurance contracts written measured according to PAA						
- Life segment	X	X	X	X	X	-
- Non-Life segment - Motor	X	X	X	X	X	-
- Non-Life segment - Non-Motor	X	X	X	X	X	-
A.5 Total insurance revenues deriving from insurance contracts written	255,280	33,187	-	91,458	-	379,925
B. Costs of insurance services deriving from insurance contracts written – GMM or VFA						
1. Incurred claims and other directly attributable costs	(110,105)	(11,192)	-	(49,093)	-	(170,390)
2. Changes in liabilities for incurred claims	(774)	(794)	-	(10,632)	-	(12,200)
3. Losses on onerous contracts and recovery of these losses	(15)	-	-	-	-	(15)
4. Amortisation of costs of acquiring insurance contracts	(14,221)	(1,152)	-	(14,244)	-	(29,617)
5. Other amounts	-	-	-	-	-	-
B.6 Total costs of insurance services deriving from insurance contracts written – GMM or VFA	(125,115)	(13,138)	-	(73,969)	-	(212,222)
B.7 Total costs of insurance services deriving from insurance contracts written measured according to PAA						-
- Life segment	X	X	X	X	X	-
- Non-Life segment - Motor	X	X	X	X	X	-
- Non-Life segment - Non-Motor	X	X	X	X	X	-
C. Total net costs/revenues deriving from insurance contracts written (A.5+B.6+B.7)	130,165	20,049	-	17,489	-	167,703

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Insurance revenues and costs deriving from insurance contracts written in year T-1 – Breakdown

Items/Bases of aggregation	Base A1 31.12.2022	Base A2 31.12.2022	Base A3 31.12.2022	Base A4 31.12.2022	Base A5 31.12.2022	Total 31.12.2022
A. Insurance revenues deriving from insurance contracts written measured according to GMM and VFA						
A.1 Amounts related to changes in ARC	225,401	26,829	-	72,744	-	324,974
1. Incurred claims and other expected costs of insurance services	121,896	14,034	-	35,094	-	171,024
2. Changes in adjustment for non-financial risks	8,035	224	-	3,206	-	11,465
3. Contractual service margin recorded in profit or loss for services provided	95,046	12,571	-	35,876	-	143,493
4. Other amounts	424	-	-	(1,432)	-	(1,008)
A.2 Costs of acquiring recovered insurance contracts	14,587	423	-	15,718	-	30,728
A.3 Total insurance revenues deriving from insurance contracts written measured according to GMM or VFA	239,988	27,252		88,462		355,702
A.4 Total insurance revenues deriving from insurance contracts written measured according to PAA						
- Life segment	X	X	X	X	X	-
- Non-Life segment - Motor	X	X	X	X	X	-
- Non-Life segment - Non-Motor	X	X	X	X	X	-
A.5 Total insurance revenues deriving from insurance contracts written	239,988	27,252	-	88,462	-	355,702
B. Costs of insurance services deriving from insurance contracts written – GMM or VFA						
1. Incurred claims and other directly attributable costs	(100,164)	(3,856)	-	(36,831)	-	(140,851)
2. Changes in liabilities for incurred claims	11	(1,390)	-	(6,864)	-	(8,243)
3. Losses on onerous contracts and recovery of these losses	(222)	-	-	-	-	(222)
4. Amortisation of costs of acquiring insurance contracts	(14,587)	(423)	-	(15,718)	-	(30,728)
5. Other amounts	(12,198)	-	-	-	-	(12,198)
B.6 Total costs of insurance services deriving from insurance contracts written – GMM or VFA	(127,160)	(5,669)	-	(59,413)	-	(192,242)
B.7 Total costs of insurance services deriving from insurance contracts written measured according to PAA						-
- Life segment	X	X	X	X	X	-
- Non-Life segment - Motor	X	X	X	X	X	-
- Non-Life segment - Non-Motor	X	X	X	X	X	-
C. Total net costs/revenues deriving from insurance contracts written (A.5+B.6+B.7)	112,828	21,583		29,049		163,460

Key:

Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment

Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment

Aggregation Base 3 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

Costs of composition and insurance revenues from reinsurance cessions in year T – Composition

Items/Bases of aggregation	Aggregation Base 1 31.12.2023	Aggregation Base 2 31.12.2023	Total 31.12.2023
A. Allocation of premiums paid relating to reinsurance cessions measured according to GMM			
A.1 Amounts related to changes in ARC			
1. Amount of expected claims and other recoverable costs	(21,061)	(6,022)	(27,083)
2. Changes in adjustment for non-financial risks	(357)	(361)	(718)
3. Contractual service margin recorded in profit or loss for services received	(1,027)	(8,457)	(9,484)
4. Other amounts	(1,648)	(11)	(1,659)
5. Total	(24,093)	(14,851)	(38,944)
A.2 Other costs directly attributable to reinsurance cessions	-	-	-
A.3 Allocation of premiums relating to reinsurance cessions measured according to PAA	-	-	-
B. Total costs deriving from reinsurance cessions	(24,093)	(14,851)	(38,944)
C. Effects of changes in the risk of default on the part of reinsurers	-	-	-
D. Amount of claims and other expenses recovered	14,403	19,708	34,111
E. Changes in the asset for incurred claims	412	5,427	5,839
F. Other recoveries	-	133	133
G. Total net costs/revenues deriving from reinsurance cessions (B+C+D+E+F)	(9,278)	10,417	1,139

Key:

Base A1 = Life segment

Base A2 = Non-Life segment

Costs Composition and insurance revenues from reinsurance cessions in financial year T-1 – Composition

Items/Bases of aggregation	Aggregation Base 1 31.12.2022	Aggregation Base 2 31.12.2022	Total 31.12.2022
A. Allocation of premiums paid relating to reinsurance cessions measured according to GMM			
A.1 Amounts related to changes in ARC			
1. Amount of expected claims and other recoverable costs	(12,674)	(6,129)	(18,803)
2. Changes in adjustment for non-financial risks	(303)	(275)	(578)
3. Contractual service margin recorded in profit or loss for services received	(6,322)	(5,910)	(12,232)
4. Other amounts	(1,616)	(13)	(1,629)
5. Total	(20,915)	(12,327)	(33,242)
A.2 Other costs directly attributable to reinsurance cessions	-	-	-
A.3 Allocation of premiums relating to reinsurance cessions measured according to PAA	-	-	-
B. Total costs deriving from reinsurance cessions	(20,915)	(12,327)	(33,242)
C. Effects of changes in the risk of default on the part of reinsurers	-	-	-
D. Amount of claims and other expenses recovered	7,300	8,737	16,037
E. Changes in the asset for incurred claims	235	722	957
F. Other recoveries	13,498	424	13,922
G. Total net costs/revenues deriving from reinsurance cessions (B+C+D+E+F)	118	(2,444)	(2,326)

Key:

Base A1 = Life segment

Base A2 = Non-Life segment

Breakdown of costs of insurance services and other services in year T

Costs/Aggregation Bases	Base A1 - with DPF 31.12.2023	Base A2 - without DPF 31.12.2023	Base A1 + Base A2 31.12.2023	Base A3 31.12.2023	Base A4 31.12.2023	Base A3 + Base A4 31.12.2023	Other 31.12.2023
Costs attributed to the acquisition of insurance contracts	(14,221)	(1,152)	(15,373)	-	(14,244)	(14,244)	X
Other directly attributable costs	(89,495)	(2,743)	(92,238)	-	(4,212)	(4,212)	X
Investment management expenses	X	X	-	X	X	-	(2,041)
Other costs	X	X	-	X	X	-	(7,960)
Total	X	X	(107,611)	X	X	(18,456)	(10,001)

Key:

Base A1 – with DPF = Insurance contracts written with direct participation features - Life segment

Base A2 = Insurance contracts written without direct participation features - Life segment

Base A1 + Base A2 = Life Segment

Base A3 = Insurance contracts written without direct participation features - Non-life segment

Base A4 = Insurance contracts written without direct participation features - Non-life segment

Base A3 + Base A4 = Non-Life segment

Breakdown of costs of insurance services and other services in year T-1

Costs/Aggregation Bases	Base A1 - with DPF 31.12.2022	Base A2 - without DPF 31.12.2022	Base A1 + Base A2 31.12.2022	Base A3 31.12.2022	Base A4 31.12.2022	Base A3 + Base A4 31.12.2022	Other 31.12.2022
Costs attributed to the acquisition of insurance contracts	(14,587)	(423)	(15,010)	-	(15,718)	(15,718)	X
Other directly attributable costs	(92,952)	(1,028)	(93,980)	-	(5,408)	(5,408)	X
Investment management expenses	X	X	-	X	X	-	-
Other costs	X	X	-	X	X	-	(20,426)
Total	X	X	(108,990)	X	X	(21,126)	(20,426)

Key:

Base A1 – with DPF = Insurance contracts written with direct participation features - Life segment

Base A2 = Insurance contracts written without direct participation features - Life segment

Base A1 + Base A2 = Life Segment

Base A3 = Insurance contracts written without direct participation features - Non-life segment

Base A4 = Insurance contracts written without direct participation features - Non-life segment

Base A3 + Base A4 = Non-Life segment

SECTION II - BALANCE OF FINANCIAL REVENUES AND COSTS RELATING TO INSURANCE MANAGEMENT - ITEM 170

Net financial costs and revenues relating to insurance contracts written

Items/Bases of aggregation	Base A1 31.12.2023	Base A2 31.12.2023	Base A3 31.12.2023	Total 31.12.2023	Base A1 31.12.2022	Base A2 31.12.2022	Base A3 31.12.2022	Total 31.12.2022
1. Accrued interest	-	(322)	(815)	(1,137)	-	(815)	568	(247)
2. Effects of interest rate changes and other financial assumptions	-	320	(2,477)	(2,157)	-	365	(930)	(565)
3. Changes in the fair value of the assets underlying contracts measured according to VFA	(2,027,143)	-	-	(2,027,143)	2,634,151	-	-	2,634,151
4. Effects of exchange rate fluctuations	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
6. Total net financial revenues/costs relating to insurance contracts written recognised in profit or loss	(2,027,143)	(2)	(3,292)	(2,030,437)	2,634,151	(450)	(362)	2,633,339

Key:

Base A1 = Insurance contracts written with direct participation features - Life segment

Base A2 = Insurance contracts written without direct participation features - Life segment

Base A3 = Insurance contracts written without direct participation features - Non-life segment

Net financial revenues and costs relating to reinsurance cessions

Items/Bases of aggregation	Base A1 31.12.2023	Base A2 31.12.2023	Total 31.12.2023	Base A1 31.12.2022	Base A2 31.12.2022	Total 31.12.2022
1. Accrued interest	(23)	997	974	440	119	559
2. Effects of interest rate changes and other financial assumptions	230	-	230	(1,469)	-	(1,469)
3. Effects of exchange rate fluctuations	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
5. Total net financial revenues/costs of reinsurance cessions	207	997	1,204	(1,029)	119	(910)

Key:

Base A1 = Life segment

Base A2 = Non-Life segment

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Staff costs: breakdown

€/000	31.12.2023	31.12.2022
1) Employees	(269,488)	(253,011)
a) wages and salaries	(188,224)	(180,006)
b) social security contributions	(47,746)	(43,935)
c) severance benefits	(51)	(4)
d) social security costs	-	-
e) provision for employee severance benefits	(9,700)	(7,912)
f) provision for pensions and similar obligations:	(61)	(764)
- defined contribution	-	-
- defined benefit	(61)	(764)
g) payments to external supplementary pension funds:	(4,208)	(3,304)
- defined contribution	(3,733)	(3,256)
- defined benefit	(475)	(48)
h) costs arising from share-based payment agreements	(6,307)	(5,929)
i) other employee benefits	(13,191)	(11,157)
2) Other staff in service	(10,394)	(7,490)
3) Directors and statutory auditors	(6,514)	(6,793)
4) Retired staff	-	-
TOTAL	(286,396)	(267,294)

12.2 Average number of employees by category

Units	31.12.2023	31.12.2022
1) Employees	3,245	3,126
a) executives	118	116
b) management	602	577
c) other employees	2,525	2,433
2) Other staff	309	311
TOTAL	3,554	3,437

12.3 Defined benefit company pension funds: costs and revenues

€/000	31.12.2023
- Current service cost	-
- Financial expenses	-
- Expected return on the assets servicing the plan	-
- Expected return on any redemption rights recognised as assets	(309)
- Actuarial gains and losses	286
- Past service cost	-
- Effect of other reductions and write-offs	(38)
TOTAL	(61)

12.4 Other employee benefits

Other employee benefits, shown in Table 12.1 Staff costs, came to €13.2 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	31.12.2023	31.12.2022
Information systems services	(115,727)	(106,282)
Infoprovider services	(18,675)	(16,291)
Financial services fees and charges	(1,053)	(1,139)
Other sundry services	(47,676)	(43,071)
Intra-group services	7,311	7,044
Taxes and duties	(2,716)	(2,291)
Television and internet communications services	(7,941)	(3,036)
Measures in support of the banking system	(41,208)	(41,579)
Network consultancy and collaborations	(6,519)	(6,679)
Rentals, hiring, leases	(24,390)	(20,121)
Maintenance and repairs	(4,842)	(3,556)
Telephone and postal expenses	(13,305)	(12,175)
Other consultancy and collaborations	(33,108)	(27,730)
Contributions to "Family Banker Offices"	(836)	(1,134)
Consumables	(3,903)	(4,068)
Insurance	(3,336)	(3,495)
Membership contributions	(7,276)	(3,577)
Advertising and promotional expenses	(37,511)	(33,214)
Prospectuses and printed matter	-	-
Organisation of conventions	(20,488)	(19,545)
Sales network consulting, education and training	(3,766)	(2,507)
Company canteen	-	-
Energy utilities	(3,535)	(3,258)
Entertainment, gifts and donations	(12,950)	(9,469)
Market research	(758)	(861)
Search and selection of employees	(1,129)	(945)
Travel expenses	(1,337)	(490)
Fuel costs	(535)	(420)
Search and selection of financial advisors	(97)	(61)
Emoluments of corporate officers	-	(24)
Other administrative expenses	(16,720)	(21,205)
TOTAL	(424,026)	(381,179)

SECTION 13 – NET PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 200

13.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees given: breakdown

€/000	31.12.2023	31.12.2022
Financial guarantees given	(818)	(277)
TOTAL	(818)	(277)

13.3 Other net provisions for risk and charges: breakdown

€/000	31.12.2023	31.12.2022
Portfolio and structure allowance	(2,253)	(1,524)
Additional customer allowance	(6,313)	741
Risk of misconduct by financial advisors	2,035	641
Future expenses on distributed products	-	2,216
Legal disputes	(1,413)	(2,289)
Managers' allowance	(9,096)	(7,813)
Other provisions for risk and charges	(10,990)	(6,230)
TOTAL	(28,030)	(14,258)

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	(15,929)	(7,362)	-	(23,291)
- Owned	(5,784)	(7,362)	-	(13,146)
- Rights of use acquired through leasing	(10,145)	-	-	(10,145)
2 Held for investment purposes	(788)	(2,692)	-	(3,480)
- Owned	(788)	(2,692)	-	(3,480)
- Rights of use acquired through leasing	-	-	-	-
3 Inventories	X	-	-	-
B. Assets held for sale	X	-	-	-
TOTAL	(16,717)	(10,054)	-	(26,771)

SECTION 15 – NET VALUE ADJUSTMENTS/WRITE-BACKS OF INTANGIBLE ASSETS – ITEM 220

15.1 Net value adjustments of intangible assets: breakdown

€/000	Amortisation	Impairment losses	Write-backs	Net result
	(a)	(b)	(c)	(a + b - c)
A. Intangible assets				
of which: software	(32,755)	-	-	(32,755)
A.1 Owned	(34,543)	(5,334)	-	(39,877)
- Generated internally by the company	-	-	-	-
- Other	(34,543)	(5,334)	-	(39,877)
A.2 Rights of use acquired through leasing	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	(34,543)	(5,334)	-	(39,877)

SECTION 16 – OTHER OPERATING INCOME AND EXPENSES – ITEM 230

16.1/16.2 Other revenues and expenses: breakdown

€/000	31.12.2023	31.12.2022
Recovery of costs for procurement and services rendered	17	(847)
Misc. income	16,219	12,710
<i>Rental income on owned properties</i>	546	583
<i>Income on divestments</i>	8	13
<i>Chargebacks to customers</i>	3,873	4,408
<i>Recovery of miscellaneous costs</i>	4	4
<i>Chargebacks to advisors</i>	21	31
<i>Other sundry income</i>	11,767	7,671
Total - Breakdown of "Other operating income"	16,236	11,863
Other operating expenses	(13,120)	(8,009)
Losses on divestments	(20)	(20)
Settlements and compensation	(2,507)	(2,703)
- Other operating expenses - Depreciation of leasehold improvements	(2,923)	(2,872)
Other expenses	(7,670)	(2,414)
Total - Breakdown of "Other operating expenses"	(13,120)	(8,009)
Total - Breakdown of "Other operating revenues and expenses"	3,116	3,854

Other operating revenues and expenses amounted to €3,116 thousand (31.12.2022: €3,854 thousand).

SECTION 17 – GAINS (LOSSES) ON EQUITY INVESTMENTS – ITEM 250

This item is not applicable.

SECTION 19 – GOODWILL IMPAIRMENT – ITEM 270

19.1 Goodwill impairment: composition

At 31 December 2023, the item had no balance, while in the comparative period it included a write-down of the goodwill of the subsidiary Prexta of Euro 7.3 million.

SECTION 20 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 280

20.1 Gains (losses) on disposal of investments: breakdown

€/000	31.12.2023	31.12.2022
A. Real estate	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
B. Other assets	763	4,174
- Profits on disposal	769	4,174
- Losses on disposal	(6)	-
Net result	763	4,174

SECTION 21 – TAXES ON INCOME FROM CONTINUING OPERATIONS – ITEM 300

21.1 Taxes on income from continuing operations: breakdown

€/000	31.12.2023	31.12.2022
1. Current taxes (-)	(248,925)	(135,918)
2. Changes in current taxes in previous years (+/-)	739	1,082
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 (+/-)	10,203	(4,760)
5. Change in deferred taxes (+/-)	(7,333)	2,586
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(245,316)	(137,010)

21.2 Reconciliation between theoretical tax liability and actual tax liability recognised

€/000	31.12.2023	31.12.2022
Theoretical rate of IRES or equivalent taxes	16.89%	14.89%
Profit (loss) for the year before tax	1,067,186	643,839
Theoretical tax charge	180,285	95,884
IRAP	49,973	29,138
Tax dispute	7,374	6,490
Increased effective rate and other adjustments	7,684	5,498
IRES tax charge and equivalent taxes	245,316	137,010
Effective rate of IRES and equivalent taxes	22.99%	21.28%
Total taxes in the income statement	245,316	137,010
Total effective rate	22.99%	21.28%

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of ordinary shares (fully diluted)

	31.12.2023	31.12.2022
Net income (€/000)	821,870	506,829
Weighted average number of shares outstanding (units)	739,601,774	737,252,214
Weighted average number of shares outstanding for diluted EPS purposes	743,753,167	744,207,493
Diluted earnings per share (€)	1.105	0.681
Basic earnings per share (€)	1.111	0.687

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	31.12.2023	31.12.2022*
10.	Net income for the year	821,870	506,829
	Other income items without reversal to the income statement	61,900	(30,826)
20.	Equity securities designated at fair value through other comprehensive income:	64,865	(32,743)
	a) change in fair value	64,865	(32,743)
	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	(134)	1,860
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves of equity investments measured at equity	-	-
110.	Income taxes relating to other income items without reversal to the income statement	(2,831)	57
	Other income items with reversal to the income statement	7,592	(11,776)
150.	Hedging instruments (non-designated elements):	-	-
	a) change in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
160.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	56,097	(155,685)
	a) changes in fair value	55,405	(152,833)
	b) reversal to income statement	692	(2,484)
	- credit-induced adjustments	(67)	(382)
	- gains (losses) on disposals	759	(2,102)
	c) other changes	0	(368)
180.	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	-	-
190.	Financial revenues or costs relating to insurance contracts written	(47,197)	138,274
	a) changes in fair value	(47,197)	138,274
	b) reversal to income statement	-	-
	c) other changes	-	-
200.	Financial revenues or costs relating to reinsurance cessions	1,412	766
	a) changes in fair value	1,412	766
	b) reversal to income statement	-	-
	c) other changes	-	-
210.	Income taxes relating to other income items with reversal to the income statement	(2,720)	4,869
220.	Total other income	69,492	(42,602)
230.	Comprehensive income (Item 10+220)	891,362	464,227
240.	Consolidated comprehensive income attributable to minority interests	-	-
250	Consolidated comprehensive income attributable to the Parent Company	891,362	464,227

* The balances have been restated due to the adoption of IFRS 17.

Part E - Information on risks and the related hedging policies

INTRODUCTION

In economic disciplines, the importance of the concept of risk 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. Business risks are also more acute in times of difficulty than sometimes businesses, despite them, are forced to face due to problems and difficulties of various kinds.

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

Among the elements characterising the governance of credit institutions, the verification of the adequacy of operational and strategic activities to prudential rules is carried out through the activity or so-called internal control system. 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.

The risk management process is effectively integrated within the Group's corporate organisation. In particular, some of the integration parameters are included, by way of example and not exhaustively, such as the dissemination of a common language in risk management at all levels of the Bank and the Group; the adoption of consistent methods and tools for detection and assessment (e.g. a single taxonomy of processes and a single risk map); the definition of risk reporting models, in order to facilitate their understanding and correct assessment, including in an integrated logic; the identification of formalised coordination times for the purposes of planning the respective activities; the forecasting of information flows on an ongoing basis between the various functions in relation to the results of the control activities for which they are responsible; and the sharing in the identification of remedial actions.

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.

The Parent Company has also defined a climate factor management policy that governs a methodological framework for assessing and determining the materiality of these factors on the characteristic risks of the Company, such as credit, market and operational risks.

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.

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 exposures	TOTAL
1. Financial assets measured at amortised cost	14,451	83,073	36,857	103,669	36,682,202	36,920,252
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,699,874	1,699,874
3. Financial assets designated at fair value	-	-	-	-	34,990,416	34,990,416
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
TOTAL 31.12.2023	14,451	83,073	36,857	103,669	73,372,492	73,610,542
TOTAL 31.12.2022	16,120	76,120	25,367	75,893	67,390,966	67,584,466

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	248,260	(113,879)	134,381	(171)	36,850,604	(64,733)	36,785,871	36,920,252
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,702,605	(2,731)	1,699,874	1,699,874
3. Financial assets designated at fair value	-	-	-	-	X	X	34,990,416	34,990,416
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
TOTAL 31.12.2023	248,260	(113,879)	134,381	(171)	38,553,209	(67,464)	38,485,745	73,610,542
TOTAL 31.12.2022	220,794	(103,187)	117,607	-	36,856,460	(56,824)	67,466,859	67,584,466

* 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

Given its status as a significant bank, the Banca Mediolanum Group is part of the Supervisory Review Process (SREP) adopted at European level, characterised by the establishment of the “Single Supervisory Mechanism” (SSM), which includes the European Central Bank (ECB) and the National Competent 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. 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 governance bodies and the risk management framework in relation to their levels by examining the control activities put in place by the credit institution (risk assessment system, Risk Appetite Statement - RAS);

- The overall review of the ICAAP/ILAAP process, reported annually by the Bank, is performed, using the appropriate assessment of capital and liquidity requirements in the light of the results of the risk assessment conducted by the Bank;
- 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 cycle of the SREP process, at the end of which the European Supervisory Authorities complete a decision-making phase in which the fundamental objectives are defined to address the weaknesses and gaps observed in the organisational structure and technical processes adopted by the bank. The SREP decision to individual institutions summarizes the observed result of a given year and indicates the measures that the banking company will have to implement the following year by assigning the “tasks” in order to always make the banks and the entire banking system sound 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 use, 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. In the latest update to the RAF document, Banca Mediolanum also introduced two climate risk indicators (on physical and transition risks, respectively) to monitor this factor on the credit portfolio in relation to real estate mortgage-backed exposures.

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 been characterised by a capital base and the availability of liquidity that is above the average for the sector in which it operates, evidence confirmed also in the most recent financial statements. 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 dialogue 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. › 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 Supervisory Authorities come to have a negative perception of the Bank.

Third Party Risk

It can be defined as the effect of the Bank's direct control reduction on third parties. These are risks of a different nature and may have direct and indirect impacts along the entire organisational and production chain of the Bank.

Risk of outsourcing

Risk related to "An agreement of any form between an institution and a service provider under which an institution carries out a process, service or activity that would otherwise be carried out by the institution".

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.

Money-laundering risk

Risk arising from violation of legal, regulatory and self-regulatory provisions aimed at preventing the use of the financial system for the purposes of money laundering and/or terrorist financing.

Sustainability risk

This refers to an environmental, social or governance (ESG) event or condition that, if it occurs, could cause a significant actual or potential negative impact on the perceived value of the company.

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 2023, Banca Mediolanum adopted a policy on climate and environmental risk management, within which the assessment framework for how climate risk can affect the risks that characterise the business lines and strategies defined by the Group is formalised, through the monitoring of certain management indicators. The detailed characteristics of the policy cited are described in the Non-Financial Statement published by the Group for the year 2023.

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.

Lending volumes decreased compared with the previous year, given the macroeconomic situation characterised by an increase in interest rates, in accordance with the Group's vocation to disburse loans mainly to retail customers and also to process requests for financing from corporate counterparties that meet the requirements of current policies.

Considering the lower volumes disbursed and the repayments made by customers under the amortisation schedule for personal loans and mortgage loans, or through capital advances and early repayments, the stock level of the retail and corporate loan portfolio was essentially stable at the consolidated level compared with the previous year. The Mediolanum Group has outstanding credit exposures to customers classed as green assets. In particular, these exposures, amounting to approximately 12% of the loan exposures outstanding as at 31 December 2023, relate to residential loans in favour of green properties located in Italy valued according to the "criteria of substantial contribution to the climate change mitigation objective" defined by Taxonomy EU - Regulation (EU) 2020/852 and Commission Delegated Regulation (EU) 2021/2139.

The above-mentioned exposures do not present economic conditions linked to the change in climate risk during the term of the loan.

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.

General considerations and Impacts arising from the European and international context

Continuous monitoring of risk indicators showed in 2023, 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. In particular, the main positions received in the non-performing loans of the Parent Company Banca Mediolanum in 2023 are characterised by the presence of SACE or MCC government guarantees: the process of enforcing these guarantees did not reveal any operational problems and was in progress on a regular basis and within the established timescales. With regard to the subsidiary Prexta, the increase in non-performing loans is attributable to the product of unsecured personal loans, the economic effects of which in terms of cost of risk were essentially in line with the forecasts made in the budget process.

The level of the cost of credit risk recorded in 2023 is higher than in the previous year but still below the forecasts made as part of the strategic planning process: the increase compared with 2022 is attributable to the annual calibration process of the IFRS 9 risk parameters, to the physiological evolution of the non-performing portfolio referred to above and to the greater weight at consolidated level of the business of the unsecured personal loans of the subsidiary Prexta for the performing component.

In 2023, the preventive measures implemented to manage the shortfall in the non-performing loan portfolio of the Parent Company Banca Mediolanum continued on the basis of the "NPE coverage expectations" communicated by the ECB.

Credit risk management therefore continued in accordance with the current policies, credit policies and procedures.

Even with regard to the effects deriving from the evolution of the geopolitical context, which led to uncertainty in the markets, there were no values of the risk parameters 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). Circular 4/2017 and ref. Circular 6/2021).

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.

Institutional credit risk and market risk

The Banco did not have to take any specific action during 2023 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.

Prexta Company – Italy

During 2023, 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.

The percentage of write-downs of non-performing loans is higher than in the previous year: for the line of assets relating to the sale of the fifth and other similar transactions, with a portfolio that is essentially stable at the absolute level, the increase in coverage is linked to the longest period of classification, while in the case of unsecured personal loans, the increase in the percentage of write-downs is linked to the greater weight of the categories of unlikely to pay and bad debts within a portfolio characterised by an increase in the absolute level.

In 2023, 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.

The non-performing loan write-down rates are conservative and in line with the policies of the Parent Company Banca Mediolanum for products with a similar risk profile.

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.

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 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.

Three macroeconomic scenarios were used to estimate the ECL during 2023:

- > Mild scenario: the Russian invasion of Ukraine is expected to resolve faster than expected, while there is no risk of a new wave of the COVID-19 pandemic. This leads to an increase in aggregate demand and the expansion of aggregate supply.
- > Adverse Scenario: Russian invasion of Ukraine is expected to continue and intensify further. As part of the escalation, the flow of natural gas from Russia is completely interrupted, causing European prices to rise further. Geopolitical tensions also flared between the US and China, leading to significant barriers to shipping along the Taiwan Strait. Finally, there is a strong wave of the COVID-19 pandemic due to a new variant.
- > Base Scenario: modest Italian GDP growth is expected and inflation is still above the ECB's target of 2% throughout 2023. The increase in rates limits access to credit for households and businesses, also weighing on the real estate market.

The following is an extract of the main macroeconomic indicators used in 2023 for ECL estimates.

	BASE		MILD		ADVERSE	
	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA
2022	0.51%	8.48%	2.92%	8.19%	-7.89%	12.33%
2023	2.17%	8.37%	1.64%	8.02%	0.22%	12.84%
2024	2.04%	8.31%	1.88%	8.02%	4.87%	11.58%

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 2021.

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.

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.

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.

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 2023, Banca Mediolanum adopted a policy on climate and environmental risk management, within which the assessment framework for how climate risk can affect the risks that characterise the business lines and strategies defined by the Group is formalised, through the monitoring of certain management indicators. With reference to the credit risk valuation method for the purposes of estimating expected loss pursuant to international accounting standards, the model adopted does not yet provide for a calibration that includes the measurement of climate risk. However, the path taken by the Group envisages a continuous evolution of the framework and attributes increasing importance to the monitoring and inclusion of climate risk in business practices.

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 31.12.2023.

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 targets set lead to a low level of NPL ratios net of value 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 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

Defaulted loans or “impaired credit exposures” are defined as credit exposures on cash (loans and debt securities) and off-balance sheet (guarantees issued, irrevocable and revocable commitments to disburse funds, etc.) from debtors that fall within the category of “Non-performing” pursuant to Regulation 630/2019 amending Regulation (EU) No. 575/2013 and Implementing Regulation (EU) No. 680/2014 of the Commission, as subsequently amended and supplemented (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). 575/2013 by the European Parliament and 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 until the outcome of the application 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 in accordance with the rules governing the “over-indebtedness” crisis of parties not eligible to file for bankruptcy proceedings (In the event of subsequent approval by the court of the restructuring agreement, the relevant exposures are also classified as non-performing forborne exposures.

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.

Finally, exposures to debtors that have initiated insolvency proceedings pursuant to the rules governing the “over-indebtedness” crisis of non-fallible entities (so-called “civil insolvency”) are classified as non-performing if new objective elements exist that lead to classification of the debtor in this category or if the exposures are already classified as non-performing at the time of the application for admission.

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 2023, the exposure in POCI was not significant.

4. Financial assets subject to commercial renegotiation and forborne 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 forborne. 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 forborne 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.

With regard to the forborne classification following the application of collective agreements concluded by trade associations or certain legislative requirements (so-called moratoria), the regulatory indications formulated by the Supervisory Authority in force at the time of granting (EBA Guidelines) apply.

A moratorium shall be considered as such if all of the following conditions are met:

- > is based on a national law (legislative moratorium) or an initiative to exempt a credit institution from non-legislative payment under an agreed or coordinated sectoral moratorium in the banking sector or a material part thereof, possibly in cooperation with public authorities (non-legislative moratorium);
- > applies to a group of pre-defined debtors on the basis of general criteria;
- > only provides for changes to the payment plan, in particular by suspending, postponing or reducing payments of the principal amounts, interest or instalments, for a predefined period of time and are therefore excluded from other changes (e.g. interest rate);

- > offers the same conditions to all exposures identified by the moratorium itself;
- > does not apply to new contracts granted after the date of announcement of the moratorium.

With particular reference to requests for moratoria received, legislative or non-legislative, the application of the moratorium does not induce the automatic classification of an exposure as forborne, unless this was already the classification of the exposure before the application of the moratorium. Throughout the duration of the moratorium, the First-level Organisational Units continue to assess whether there are indications of “unlikely fulfilment” of debtors subject to the moratorium taking into account the updated payment plan as a result of adherence to the moratorium and adjusting the credit classification accordingly.

In addition, in the case of concessions made for more than nine months, each individual case is assessed by classifying forborne if the customer’s financial difficulty is ascertained.

During 2023, 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	48,149	2,365	542	4,317	42,184	6,028	1,025	11,969	88,634	3	216	331
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2023	48,149	2,365	542	4,317	42,184	6,028	1,025	11,969	88,634	3	216	331
Total 31.12.2022	34,594	1,899	431	15,617	18,825	4,514	3,535	6,584	59,335	1	158	248

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
Overall initial adjustments	79	32,016	146	-	-	32,241	-	22,975	-	-	-	22,975	-	102,050	-
Increases in acquired or originated financial assets	-	8,055	12	-	-	8,067	-	1,840	-	-	-	1,840	-	2,675	-
Derecognitions other than write-offs	-	(2,668)	(63)	-	-	(2,731)	-	(1,948)	-	-	-	(1,948)	-	(13,155)	-
Credit-risk induced net value adjustments/write-backs (+/-)	-	(1,477)	(16)	-	-	(1,493)	-	4,796	-	-	-	(4,796)	-	21,879	-
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(542)	-
Other changes	-	(32)	-	-	-	(32)	-	6	-	-	-	6	-	(434)	-
Overall final adjustments	79	35,894	79	-	-	36,052	-	27,669	-	-	-	27,669	-	112,473	-
Recoveries from collection of financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(193)	-

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	1,199	0	0	1,141	58	65	8	0	0	158,538
Increases in acquired or originated financial assets	X	X	X	X	X	422	5	4	0	13,013
Derecognitions other than write-offs	(145)	0	0	(143)	(2)	(26)	(2)	0	0	(18,007)
Credit-risk induced net value adjustments/write-backs (+/-)	59	0	0	(71)	12	24	(6)	0	0	25,141
Contractual changes without derecognition										0
Changes in estimation methods										0
Write-offs not recognised directly in the income statement	0	0	0	0	0	0	0	0	0	(542)
Other changes	481	0	0	479	2	209	0	13	0	243
Overall final adjustments	1,476	0	0	1,406	70	694	5	17	0	178,386
Recoveries from collection of financial assets subject to write-offs	0	0	0	0	0	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0	0	0	0	0	(193)

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		399,895	290,252	46,100	22,202	47,175	9,487
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		3,335	2,168	-	-	-	-
TOTAL	31.12.2023	403,230	292,420	46,100	22,202	47,175	9,487
TOTAL	31.12.2022	286,961	160,223	27,403	9,956	35,303	9,457

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		Transfers between Stage 2		Transfers between Stage 1 and	
		and Stage 2		and Stage 3		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							
New loans		6,530	6,684	14,093	354	6,434	82
Total	31.12.2023	6,530	6,684	14,093	354	6,434	82
Total	31.12.2022	-	12,461	-	-	-	32

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	153,248	153,248	-	-	-	79	79	-	-	-	153,169	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	153,248	153,248	-	X	-	79	79	-	X	-	153,169	-
A.2 Other	167,777	167,777	-	-	-	77	77	-	-	-	167,700	-
a) Non-performing loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forbore exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	167,777	167,777	-	X	-	77	77	-	X	-	167,700	-
- of which: forbore exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	321,025	321,025	-	-	-	156	156	-	-	-	320,869	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	565,708	75,382	-	X	-	-	-	-	X	-	565,708	-
Total (B)	565,708	75,382	-	-	-	-	-	-	-	-	565,708	-
Total (A+B)	886,733	396,407	-	-	-	156	156	-	-	-	886,577	-

* 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	67,438	X	-	67,012	426	52,987	X	-	52,593	394	14,451	171
- of which: forborne exposures	9,774	X	-	9,348	426	6,375	X	-	5,981	394	3,399	-
b) Unlikely to pay	135,885	X	-	133,871	2,014	52,812	X	-	51,842	970	83,073	-
- of which: forborne exposures	35,041	X	-	33,062	1,979	16,229	X	-	15,270	959	18,812	-
c) Non-performing past due exposures	44,937	X	-	44,712	225	8,080	X	-	8,038	42	36,857	-
- of which: forborne exposures	6,940	X	-	6,747	193	1,400	X	-	1,361	39	5,540	-
d) Performing past due exposures	108,222	51,148	56,984	X	90	4,554	92	4,456	X	6	103,668	-
- of which: forborne exposures	4,800	810	3,930	X	60	263	1	257	X	5	4,537	-
e) Other performing exposures	36,395,033	34,917,362	587,885	X	1,640	59,082	35,804	23,213	X	64	36,335,951	-
- of which: forborne exposures	78,026	-	77,044	X	982	3,028	-	2,975	X	53	74,998	-
TOTAL (A)	36,751,515	34,968,510	644,869	245,595	4,395	177,515	35,896	27,669	112,473	1,476	36,574,000	171
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	2,221	X	-	2,221	-	81	X	-	81	-	2,140	-
b) Performing	8,089,114	871,862	98,276	X	-	1,171	719	452	X	-	8,087,943	-
TOTAL (B)	8,091,335	871,862	98,276	2,221	-	1,252	719	452	81	-	8,090,083	-
TOTAL (A+B)	44,842,850	35,840,372	743,145	247,816	4,395	178,767	36,615	28,121	112,554	1,476	44,664,083	171

* 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	-	-	-	-	-	-	-	-	-	-	-	-
New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. LOANS IN UNLIKELY TO PAY POSITIONS	30,683	-	-	30,683	-	4,994	-	-	4,994	-	25,689	-
New loans	30,683	-	-	30,683	-	4,994	-	-	4,994	-	25,689	-
C. NON-PERFORMING PAST DUE LOANS	616	-	-	616	-	75	-	-	75	-	541	-
New loans	616	-	-	616	-	75	-	-	75	-	541	-
D. PERFORMING LOANS	840	-	840	-	-	1	-	1	-	-	839	-
New loans	840	-	840	-	-	1	-	1	-	-	839	-
E. OTHER PERFORMING LOANS	234,913	223,279	11,618	-	16	616	547	69	-	-	234,297	-
New loans	234,913	223,279	11,618	-	16	616	547	69	-	-	234,297	-
TOTAL (A+B+C+D+E)	267,052	223,279	12,458	31,299	16	5,686	547	70	5,069	-	261,366	-

* 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	64,635	125,244	30,915
- of which: exposures transferred and not written off	-	-	-
B. Increases	12,889	75,638	38,841
B.1 inflows from performing exposures	603	59,731	33,867
B.2 inflows from purchased or originated impaired financial assets	-	1,273	3
B.3 transfers from other categories of non-performing exposures	11,131	6,984	1,266
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	1,155	7,650	3,705
C. Decreases	10,086	64,997	24,819
C.1 outflows to performing exposures	-	25,475	8,366
C.2 write-offs	3,133	8,028	38
C.3 collections	908	13,185	5,873
C.4 proceeds from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	225	12,365	6,791
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	5,820	5,944	3,751
D. Final gross exposure	67,438	135,885	44,937
- of which: exposures transferred and not derecognised	-	-	-

A.1.7bis 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	70,088	64,790
- of which: exposures transferred and not written off	-	-
B. Increases	21,633	58,146
B.1 inflows from performing non-forborne exposures	9,524	30,568
B.2 inflows from performing forborne exposures	5,224	X
B.3 inflows from non-performing forborne exposures	X	19,381
B.4 inflows from non-performing non-forborne exposures	1,361	196
B.5 other increases	5,524	8,001
C. Decreases	39,966	40,110
C.1 outflows to performing non-forborne exposures	X	17,726
C.2 outflows to performing forborne exposures	20,413	X
C.3 outflows to non-performing forborne exposures	X	5,224
C.4 write-offs	7,800	-
C.5 collections	4,954	4,907
C.6 proceeds from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	6,799	12,253
D. Final gross exposure	51,755	82,826
- 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	48,515	4,781	49,123	21,676	5,549	1,290
- of which: exposures transferred and not written off	-	-	-	-	-	-
B. Increases	12,985	2,880	29,163	10,803	6,751	1,299
B.1 value adjustments of purchased or originated impaired assets	-	X	511	X	1,257	X
B.2 other value adjustments	5,131	921	17,865	4,430	3,557	424
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	5,216	1,425	1,197	328	328	286
B.5 contractual changes without derecognition	-	-	-	-	-	-
B.6 other increases	2,638	534	9,590	6,045	1,609	589
C. Decreases	8,513	1,286	25,474	16,250	4,220	1,189
C.1 write-backs from valuation	677	58	4,532	3,461	581	177
C.2 write-backs from collection	2,701	616	5,536	2,593	1,156	302
C.3 profits from disposals	-	-	-	-	-	-
C.4 write-offs	3,131	199	7,992	7,405	29	-
C.5 transfers to other categories of non-performing exposures	53	1	5,528	1,747	1,160	316
C.6 contractual changes without derecognition	-	-	-	-	-	-
C.7 other decreases	1,951	412	1,886	1,044	1,294	394
D. Overall final adjustments	52,987	6,375	52,812	16,229	8,080	1,400
- 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						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	820,103	20,927	18,473,909	244,485	69,055	81,440	16,171,104	35,881,023
- Stage 1	820,103	20,617	18,470,335	234,097	59,549	68,002	15,313,463	34,986,166
- Stage 2	-	310	3,574	9,554	9,506	-	621,925	644,869
- Stage 3	-	-	-	834	-	13,438	231,321	245,593
- Impaired acquired or originated	-	-	-	-	-	-	4,395	4,395
B. Financial assets measured at fair value through other comprehensive income	110,053	-	39,404	-	-	-	-	149,457
- Stage 1	110,053	-	39,404	-	-	-	-	149,457
- 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)	930,156	20,927	18,513,312	244,485	69,055	81,440	16,171,103	36,030,478
D. Commitments to disburse funds and financial guarantees given	100,000	-	22,199	19,026	3,298	1,655	794,979	941,157
- Stage 1	100,000	-	17,549	18,593	3,298	1,655	777,357	918,452
- Stage 2	-	-	4,650	433	-	-	15,834	20,917
- Stage 3	-	-	-	-	-	-	1,788	1,788
- Impaired, acquired or originated	-	-	-	-	-	-	-	-
Total (D)	100,000	-	22,199	19,026	3,298	1,655	794,979	941,157
Total (A+B+C+D)	1,030,156	20,927	18,535,511	263,510	72,354	83,095	16,966,083	36,971,636

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-	INVESTMENT GRADE
2	AI.1 AI.2 AI.2 AI.3 A2.1 A2.1 A3.1	A1 A2 A3	A+ A A-	A+ A A-	
3	BI.1 BI.2	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	
4	B2.1 B2.2	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	SPECULATIVE GRADE
5	CI.1 CI.2	B1 B2 B3	B+ B B-	B+ B B-	
6	CI.2 C2.1	Caaa/Ca/C	CCC/C	CCC/C	

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:	38,113	38,113	-	-	-	-	-	12,154
1.1. fully secured	38,113	38,113	-	-	-	-	-	12,154
- 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:	49,582	-	-	-	-	-	-	61,736	
1.1. fully secured	49,582	-	-	-	-	-	-	61,736	
- 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 - Securities	Other collateral	Credit derivatives		
						CLNs	Other derivatives	
							CCPs	
1. Secured on-balance sheet credit exposures:	12,962,995	12,854,961	12,060,826	-	-	321,559	-	-
1.1. fully secured	12,764,737	12,662,692	12,056,877	-	-	256,957	-	-
- of which non-performing	141,513	71,503	63,364	-	-	4,517	-	-
1.2. partially secured	198,258	192,270	3,949	-	-	64,601	-	-
- of which non-performing	25,458	20,729	132	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	119,302	119,276	2,549	-	-	11,031	-	-
2.1. fully secured	113,438	113,412	2,549	-	-	9,985	-	-
- of which non-performing	38	37	3	-	-	-	-	-
2.2. partially secured	5,864	5,864	-	-	-	1,047	-	-
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation – Secured on- and off-balance sheet credit exposures to customers (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:	-	-	-	230,920	114	652	148,115	12,762,185
1.1. fully secured	-	-	-	134,698	114	652	139,109	12,588,407
- of which non-performing	-	-	-	5,496	-	-	642	74,018
1.2. partially secured	-	-	-	96,222	-	-	9,006	173,778
- of which non-performing	-	-	-	20,009	-	-	6	20,147
2. Secured off-balance sheet credit exposures:	-	-	-	-	-	-	32,416	45,997
2.1. fully secured	-	-	-	-	-	-	30,783	43,317
- of which non-performing	-	-	-	-	-	-	3	6
2.2. partially secured	-	-	-	-	-	-	1,633	2,680
- 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		-	56	-	56	-
D.1. Tangible assets		-	56	-	56	-
D.2. Other assets		-	-	-	-	-
TOTAL	31.12.2023	-	56	-	56	-
TOTAL	31.12.2022	-	187	-	187	-

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)

€/000		General government		Financial corporations		Financial corporations (of which: insurance companies)	
		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		-	-	14	(25)	-	-
- of which forborne exposures		-	-	-	-	-	-
A.3 Non-performing past due exposures		435	(29)	331	(12)	-	-
- of which forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		18,617,469	(11,746)	1,021,397	(796)	31,227	(42)
- of which forborne exposures		-	-	72	(1)	72	(1)
TOTAL A		18,617,904	(11,776)	1,021,742	(833)	31,227	(42)
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		-	-	-	-	-	-
B.2 Performing exposures		-	-	277,837	(70)	-	-
TOTAL B		-	-	277,837	(70)	-	-
TOTAL (A+B)	31.12.2023	18,617,904	(11,776)	1,299,579	(903)	31,227	(42)
TOTAL (A+B)	31.12.2022	17,603,796	(11,932)	1,173,324	(8,042)	28,864	(111)

B.1 Prudential consolidation – Distribution of on- and off-balance sheet credit exposures to customers by business segment (PART 2 OF 2)

		Non-financial corporations		Households	
€/000		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures					
A.1 Non-performing loans		5	(2,159)	14,446	(50,828)
- of which forborne exposures		-	-	3,399	(6,375)
A.2 Unlikely to pay		26,069	(15,111)	56,989	(37,677)
- of which forborne exposures		1,566	(1,685)	17,247	(14,544)
A.3 Non-performing past due exposures		2,416	(502)	33,676	(7,537)
- of which forborne exposures		1,379	(360)	4,161	(1,040)
A.4 Performing exposures		677,764	(6,901)	16,122,989	(44,193)
- of which forborne exposures		16,227	(576)	63,236	(2,714)
TOTAL A		706,254	(24,672)	16,228,100	(140,234)
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures		292	(52)	1,848	(29)
B.2 Performing exposures		215,219	(875)	534,517	(226)
TOTAL B		215,510	(927)	536,366	(255)
TOTAL (A+B)	31.12.2023	921,765	(25,599)	16,764,466	(140,489)
TOTAL (A+B)	31.12.2022	954,819	(21,369)	16,358,654	(117,396)

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			14,450	(52,981)	1	(6)	-	-
A.2 Unlikely to pay			82,526	(52,661)	547	(151)	-	-
A.3 Non-performing past due exposures			32,467	(5,495)	4,390	(2,585)	-	-
A.4 Performing exposures			32,081,398	(60,093)	3,970,277	(3,447)	4,655	(5)
Total (A)			32,210,841	(171,230)	3,975,215	(6,189)	4,655	(5)
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures			2,109	(79)	31	(2)	-	-
B.2 Performing exposures			954,711	(1,168)	72,388	(3)	108	-
Total (B)			956,820	1,247	72,419	(5)	108	-
Total (A+B)	31.12.2023		33,167,661	(172,477)	4,047,634	(6,194)	4,763	(5)
Total (A+B)	31.12.2022		34,415,279	(153,825)	1,662,910	(4,838)	4,331	(19)

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			4,825	(35)	378,464	(56)
Total (A)			4,825	(35)	378,464	(56)
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures			-	-	-	-
B.2 Performing exposures			145	-	221	-
Total (B)			145	-	221	-
Total (A+B)	31.12.2023		4,970	(35)	378,685	(56)
Total (A+B)	31.12.2022		5,405	(17)	2,669	(2)

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	116,330	(96)	201,401	(24)	3,138	(35)
Total (A)	116,330	(96)	201,401	(24)	3,138	(35)
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	75,470	-	515	-	-	-
Total (B)	75,470	-	515	-	-	-
Total (A+B)	31.12.2023	191,800	201,916	(24)	3,138	(35)
Total (A+B)	31.12.2022	2,465,139	312,057	(84)	3,419	(35)

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)	31.12.2023	-	-	-	-
Total (A+B)	31.12.2022	-	-	-	-

B.4 Large exposures

€/000	31.12.2023
a) Carrying amount	28,244,008
b) Amount (weighted value)	70,986
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 Group has no exposures arising from its own securitisation operations.

QUANTITATIVE INFORMATION

C.1 Prudential consolidation – Exposures arising from the main “own” securitisation transactions, 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

The Group has no exposures arising from third-party securitisation operations.

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		81,611	-	81,611	X	81,635	-	81,635
1. Debt securities		81,611	-	81,611	X	81,635	-	81,635
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		8,121,615	-	8,121,615	-	8,073,551	-	8,073,551
1. Debt securities		8,121,615	-	8,121,615	-	8,073,551	-	8,073,551
2. Loans		-	-	-	-	-	-	-
TOTAL 31.12.2023		8,203,226	-	8,203,226	-	8,155,186	-	8,155,186
TOTAL 31.12.2022		9,519,099	-	9,519,099	-	9,298,354	-	9,298,354

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.

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.

Banking Group overall securities portfolio – RATING COMPOSITION (S&P Equivalent) Year-end spot data (2023 vs 2022)

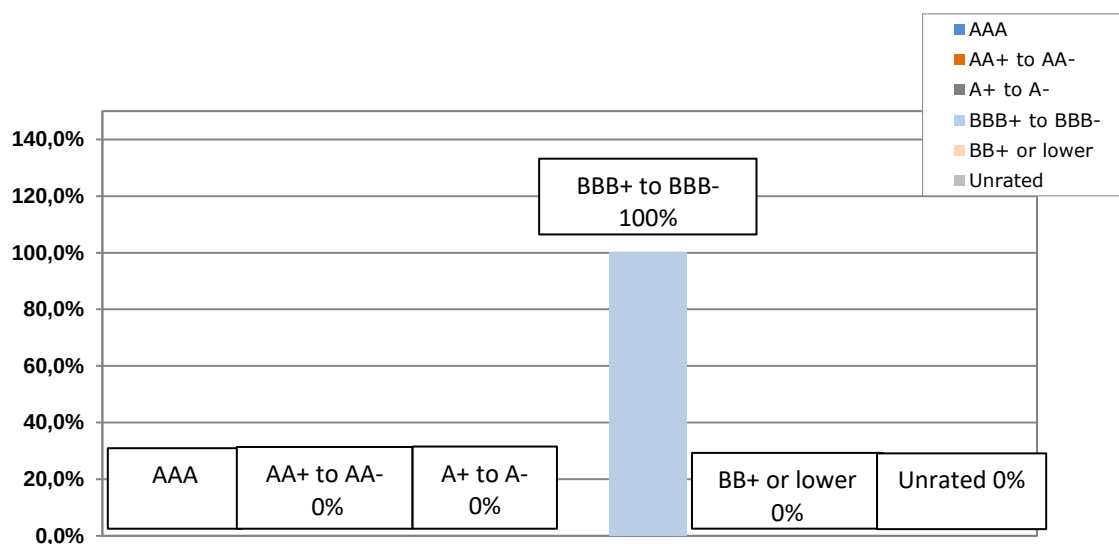
€/000	31.12.2023		31.12.2022	
	Val.	%	Val.	%
TOTAL PORTFOLIO	18,612,030	100.0%	17,640,902	100.0%
AAA	18,388	0.1%	26,601	0.2%
AA+ to AA-	381,752	2.1%	45,028	0.3%
A+ to A-	395,951	2.1%	46,346	0.3%
BBB+ to BBB-	17,815,939	95.7%	17,522,927	99.2%
BB+ or lower	-	-	-	-
Unrated	-	-	-	-

The issuer's rating is shown for the current year

Rating composition of Banca Mediolanum's trading book S&P Equivalent (December 2023)

The value of the Group portfolio amounts to 887,325 thousand euros.

Ratings breakdown for Mediolanum Banking Group trading book (December 2023)

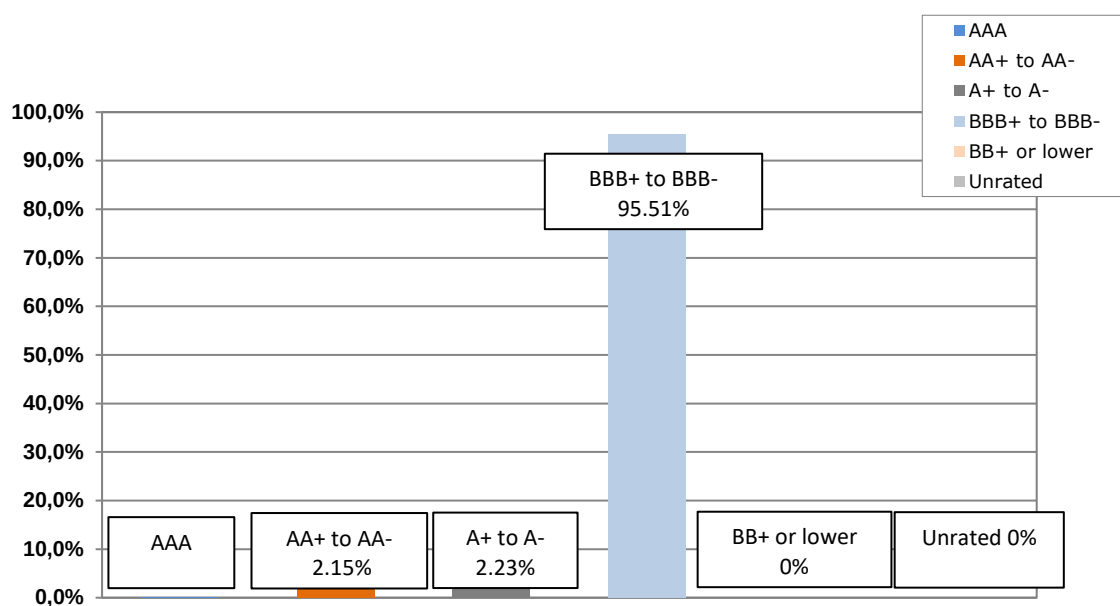


Banking Group securities portfolio - RATINGS BREAKDOWN for HTC&S, HTC and OTHER portfolios (S&P equivalent) (December 2023 vs. December 2022)

The value of the Group portfolio amounts to €17,724,682 thousand.

Rating class (S&P equivalent)	dic-23		dic-22		Change (%)
	€/000	%	€/000	%	
Total portfolio	17,724,681	100.00%	16,632,286	100%	7%
AAA	18,388	0.10%	26,601	0.2%	0%
AA+ to AA-	381,752	2.15%	45,028	0.3%	748%
A+ to A-	395,951	2.23%	46,346	0.3%	754%
BBB+ to BBB-	16,928,591	95.51%	16,514,311	99.3%	3%
BB+ or lower	-	0.00%	-	0.0%	0%
Unrated	-	0.00%	-	0.0%	0%

Ratings breakdown for HTC&S, HTC and OTHER Mediolanum Banking Group (December)



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 (characteristics of eligible instruments, characteristics of issuers, etc.) and maximum loss (value at risk).

The following is a summary analysis of the quantities relating only to the bond component of the trading book.

VaR tables

Trading book – MARKET RISK

Spot data (December 2023 vs December 2022)

€/000	31.12.2023	31.12.2022	Change (%)
Nominal	889,026	1,040,028	(15%)
Market value	887,350	1,008,615	(12%)
Duration	0.09	0.99	(90%)
VaR 99% - 1 d	124	1,967	(94%)

The minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in 2023 are shown below compared with the year-end spot values.

Trading book – MARKET RISK

VaR data recorded over the year (2023 vs 2022)

€/000	31.12.2023	31.12.2022	Change (%)
Minimum value	124	0.02	ns
Average value	1,112	2,247	(50%)
Maximum value	2,398	2,953	(19%)

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	-	832,690	44,618	10,015	1	-	1	-
1.1 Debt securities	-	832,690	44,618	10,015	1	-	1	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	832,690	44,618	10,015	1	-	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	81,635	-	-	-	-	-	-
2.1 Repurchase agreements	-	81,635	-	-	-	-	-	-
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	-	2,753	2,514	4,006	60,161	89,453	32,944	-
+ Short positions	-	96	2,792	4,700	56,435	91,944	35,862	-
- Other derivatives								
+ Long positions	-	96,028	-	-	-	-	-	-
+ Short positions	-	105,759	1,851	3,551	31,483	28,096	21,699	-

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	-	103,080	-	-	-	-	-	-
+ Short positions	-	7,289	-	-	-	-	-	-

2. Regulatory trading book: distribution of exposures in equity securities and equity indices by main country of listing

€/000	Listed		Unlisted
	CANADA	ITALY	
A. Equity securities			
Long positions	2	56,173	6,893
Short positions		-	5
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

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;

- > 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;
- > 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 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, 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 various stressors on 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 the economic value and the margin within the Group's RAF, also reflected within the structure of the limits established by the current policy.

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. In 2023, the Parent Company, Banca Mediolanum, completed the updating of the framework for calculating the IRRBB (Interest Rate Risk of the Banking Book), adapting the ALM system under which it oversees trends in the annual net interest income and its economic value (expressed as a percentage of its regulatory capital) to the European legislation issued by the EBA (EBA/GL/2022/14 - EBA Guideline on the management of IRRBB/CSRBB 10.2022 and EBA/RTS/2022/10 - Regulatory Technical Standards on IRRBB supervisory outlier tests 10.2022). It chose to use the analysis with the full evaluation method requested of the "significant" institutions supervised by the ECB. Therefore, for each individual report, the following are calculated:

- the economic value, by discounting all future cash flows provided for contractually (or provided for by the behavioural model),
- the interest margin, using forward rates built on the risk-free zero-coupon rate curve with a constant balance sheet assumption within the 1-year analysis window.

The Parent Company also updated the behavioural model of on-demand items, i.e. the model on remunerated current accounts (lending rate) not contractually indexed to a market parameter. Statistically, by analysing the historical series of balances and current account closures of its customers, it was possible to estimate the "stable portion", i.e. the percentage of the balance of the current account that represents the liquidity not used by the current account holder. This stable portion was modelled assuming that it has a financial structure equal to an

object with a long-term maturity and a related estimated amortisation schedule, according to which portions of the balance are released monthly until the balance is zero. Finally, from the historical series of interest rates applied to current accounts, it was possible to estimate the trend in the updating of the interest rate compared with a benchmark market parameter.

The new calculation method as at 31 December 2023 gave the following results:

- the largest negative change in the consolidated economic value determined by applying the EBA shock of an increase in short-term rates was approximately €41 million;
- the largest potential negative change in net interest income, applying the instantaneous EBA shock of a parallel decrease in the curve of 200 bps, amounted to approximately €73 million.

The ALM system 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 planning new business strategies.

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	6	12,698,165	7,140,758	516,239	8,156,837	2,357,014	2,447,152	60,379
1.1 Debt securities	89,896	2,832,968	7,025,661	292,831	6,549,326	1,005,331	89,327	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	89,896	2,832,968	7,025,661	292,831	6,549,326	1,005,331	89,327	-
1.2 Loans to banks	159,533	39,684	0	1,500	-	-	-	-
1.3 Loans to customers	2,324,145	9,825,513	115,097	221,908	1,607,512	1,351,684	2,357,825	60,379
- current account	28,949	470,226	33	23	89	2	-	-
- other loans	2,295,196	9,355,287	115,064	221,884	1,607,422	1,351,682	2,357,825	60,379
- with early redemption option	1,926,608	8,852,792	56,159	104,763	588,818	510,903	1,238,490	-
- other	368,589	502,495	58,906	117,121	1,018,605	840,779	1,119,335	60,379
2. On-balance sheet liabilities	22,319,572	11,803,285	1,028,945	36,048	347,044	12,111	761	-
2.1 Payables to customers	22,255,608	10,710,474	1,028,884	35,925	33,256	12,111	761	-
- current account	19,496,639	3,504,998	756,636	7,239	-	-	-	-
- other payables	2,758,969	7,205,475	272,248	28,687	33,256	12,111	761	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	2,758,969	7,205,475	272,248	28,687	33,256	12,111	761	-
2.2 Payables to banks	63,964	1,092,811	61	122	672	-	-	-
- current account	59,498	-	-	-	-	-	-	-
- other payables	4,466	1,092,811	61	122	672	-	-	-
2.3 Debt securities	-	-	-	-	313,116	-	-	-
- with early redemption option	-	-	-	-	313,116	-	-	-
- 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	-	1	-	-	-	-	-	-
+ Short positions	-	1	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	720	743	1,114	14,644	23,730	12,280	-
+ Short positions	-	413	770	1,190	14,088	23,964	12,806	-
- Other derivatives								
+ Long positions	-	53,501	-	-	-	-	-	-
+ Short positions	-	1,257	1,125	2,148	19,091	16,998	12,883	-
4. Other off-balance sheet transactions								
+ Long positions	-	-	-	61,603	-	-	-	-
+ 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	36,416	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	36,415	-	-	-	-	-	-	-
1.3 Loans to customers	1	-	-	-	-	-	-	-
- current account	1	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	92,460	3,030	-	-	-	-	-	-
2.1 Payables to customers	74,360	-	-	-	-	-	-	-
- current account	74,360	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	18,100	3,030	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	18,100	3,030	-	-	-	-	-	-
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	-	21	-	-	-	-	-	-
+ Short positions	-	21	-	-	-	-	-	-
4. Other off-balance sheet transactions								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

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 KRONE	SWEDISH KRONA	CANADIAN DOLLAR	JAPANESE YEN	OTHER CURRENCIES	Total
A. Financial assets	27,411	2,546	3,526	241	201	448	441	2,330	37,144
A.1 Debt securities									0
A.2 Equity securities	4								4
A.3 Loans to banks	27,406	2,546	3,526	241	201	448	441	2,330	37,139
A.4 Loans to customers	1								1
A.5 Other financial assets									0
B. Other assets	106	30	17			7			160
C. Financial liabilities	124,949	2,355	3,218	115	91	279	137	183	131,327
C.1 Payables to banks	21129							0	21129
C.2 Payables to customers	103,820	2,355	3,218	115	91	279	137	183	110,198
C.3 Debt securities									0
C.4 Other financial liabilities									0
D. Other liabilities									0
E. Financial derivatives	109,234	63	843	0	0	66	0	161	110,367
- Options	0	0	0	0	0	0	0	0	0
+ Long positions									0
+ Short positions									0
- Other	109,234	63	843	0	0	66	0	161	110,367
+ Long positions	102,812	15	235					17	103,079
+ Short positions	6,422	48	608			66		144	7,288
Total Assets	130,329	2,591	3,778	241	201	455	441	2,347	140,383
Total Liabilities	131,371	2,403	3,826	115	91	345	137	327	138,615
Imbalance (+/-)	(1,042)	188	(48)	126	110	110	304	2,020	1,768

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	31.12.2023				31.12.2022			
	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	-	-	128,380	-	-	-	219,436	-
a) Options	-	-	33,503	-	-	-	18,370	-
b) Swaps	-	-	94,877	-	-	-	201,066	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	48	-	-	-	3	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	45	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	3	-	-	-	3	-
3. Currencies and gold	-	-	110,369	-	-	-	88,373	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	110,369	-	-	-	88,373	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	-	-	238,797	-	-	-	307,812	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by product

€/000	31.12.2023				31.12.2022			
	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	
I. Positive fair value								
a) Options	-	-	361	-	-	-	459	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	191	-	-	-	12	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	552	-	-	-	471	-
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	7,499	-	-	-	11,756	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	953	-	-	-	196	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	8,452	-	-	-	11,952	-

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	128,380	-	-
- positive fair value	X	361	-	-
- negative fair value	X	7,499	-	-
2) Equity securities and equity indices				
- notional value	X	45	-	3
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	109,791	-	578
- positive fair value	X	189	-	2
- negative fair value	X	952	-	1
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	8,021	33,626	86,733	128,380	
A.2 Financial derivatives on equity securities and equity indices	48	-	-	48	
A.3 Financial derivatives on currencies and gold	110,369	-	-	110,369	
A.4 Financial derivatives on commodities	-	-	-	-	
A.5 Other financial derivatives	-	-	-	-	
TOTAL	31.12.2023	118,438	33,626	86,733	238,797
TOTAL	31.12.2022	105,827	64,145	137,839	307,811

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 substantially 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.

E. Hedged items

The instruments hedged are fixed-rate loans and variable-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 hedging is the dynamics over time of the “group” initially chosen: over the years, the pool of loans may be reduced by virtue of early repayments, renegotiations, subrogations, etc. As the hedged object changes, the relationship with the hedging instrument is changed and this generates a misalignment that may 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 31.12.2023				Total 31.12.2022			
	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	-	-	50,921	-	-	-	89,392	-
a) Options	-	-	3,556	-	-	-	22,341	-
b) Swaps	-	-	47,365	-	-	-	67,051	-
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	-	-	50,921	-	-	-	89,392	-

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	
	31.12.2023				31.12.2022				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	-	-	53	-	-	-	430	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	53	-	-	-	430	-	-	-
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	3,605	-	-	-	2,594	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	3,605	-	-	-	2,594	-	-	-

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	50,920	-	-
- positive fair value	X	53	-	-
- negative fair value	X	3,605	-	-
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		3,972	16,948	30,001	50,921
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	31.12.2023	3,972	16,948	30,001	50,921
TOTAL	31.12.2022	6,229	21,004	62,159	89,392

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:		47,630	-	3,072	(899)	1,471	-
1.1 Debt securities and interest rates		47,630	-	3,072	(899)	1,471	x
1.2 Equity securities and equity indices		-	-	-	-	-	x
1.3 Currencies and gold		-	-	-	-	-	x
1.4 Loans		-	-	-	-	-	x
1.5 Other		-	-	-	-	-	x
TOTAL	31.12.2023	47,630	-	3,072	(899)	1,471	-
TOTAL	31.12.2022	77,830	-	2,500	-	15,290	-
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	31.12.2023	-	-	-	-	-	-
TOTAL	31.12.2022	-	-	-	-	-	-

E. Effects of hedging operations on equity

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 means the inability of banks to promptly and economically meet their payment obligations according to the contractual schedule. Depending on the possible area of impact, international practice usually distinguishes between two types of liquidity risk: funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the bank will be unable 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. Market liquidity risk, in contrast, is the risk that the bank will be unable to dispose of a financial asset without incurring capital losses due to poor liquidity of the reference market or inefficiencies within it. The establishment of an appropriate system of governance and management of this risk plays a fundamental role in maintaining the stability not only of the individual bank, but also of the market, given that the imbalances of a single financial institution can have systemic repercussions.

The Banca Mediolanum Group'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 overseen through the definition of guidelines for the implementation of the process of monitoring the indicators set out in the Risk Appetite Framework document. The qualitative and quantitative instruments of the liquidity risk management model include:

- tools and methodologies for measuring short-term liquidity risk (definition of the scope, construction of the operational maturity ladder, identification of the stock of readily liquidable assets and preparation of the quantification and monitoring indicators of the liquidity profile to support the definition of risk limits, etc.);
- tools and methodologies for measuring medium/long-term liquidity risk (identification of significant financial statement items, preparation of quantification and monitoring indicators of the structural liquidity profile to support the definition of risk limits, etc.);
- definition of the reference framework for the development of scenarios (with the relevant stress test assumptions) to measure and monitor short- and medium/long-term liquidity risk;
- definition of the liquidity management plan in crisis conditions (Contingency Funding Plan) caused by internal and external factors.

In other words, Banca Mediolanum has adopted a control framework (with the relevant reporting) that provides for daily, weekly, monthly and quarterly monitoring to oversee all aspects of liquidity, both short-term and medium/long-term, under both “normal business conditions” and when simulating stress scenarios.

The internal liquidity risk control and management system is also consistent with and conforms to the bank’s specificities and the liquidity regulations introduced by the European Union since June 2013, as updated. In more detail and with reference to the published documents, banks are required to comply with the minimum short-term liquidity coverage ratio (LCR > 100%), as well as the minimum structural liquidity requirement (Net Stable Funding Ratio (NSFR) > 100%), as established under Regulation (EU) 575/2013, Regulation 2019/876, Delegated Regulation (EU) 2015/61 and Directive 2019/878/EU, as respectively amended. The “Implementing Technical Standards” developed by the European Banking Authority (EBA) and the ECB Guidelines, designed to increase the regulatory harmonisation of the Union within the framework of the Single Supervisory Mechanism (SSM), which, again in terms of liquidity, also provided for an Internal Liquidity Adequacy Assessment Process (ILAAP) self-assessment exercise, to be conducted annually for the purposes of the Supervisory Review and Evaluation Process (SREP).

The Group’s governance model is based on centralised management of liquidity and the related risk. To this end, the Parent Company defines the guidelines for integrated risk management at Group level through the Risk Appetite Framework document, which contains strategic and operational indicators for the risk in question.

It is responsible for the policy and for defining the methods for identifying liquidity risk and, as part of its coordination activity, provides support to Group companies in the harmonisation of risk reporting.

Consolidated liquidity position

The liquidity position of the Banca Mediolanum Group remained within the risk limits provided for in the current Liquidity Policy throughout 2023. Both short-term (LCR) and long-term (NSFR) indicators are well above the regulatory requirements, supported by adequate high-quality liquid assets (HQLA) and the significant retail funding contribution. In 2023, according to regulatory instructions, the Banca Mediolanum Group’s LCR was confirmed as well over 100% (positioning itself at an average value of 323%) and its NSFR was 178% on average. The periodic stress tests carried out to assess the impact of negative events on the liquidity position of the business and the adequacy of its liquidity reserves demonstrated to the corporate bodies that the Banca Mediolanum Group has a liquidity surplus capable of covering extraordinary cash outflows for a period of more than ten months. The corporate assessment of the adequacy of the Banca Mediolanum Group’s liquidity position is also reflected in the ILAAP report, approved annually by the corporate bodies. Management of the liquidity position is deeply embedded in the Group’s corporate culture and processes, including from a forward-looking perspective; the current system of rules and procedures appears adequate to govern a prompt and effective response, should the risks and challenges actually materialise in severe adverse stress scenarios.

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	1,509,873	468,847	530,868	335,216	1,992,384
A.1 Government securities	1,511	-	507,221	256,000	1,685,895
A.2 Other debt securities	90,270	-	20,175	-	-
A.3 UCI units	134,077	-	-	-	-
A.4 Loans	1,284,015	468,847	3,472	79,216	306,488
- Banks	325,458	10,930	-	25,097	3,421
- Customers	958,557	457,917	3,472	54,119	303,067
B. On-balance sheet liabilities	25,064,647	5,980,949	1,258,904	988,521	1,534,262
B.1 Deposits and current accounts	24,816,503	61,971	42,774	251,250	1,227,563
- Banks	65,727	-	-	-	602,404
- Customers	24,750,776	61,971	42,774	251,250	625,159
B.2 Debt securities	-	-	-	15,105	-
B.3 Other liabilities	248,144	5,918,978	1,216,130	722,166	306,699
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	7,290	-	-	-
- Short positions	-	23,203	-	52,500	28,000
C.2 Financial derivatives without capital exchange					
- Long positions	361	-	-	12	8
- Short positions	7,028	-	-	3	9
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	727,820	3,016,411	15,049,601	14,039,572	66,406
A.1 Government securities	277,147	2,126,480	10,604,218	3,075,769	-
A.2 Other debt securities	938	22,756	338,200	-	-
A.3 UCI units	-	-	-	-	5,703
A.4 Loans	449,735	867,176	4,107,183	10,963,803	60,703
- Banks	0	1,500	187	-	324
- Customers	449,735	865,676	4,106,997	10,963,803	60,379
B. On-balance sheet liabilities	1,040,669	743,010	329,983	11,825	-
B.1 Deposits and current accounts	1,038,235	24,397	-	-	-
- Banks	-	-	-	-	-
- Customers	1,038,235	24,397	-	-	-
B.2 Debt securities	-	-	300,000	-	-
B.3 Other liabilities	2,433	718,613	29,983	11,825	-
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	27	44	-	-	-
- Short positions	9	20	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	-	61,603	-	-	-
- 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	6,816	-	-	-	-
A.1 Government securities	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	6,816	-	-	-	-
- Banks	6,815	-	-	-	-
- Customers	1	-	-	-	-
B. On-balance sheet liabilities	92,460	11	-	2,733	313
B.1 Deposits and current accounts	92,460	11	-	2,733	313
- Banks	18,100	11	-	2,733	313
- Customers	74,360	-	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	23,250	-	51,614	28,237
- Short positions	-	7,310	-	-	-
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	-	-	-	-	-
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 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.

QUANTITATIVE INFORMATION

During 2023, the risk assessment process covered almost all of the activities carried out, identifying close to 3,600 control points for operational risk for the Financial Conglomerate, including around 3,300 for the Banking Group, 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)** 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 No. 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:

- > **Identifying risk categories:** this consists of 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 GAM companies in relation to what has been defined, as part of the Business Plan and corporate objectives, 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.
- > **Defining 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 development 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.

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	31.12.2023*
Eligible own funds	2,514,459
SCR	1,383,905
Solvency Ratio (SCR)	181.7%
MCR	359,705
Solvency Ratio (MCR)	699.0%

*The figures for the year under review refer to the Financial Stability report for the fourth quarter of 2023, sent on 19 February 2024.

The Solvency Ratio determined at 31 December 2023 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 insurance obligations (e.g. death insurance or mixed policies) whereby the insurer guarantees a series of individual or recurring payments in the event of the death of the policy holder during the life of the policy.

It applies to insurance obligations that depend on the risk of mortality, 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 insurance obligations (e.g. annuities) that provide for the 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 insurer guarantees a single payment if the policyholder survives for the duration of the policy.

It applies to 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 2023 that is not significant.

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.

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 Group and the individual companies.

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	31.12.2023	Weight %
Class - 01 Accident	5,778	11.78%
Class - 02 Sickness	27,653	56.39%
Class-07 Transported goods	3	0.01%
Class - 08 Fire	9,675	19.73%
Class - 09 Other Damage to Property	1,546	3.15%
Class -10 Motor	974	1.99%
Class -13 General TPL	2,411	4.92%
Class - 16 Miscellaneous Financial Loss	914	1.86%
Class -17 Legal Protection	70	0.14%
Class - 18 Assistance	18	0.04%
Total non-life classes	49,043	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 2023 using the Standard Formula are shown below:

€/000

Underwriting risk	31.12.2023
Mortality risk	48,484
Longevity risk	32,830
Lapse risk	823,320
Expenses risk	102,204
Catastrophe risk	16,515
Sum of risk components	1,023,353

Non-life underwriting risk	31.12.2023
Premium & reserve risk	15,530
Lapse risk	705
Catastrophe risk	4,186
Sum of risk components	20,421

Health underwriting risk	31.12.2023
Premium & reserve risk	55,431
Lapse risk	6,820
Catastrophe risk	5,133
Sum of risk components	67,384

The exposure of insurance liability to underwriting risk is shown below. Risk sub-modules have been specified for each risk.

€/m

Underwriting risk	31.12.2023
Mortality risk	20,758
Longevity risk	1,534
Lapse risk	22,182
Expenses risk	22,182
Catastrophe risk	110

3.2 Financial risks

QUALITATIVE AND QUANTITATIVE INFORMATION

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 2023, 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 2023, 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 2023, 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:

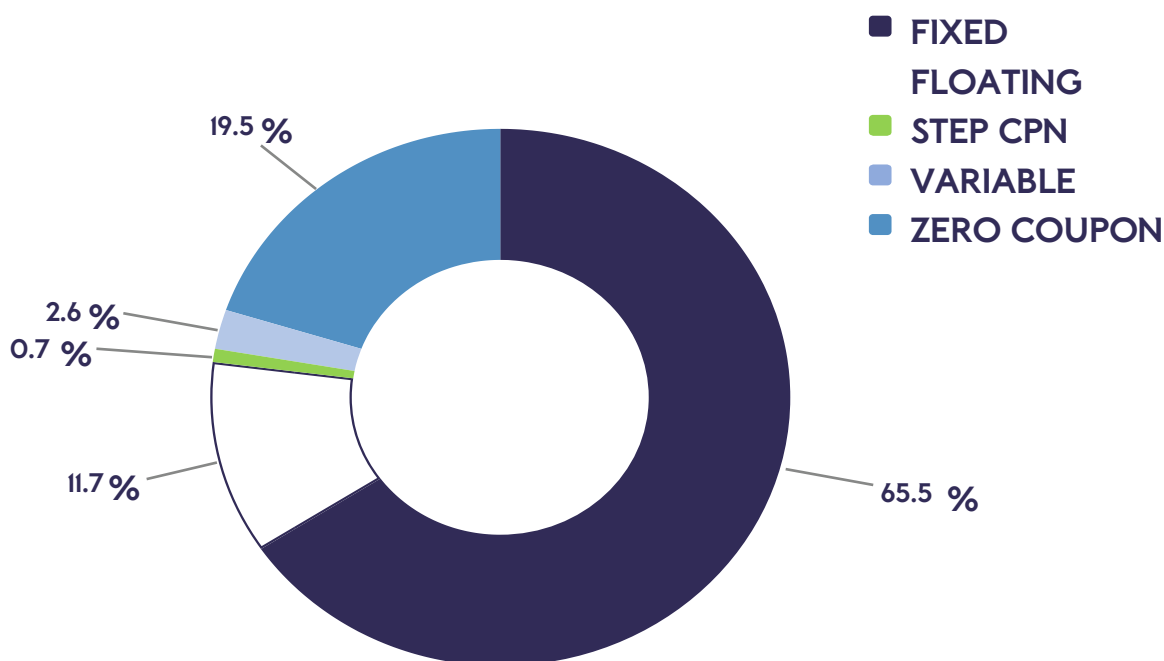
- > Equity;
- > Currency;
- > Interest rate;
- > Spread.

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 a breakdown of own securities and separately managed accounts by type of interest rate for Mediolanum Vita⁸.



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

⁸ Mediolanum Vita's portfolio does not include real estate, closed-end and infrastructure funds or equities

Mediolanum Insurance Group securities portfolio RATING COMPOSITION (S&P Equivalent)

Period-end data (31.12.2023 vs 31.12.2022)

€/000	31.12.2023		31.12.2022	
	amounts	%	amounts	%
Total portfolio	3,022,390	100.00%	5,075,514	100%
AAA	7,936	0%	58,852	1%
AA+ to AA-	26,353	1%	60,757	1%
A+ to A-	8,877	0%	267,665	5%
BBB+ to BBB-	2,573,633	85%	3,652,672	72%
BB+ or lower	99,018	3%	912,794	18%
Unrated	306,575	10%	122,774	2.42%

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 nil), the reinsurance policy of the same requires the reinsurer to have a rating of A- before a treaty is entered into.

As at 31 December 2023, the minimum rating of the reinsurers with which Mediolanum Vita has entered into reinsurance treaties is A.

Breakdown of market risks

The Insurance Group's market risk modules calculated as at the fourth quarter of 2023 using the Standard Formula are shown below:

€/000	
Market risk	31.12.2023
Interest rate risk	160,087
Equity risk	876,901
Property risk	17,791
Spread risk	70,595
Currency risk	419,281
Concentration risk	12,484
Sum of risk components	1,557,139
Counterparty default risk	46,172

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.

Liquidity risk is not limited to control of the items related to readily liquidable assets but is also related to the possibility of liquidating investments in the portfolio (forced sale), taking into consideration the potential economic and equity loss arising from the sale. In the medium term, liquidity risk may also be covered by issuing debt. However, 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 the liquidity risk entail a low and/or negligible liquidity risk, 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, as provided for in the contractual conditions. In particular, linked contracts are characterised by a more limited liquidity risk than traditional products with a guaranteed rate, due to the decrease in the value of the assets and potential haircuts, which is recognised entirely on insurance services.

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 2023.

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 continuously and effectively monitor 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 I, paragraph I, letter *w-bis* 5) of the Private Insurance Code, operational risk should be understood as: “the risk of losses arising from the inadequacy or malfunctioning 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 indicators related to the amount of actual losses are monitored at least once a quarter in order to properly monitor operational risk.

The monitoring phase enables identification of the positioning of the indicators with respect to the limits already established for operational risk under the Risk Appetite Framework.

The operational risk monitoring conducted in 2023 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 2023 did not reveal any critical situations for the Company.

Reputation risk

With regard to the provisions of Article I9, letter h) of Ivas 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; during 2023, 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, in fact, that the insurance products of Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life Branch Italia are distributed by the sales network of Banca Mediolanum, while for the Spanish branch, the products are distributed by the sales network of Banco Mediolanum S.A. Contagion risk is assessed for ORSA purposes, assuming an impact of the network risk factor on both new business volumes and the "in force" portfolio.

QUANTITATIVE NATURE ON THE LIFE AND NON-LIFE SEGMENTS

Amount of direct life and non-life segment reserves by contractual classification

The Group monitors insurance risk for product families. The following tables provide an analysis of the Group's insurance risk concentration (both before and after reinsurance) by product family.

€/m				
Concentration by class of business	Insurance contracts issued		Reinsurance contracts held	Net
Separate management	1,424	-	52	1,372
Pure risk contracts	110		6	115
Unit linked/index	20,648			20,648
Life business	22,182	-	46	22,136
Non-Motor	219	-	32	187
Non-Life business	219	-	32	187
Total	22,401		78	22,323

The net exposure with regard to the life business is divided between unit-linked and index-linked for an amount of €20,648 million, while for pure risk it amounts to €115 million and, lastly, for separate management it amounts to €1,372 million.

The net exposure with regard to the non-life business is exclusively attributable to the elementary classes, in the amount of €187 million.

Sensitivity analysis

The following is a sensitivity analysis relating to the key variables that could lead to a material impact on the carrying amounts of assets and liabilities in the following year, in accordance with IAS 1, paragraph 125. The following tables detail the effects of the changes in the main assumptions on the Group's profit or loss, shareholders' equity and the CSM (Contractual Service Margin), before and after the mitigation of the risk arising from the reinsurance contracts held. This analysis, required by IFRS 17, paragraph 128, is based on a change in one risk variable, keeping all other variables constant. The sensitivity analysis assumes that changes in variables can be made independently.

Underwriting risk

The table below sets out the main sensitivities relating to underwriting risk, in which the entire portfolio has been considered divided by Group company.

The main risks that caused the greatest stress on the components of CSM, P&L and equity before and after the reinsurance effect were examined.

With regard to the assumptions underlying lapsed and paid up, a stress of +50% and -50% was used on the various components affected.

	€/m	CSM		Profit and loss		Equity		
		Change in assumption	Gross	Net	Gross	Net	Gross	Net
Mortality			(38)	(31)	(3)	(3)	-	-
Expenses			(45)	(45)	(3)	(3)	-	-
Lapsed and paid up - Down	-50%		(112)	(111)	(6)	(6)	-	-
Lapsed and paid up - Up	50%		(69)	(65)	(5)	(5)	-	-
Longevity			(33)	(33)	(2)	(2)	-	-

The table shows that the greatest impact on the CSM and on the income statement would arise if lapsed and paid up policies decreased by 50%, with a reduction of €112 million in the CSM gross of reinsurance and €111 million net.

Market risk

The table below sets out the main sensitivities relating to market risk, in which the entire portfolio of the Group has been considered.

In particular, the main stresses with a significant impact on the components considered were taken into consideration.

The intensity of the shocks on the various components is calibrated on the basis of the Solvency II Standard Formula.

€/m	Change in assumption	CSM		Profit and loss		Equity	
		Gross	Net	Gross	Net	Gross	Net
Equity		(368)	(368)	(24)	(24)	(17)	(17)
Currency up		(179)	(179)	(11)	(11)	(1)	(1)
Interest_Down		(129)	(130)	(9)	(8)	45	45
Interest_Up		136	137	9	8	(53)	(53)
Spread		(38)	(38)	(3)	(3)	(35)	(35)

The tables highlight the main financial sensitivities to changes in key market risk assumptions.

Specifically, for equity, a decrease in the value of the shares results in a reduction of €368 million gross of reinsurance and €368 million net on the CSM, with a negative impact of €24 million on the income statement. The appreciation of currencies (particularly the dollar) in the Group, resulted in a reduction in the CSM of €179 million gross, with a negative effect of €11 million on the income statement.

A decrease in the interest rate causes a reduction in the CSM of €129 million gross of reinsurance and a negative impact of €130 million considering the effect of the business ceded, while an increase in interest rates would cause an increase of €137 million in the CSM, net of reinsurance.

Claims development

The Group provides information on the trend in gross and net claims for claims that occurred ten years prior to the reporting period.

For further details, please see the table in the notes: "Claims development gross and net of reinsurance (non-life segment)".

The Group reconciles the LIC presented in the table with the aggregate carrying amount of insurance contract groups.

Liquidity risk

The following table sets out an analysis of the maturity of the insurance and reinsurance contract portfolios held that are in a liability position based on the estimated timing of the remaining undiscounted contractual cash flows. These figures do not include liabilities for incurred claims.

Business Life

€/m								
	0-1 Month	1-3 Month	3-12 Month	1-2 Year	2-3 Year	3-4 Year	4-5 Year	6 year onward
Insurance contract liabilities	138.54	274.62	1,604.23	1,069.69	902.60	832.87	920.93	23,221.79
Reinsurance contract liabilities	0.82	- 0.26	0.86	- 1.82	- 2.66	- 3.18	- 2.68	4.28
Total	139.36	274.36	1,605.09	1,067.87	899.95	829.69	918.25	23,226.07

Business Non-Life

	€/m										
	O-1 Month	1-3 Month	3-12 Month	1-2 Year	2-3 Year	3-4 Year	4-5 Year	6 year onward			
Insurance contract liabilities	-	2.34	-	4.34	-	13.78	11.61	7.80	2.57	1.72	31.16
Reinsurance contract liabilities	-	0.24	-	0.45	-	1.44	1.21	0.82	0.27	0.18	3.26
Total	-	2.59	-	4.79	-	15.21	12.83	8.62	2.84	1.90	34.42

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 2023, 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	708,690	234,915	20,517	(363,558)	600,564
2. Issue premiums	36,423	-	-	(29,388)	7,035
3. Reserves	2,469,353	916,444	18,097	(1,190,638)	2,213,256
3.5 Interim dividends (-)	(207,519)	-	-	-	(207,519)
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	(19,781)	-	-	-	(19,781)
6. Valuation reserves	39,684	11,274	-	(11,643)	39,315
- Equity securities designated at fair value through other comprehensive income	29,261	8,882	-	-	38,143
- 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	(395)	1,971	-	(464)	1,112
- 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	(256)	317	-	-	61
- Share of valuation reserves of equity investments measured at equity	11,074	-	-	(11,075)	(1)
- Special revaluation laws		104		(104)	-
7. Net income for the year	1,389,736	178,623	(3,043)	(743,446)	821,870
TOTAL	4,416,586	1,341,256	35,571	(2,338,673)	3,454,740

* 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	-	(395)	14,030	(17,252)			1	(465)	14,031	(18,112)
2. Equity securities	29,273	(12)	8,182	(13)					37,455	(25)
3. Loans									-	-
TOTAL 31.12.2023	29,273	(408)	22,212	(17,265)	-	-	1	(465)	51,486	(18,137)
TOTAL 31.12.2022	9	(20,676)	1,413	(21,984)			13		30,725	(14,748)

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes during the year

	Debt securities	Equity securities	Loans
1. Opening balances	(43,639)	(24,532)	-
2. Increases	73,861	61,984	-
2.1 Fair value increases	73,001	61,971	-
2.2 Credit risk-induced value adjustments	-	-	-
2.3 Reversal to the income statement of negative reserves from disposal	508	-	-
2.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
2.5 Other changes	352	-	-
3. Negative changes	(34,303)	(10)	-
3.1 Fair value reductions	(34,236)	(10)	-
3.2 Credit risk induced write-backs	(67)	-	-
3.3 Reversal to the income statement from positive reserves: from disposal	-	-	-
3.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balances	(4,081)	37,430	-

B.4 Valuation reserves related to defined-benefit plans: annual changes

Valuation reserves relating to defined benefit plans at 31 December 2023 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 2023.

SECTION 2 – Transactions carried out 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 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” (please see this document for further details). The Board of Directors of Banca Mediolanum also adopted the “Regulations on the process for managing related party transactions of Banca Mediolanum and associates of the Mediolanum Banking Group” for the management of transactions with related parties and associates in accordance with the procedures provided for by the regulations. This document serves to regulate any conflicts of interest in transactions involving parties close to company decision-making centres, in accordance with Consob Regulation No. 17221/2010, as amended, and Bank of Italy Circular No. 285.

During the 2023 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 FinProg companies, wholly owned by the Doris family and the Fininvest company headed by Pier Silvio Berlusconi and Marina Elvira 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.

Considering that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions just cited, it was decided, for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years.

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	(12,376)	(3,145)
Other remuneration	(150)	(23)

2. Information on related party transactions

The following table shows the credit and debit balances outstanding at 31 December 2023 in respect of related parties other than intercompany parties.

€/000	31.12.2023
Asset items	
Financial assets at fair value through other comprehensive income	329,095
Loans to banks	2,080
Loans to customers	47,080
Other assets	8
Liability items	
Payables to banks	285
Payables to customers	437,747
Financial liabilities held for trading	695
Other liabilities	4,113
Guarantees issued and commitments given	151
€/000	31.12.2023
Income statement items	
Interest income and similar income	1,726
Interest expense and similar expenses	(9,764)
Net interest	(8,038)
Commission income	17,677
Commission expense	(7,115)
Net commission expense	10,562
Dividends	24,731
Net gains (losses) from trading	(104)
Result of insurance services*	3,577
Administrative expenses	(6,226)
Other operating revenues and expenses	(25)

*the item includes premiums and claims on related parties of the Group

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 €97,335.00 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.

It should be recalled that at the date of these financial statements, the Employee Plan is still in place and its effects are reflected herein.

PERFORMANCE SHARE PLANS

Banca Mediolanum's Ordinary Shareholders' Meeting approved, for the years from 2015 to 2022, performance plans called the "Top Management Key Personnel Plan" for directors and managers and the "Top Management Other Personnel Plan" for Executive Top Management, in addition to performance plans called the "Employee Key Personnel Plan" and the "Employee Other Personnel Plan" for the Sales Network.

It should also be recalled that on 18 April 2023, the ordinary shareholders' meeting of Banca Mediolanum, as in previous years, approved the establishment of a new performance share plan, called:

- the "2023 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 "2023 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 "2023 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 "2023 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.

At 31 December 2023, the plans approved from 2019 to 2023 were still in place for top management, while for employees, the plans still in place range from 2015 to 2023.

The total number of treasury shares in the portfolio was 2,899,295, with an equivalent value of €19.8 million at 31 December 2023.

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.

The cost of the performance share expense for 2023 was €13.3 million.

PHANTOM SHARE PLANS

The Remuneration Policies of Banca Mediolanum allow for the option of establishing long-term incentive plans based on a multi-year future performance assessment.

The Shareholders' Meeting of 16 April 2020 had 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.

Subsequently, the Shareholders' Meeting of 18 April 2023 approved another long-term incentive and loyalty plan called the "2023-2025 Phantom Share LTI Plan", again 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 these plans 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.

The cost of the phantom share expense for 2023 was €0.8 million.

At 31 December 2023, both plans were still in place.

QUANTITATIVE INFORMATION

1. Annual changes

	Prudential consolidation			Insurance companies			Other companies			Total 31.12.2023		
	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	2,680,876	1.7	Jul-26	-	-	-	-	-	-	2,680,876	1.7	Jul-26
B. Increases	-		X	-	-	X	-	-	X	-		X
B1. New issues	-			-	-		-	-		-		
B2. Other changes	-		X	-	-	X	-	-	X	-		X
C. Decreases	1,110,250		X	-	-	X	-	-	X	1,110,250		X
C1. Cancelled			X	-	-	X	-	-	X			X
C2. Exercised	1,110,250	1.65	X	-	-	X	-	-	X	1,110,250	1.65	X
C3. Expired	-	-	X	-	-	X	-	-	X	-	-	X
C4. Other changes			X	-	-	X	-	-	X			X
D. Closing balances	1,570,626	1.73	Nov-26	-	-	-	-	-	-	1,570,626	1.73	Nov-26
E. Options exercisable at the end of the year	-	-	X	-	-	X	-	-	X	-	-	X

2. Other information

The cost incurred for stock options for 2023 was €0.6 million; and for performance shares the cost incurred was around €13.3 million. The cost recorded for phantom shares was €0.8 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 line with all of the information provided by the market and 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 31.12.2023

Data in €/000	ITALY					ABROAD		TOTAL
	BANKING	ASSET MANAGEMENT	INSURANCE	OTHER	TOTAL	SPAIN	GERMANY	
Entry fees	-	28,062	-	-	28,062	10,641	-	38,703
Management fees	-	614,217	393,542	-	1,007,758	95,180	4,663	1,107,601
Investment management fees	-	122,856	76,382	-	199,238	16,834	1,070	217,142
Insurance management result	-	-	158,312	-	158,312	8,733	268	167,313
Banking service fees	135,313	-	-	-	135,313	8,706	-	144,019
Other fees	1,421	23,854	12,344	2,125	39,744	3,031	223	42,998
Commission income	136,734	788,988	640,580	2,125	1,568,427	143,125	6,224	1,717,776
Acquisition costs	(97,400)	(260,409)	(165,022)	(863)	(523,694)	(50,393)	(2,084)	(576,171)
Other commission expenses	(35,151)	(35,005)	(28,191)	-	(98,347)	(13,194)	(612)	(112,153)
Commission expense	(132,551)	(295,414)	(193,214)	(863)	(622,041)	(63,587)	(2,696)	(688,324)
Net commission expense	4,183	493,574	447,366	1,262	946,386	79,538	3,528	1,029,452
Net interest income	616,387	11,023	48,745	131	676,285	74,890	1,232	752,407
Net income on other investments	(6,908)	(268)	3,608	20,411	16,843	(5)	(1)	16,837
LLP (impairment on loans)	(31,394)	-	-	-	(31,394)	(1,377)	(22)	(32,793)
Other revenues and expenses	(6,029)	555	(1,393)	6,488	(378)	785	221	628
LEVEL I CONTRIBUTION MARGIN	576,239	504,884	498,327	28,293	1,607,742	153,831	4,958	1,766,531
Allocated costs	(220,616)	(99,426)	(104,517)	(5,399)	(429,958)	(64,638)	(3,538)	(498,134)
Regular contributions to banking industry	(27,040)	-	-	-	(27,040)	(3,958)	-	(30,998)
LEVEL II CONTRIBUTION MARGIN	328,583	405,458	393,810	22,894	1,150,744	85,235	1,420	1,237,399
Unallocated costs	-	-	-	-	(175,395)	-	-	(175,395)
Depreciation & amortisation	-	-	-	-	(38,499)	(6,962)	(39)	(45,500)
Net provisions for risk and charges	-	-	-	-	(27,033)	(1,807)	-	(28,840)
OPERATING MARGIN	328,583	405,458	393,810	22,894	909,817	76,466	1,381	987,664
Performance fees	0	33,349	18,408	-	51,757	2,389	161	54,307
Net income (losses) on investments at fair value	33,575	(43)	257	-	33,789	1,517	119	35,425
MARKET EFFECTS	33,575	33,305	18,666	-	85,546	3,906	280	89,732
Extraordinary contributions and guarantee funds	(10,210)	-	-	-	(10,210)	-	-	(10,210)
Other extraordinary items	-	-	-	-	-	-	-	-
EXTRAORDINARY ITEMS	(10,210)	-	-	-	(10,210)	-	-	(10,210)
PROFIT BEFORE TAX	351,948	438,763	412,476	22,894	985,153	80,372	1,661	1,067,186
Taxes for the year	-	-	-	-	(226,426)	(18,425)	(465)	(245,316)
NET INCOME FOR THE YEAR	351,948	438,763	412,476	22,894	758,727	61,946	1,196	821,870

Operating data by business area at 31.12.2022*

Data in €/000	ITALY					ABROAD		TOTAL
	BANKING	ASSET MANAGEMENT	INSURANCE	OTHER	TOTAL	SPAIN	GERMANY	
Entry fees	-	29,009	-	-	29,009	13,200	-	42,209
Management fees	-	579,860	358,280	-	938,140	85,378	5,487	1,029,005
Investment management fees	-	106,064	74,788	-	180,852	14,765	1,150	196,767
Insurance management result	-	-	148,711	-	148,711	8,609	250	157,570
Banking service fees	149,086	-	-	-	149,086	8,423	58	157,567
Other fees	4,805	23,184	11,123	3,524	42,636	2,696	342	45,674
Commission income	153,891	738,116	592,903	3,524	1,488,434	133,071	7,287	1,628,792
Acquisition costs	(101,608)	(245,079)	(160,473)	(50)	(507,209)	(49,054)	(2,147)	(558,410)
Other commission expenses	(30,542)	(29,566)	(23,315)	-	(83,424)	(10,898)	(829)	(95,151)
Commission expense	(132,150)	(274,645)	(183,788)	(50)	(590,633)	(59,952)	(2,976)	(653,561)
Net commission expense	21,740	463,471	409,115	3,474	897,801	73,119	4,311	975,231
Net interest income	369,505	(14,515)	17,001	6	371,998	34,645	119	406,762
Net income on other investments	(789)	139	(11,799)	17,685	5,236	(134)	79	5,181
LLP (impairment on loans)	(20,393)	-	-	-	(20,393)	(1,051)	(37)	(21,481)
Other revenues and expenses	(6,484)	531	(1,482)	4,038	(3,397)	1,139	170	(2,088)
LEVEL I CONTRIBUTION MARGIN	363,579	449,627	412,835	25,203	1,251,245	107,718	4,642	1,363,604
Allocated costs	(216,217)	(87,674)	(91,766)	(5,119)	(400,777)	(51,738)	(5,339)	(457,854)
Regular contributions to banking industry	(28,574)	-	-	-	(28,574)	(3,614)	(36)	(32,224)
LEVEL II CONTRIBUTION MARGIN	118,788	361,953	321,069	20,084	821,894	52,366	(734)	873,526
Unallocated costs	-	-	-	-	(150,795)	-	-	(150,795)
Depreciation & amortisation	-	-	-	-	(34,528)	(6,176)	(125)	(40,829)
Net provisions for risk and charges	-	-	-	-	(14,410)	(4,763)	-	(19,173)
OPERATING MARGIN	118,788	361,953	321,069	20,084	622,161	41,427	(859)	662,729
Performance fees	-	8,404	3,822	-	12,226	492	35	12,753
Net income (losses) on investments at fair value	(11,834)	(29)	(1,850)	-	(13,714)	(160)	(4)	(13,878)
MARKET EFFECTS	(11,834)	8,375	1,971	-	(1,488)	332	31	(1,125)
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)
PROFIT BEFORE TAX	89,189	370,328	323,040	20,084	602,908	41,759	(828)	643,839
Taxes for the year	-	-	-	-	(130,399)	(6,153)	(458)	(137,010)
NET INCOME FOR THE YEAR	89,189	370,328	323,040	20,084	472,509	35,606	(1,285)	506,829

(*) Restated for the adoption of IFRS 17

Reconciliation of the income statement at 31.12.2023 with the reclassified income statement

(1 of 2)

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
Entry fees			(I)	38,703
Management fees			(224,329)	1,107,602
Investment management fees			-	217,142
Insurance management result	160. Result of insurance services	168,844	110,370	279,214
	170. Balance of revenues and financial costs relating to insurance management	(2,029,233)	1,917,332	(111,901)
Banking service fees			(30,677)	144,019
Other fees			470	42,998
Gross commission income	40. Commission income	1,746,045		1,717,775
Acquisition costs		(575,102)	116,717	(576,171)
Other commission expenses		(147,728)	35,574	(112,153)
Total commission expense	50. Commission expense	(722,829)		(688,324)
Net commission expense	60. Net commission expense	1,023,216		1,029,451
Interest income and similar income	10. Interest income and similar income	1,331,765	(74,931)	1,256,834
Interest expense and similar expenses	20. Interest expense and similar expenses	(505,771)	1,344	(504,427)
Net interest income	30. Net interest income	825,994		752,407
Equity method valuation		-	-	-
Net proceeds on disposal of other investments				25,447
	70. Dividends and similar income	28,340	1	28,341
	100. a) Financial assets measured at amortised cost	(11)	(0)	(11)
	100. b) Financial assets at fair value through other comprehensive income	(96)	(4,100)	(4,196)
	100. c) Financial liabilities	-	-	-
	230. Other operating income/expenses	3,116	(2,565)	551
	250. Gains (losses) on equity investments	-	(0)	(0)
	280. Gains (losses) on disposal of investments	763	0	763
Net value adjustments of other investments	130. b) Financial assets at fair value through other comprehensive income	390	(9,000)	(8,610)
Net income on other investments				16,837
LLP (impairment on loans)	130. a) Financial assets measured at amortised cost	(33,136)	344	(32,792)
Other revenues and expenses	230. Other operating income/expenses	-	628	628
Contribution margin				1,766,531

Reconciliation of the income statement at 31.12.2023 with the reclassified income statement

(2 of 2)

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
G&A expenses		(710,422)		(673,529)
	190. a) Staff costs	(286,396)	3,924	(282,472)
	190. b) Other administrative expenses	(424,026)	43,974	(380,052)
	230. Other operating income/expenses	-	(11,006)	(11,006)
Regular contributions to banking industry	190. b) Other administrative expenses	-	(30,998)	(30,998)
Depreciation & amortisation/Provisions		(95,478)		(74,340)
Depreciation & amortisation		(66,630)		(45,500)
	210. Net value adjustments/write-backs of tangible assets	(26,771)	21,132	(5,639)
	220. Net value adjustments/write-backs of intangible assets	(39,877)	(2)	(39,879)
	320. Profit (loss) on discontinued operations after tax	18		18
Provisions for risk and charges		(28,848)		(28,840)
	200. a) Commitments and guarantees given	(818)	5	(813)
	200. b) Other net provisions	(28,030)	3	(28,027)
Total costs		(805,900)		(778,867)
Operating margin				987,664
Performance fees	40. Commission income	-	54,307	54,307
Net income on investments at fair value		1,884,899		35,425
	80. Net gains (losses) from trading	37,157	(431)	36,726
	90. Net gains (losses) from hedging	(666)	0	(666)
	110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	1,848,408	(1,849,043)	(635)
Market effects				89,732
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	-	(10,210)	(10,210)
Other extraordinary items		-		-
	190.bis Other extraordinary items	-	-	-
	200. Net provisions for risk and charges	-	-	-
Extraordinary items				(10,210)
Profit before tax	290. Net income from continuing operations before tax	1,067,186	0	1,067,186
Income tax	300. Taxes on income from continuing operations	(245,316)	(0)	(245,316)
Net income	330. Net income for the year	821,870	(0)	821,870

Statement of financial position data by business area at 31.12.2023

€/000	ITALY				ABROAD		Total 2023
	Asset management	Banking	Insurance	Total	Spain	Germany	
Goodwill	22,669	-	125	22,794	102,831	-	125,625
Securities at amortised cost	-	15,633,608	1,255,834	16,889,442	2,072,240	-	18,961,682
Lending to customers	149,778	16,289,232	(46,907)	16,392,103	1,404,880	885	17,797,868
Securities through OCI	83,742	320,472	1,623,335	2,027,579	5,767	412	2,033,758
Securities through PL	3,669	1,077,289	88,936	1,169,894	24,059	3,212	1,197,165
1.2 Financial assets designated at fair value (Fin. assets where the risk is borne by policyholders)			33,507,100	33,507,100	1,251,652	231,664	34,990,416
Insurance assets			78,227	78,227			78,227
Financial liabilities designated at fair value			14,984,025	14,984,025	26,329	865	15,011,219
Net money market lending (*)	(31,891)	432,060	(49,263)	350,913	486,534	(1,412)	836,036
Banking inflows (**)	4,173	30,918,912	(689)	30,922,396	2,805,210	116	33,727,721
Insurance liabilities	-	-	20,881,775	20,881,775	1,406,361	113,140	22,401,276

(*) 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

SECTION 1 – Lessor 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 2023
ASSETS	
Rights of use acquired through leasing	
1. Tangible assets	(10,145)
1.1 land	
1.2 buildings	(10,145)
1.3 furniture	
1.4 electronic equipment	
1.5 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	2023 lease payments to be received
TIME BANDS	
Up to 1 year	1,316
Over 1 year to 5 years	21,250
Over 5 years	40,579
TOTAL	63,145

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*, paragraph 5, of Legislative Decree No. 58 of 24 February 1998 and 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 consolidated financial statements during the 2023 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 2023 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 compliance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 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, 6 March 2024

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	Geographic location of settlement	Nature of business	Turnover	Number of full-time or equivalent employees (individuals)	Profit before tax	Tax
Company						
Banca Mediolanum S.p.A.	Italy	Banking	789,579	2,532	922,377	(88,670)
Mediolanum Assicurazioni S.p.A.	Italy	Insurance	26,979	50	25,465	(7,716)
Mediolanum Vita S.p.A.	Italy	Insurance	218,875	146	205,947	(59,798)
Mediolanum Gestione Fondi SGR p.A.	Italy	Financial	67,957	39	55,574	(16,492)
Mediolanum Fiduciaria S.p.A.	Italy	Financial	552	9	(1,088)	261
Mediolanum Comunicazione S.p.A.	Italy	Non-financial	90	16	(4,254)	1,026
PI Servizi S.p.A.	Italy	Non-financial	(45)	-	(593)	151
Prexta S.p.A.	Italy	Financial	25,937	92	3,035	(838)
FloWe S.p.A. - S.B.	Italy	Financial	(764)	129	(40,743)	8,610
Banco Mediolanum SA	Spain	Banking	127,729	346	55,836	(10,758)
Mediolanum Gestion S.G.I.I.C. SA	Spain	Financial	3,290	12	1,524	(395)
Mediolanum Pensiones S.G.F.P. IAC	Spain	Financial	1,132	2	312	(86)
Fibanc SA	Spain	Financial	0	-	(1)	0
Mediolanum International Funds Ltd	Ireland	Financial	627,085	143	577,701	(73,193)
Mediolanum International Life DAC	Ireland	Insurance	17,792	26	17,119	(2,395)
August Lenz & Co. AG*	Germany	Non-financial	1,104	12	(2,601)	0
Consolidation adjustments					(748,423)	4,976
Total			1,907,292	3,554	1,067,186	(245,318)
Consolidation entries			(38,085)			
Total Item 180			1,869,207			

Public contributions

Information on the transparency of public disbursements required by Article I, paragraph I25 of Law I24/2017.

Pursuant to Article I, paragraph I25, of Law No. I24/2017, it should be noted that in 2023 the Mediolanum Group did not receive any public contributions. It should be noted that the contributions subject to disclosure are solely grants, subsidies, benefits, contributions or aid, not of a general nature and not taking the form of consideration, remuneration or compensation, received by public administrations and not deriving from bilateral relations between a public party and a specific beneficiary, that exceed the threshold of €10,000 per public party.

Article I, paragraph I25-quinquies also establishes that for the State aid and de minimis aid contained in the National State Aid Register, the registration of aid in the aforementioned system, with subsequent publication in the transparency section provided for therein, by the parties granting or managing the aid, shall take place in accordance with the publication obligations imposed on the parties referred to in paragraphs I25 and I25-bis.

A. Publication of return on assets

€/000		
Net income	821,870	1.06%
Total assets	77,830,851	

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 2023, 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 the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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.

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 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** 40124 Via Luigi Carlo Farini 12 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

First-time adoption of IFRS 17 – Insurance contracts

*Notes to the consolidated financial statements
Part A – Accounting policies, Section 5 – Other aspects*

Effective 1 January 2023 the Group has adopted international financial reporting standard “IFRS 17 – Insurance contracts”, which replaced “IFRS 4 – Insurance contracts” and introduced new rules for the recognition, measurement and presentation of insurance contracts falling into the scope of application of the standard.

First-time adoption of the new standard gave rise to an overall positive effect on the Group shareholders’ equity as of 1 January 2022 equal to Euro 14.5 million, after the tax effect.

IFRS 17 is characterised by a high degree of interpretative and operational complexity, due to the presence of several aspects requiring the application of a high degree of subjectivity, including:

- the definition and identification of the insurance contracts falling into the scope of application of the new standard;
- the definition of the levels of aggregation of contracts for the purpose of identifying the Units of Account;
- the method used to determine the Present Value of Future Cash Flow (PVFCF) and the related synergies compared with the Best Estimates Solvency II;
- the method used to determine the costs attributable to insurance contracts, from the perspective of the Group as a financial conglomerate;
- the method used to determine the discount rates;
- the method used and the assumptions adopted to determine the Risk Adjustment;
- the method used and the assumptions adopted to determine the Contractual Service Margin (CSM), from the perspective of the Group as a financial conglomerate;

The audit procedures performed, also with the support of experts from the PwC network, on the measurement of the impacts arising from the first-time adoption of IFRS 17 included, among others, the following activities:

- understanding and evaluation of the activities planned and carried out by the Group for the implementation of the new accounting standard (including changes made to information systems);
- analysis of insurance contracts and evaluation of the level of aggregation;
- analysis of the compliance of the accounting policies applied with the new financial reporting standard;
- comparison of the methods and assumptions used by management with market practice;
- understanding of internal control over the implementation of the new accounting processes;
- verification of the accuracy and completeness of the input databases feeding actuarial systems relative to the underlying accounting evidence;
- verification of the accuracy of identification of costs attributable to insurance contracts, from the perspective of the Group as a financial conglomerate;
- verification of the consistency of the transition approach for each cluster of insurance contracts according to the models provided by the standard;
- verification of the accounting adjustments to Group shareholders’ equity arising from the transition and of their correct accounting treatment.

Furthermore, with the support of actuarial experts from the PwC network, we performed the following activities:

Key Audit Matters	Auditing procedures performed in response to key audit matters
- the identification of the valuation models applicable to insurance contracts; - the determination of the transition approach adopted for each cluster of insurance contracts. Considering the significance of the insurance business to Banca Mediolanum Group, the resulting accounting impacts recognised from 1 January 2022 and the standard's implications for the implementation of accounting procedures, information systems and organisational processes, we considered the first-time adoption of IFRS 17 as a key audit matter in our audit of the Group's consolidated financial statements as of 31 December 2023.	- verification of the accuracy of the actuarial models used to estimate future cash flows; - reasonableness analysis of the main methods and operational and financial assumptions on which estimates of future cash flows, the adjustment for non-financial risk and the contractual service margin are based. Finally, we verified the completeness and adequacy of disclosures closely related to this key audit matter provided in the consolidated financial statements, also in relation to the requirements of the applicable financial reporting standards.
Measurement of insurance liabilities for remaining coverage - Life businesses <i>Notes to the consolidated financial statements</i> <i>Part A – Accounting policies, paragraph “15 - Insurance assets and liabilities”</i> <i>Part B – Information on the consolidated statement of financial position, Liabilities, Section 11 “Insurance liabilities – item 110”</i> <i>Part C – Information on the consolidated income statement, Section 10 “Result of insurance services” – item 160” and Section 11 “Balance of financial revenues and costs relating to insurance management - Item 170”</i> The consolidated financial statements as of 31 December 2023 include insurance liabilities reported in item 110 of the Liabilities, amounting to Euro 22,401 million, whereof Euro 22,104 million relating to liabilities for remaining coverage for life businesses, representing approximately 28 per cent of “Total liabilities and shareholders' equity”. Those liabilities for remaining coverage include the discounted estimated future cash flows (Present Value of Future Cash Flows, PVFCF), adjusted to reflect non-financial risks (Risk Adjustment) and the Contractual Service Margin (CSM), which represents the present value of the	In performing our audit we took into consideration internal control relevant to the preparation of the consolidated financial statements in order to define audit procedures that were appropriate in the circumstances. In detail, we understood and evaluated the design of relevant controls in place for the monitoring, classification and measurement of insurance liabilities and we tested the operating effectiveness of those controls. Our audit procedures on the measurement of liabilities for remaining coverage included the following activities: - verification of the accuracy and completeness of the databases through the performance of substantive procedures for a sample of premiums, comparing the information present in the Group's information systems with supporting evidence obtained from the Group; - critical analysis of the methods and assumptions adopted by management in compliance with IFRS 17;

Key Audit Matters

future profits on insurance contracts that will be released to profit or loss on a basis consistent with the insurance services rendered in the period.

IFRS 17 is characterised by a high degree of interpretative and operational complexity, due to the presence of several aspects requiring the application of a high degree of subjectivity, including:

- the measurement of the liabilities for remaining coverage of insurance contracts of the life businesses in accordance with the General Model (GM) or the Variable Fee Approach (VFA). This measurement assumes the use of calculation methods and models of a statistical-actuarial nature that are characterised by a high degree of subjectivity in the choice of parameters used (such as, for instance, assumptions concerning redemption, mortality, additional payments, expenses, expected claims and discount rate) to develop the estimate of future cash flows and for the Risk Adjustment;
- the measurement of the CSM to be released to income statements in order to recognise margins on insurance services rendered. The determination of the method of release is itself characterised by a high degree of subjectivity in the identification of the coverage units.

Considering the significance of the item presented in the financial statements, the complexity of the estimation processes and the significant level of professional judgement, particularly in the choice of actuarial assumptions used, the evaluation of the insurance liabilities for remaining coverage related to the life insurance businesses has been considered as a key audit matter for the audit of the Group's consolidated financial statements.

Auditing procedures performed in response to key audit matters

- verification of the correct identification of the costs attributable to insurance contracts, from the perspective of the Group as a financial conglomerate;
- comparison of the methods and assumptions mentioned above with market practice.

Furthermore, with the support of actuarial experts from the PwC network, we performed the following activities:

- verification of the methods and underlying assumptions adopted for the calculation of the liabilities for remaining coverage for each component, also through an analysis of the key performance indicators;
- independent recalculation of the PVFCF of liabilities for remaining coverage for a sample of insurance contracts;
- analysis of the measurement criteria applied to coverage units for the purpose of the release of the CSM to the income statement;
- analysis of the movements in liabilities for remaining coverage at the beginning and at the end of the period, on a sample basis;
- verification of the onerous contract terms (OCT) and of the definition of Units of Account, such as the level of aggregation of insurance contracts.

Finally, we verified the completeness and adequacy of relevant disclosures provided in the notes to the consolidated financial statements, also in relation to the requirements of the applicable financial reporting standards.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Estimation of provisions for risk 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 risk and charges”
Part B – Information on the consolidated statement of financial position, Liabilities, Section 10 “Provisions for risk 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 2023 include provisions for risk and charges equal to Euro 310 million, whereof euro 257 million relating to contractual and bonus allowances paid to the Group’s financial advisors.

The measurement of provisions for risk and charges recognised for contractual and bonus allowances owed to financial advisors is the subject of a structured evaluation process based on an analysis of contractual terms and internal regulations, on actuarial criteria, as well as on other historical-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 risk and charges related to allowance owed to the network of financial advisors as a key audit matter in our audit work.

We understood and evaluated the design of relevant controls for the identification, monitoring and recognition of provisions for risk and charges as of 31 December 2023 and we verified their operating effectiveness.

We discussed with management and with the corporate functions involved about the nature of the provisions recognised and the methodological appropriateness of evaluations made for the purposes of determining provisions for risk and charges.

In detail, also with the support of actuarial experts from the PwC network, we performed the following audit activities:

- we obtained and analysed the recognition and measurement policies applied to provisions for risk and charges in the consolidated financial statements and their reasonableness and consistency with the terms of the contractual agreements;
- we obtained and understood the calculation models used by management to estimate the provisions in question and we verified their mathematical accuracy;
- we verified, on a sample basis, the accuracy of inputs and the reasonableness of the methods adopted, and related assumptions, also in the light of the uncertainties related to the current market environment, as well as the actuarial assumptions used;
- we performed a critical analysis of the result of the control activities performed by the corporate functions variously involved in the determination of those provisions for risks and charges;

<i>Key Audit Matters</i>	<i>Auditing procedures performed in response to key audit matters</i>
	• we analysed the consistency of the input parameters underlying the determination of provisions with the relevant historical trends of the underlying data, also to understand the predictive ability 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, 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 statements.

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.

From 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) No. 537/2014

On 9 April 2019, the shareholders of Banca Mediolanum SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2020 to 31 December 2028.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 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 as of 31 December 2023, 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 as of 31 December 2023 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 explanatory 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 2023, 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 2023 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 2023 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.

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, 25 March 2024

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

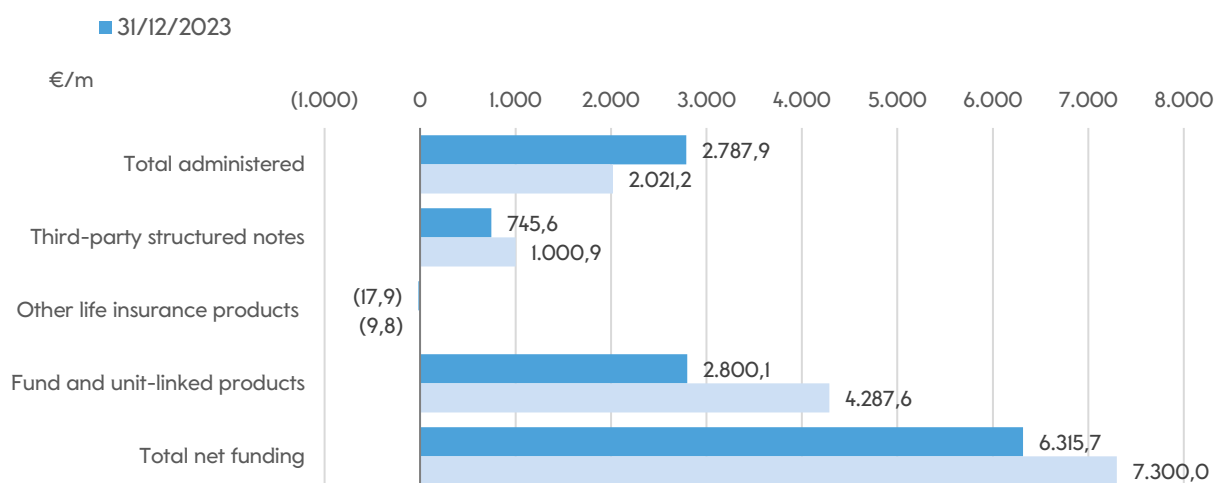
This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Banca Mediolanum 2023 Financial Statements

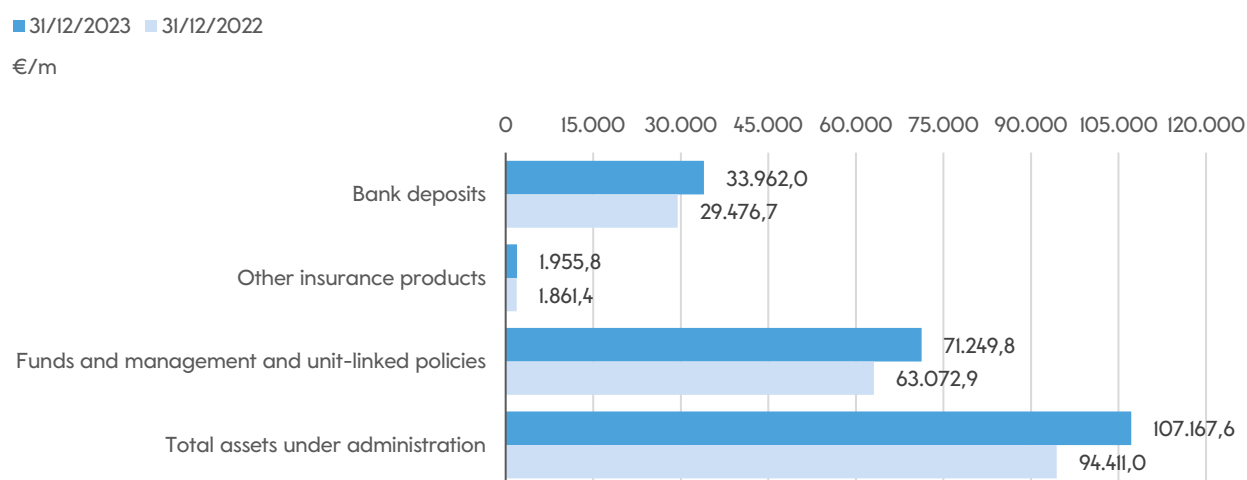
2023 Individual highlights

DATA ON INFLOWS AND ASSETS

Net inflows



Assets under administration and management



REGULATORY CAPITAL RATIOS

Individual capital ratios as at 31 December 2023

Common Equity Tier 1



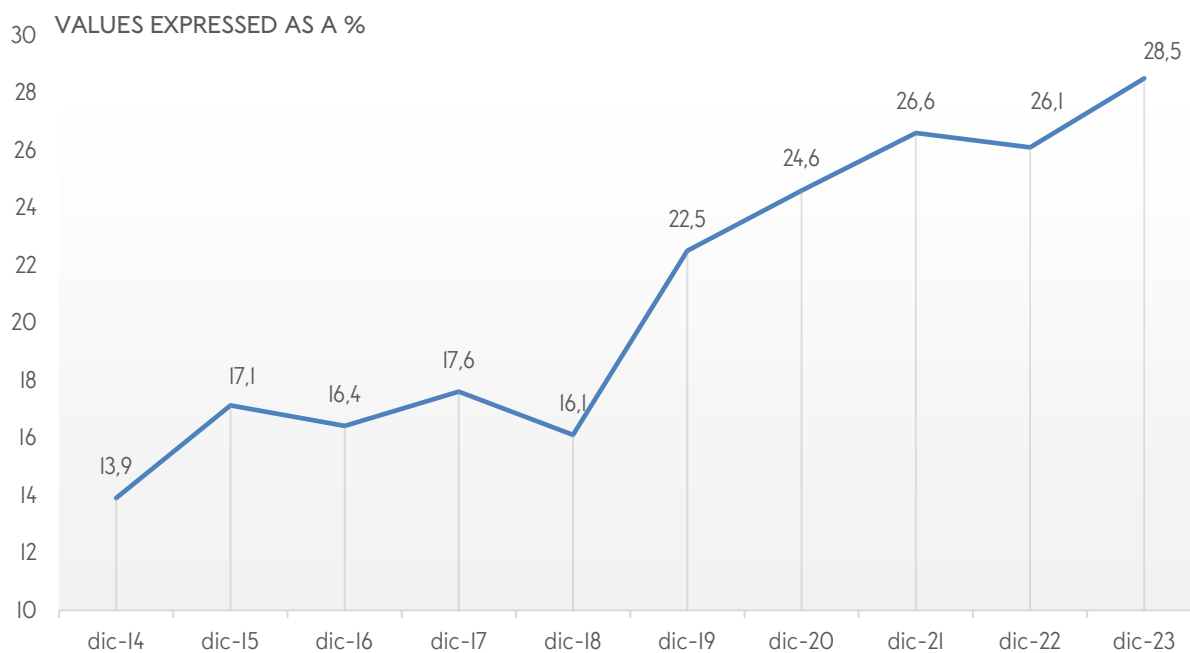
Tier 1



Total Capital Ratio



Changes in the Common Equity Tier 1 Ratio



OTHER INDICATORS

	31.12.2023	31.12.2022
Loans to customers (€/000)	31,923,922	30,557,752
Loans to customers - Net impaired assets/Loans to customers (values in %)*	0.62%	0.56%

(*) Loans to customers do not include the debt securities item.

Operational structure

Units	31.12.2023	31.12.2022
Number of operating employees	2,609	2,491
Number of financial advisors	4,576	4,434

Operating performance

Banca Mediolanum ended 2023 with net income of €833.7 million (€508.3 million at 31 December 2022).

Euro	31.12.2023	31.12.2022*
10. Interest income and similar income	1,058,272,772	389,780,402
of which: interest income calculated using the effective interest method	1,010,048,953	382,376,160
20. Interest expense and similar expenses	(479,626,428)	(70,756,011)
30. Net interest income	578,646,344	319,024,391
40. Commission income	860,242,080	809,112,543
50. Commission expense	(679,494,416)	(633,094,636)
60. Net commission expense	180,747,664	176,017,907
70. Dividends and similar income	20,530,112	18,087,986
80. Net gains (losses) from trading	35,084,286	(15,040,857)
90. Net gains (losses) from hedging	(665,573)	1,701,702
100. Gains (losses) from disposal or repurchase of:	3,652	11,408
a) financial assets measured at amortised cost	3,652	11,408
110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	(844,572)	671,614
b) other financial assets mandatorily measured at fair value	(844,572)	671,614
120. Operating income	813,501,913	500,474,151
130. Credit-risk induced net value adjustments/write-backs of:	(23,928,305)	(17,951,518)
a) financial assets measured at amortised cost	(23,995,121)	(17,771,591)
b) financial assets measured at fair value through other comprehensive income	66,816	(179,927)
150. Net gain (loss) from financial operations	789,573,608	482,522,633
160. Administrative expenses:	(540,678,984)	(498,031,833)
a) staff costs	(206,990,720)	(194,439,030)
b) other administrative expenses	(333,688,264)	(303,592,803)
170. Net provisions for risk and charges	(21,105,516)	(5,938,234)
a) commitments and guarantees given	(796,901)	(56,499)
b) other net provisions	(20,308,615)	(5,881,735)
180. Net value adjustments/write-backs of tangible assets	(17,675,987)	(10,958,262)
190. Net value adjustments/write-backs of intangible assets	(13,064,157)	(16,365,182)
200. Other operating income/expenses	18,713,225	15,200,255
210. Operating costs	(573,811,419)	(516,093,256)
220. Gains (losses) on equity investments	706,614,559	556,808,210
250. Gains (losses) on disposal of investments	46	26,446
260. Net income from continuing operations before tax	922,376,794	523,264,033
270. Taxes on income from continuing operations	(88,670,101)	(14,971,215)
280. Net income from continuing operations after tax	833,706,693	508,292,818
300. Net income for the year	833,706,693	508,292,818

* The balances have been restated due to the adoption of IFRS 17.

Income statement

€/000	31.12.2023	31.12.2022	Change	% change
Net income for the year	833,707	508,293	325,414	64.0%
of which:				
Net financial income*	612,224	306,368	305,856	99.8%

*This item comprises the sum of: item 30, item 80, item 90, item 100 a) and item 110 b).

Net financial income rose compared with the previous period (up €305.9 million).

The change shown in the period under review is mainly due to the improved interest margin recorded (+€259.6 million); the change is mainly attributable, with regard to retail loans, to market rate trends and to the growth in average loans; in addition to this, there is the increase compared with the previous year in net trading income (+€50.1 million compared with the comparative period) due to the positive contribution of the capital stock of NEXI S.p.A. compared with the previous year. It should be recalled that in 2022 the stock had recorded a loss of -€50.3 million.

Net commission expense	180,748	176,018	4,730	2.7%

Net commission income was €4.7 million higher than in the previous year.

Administrative expenses	(540,679)	(498,032)	(42,647)	8.6%
Staff costs	(206,991)	(194,439)	(12,552)	6.5%
Other administrative expenses	(333,688)	(303,593)	(30,095)	9.9%

G&A expenses increased by -€42.6 million compared with the comparative period. In particular, there were higher staff costs (-€12.6 million compared with the comparative period), due in particular to the increased average headcount and the renewal of the national employment contract for Credit and higher administrative expenses (-€30.1 million), mainly related to technology, for the development of new design areas, and expenses for commercial support initiatives.

Credit-risk induced net value adjustments/write-backs	(23,928)	(17,952)	(5,976)	33.3%

Impairment on loans increased by -€6.0 million compared with 2023. In particular, there was an increase in analytical write-downs on non-performing loans of -€3.5 million euros and an increase in collective write-downs on the performing loan portfolio of -€2.4 million euros.

Net provisions for risk and charges	(21,106)	(5,938)	(15,168)	n.s.

Net provisions for risk and charges increased by -€15.2 million on the previous period. The change mainly reflects the lesser increase in discounting rates observed in 2023 compared with 2022.

Gains (losses) on equity investments	706,615	556,808	149,807	26.9%

Gains (losses) on equity investments incorporate the valuation of total equity investments measured using the equity method. The profit performance of the subsidiaries increased overall by €149.8 million compared with 31 December 2022. This performance was largely due to the higher results achieved by subsidiaries Mediolanum International Funds (+€60.1 million compared with 31 December 2022), Mediolanum Vita (+€46.6 million compared with 31 December 2022), the Banking Group (+€14.1 million) and Mediolanum Gestione Fondi (+€8.9 million), mainly due to the higher performance fees registered at 31 December 2023 compared with the previous year.

Report on Operations

THE MACROECONOMIC SCENARIO

2023, like 2022, was strongly influenced by the restrictive monetary policies adopted by the central banks, which kept interest rates high, and by the slowdown in the global economy, whose growth outlook was affected by geopolitical tensions and the decline of economic activity in China.

During the course of 2023, inflation continued to be a key factor in terms of the outlook for global economic growth. According to the forecasts of the International Monetary Fund (IMF) published in January 2024, global inflation is on a downward trend, from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025, thanks to tighter monetary policy, assisted by lower international commodity prices; however, the IMF has stressed that inflation will not return to the 2% target level before the end of 2025. This was influenced by various factors, including geopolitical conflicts that had a significant impact, such as the ongoing Russian-Ukrainian war and the emergence of new fronts of conflict in the Middle East, following the Hamas terrorist attacks in Israel in October 2023.

The global growth picture also shows a slowdown in both restrictive monetary conditions and the weak growth in international trade, as well as the decline in business and consumer confidence. The IMF forecasts presented in the World Economic Outlook of January 2024 indicate projected growth of 3.1% in 2024 and 3.2% in 2025, with a forecast for 2024 that is 0.2 percentage points higher than that of the World Economic Outlook (WEO) of October 2023, reflecting greater resilience in the US and several large emerging and developing economies, as well as fiscal support in China. However, the forecast for 2024-25 is below the historical average (2000-19) of 3.8%, due to high central monetary policy rates to counter inflation, a withdrawal of fiscal support amid high debt weighing on economic activity and low underlying productivity growth.

In the US, the Federal Reserve (Fed), after a series of rapid policy rate hikes since March 2022, starting with the September 2023 meeting of the Federal Open Market Committee (FOMC), decided to keep rates stable and signalled the possibility of three cuts over the next year in response to slowing inflationary pressures. Currently, the reference rate has been kept within a range of 5.25% to 5.50%, the highest level in 22 years. The Central Bank forecast that the policy rate would fall to 4.6% the following year, suggesting the possibility of three rate cuts in 2024. The forecasts indicated that Federal Reserve Chair Jerome Powell's desired "soft landing" – a gradual slowdown in the economy to avoid a recession – seems achievable: inflation is falling and the labour market should not be significantly affected, with unemployment projected at 3.8% for this year, subsequently remaining stable at 4.1% for the following three years.

In Europe, the European Central Bank (ECB) also suspended the rate hike at the end of October, after ten consecutive increases that began in July 2022, keeping interest rates on the main refinancing operations, the marginal lending facility and the deposit facility stable at 4.50%, 4.75% and 4.00% respectively. During the December meeting, the ECB President, Christine Lagarde, made it clear that the ECB would not start cutting rates before the "next two quarters" due to geopolitical uncertainties, saying that "it is too early to outline with certainty the monetary policy that the ECB will have to adopt in the coming months"; inflation in the euro area has decreased, mainly due to reduced energy costs, the impact of restrictive monetary policies and the continued easing of inflationary pressures and supply constraints. After six consecutive months of falling inflation, the Euro Area Consumer Price Index returned to an upward trend, from 2.4% in November to 2.9% in December, due to higher energy prices. However, core inflation is expected to continue to fall, despite marked increases in labour costs, which are increasingly the main determinant of the Harmonised Index of Consumer Prices (HICP), excluding energy and food. While there has been a slight easing of conditions in the labour market, it is expected

to remain tight and, along with the effects to compensate for past high inflation, should keep the nominal wage increase rate high, while headline inflation will experience a significant decline in the medium term. Inflation is expected to fall from 5.4% in 2023 to an average of 2.7% in 2024, followed by a further decline to 2.1% in 2025 and 1.9% in 2026. These projections indicate a downward trend, with a return to levels closer to the ECB's inflation target of 2%. This suggests a softening of inflationary pressures over the medium term, although the 2% target can only be achieved over a longer time horizon.

On the domestic front, in 2023 the Italian economy recorded a convergence of estimates between the various forecasting bodies, which indicate a slowing trend, with ranges of intensity that are not very different in quantitative terms. The latest projections are: for 2023, an increase of +0.7% for the IMF, the Bank of Italy and the European Commission, while the government's draft budget is expected to increase by +0.8%.

The main difference concerns the outlook for 2024: the International Monetary Fund estimates Italy's growth rate as unchanged from the previous year (+0.7%), while it is revised upward by both the Bank of Italy (+0.8%), the European Commission (+0.9%) and the Government in its draft budget (+1%).

According to the Bank of Italy's estimates, the macro-economic situation (worsening since the second quarter of 2023) will be adversely affected during the forecast two years by tighter financing conditions and weak international trade, while benefiting from the effects of the measures of the National Recovery and Resilience Plan (NRRP) and the gradual recovery of household purchasing power.

HICP inflation is expected to fall gradually, from 2.4% in 2024 (6.1% in 2023) to 1.9% in 2025, reflecting the slowdown in import commodity prices, particularly for energy commodities. The core component of inflation, excluding food and energy, remained high in 2023 (4.6%). Including past increases in energy prices, it is expected to decrease gradually only in the next two years (2.3% in 2024 and 1.9% in 2025).

The estimated increase in GDP in 2023-24 will mainly be supported by the contribution of consumption, with an expected increase of 1.3% in 2023 and 0.9% in 2024, maintaining a similar pace in the following year (+1%). Investment is expected to be sluggish in 2023 and 2024 (+0.5% and +0.3%), mainly due to tighter financing conditions and tighter access to credit (a marginal improvement in 2025 with an estimated 1.3% increase). These forecasts give an overall picture of slow recovery and an economic environment that depends heavily on future fiscal and monetary policy developments, as well as stable international conditions.

THE FINANCIAL MARKETS

Bond markets	Change (bps)		Yield		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
GOVERNMENT YIELDS					
United States					
2 years	(79.37)	(17.59)	4.25%	5.04%	4.43%
5 years	(76.19)	(15.68)	3.85%	4.61%	4.00%
10 years	(69.20)	0.43	3.88%	4.57%	3.87%
30 years	(67.10)	6.52	4.03%	4.70%	3.96%
Germany					
2 years	(79.90)	(36.00)	2.40%	3.20%	2.76%
5 years	(82.90)	(63.00)	1.95%	2.78%	2.58%
10 years	(81.50)	(54.70)	2.02%	2.84%	2.57%
30 years	(77.20)	(28.20)	2.26%	3.04%	2.55%
Italy					
2 years	(103.00)	(32.50)	2.99%	4.02%	3.31%
5 years	(113.80)	(96.90)	3.07%	4.20%	4.03%
10 years	(108.20)	(101.50)	3.70%	4.78%	4.72%
30 years	(87.70)	(41.50)	4.37%	5.25%	4.79%
SPREADS					
Italy - Germany					
2 years	(23.13)	3.51	0.58%	0.81%	0.55%
10 years	(26.81)	(46.84)	1.68%	1.94%	2.14%
Spain - Germany					
2 years	16.88	40.20	0.55%	0.38%	0.15%
10 years	(12.57)	(12.38)	0.97%	1.09%	1.09%

During 2023, central banks continued to raise interest rates. In the first quarter, government bond yields rose in line with current inflation dynamics. The volatility generated by the financial crisis that began in the US with Silicon Valley Bank, spreading to Europe with the Credit Suisse crisis, raised fears of contagion, leading the market to a “flight to quality”, with a trend towards buying government bonds. With the risk of the crisis spreading into the financial system overcome, yields resumed their upward trend, reaching their peak in October, i.e. until the gradual decline in inflation prompted central banks to announce a pause in their restrictive monetary policies.

In the first part of the year, the yield curve remained inverted, with the short and medium parts recording higher yields than the long end. In the US, the curve inverted by 70 bps, anticipating further rate hikes in the short end and rate cuts in the long end. The spread between curves peaked at -120 bps in July, before narrowing to -40 bps in the autumn and maintaining this level until the end of the year.

European government bonds followed a similar trend to that of the US, with the negative spread between 2-year and 10-year bond yields being -40 bps in the first five months of the year, peaking at -82 bps in July and then falling back to the levels of the start of the year as the European Central Bank paused its rate hikes.

As regards Italian government bonds, the BTP-Bund spread in the first five months of the year fluctuated between 180 and 190 bps, before dropping in June. However, market volatility, triggered in the autumn by Italian fiscal policy and political tensions in government, pushed the spread to 206 bps in October. Lastly, the ratings of the major rating agencies (stable, some positive) contributed to a narrowing of the spread to 160 bps, with the decrease in yields in advanced economies also a contributing factor.

	Change (bps)		Yield		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Bond markets					
HY and EM					
High yield bonds					
BBG Barclays US Corporate High Yield Yield To Worst	(129.0)	(137.0)	7.59%	8.88%	8.96%
Emerging bonds					
J.P. Morgan EMBI Global Sovereign Yields	(114.60)	(56.50)	7.21%	8.36%	7.77%

	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Equity markets					
World indices					
MSCI All Country World	10.68%	20.09%	727.00	656.82	605.38
MSCI World	11.07%	21.77%	3,169.18	2,853.24	2,602.69
US indices					
Dow Jones I.A.	12.48%	13.70%	37,689.54	33,507.50	33,147.25
S&P 500	11.24%	24.23%	4,769.83	4,288.05	3,839.50
Nasdaq Comp.	13.56%	43.42%	15,011.35	13,219.32	10,466.48
European indices					
STOXX Europe 600	6.40%	12.74%	479.02	450.22	424.89
EURO STOXX	7.54%	15.66%	474.17	440.92	409.97
FTSE MIB	7.47%	28.03%	30,351.62	28,243.26	23,706.96

DAX	8.87%	20.31%	16,751.64	15,386.58	13,923.59
CAC 40	5.72%	16.52%	7,543.18	7,135.06	6,473.76
AEX	7.96%	14.20%	786.82	728.79	689.01
IBEX 35	7.15%	22.76%	10,102.10	9,428.00	8,229.10
SMI	1.59%	3.81%	11,137.79	10,963.50	10,729.40
FTSE 100	1.65%	3.78%	7,733.24	7,608.08	7,451.74
Asian indices					
NIKKEI 225	5.04%	28.24%	33,464.17	31,857.62	26,094.50
S&P/ASX 200	7.69%	7.84%	7,590.82	7,048.64	7,038.69
Hang Seng	(4.28%)	(13.82%)	17,047.39	17,809.66	19,781.41
Emerging market indices					
MSCI Emerging Markets	7.45%	7.04%	1,023.74	952.78	956.38

Over the course of 2023, the global indices rallied particularly strongly at the aggregate level, against a backdrop of some dispersion at the geographic level. The performance in the last few months of the year was particularly positive, putting an end to a reversal that had characterised the stock markets in both the third and fourth quarters of the year.

The upturn was driven by renewed investor sentiment that the major central banks would reverse their monetary policies in the face of subdued inflation data and a growth picture that, in any case, does not seem to be particularly worrying. The year was characterised by some volatility, caused by several catalysts: some of these were positive, such as the end of COVID policies in China and the success of generative AI technologies, while others were more negative, such as the crisis related to some US regional banks.

At the geographical level, the outperformance of the US market was notable at an aggregate level, with the technology components of the US market being particularly supportive of the Nasdaq. Performance was also positive in the European area, with the Milan index foremost among the individual countries in the area. The emerging economies, on an aggregate basis, although their results were positive, underperformed other global indices, as weakness in the Chinese economy, grappling with the property crisis and a disappointing recovery in consumption, weighed on their performance. The only major market that ended the year in negative territory was Hong Kong, due to the aforementioned uncertainties in the Chinese market. In Asia, however, the Japanese market was particularly positive, ending the year close to its peak of the last 30 years.

Currency	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
EUR USD	4.41%	3.12%	1.10	1.06	1.07
EUR GBP	0.03%	(2.08%)	0.87	0.87	0.89
EUR JPY	(1.41%)	10.90%	155.72	157.95	140.41

The management of the currency component of the Funds in 2023 was strongly influenced by the monetary policies implemented by the major central banks; while at the beginning of the year these policies became strongly restrictive in order to counter the increasing inflationary pressures, towards the end of 2023 the first signs of slowing inflation led central banks to adopt a more accommodative stance, interrupting the rate hike cycle and causing the markets to price future cuts as early as mid-2024.

Over the course of the year, the European single currency recovered some of the ground lost in 2022, ending the year at +3.1% against the US dollar; although both the Fed and the ECB have embarked on a similar strategy in raising policy rates, this positive performance is due to the fact that in the US, the Fed reacted more promptly to the increase in inflation than the European area, where the first signs of an increase were seen as transitory, rather than structural. The quicker reaction resulted in an early pause in the rate hike cycle by the Fed (last hike at the July meeting) compared with the ECB (last hike in September) and hence a greater attractiveness in terms of the relative yield of the single currency.

The euro-pound sterling exchange rate was a different matter, however; in the UK, the Bank of England continued to reiterate its message of “higher for longer” interest rates at the final meetings of the year, on the back of concerns about inflation, which was still expected to rise slightly in the first few months of the next year. Finally, with regard to the Japanese yen, due to a partial slowing of inflation, the Bank of Japan confirmed the continuation of monetary easing at its last meeting, but against the backdrop of a huge return differential between Japanese rates and those of the other large global economies remaining in place, which resulted in the significant underperformance of the Japanese currency relative to the other major world currencies.

Commodities	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Oil (Brent)	(19.42%)	(4.60%)	77.60	96.30	81.35
GOLD	11.60%	13.10%	2,062.98	1,848.63	1,824.02

On commodities, oil prices reached their annual peak in September, driven by growing concerns about tightening global supply and expectations that the restrictive policies and strong production limits of the main OPEC+ countries will be maintained. However, the forecasts of the IEA (International Energy Agency) at the end of 2023, in which a significant increase in global demand for crude oil was expected in the light of the improved economic outlook in the United States, resulted in a contraction in the price of oil, which thus ended lower than at the beginning of the year.

Sectors (MSCI World AC)	Change (%)		Level		
	Q4	YTD	29.12.2023	29.09.2023	31.12.2022
Info Tech	17.38%	49.82%	588.06	501.00	392.50
Healthcare	5.67%	2.22%	349.97	331.19	342.38
Industrial	12.95%	19.88%	340.09	301.10	283.70
Material	11.19%	9.13%	340.23	305.99	311.77
Cons. Discr.	9.60%	27.71%	354.22	323.19	277.37
Financials	12.00%	12.34%	148.47	132.56	132.16
Cons. Staples	4.78%	0.26%	267.84	255.63	267.14
Utilities	10.18%	(2.36%)	147.98	134.31	151.56
Real Estate	14.99%	5.34%	955.61	831.04	907.14
Tel. Services	9.08%	36.23%	95.95	87.96	70.43
Energy	(3.65%)	1.19%	243.89	253.13	241.02
VIX Index	(28.94%)	(42.5%)	12.45	17.52	21.67

The good performance of global stock indices was also reflected sectorally, with an excellent performance in the telecommunications and technology services sector in 2023, driven by Nvidia's strong results and the boom in artificial intelligence. Resilient consumer spending, especially in the United States, and good employment numbers offset tighter credit conditions. The value style was influenced by the volatility of returns: after the performance in early 2023 which suffered due to the banking crisis in March, the sector recorded positive returns, benefiting during the summer months from central bank rhetoric of "high rates for a long time". The disinflationary environment seen in the fourth quarter reinforced investors' view of a "soft landing" scenario, which saw returns fall by more than 100 basis points in US 10-year bonds (from 5% in October to less than 4% in December), benefiting in particular the technology, industrial, utilities and real estate sectors, which have historically been positively correlated to lower interest rates.

BANCA MEDIOLANUM - TREASURY MANAGEMENT

The tightening cycle of central banks, which raised official rates in the euro zone from 2.5% to 4.5% in 2023 alone, has created a widespread opportunity for high yields in bond markets.

This was an opportunity that Banca Mediolanum decided to take advantage of by purchasing, in addition to the total reinvestment of bonds maturing naturally during the year, additional government bonds that increased the stock of the HTC strategic portfolio.

Trading activities ended the year with a smaller trading book than at the end of 2022, and much of the remaining stock will be redeemed by maturity in the first few months of 2024.

Banca Mediolanum

€/m	31.12.2023	31.12.2022	Change
Financial assets held for trading	952	1,070	(118)
Financial assets measured at fair value through other comprehensive income	319	308	11
Financial assets measured at amortised cost - Debt securities	15,664	14,492	1,172
Total	16,935	15,870	1,065

The following guidelines were taken into account for new investments made in 2023:

- 1) issuer diversification;
- 2) predominant purchases of fixed-rate securities;
- 3) the total classification of purchases in the HTC portfolio.

A diversification of the banking book at the country risk level began in 2023.

At the end of 2023, the bond portfolio had a concentration of Italian government bonds of 86%, compared with 99.5% in the previous year, with a proportion of non-Italian bonds of 14%, with a view to greater diversification.

In order to achieve this objective, bonds were purchased (almost all government bonds) issued by the Spanish and French treasuries and issued by the European government on the instruction of the European Commission to finance special projects dedicated to the euro area (Next Generation EU, Sure, etc.).

Strategically, the purchases made in 2023 focused on fixed-rate securities, thus seizing the opportunity of rising bond yields.

Of the total new acquisitions classified as HTC, only 15% 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 €1,172 million.

All 2023 purchases were classified in the same portfolio, which grew from €14,492 million at the end of 2022 to €15,664 million at the end of 2023.

The value of the HTCS (Held to Collect and Sell) portfolio, which is measured at fair value through other comprehensive income, increased slightly, by €11 million. It should be noted that the portfolio in question is no longer considered to be the preferred portfolio for the classification of investment financial instruments: accordingly, all purchases were placed in the HTC strategic portfolio.

It should be recalled that this portfolio contained the fixed assets guaranteeing the commitments of investee August Lenz, until the commitments with the German authorities ceased.

The stock at the end of 2023 stood at €319 million, compared with €308 million at the end of 2022.

The valuation reserve (including the equity investment in Mediobanca classified as HTCS) recorded in the financial statements is €28.9 million (net of taxes), compared with -€20.6 million at the end of 2022.

The debt securities trading books, measured at fair value through P&L (financial assets held for trading and financial liabilities held for trading) closed 2023 with a lower balance than at the end of 2022 (€952 million compared with €1,070 million).

The short average residual life of the securities held in Trading has enabled the full recovery of the capital losses accrued on the stocks at the end of 2022, keeping the securities in the portfolio until their maturity.

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.

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, the weight of government bonds in the total owned portfolios was 99.6%, almost unchanged compared with the end of 2022, while the remaining portion was composed of financials bonds.

The breakdown of portfolios by rate type is 58% variable rate and 42% fixed rate.

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

The average duration of the portfolios was 1.1, compared with 0.79 at the end of 2022, an increase resulting from investments in Italian government bonds made to exploit the opportunity of yields on the long part of the curve, while remaining consistent with the Group's traditional low risk profile.

€/m	31.12.2023	31.12.2022	Change
Net interest income	578.6	319.0	259.6
Net gains (losses) from trading	35.1	(15.0)	50.1
Net gains (losses) from hedging	(0.7)	1.7	(2.4)
Total	613.0	305.7	307.3

At the end of 2023, the financial margin increased from €613.0 million to €305.7 million at the end of 2022 (+€307.3 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.

In addition, positions measured at fair value (trading assets) recorded a total capital gain of €35.1 million compared with the loss at the end of 2022 of -€15 million, an increase of €50.1 million.

Net interest income increased from €319.0 million at the end of 2022 to €578.6 million at the end of 2023 (+€259.6 million).

TRADING IN CUSTOMER SECURITIES

In 2023, numerous events affected the markets, not least the repeated increases in interest rates by both the Fed (01/02/23 +0.25%; 22/03/23 +0.25%; 03/05/23 +0.25%; 26/07/23 +0.25% - 5.50%) and the ECB (02/02/23 +0.50%; 16/03/23 +0.50%; 04/05/23 +0.25%; 15/06/23 +0.25%; 27/07/23 +0.25%; 14/09/23 +0.25% - 4.50%), the continuation of the war in Ukraine and the Israeli-Palestinian conflict in the Middle East.

The equity indices performed very well, both in Europe (FTSEMib +28%, EuroSTOXX50 +17%, DAX +18.7%, CAC40 +14%) and overseas, in the US (DOW JONES +13.6%; S&P 500 +24.5% and NASDAQ +44%).

In the wake of the increase in interest rates, the government bond market recorded an increase in inflows of its own issues, with specific reference to the placements of BTP Italia bonds in March (€9.9 billion) and BTP Valore bonds in June (€18.19 billion) and October (€17.19 billion).

Total volumes traded for retail customers increased markedly compared with the previous year, to around €12.5 billion, compared with €7 billion in 2022 (+71.42%); 746,000 trades were executed, up by 12.7% compared with 665,000 in the previous year.

The total value brokered on the Italian stock market was around €5 billion, up +25% compared with 2022. The total value brokered in foreign equity markets was essentially unchanged at €0.95 billion. Considering the 2022 levels of €0.87 billion, we can say this was a phase of adjustment and consolidation. The value of government bonds traded increased exponentially from €1.23 billion in 2022 to €5 billion in 2023.

The total value of assets under administration held by retail customers was approximately €9.89 billion at the end of 2023, an increase of 73.55% compared with December 2022.

Specifically, the stock of government bonds increased from €1.27 billion at the end of 2022 to €3.5 billion at the end of 2023. While corporate and bank bonds remained stable, confirming their previous positions at €0.36 billion; Certificate MedPlus stock rose from €2.12 billion to €2.7 billion, a significant increase of 27%.

The value of securities relating to the (Italian and foreign) shares segment was unchanged, remaining at €2.2 billion, with the Italian segment at €1,617 million and the foreign segment at €551 million.

At the end of December 2023, repurchase agreements for approximately €1.88 million were in place with customers.

During the year, a total of 88 Medplus Certificate placement transactions were carried out (including 41 personalised issues), for a total value of €1.1 billion.

The value of the MY STYLE managed assets almost doubled, from €915 million in 2022 to €1,124 million in 2023, up 22.8%. The Chorus managed assets (no longer marketed) have a residual value of €5 million.

NEW PRODUCTS AND MAIN INITIATIVES DURING THE YEAR

Banking services

In the year just ended, Banca Mediolanum continued to be close to its customers through promotional initiatives (mainly linked to the recognition of favourable conditions on current account constraints and the Double Chance product), sustainability and inclusion (natural disasters, welcome accounts, third-sector entity accounts).

At the beginning of the year (from 17 January to 30 April 2023), the promotion on the Double Chance investment strategy was renewed, with the payment to customers of:

- > a lending rate of 4% gross per annum on 3-, 6- and 12-month durations and 3% on 18- and 24-month durations in the equities segment;
- > a lending rate of 3% gross per annum on 3-, 6- and 12-month durations and 2% on 18- and 24-month durations in the bond segment;

In the following months (from 19 May to 31 December 2023), the Bank raised the value of lending rates by one percentage point, from:

- > 5% per annum gross on 3-, 6- and 12-month durations and 4% on 18- and 24-month durations in the equities segment;
- > 4% per annum gross on 3-, 6- and 12-month durations and 3% on 18- and 24-month bonds.

In 2023, the "Promo vincoli" offered a creditor rate of 4% gross per annum at 6 months on term deposits subscribed by new and existing customers (with different access requirements) that contributed new liquidity.

The same rate, 4% gross per annum, was reserved for customers who, in the first few months of the year, signed up for the "Double Value" promotion, which provides for a 6-month time deposit at 4% gross per annum and at the same time new investments in asset management products (with a 1:1 ratio between the restricted amount and the amount invested) of at least €25,000. In May and until 31 December 2023, the promotion was extended, at a rate of 5% gross per annum.

Still on the subject of rates, Mediolanum provided for a gross annual rate of 0.20% for the entire year 2023 on free current account balances for the Black and Elite profiles under the M4Y programme. In July, the offer on standard current account restrictions, which does not include access requirements, was renewed, offering a rate of 2.5% gross per annum at six months on the Black, Elite and Privilege profiles and 2% gross per annum at six months on the remaining profiles (with a minimum restriction threshold of €5,000).

This placed Mediolanum at the top of the ranking of banks (both traditional and online) for remuneration on current account deposits, at a time in history when benchmark values for loans were high, resulting in a considerable increase in borrowing rates, to the detriment of customers.

In order to offer its customers an increasingly complete and advanced model for access to cash, in line with the multi-channel evolution approach and based on cutting-edge payment technology, in July 2023 Banca Mediolanum activated the "Mooney" cash withdrawal and payment service in cardless mode with direct debit on the current account: through the mobile app, a QR code is generated that allows the transaction to be carried out at the more than 45,000 businesses affiliated with Mooney S.p.A. across Italy. In November 2023, in order to meet the growing needs of customers, the limits on withdrawal (up to €3,000) and payment (up to €2,999) were extended.

Action was also taken on the current account offer, with the introduction of the "Welcome Account" (February) for less well-off customers, on the poverty line, with high debt exposure and without the minimum requirements for access to credit, identified by associations/foundations sponsored by the Mediolanum Foundation.

The "Mediolanum Tutor Account" for customers who have court-appointed guardians or are disqualified or disabled, with the activation of digital device channels (Mediolanum website and app) and new banking services (payment slips, CBILL, cash order, etc.) was also enhanced in late October.

As part of the current account offer, the “Third Sector Entity Account” was created at the end of November, designed for non-commercial or commercial organisations, such as associations, committees, foundations, businesses, philanthropic bodies, etc. that were created to pursue objectives of solidarity and social utility, i.e. not for profit.

Banca Mediolanum has always paid close attention to social issues; for this reason, in 2023, it again offered support to families affected by floods and natural disasters through concessions on current account conditions (no fees, free transfers, stamp duty payable by the bank, etc.) for residents of the regions of Emilia Romagna, Marche and Tuscany.

E-money area

With a view to the continuous evolution and improvement of its products and services, Banca Mediolanum launched the marketing of a new advanced and sustainable debit card product in May 2023. The new Mediolanum Card, launched in collaboration with Nexi Payments on the Mastercard circuit, allows worldwide withdrawals and payments, including through mobile payments services and for online purchases of goods and/or services. It also offers a wide range of advanced services that allow customers to personalise their card limits, temporarily block their card use and view all their card information directly from the Bank’s digital channels.

The debit card is also sustainable because it is made of 100% recycled PVC, a material that allows to reduce CO2 emissions by 36% at the time of production of its payment card.

The new debit card will gradually replace the ATM/Maestro debit cards in the portfolio. The replacement process began in September 2023 and will continue throughout 2024. The new Mediolanum Card is sent to the customer’s home at the Bank’s initiative, at no additional cost, and has the same PIN as the replaced card.

In terms of commercial initiatives, throughout 2023 Banca Mediolanum encouraged the penetration and use of digital payments, both for new account holders and within the entire customer base, through prize competitions and co-marketing activities.

Trading area

In 2023, from the end of February, Banca Mediolanum launched a promotional initiative for a group of its customers, aimed at encouraging trading through self-trading channels. The beneficiaries of the initiative were: customers who carried out more than ten trading transactions per month, newly acquired customers and customers with a registry age of less than 30 years. All these customers were given the option of operating with reduced pricing per individual operation compared with the contractual pricing. The reduction in trading fees was also accompanied, for the same type of customers, by the reduction to zero of the half-yearly fees for securities custody, due in the event that financial instruments are present in the securities deposit.

The initiatives, initially launched on 30 June 2023, were renewed until 31 December 2023.

Credit services

In 2023, Banca Mediolanum proposed commercial initiatives designed to enhance the product offering and support families during a period of constant increases in market interest rates and a complex macroeconomic environment.

Mortgages area

In order to sustain the overall loans paid out and to support customers during this difficult period, throughout 2023, Banca Mediolanum implemented the following series of initiatives:

- > During the year, approximately 70,000 loans benefited from a reduction of 40 bps on the spread, thanks to the application of the contractual mechanism that provides for the automatic adjustment of the spread as the 3-month Euribor index changes;
- > Repricing of the Loan List to favour customers with certain characteristics (valid for new disbursements as of November)
- > The "skip an instalment" after-sale option was remodelled by increasing the number from 6 to 18 in total during the life of the loan;
- > Introduction of a new contractual after-sale option for the Mediolanum Casa+ loan that provides for a spread discount for improvement in the energy class after renovation;
- > A series of promotions/campaigns were launched with the aim of encouraging customer mortgage applications, for example: reducing the overspread for variable-rate loans with caps – IO/I adjustable-rate mortgage with zero overspread – reduction of/zero overspread in the event of subrogation – zero application and expert report costs for certain customer clusters – renewal of the Smart+ 50K campaign, aimed at a target of preselected customers with more favourable pricing than the list.
- > Renewal by an additional 12 months of the promotion launched in December 2022, which involved a 0.25% reduction in the spread for approximately 1,300 customers considered "vulnerable" (tight monthly income to instalment ratio or risk of default);
- > Participation in the ABI initiative to tackle the increase in payments on variable-rate loans (for example by giving customers the option of extending the term of the loan by five years, or changing the rate from variable to fixed for customers with certain characteristics);
- > A package of measures to support families affected by the floods or disastrous events (in Emilia-Romagna, Tuscany, Marche, etc.), through, for example, the suspension of loan and mortgage payments for 12 months and a 1% spread reduction for two years;
- > Adherence to the initiative promoted by ABI concerning the suspension of the principal portion of loans for women who are victims of violence.

Loans and credit lines area

During 2023, the following initiatives were implemented with the aim of supporting the overall disbursement of loans and credit lines and supporting customers during this difficult period:

- > In May 2023, the new SelfyPay Time service was launched, with the aim of providing customers with increasingly advanced and digital services, which allows them to convert debits on their current accounts with the Bank into instalments, by granting one or more loans. The request for payment by instalments is made directly via the Banca Mediolanum app and the outcome and the paying out of the loan take place in "instant" mode;
- > As a sign of greater proximity to its customers, in this period of record increases in market interest rates, Banca Mediolanum reduced the spread by 0.40% on outstanding secured loans with certain characteristics (this reduction applied to approximately 70,000 loans) for the entire term of the loan. The new spread was applied from the instalment due in June/July;
- > Measures to reprice loans and credit lines to customers (applicable to new disbursements);
- > A series of promotions/campaigns have been launched with the aim of encouraging loan/credit requests from customers, for example: a discount on the spread of 0.25% on the Mediolanum Loan, secured Mediolanum Loan pricing net equal to the secured loan gross, 12-month credit line for customers with assets > €350,000 at a spread of 0% and CMDF of 0%, etc.;

- > Reduction in the spread of loans and credit lines to staff (employees and Family Bankers) in stock, by 45 bps and 50 bps respectively. The repricing also had an effect on the list;
- > A new favourable pricing offer was launched on November 23 specifically for third sector entities (loans and credit lines);
- > Extension of loans to companies secured by the MCC Fund to support companies hit by the effects of the Russian-Ukrainian conflict (Temporary Crisis Framework) and secured by the SACE fund for the same purposes(Supportitalia);
- > Adherence to the initiative promoted by ABI concerning the suspension of the principal portion of loans for women who are victims of violence;
- > In the last quarter of 2023, a ceiling was opened for existing customers with certain characteristics for the sale of tax credits linked to building bonuses (Superbonus and Ecobonus).

Emergencies in 2023

In 2023 Banca Mediolanum was once again close to the populations affected by the following natural disasters:

- > Emilia-Romagna flood (May 2023)
- > Tuscany flood (November 2023)

Many customers and staff were affected by these disasters and donations will be disbursed in early 2024.

The following credit facilitation was granted:

- > 12-month loan with loan suspension option;
- > activation of preferential credit lines;
- > -1% reduction in the spread on mortgages and loans for 24 months;
- > cancellation of all current and subsequent charges for 24 months.

NET INFLOWS AND ASSETS UNDER ADMINISTRATION

Net inflows

€/m	31.12.2023	31.12.2022	Change	Chge (%)
ITALY				
Fund and unit-linked products	2,800.1	4,287.7	(1,487.6)	(34.7%)
of which directly in funds	1,583.4	1,879.3	(295.9)	(15.7%)
of which "My Life" unit-linked	796.8	1,624.3	(827.5)	(50.9%)
of which other unit-linked	419.9	784.1	(364.2)	(46.4%)
Other insurance products - Life	(17.9)	(9.8)	(8.1)	83.8%
Total managed	2,782.2	4,277.9	(1,495.7)	(35.0%)
Third-party structured notes	745.6	1,000.9	(255.3)	(25.5%)
Total managed + Structured notes	3,527.8	5,278.8	(1,751.0)	(33.2%)
Total administered	2,787.9	2,021.2	766.7	37.9%
BANCA MEDIOLANUM	6,315.7	7,300.0	(984.3)	(13.5%)

Total net inflows amounted to €6,315.7 million at 31 December 2023, representing a decrease of -€984.4 million compared with the comparative period (31.12.2022: €7,300.0 million).

More specifically, net inflows into mutual funds, both through direct investments and investments in unit-linked policies, amounted to +€2,800.1 million, down by -€1,487.6 million compared with 2022 (31.12.2022: +€4,287.7 million).

Net inflows into other life insurance products, excluding unit-linked products, amounted to -€17.9 million (31.12.2022: -€9.8 million).

Finally, net inflows in the structured notes segment were very positive, at +€745.6 million, down compared with the previous period (31.12.2022: +€1,000.9 million).

Assets under administration increased year on year, to €2,787.9 million from €2,021.2 million at 31 December 2022.

Assets under administration and management

€/m	31.12.2023	31.12.2022	Change	Chge (%)
ITALY				
Funds and management and unit-linked policies	71,249.8	63,072.9	8,176.9	13.0%
Other insurance products	1,955.8	1,861.4	94.4	5.1%
Bank funding	33,962.0	29,476.7	4,485.3	15.2%
BANCA MEDIOLANUM	107,167.6	94,411.0	12,756.6	13.5%

At 31 December 2023, assets under administration stood at €107,167.6 million, an increase on the figure recorded at the end of 2022 (31.12.2022: €94,411.0 million).

The change is attributable both to the growth in “funds and management and unit-linked policies” of +€8,177.0 million compared with 31 December 2022, due to the positive market performance as well as the positive funding for the year, and to the growth in “Bank funding” of +€4,485.3 million compared with the previous year, in light of the commercial initiatives adopted.

PERFORMANCE OF SUBSIDIARIES

Companies operating in the banking sector Banca Mediolanum S.p.A.

Banco Mediolanum Group

The Spanish group closed 2023 with net income of €46.4 million, compared with net income of €32.3 million in the previous year.

Net inflows into asset management products amounted to +€529.0 million, down from the previous year (31.12.2022: +€689.6 million), while inflows into assets under administration products for the reporting period amounted to €336.3 million (31.12.2022: +€328.1 million).

At year end, the balance of customers’ assets administered and managed amounted to €10,543.9 million, compared with €8,872.0 million at 31 December 2022. The sales network comprised 1,640 individuals (31.12.2022: 1,620 individuals).

Prexta S.p.A.

The Company’s financial statements at 31 December 2023 show a positive result of €2.2 million, compared with €0.8 million euro in the comparative period.

In 2023 the positive commercial development policy continued, allowing loans to customers and financial corporations, representing total loan assets, to reach €1,874.0 million, compared with €1,625.6 million at 31 December 2022.

In the period under review, there was a strong increase in net interest income of +€10.2 million, mainly related to the growth of the stock of personal loans and the repricing of new business as a result of rising market rates. Credit adjustments increased by -€3.7 million compared with the previous period, mainly due to the increase in provisions relating to specific positions classified as “stage 3”.

Net provisions amounted to -€5.9 million euros and mainly related to coverage of the risk of contingent liabilities associated with the phenomenon of early repayments (31.12.2022: -€4.0 million).

Flowe S.p.A. – S.B.

The Company's financial statements for the year ended 31 December 2023 present a net loss of -€30.8 million compared with a net loss of -€28.9 million in the same period of the previous year.

Net commission expense improved compared with the comparative period, reaching -€1.7 million euros (31.12.2022: -€1.8 million euros).

Administrative expenses recorded a balance of -€23.9 million (31.12.2022: -€27.3 million), an improvement of €3.4 million due to lower other administrative expenses.

Net adjustments to intangible assets showed a balance of -€16.0 million (31.12.2022: -€8.4 million). In accordance with Flowe's strategic plan, based on the repositioning of the B2B segment, some software components entirely dedicated to operations with retail customers were written down by a total of -€5.3 million.

Companies operating in the asset management sector

Mediolanum Gestione Fondi SGR p.A.

The Company reported net income of €39.1 million compared with net income of €30.2 million in the comparative period.

The change compared with the previous year was mainly due to an increase in the fee margin of €12.4 million; in particular, performance fees increased by about €12.2 million, due to the Flessibile Futuro Italia fund.

Administrative costs were in line with the previous year, amounting to €12.3 million (31.12.2022: €12,2 million).

Total assets under management amounted to €7,739.3 million at 31 December 2023, up from €7,265.6 million at 31 December 2022.

Mediolanum International Funds Ltd

The company reported net income of €504.5 million at 31 December 2023 (31.12.2022: €444.5 million). The change was primarily due to lower performance fees in 2022.

Assets under management at period-end amounted to €54,260.2 million, compared with €47,305.1 million at 31 December 2022.

In October, the company paid the Parent Company interim dividends totalling €334.1 million. It should also be noted that the Irish subsidiary also distributed to the Spanish subsidiary – Banco Mediolanum – interim dividends of €15.9 million.

Mediolanum Fiduciaria S.p.A.

The financial statements for the year ended 31 December 2023 show a net loss of €0.8 million, in line with the net loss of the previous year.

At 31 December 2023, the number of trustee mandates was 229, compared with 225 in the comparative period.

Funds under trust management amounted to €416.4 million, a decrease of -€9.0 million compared with the previous year (31.12.2022: €425.3 million).

Companies operating in the insurance sector

Mediolanum Vita S.p.A.

IAS/IFRS financial statements as at 31 December 2023 show net income of €146.1 million compared with €99.5 million for the same period of the previous year, recalculated for application of accounting standard IFRS 17 – Insurance Contracts, in effect from 1 January 2023.

However, the net income for the year, calculated according to national GAAP, was €144.2 million, 97.1% up on the €73.2 million profit recorded in the same period in the previous year. The change is mainly due to the improvement in the financial margin (+€83.9 million compared with the comparative period) which is mainly attributable to net write-backs recorded in the portfolio (+€15.8 million) and net income from the portfolio of €42.2 million (31.12.2022: 16.7 million euros) and write-downs on the real estate sector of -€2.3 million (31.12.2022: -€17.7 million).

Mediolanum Assicurazioni S.p.A.

The IAS/IFRS financial statements as at 31 December 2023 show a net profit of €17.7 million compared with €16.6 million in the previous year.

However, the net profit for the period, determined according to national GAAP, was €17.2 million, compared with €13.5 million for the previous year.

Application of IAS/IFRS international accounting standards to the statement of financial position as at 31 December 2023 generated an increase in the result compared with the figure calculated according to GAAP (+€0.5 million).

Mediolanum International Life DAC

The Company's financial statements show net income of +€14.7 million (31.12.2022: +€11.2 million recalculated taking IFRS 17 into account).

Net income for the period, determined according to Italian GAAP, was €21.6 million, compared with €22.9 million in the same period of the previous year.

OTHER COMPANIES

August Lenz & Co. AG

A loss of -€2.6 million was recorded for 2023, compared with a net loss of -€7.6 million in the previous year.

It should be noted that on 7 November 2022, the Company returned its banking licence to the German Supervisory Authority pursuant to Section 32 of the German Banking Act and was cancelled by the Mediolanum Banking Group.

It should also be recalled that on 1 July 2023, the company began the liquidation process and produced its first liquidation financial statements.

OWN FUNDS AND CAPITAL RATIOS FOR REGULATORY PURPOSES AT 31 DECEMBER 2023

As at 31 December 2023, total own funds therefore amounted to €3,106.7 million and consisted of:

- > Common equity tier I (CETI) capital of €3,106.7 million;
- > Additional tier I (ATI) capital of zero;
- > Tier 2 (T2) capital of zero.

The Bank's capital ratios at 31 December 2023 were above the minimum thresholds set by the Bank of Italy and for Banca Mediolanum were as follows:

- > Common Equity Tier I Ratio (CETI) 28.5%;
- > Tier I Ratio 28.5%;
- > Total Capital Ratio 28.5%.

The CETI was determined taking into account the dividend distribution of €518.9 million.

TREASURY SHARES AND PERFORMANCE SHARE PLANS

The number of treasury shares in the portfolio was 2,899,295 shares for a total of €19,781 thousand (31.12.2022: €33,146 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.

OTHER ASPECTS

With regard to the Omnibus Decree (Decree-Law No. 104) subsequently published in the Official Gazette (General Series No. 186) on 10 August that introduced a tax for 2023 on the extra profits arising from net interest income (NII) recorded by banks, please see the description in the specific paragraph 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 No. 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 appended to this report.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events took place after 31 December 2023 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 2024.

THANK YOU

For all the business successfully done and the results achieved, we would like to extend our heartfelt thanks, on behalf of all the Companies of the Mediolanum Banking Group, in Italy and abroad, 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 recognition to our customers for choosing us. Finally, we extend a respectful greeting to the European Central Bank, the Bank of Italy and the Supervisory Authorities, which conscientiously support us and whose suggestions are always useful and much appreciated.

PROPOSAL TO THE SHAREHOLDERS MEETING

Dear Shareholders,

The draft financial statements for the year ended 31 December 2023, 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 €833,706,693.59 as follows:

- distribution to shareholders of a dividend of €0.70 for 2023, of which €0.28 was distributed as an interim dividend in November 2023 by Banca Mediolanum S.p.A., and of €0.42 per share to be distributed from the date of the Shareholders' Meeting;
- establishment of the unavailable reserve, the "Extraordinary tax reserve on net interest income" within the time limits established in the Decree, amounting to €67,354,404.30;
- the remainder in the extraordinary reserve to the exact extent remaining from the actual payment.

Basiglio, 6 March 2024

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

Financial statements

STATEMENT OF FINANCIAL POSITION

Asset items

Euro	31.12.2023	31.12.2022*
10. Cash and cash equivalents	49,886,538	2,078,528,035
20. Financial assets at fair value through profit or loss	1,085,792,807	1,193,649,662
a) Financial assets held for trading	951,715,873	1,070,324,123
c) Other financial assets mandatorily measured at fair value	134,076,934	123,325,539
30. Financial assets measured at fair value through other comprehensive income	319,472,073	307,875,587
40. Financial assets measured at amortised cost	31,991,304,122	30,810,650,893
a) Loans to banks	67,382,483	252,898,823
b) Loans to customers	31,923,921,639	30,557,752,070
50. Hedging derivatives	53,078	430,292
70. Equity investments	2,038,393,610	1,840,820,601
80. Tangible assets	99,307,436	111,379,230
90. Intangible assets	54,274,264	46,460,284
100. Tax assets	178,840,466	181,582,694
a) current	107,863,181	115,480,035
b) deferred	70,977,285	66,102,659
120. Other assets	1,224,854,597	840,549,018
TOTAL ASSETS	37,042,178,991	37,411,926,296

* The balances have been restated due to the adoption of IFRS 17.

Liabilities and shareholders' equity

Euro	31.12.2023	31.12.2022*
10. Financial liabilities measured at amortised cost	32,370,477,747	33,475,486,698
a) Payables to banks	591,170,431	384,340,855
b) Payables to customers	31,466,191,052	32,790,703,108
c) Debt securities in issue	313,116,264	300,442,735
20. Financial liabilities held for trading	8,457,450	11,952,232
40. Hedging derivatives	3,604,994	2,593,878
60. Tax liabilities	203,139,867	99,997,519
a) current	185,552,626	89,588,169
b) deferred	17,587,241	10,409,350
80. Other liabilities	696,226,311	576,804,885
90. Employee severance benefits	9,044,368	9,055,186
100. Provisions for risk and charges	279,458,278	282,326,853
a) commitments and guarantees given	1,257,586	460,685
c) other provisions for risk and charges	278,200,692	281,866,168
110. Valuation reserves	39,883,181	(29,076,599)
140. Reserves	2,217,880,653	2,079,022,622
145. Interim dividends	(207,518,818)	(177,132,514)
150. Issue premiums	7,035,428	5,296,736
160. Capital	600,563,828	600,451,903
170. Treasury shares (-)	(19,780,989)	(33,145,921)
180. Net income for the year (+/-)	833,706,693	508,292,818
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	37,042,178,991	37,411,926,296

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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

Income statement

Euro	31.12.2023	31.12.2022*
10. Interest income and similar income	1,058,272,772	389,780,402
of which: interest income calculated using the effective interest method	1,010,048,953	382,376,160
20. Interest expense and similar expenses	(479,626,428)	(70,756,011)
30. Net interest income	578,646,344	319,024,391
40. Commission income	860,242,080	809,112,543
50. Commission expense	(679,494,416)	(633,094,636)
60. Net commission expense	180,747,664	176,017,907
70. Dividends and similar income	20,530,112	18,087,986
80. Net gains (losses) from trading	35,084,286	(15,040,857)
90. Net gains (losses) from hedging	(665,573)	1,701,702
100. Gains (losses) from disposal or repurchase of:	3,652	11,408
a) financial assets measured at amortised cost	3,652	11,408
110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	(844,572)	671,614
b) other financial assets mandatorily measured at fair value	(844,572)	671,614
120. Operating income	813,501,913	500,474,151
130. Credit-risk induced net value adjustments/write-backs of:	(23,928,305)	(17,951,518)
a) financial assets measured at amortised cost	(23,995,121)	(17,771,591)
b) financial assets measured at fair value through other comprehensive income	66,816	(179,927)
150. Net gain (loss) from financial operations	789,573,608	482,522,633
160. Administrative expenses:	(540,678,984)	(498,031,833)
a) staff costs	(206,990,720)	(194,439,030)
b) other administrative expenses	(333,688,264)	(303,592,803)
170. Net provisions for risk and charges	(21,105,516)	(5,938,234)
a) commitments and guarantees given	(796,901)	(56,499)
b) other net provisions	(20,308,615)	(5,881,735)
180. Net value adjustments/write-backs of tangible assets	(17,675,987)	(10,958,262)
190. Net value adjustments/write-backs of intangible assets	(13,064,157)	(16,365,182)
200. Other operating income/expenses	18,713,225	15,200,255
210. Operating costs	(573,811,419)	(516,093,256)
220. Gains (losses) on equity investments	706,614,559	556,808,210
250. Gains (losses) on disposal of investments	46	26,446
260. Net income from continuing operations before tax	922,376,794	523,264,033
270. Taxes on income from continuing operations	(88,670,101)	(14,971,215)
280. Net income from continuing operations after tax	833,706,693	508,292,818
300. Net income for the year	833,706,693	508,292,818

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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

Statement of comprehensive income*

Euro		31.12.2023	31.12.2022*
10.	Net income for the period	833,706,693	508,292,818
	Other income net of taxes without reversal to the income statement	61,899,590	(30,814,265)
20.	Equity securities designated at fair value through other comprehensive income	48,358,535	(25,061,951)
70.	Defined benefit plans	(44,068)	1,100,827
90.	Share of valuation reserves of equity investments measured at equity	13,585,123	(6,853,141)
	Other income net of taxes with reversal to the income statement	7,060,190	(10,781,162)
140.	- Financial assets (other than equity securities) measured at fair value through other comprehensive income	1,133,881	(1,731,920)
160.	Share of valuation reserves of equity investments measured at equity	5,926,309	(9,049,242)
170.	Total other income net of taxes	68,959,780	(41,595,427)
180.	Comprehensive income (Item 10+170)	902,666,473	466,697,391

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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 2023

Euro	Balances at 31.12.2022	Change in opening balances*	Balances at 01.01.2023	Allocation of previous year's result		Changes during the year								Shareholders' equity at 31.12.2023
						Changes in reserves	Transactions on shareholders' equity						Comprehensive income at 31.12.2023	
				Reserves	Dividends and other destinations		Issue of new shares	Share buybacks	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares		
Capital:														
a) ordinary shares	600,451,903	-	600,451,903	-	-	-	III,925	-	-	-	-	-	-	600,563,828
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue premiums	5,296,736	-	5,296,736	-	-	-	1,738,692	-	-	-	-	-	-	7,035,428
Reserves:														-
a) earnings	1,992,949,610	16,290,497	2,009,240,107	138,747,804	-	-	-	-	-	-	-	-	-	2,147,987,911
b) other	69,782,515	-	69,782,515	-	-	(1,606,822)	-	-	-	-	-	1,717,049	-	69,892,742
Valuation reserves	(41,002,842)	11,926,243	(29,076,599)	-	-	-	-	-	-	-	-	-	68,959,780	39,883,181
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	(177,132,514)	-	(177,132,514)	-	177,132,514		-	-	(207,518,828)	-	-	-	-	(207,518,828)
Treasury shares	(33,145,921)	-	(33,145,921)	-	-	-	13,364,932	-	-	-	-	-	-	(19,780,989)
Net profit (loss) for the year	516,777,062	(8,484,244)	508,292,818	(138,747,804)	(369,545,014)	-	-	-	-	-	-	-	833,706,693	833,706,693
SHAREHOLDERS' EQUITY	2,933,976,549	19,732,496	2,953,709,045	-	(192,412,500)	(1,606,822)	15,215,549	-	(207,518,818)	-	-	1,717,049	902,666,473	3,471,769,976

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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 2022*

Euro				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	
Balances at 31.12.2021	Change in opening balances	Balances at 01.01.2022	Reserves	Dividends and other destinations	Issue of new shares		Share buybacks	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	-	-	-	81,507	-	-	-	-	-	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	16,290,496	1,724,084,175	285,155,931	-	-	-	-	-	-	-	-	2,009,240,106	
b) other	54,634,830		54,634,830	-	-	176,415	-	-	-	-	14,971,271	-	69,782,516	
Valuation reserves	14,705,557	(2,186,729)	12,518,828	-	-	-	-	-	-	-	-	(41,595,427)	(29,076,599)	
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)	-	-	-	-	-	-	508,292,818	508,292,818	
SHAREHOLDERS' EQUITY	2,886,424,764	14,103,767	2,900,528,531	-	(258,044,615)	176,415	6,512,566	-	(177,132,514)	-	-	14,971,271	2,953,709,045	

* The balances have been restated due to the adoption of IFRS 17.

Basiglio, 6 March 2024

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

STATEMENT OF CASH FLOWS

Indirect method

Euro	31.12.2023	31.12.2022*
A. OPERATING ACTIVITIES		
1. Management	973,584,740	612,230,072
- profit (loss) for the year (+/-)	833,706,693	508,292,818
- capital gains (losses) on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(23,071,152)	27,491,779
- capital gains (losses) on hedging activities (+/-)	338,055	(1,729,200)
- credit-risk induced net adjustments/write-backs (+/-)	23,928,305	17,951,518
- net value adjustments/write-backs of tangible and intangible assets (+/-)	30,740,144	27,323,444
- net provisions for risk and charges and other costs/revenues (+/-)	21,105,516	5,938,234
- unpaid taxes, duties and tax credits (+/-)	85,120,130	11,990,210
- other adjustments (+/-)	1,717,049	14,971,269
2. Cash generated by/utilised for financial assets	(2,108,888,373)	(1,183,900,939)
- financial assets held for trading	142,677,719	(985,253,476)
- other assets mandatorily measured at fair value	(11,749,712)	(709,611)
- financial assets measured at fair value through other comprehensive income	37,918,678	(46,999,921)
- financial assets measured at amortised cost	(1,204,648,350)	721,566,403
- other assets	(1,073,086,708)	(872,504,334)
3. Cash generated by/utilised for financial liabilities	(1,005,455,571)	2,517,903,365
- financial liabilities measured at amortised cost	(1,105,008,951)	2,560,547,860
- financial liabilities held for trading	(3,494,782)	(48,865,650)
- other liabilities	103,048,162	6,221,155
Net cash generated by/utilised for operating activities	(2,140,759,204)	1,946,232,498
B. INVESTMENT ACTIVITIES		
1. Cash generated by	572,629,463	757,249,856
- dividends received on equity investments	572,629,463	757,249,856
2. Cash utilised for	(74,866,650)	(224,493,394)
- purchases of equity investments	(45,100,000)	(197,377,000)
- purchases of tangible assets	(8,888,513)	(10,041,394)
- purchases of intangible assets	(20,878,137)	(17,075,000)
Net cash generated by/utilised for investment activities	497,762,813	532,756,462
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	13,476,857	5,579,899
- issues/purchases of equity instruments	1,738,692	932,667
- dividend distribution and other purposes	(400,860,655)	(438,019,277)
Net cash generated by/utilised for financing activities	(385,645,106)	(431,506,711)
NET CASH GENERATED/UTILISED DURING THE YEAR	(2,028,641,497)	2,047,482,249

* The balances have been restated due to the adoption of IFRS 17.

LEGEND: (+) generated (-) absorbed

RECONCILIATION TABLE

Euro	31.12.2023	31.12.2022
Line items		
Cash and cash equivalents at beginning of year	2,078,528,035	31,045,786
Total net cash generated/utilised during the year	(2,028,641,497)	2,047,482,249
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of year	49,886,538	2,078,528,035

Basiglio, 6 March 2024

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 2023 have been prepared in application of Legislative Decree No. 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 No. 1606 of 19 July 2002, as amended.

The financial statements at 31 December 2023 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 No. 38/2005 with Circular 262 of 22 December 2005, as amended.

The financial statements have been prepared using the approved IAS/IRFS international accounting standards in force as at 31 December 2023 (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 present, in addition to the amounts for the reporting period, the comparative data at 31 December 2022 that have been restated following the adoption, with effect from 1 January 2023, of international accounting standard “IFRS 17 – Insurance Contracts” to take account of the effects recognised in the valuation of the equity investments of insurance companies measured according to the equity method. For further details, please refer to the consolidated annual financial report.

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 schedules comply with those defined by the Bank of Italy in Circular No. 262 of 22 December 2005 as 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 2023 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 No. 262/2005 of the Bank of Italy, as 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 2023 that could have a material effect on the Bank's financial position or results.

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 "lifetime"; 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 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, the current macroeconomic and geopolitical environment 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

The accounting policies adopted for the preparation of the financial statements, with regard to the phases of classification, recognition, measurement and derecognition of assets and liabilities, as well as the methods of recognising revenues and costs, are consistent with those used to prepare Banca Mediolanum's annual financial report at 31 December 2022, with the exception of those relating to the statement of financial position and income statement items reviewed following the application, with effect from 1 January 2023, of international accounting standard "IFRS 17 – Insurance Contracts" to the valuation of equity investments in insurance companies using the equity method. For the effects of this new standard on insurance items, please refer to what is specified in the consolidated financial statements.

The following information is provided below:

- the IFRS accounting standards, amendments and interpretations applied as of 1 January 2023;
- 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 2023;
- the IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union.

IFRS accounting standards, amendments and interpretations applicable as of 1 January 2023

The following table shows the new international accounting standards or amendments to accounting standards that came into force in 2023.

Title of document issued by the IASB	Date of publication of the IASB document	Approval date	Effective Date	Date of publication in the OJEU
IFRS 17 Insurance Contracts as amended	18 May 2017, 25 June 2020 and December 2021	Regulation (EU) No. 2036 of 19 November 2021 Regulation (EU) No. 1491 of 8 September 2022	1 January 2023	23 November 2021 and 9 September 2022
Amendments to IAS 8: Definition of accounting estimates	12 February 2021	Regulation (EU) No. 357 of 2 March 2022	1 January 2023	3 March 2022
Amendments to IAS 1 and IFRS Practice Statement 2: Information about accounting policies	12 February 2021	Regulation (EU) No. 357 of 2 March 2022	1 January 2023	3 March 2022
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7 May 2021	Regulation (EU) No. 1392 of 11 August 2022	1 January 2023	12 August 2022
International Tax Reform – Second Pillar Standard Rules (Amendments to IAS 12)	23 May 2023	Regulation (EU) No. 2468 of 8 November 2023	Immediately/1 January 2023	9 November 2023

As well as what has been indicated with regard to the introduction of IFRS 17 and what has been specified with regard to the International Tax Reform (Pillar II Disclosure) in the specific sections of the consolidated financial statements, Regulation No. 357/2022 of 2 March 2022, adopting amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and Regulation No. 1392/2022 of 11 August 2022, adopting amendments to IAS 12 Income Taxes, the main contents of which are set out below, are also applicable from 1 January 2023.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments to IAS 8 seek to clarify the distinction between changes in accounting policies and changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and events, while changes in accounting policies are generally applied retroactively to past transactions and events. The definition of an accounting estimate was also added, which was not previously provided for – “accounting estimates are monetary amounts in the financial statements subject to valuation uncertainty” – and other amendments introduced in order to provide more clarifications.

It should be noted that an entity may need to change an accounting estimate if there are changes in the circumstances on which the estimate was based or as a result of new information, new developments or greater experience. By its nature, the modification of an estimate is not related to previous years and is not the correction of an error: it may only affect the profit or loss for the current year or future years. Corrections of errors are distinguished from changes in accounting estimates: accounting estimates, by their nature, are approximations that require modification if additional information is known.

The amendments to IAS 8 cited above had no particular effect on the financial statements at 31 December 2023, as Banca Mediolanum had already applied changes of policy and changes of estimate in a manner consistent with the clarifications provided.

Amendments to IAS 1 and IFRS Practice Statement 2: Information about accounting policies

These are limited amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 “Making Materiality Judgements”. The amendments to IAS 1 require companies to provide information on “material” accounting policies, replacing the previous wording of “significant”. Information on accounting policies is material if, considered in conjunction with other information contained in the financial statements, it is reasonable to expect that it may influence the decisions of primary users of the financial statements. It is not necessary to explain accounting policies relating to immaterial transactions or events and, in any event, this information must not obscure the relevant information. In any case, entity-specific information is more useful than information that is standardised or that merely reproduces or summarises the IFRS requirements. Some changes have also been made to Practice Statement 2, which provides guidance on how to apply the concept of materiality to reporting on accounting policies.

When preparing the financial statements for the year ended 31 December 2023, Banca Mediolanum took these indications into account, in accordance with the provisions of Circular No. 262/2005 of the Bank of Italy

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

With effect from 1 January 2023, the amendments to IAS 12 relating to the recognition of deferred taxes at the time of initial recognition of transactions giving rise to taxable and deductible temporary differences of equal amount must be applied. The amendments remove the differences of treatment in the recognition of deferred taxes on transactions such as leasing and decommissioning obligations.

Amendments to IAS 12 may have significant impacts on the preparation of the financial statements of companies that have significant amounts of rights of use, lease liabilities, dismantling or restoration obligations and other similar liabilities.

The effect of adoption for the parties concerned could be the recognition of further deferred tax assets and liabilities.

The adoption of this amendment had no effects on Banca Mediolanum's 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 Banca Mediolanum as at 31 December 2023

The following IFRS accounting standards, amendments and interpretations have been approved by the European Union but are not yet mandatorily applicable and had not been adopted in advance by the Group at 31 December 2023.

Accounting standards or amendments	Date of IASB publication	Approval date	Effective Date	Date of publication in the OJEU
Amendments to IAS 1: Presentation of liabilities as current or non-current and subsequent – deferral of first application date. • <i>Classification of Liabilities as Current or Non-current;</i> • <i>Classification of Liabilities as Current or Non-current - Deferral of Effective Date;</i> • <i>Non-current Liabilities with Covenants</i>	23 January 2020, 15 July 2020 and 31 October 2022	Regulation (EU) No. 2822 of 19 December 2023	1 January 2024	20 December 2023
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22 September 2022	Regulation (EU) No 2579 of 20 November 2023	1 January 2024	21 November 2023

These amendments have been analysed and it should therefore be noted that, given the nature of the business and the capital structure of the company, these new changes to the policies will have a very limited, or no, impact on Banca Mediolanum's financial statements.

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	Date of publication in the OJEU
Amendments to IAS 7: Statement of cash flows	25 May 2023	---	1 January 2024	---
Amendments to IAS 7: Financial instruments	25 May 2023	---	1 January 2024	---

Banca Mediolanum will adopt these new amendments on the relevant adoption date and will assess their potential impacts when they are approved by the European Union.

1- 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 the financial assets are sold with the transfer of substantially all the associated risks and benefits.

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 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 "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.

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 with the aim of collecting financial cash flows in the medium to long term. (“Held To Collect” business model)

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 expire or when the financial assets are sold with the transfer of substantially all the associated risks and 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.

It should be emphasised that, following the introduction of IFRS 17, there was an impact on the carrying amount of the equity investments held in companies, as specified in greater detail in the consolidated financial statements.

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.

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 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 asset 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.

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 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

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.

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 190 “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 250 “Gains (losses) on disposal of investments”.

8 - Current and deferred taxation

The Italian companies of the Mediolanum Group adhere to the “national tax consolidation” regime governed by Articles 117-129 of the TUIR, introduced into the tax legislation by Legislative Decree No. 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.

Prepaid 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 recognised in the statement of financial position at open balances without offsetting, the former under “Tax assets” and the latter under “Tax liabilities”, when the prepaid and deferred taxes have the characteristics to be transferred from the subsidiaries to the parent company, with the former recognised under “Other assets” and the latter under “Other liabilities”.

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.

9 – 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 “170. Net provisions for risk and charges: a) commitments and guarantees given”.

For these cases, the same methods of allocation between credit risk stages and calculation of the expected loss are adopted as shown with regard to financial assets measured at amortised cost or at fair value through other comprehensive income.

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.

The contributions made in each financial year are considered as separate units, recognised and valued individually for the purposes of determining the final obligation. Actuarial gains and losses (i.e. changes in the present value of the obligation arising from changes in actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

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. Provisions are released when it becomes unlikely that resources capable of yielding economic benefits will be expended in order to discharge the obligation or when the obligation is extinguished.

"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.

10 - Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost comprise:

- > Item: "10. a) Financial liabilities measured at amortised cost: Payables to banks";
- > Item: "10. b) Financial liabilities measured at amortised cost: Payables to customers";
- > Item: "10. 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.

11 – 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.

12 – 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 relevant foreign exchange difference is also recognised in the income statement.

13 - Other information

Other assets and liabilities

This item includes assets and liabilities not attributable to other assets in the statement of financial position.

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. The estimate of future disbursements is made on the basis of historical statistical analyses (for example turnover and retirements) and the demographic curve, including the salary increase assumptions provided for by Article 2120 of the Italian Civil Code (application of a fixed rate of 1.5% 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 No. 18/2020 ("Cure Italy") and Decree No. 34/2020 ("Relaunch") acquired due to transfer by direct beneficiaries or previous acquirers refer to tax incentive measures relating to investment expenses (e.g. the Ecobonus and the Sismabonus).

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.

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.

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	4,771,083	N.A.

The above value, in euro, represents the carrying amount of the residual securities at the end of 2023.

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 variable-rate securities and medium/long-term fixed-rate securities are assigned to the HTC portfolio as, according to the Bank, they are more consistent with stable funding.

2023 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 (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 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, provided that it can actually be considered an approximation of the FV.

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. On the basis of the work performed, sensitivity analyses were carried out on the fair value of the equity investment, showing variability in the same of +/-4% when the liquidity discount changed (100 bps).

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.

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 2023 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	31.12.2023			31.12.2022		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	966,547	552	118,694	1,085,044	472	108,134
a) Financial assets held for trading	944,963	552	6,201	1,064,499	472	5,353
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	21,584	-	112,493	20,545	-	102,781
2. Financial assets measured at fair value through other comprehensive income	313,216	-	6,256	301,838	-	6,038
3. Hedging derivatives	-	53	-	-	430	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	1,279,764	605	124,949	1,386,882	902	114,172
1. Financial liabilities held for trading	-	8,452	5	-	11,952	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	3,605	-	-	2,594	-
TOTAL	-	12,057	5	-	14,546	-

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 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	108,134	5,353	-	102,781	6,038	-	-	-
2. Increases	27,122	1,569	-	25,554	224	-	-	-
2.1. Purchases	18,267	384	-	17,884	-	-	-	-
2.2. Profits booked to:	8,855	1,185	-	7,671	-	-	-	-
2.2.1. Income statement	8,855	1,185	-	7,671	-	-	-	-
- of which, capital gains	8,587	1,092	-	7,496	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	224	-	-	-
3. Decreases	(16,562)	(721)	-	(15,842)	(6)	-	-	-
3.1. Sales	(6,727)	(460)	-	(6,269)	(2)	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses charged to:	(9,835)	(261)	-	(9,573)	-	-	-	-
3.3.1. Income statement	(9,835)	(261)	-	(9,573)	-	-	-	-
- of which, capital losses	(250)	(250)	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	(4)	-	-	-
4. Closing balances	118,694	6,201	-	112,493	6,256	-	-	-

A.4.5.3 Changes during the year in assets measured at fair value on a recurring basis (Level 3)

€/000

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balances	-	-	-
2. Increases	5	-	-
2.1. Emissions	-	-	-
2.2. Losses charged to:	-	-	-
2.2.1. Income statement	-	-	-
- of which, capital losses	-	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	5	-	-
3. Decreases	-	-	-
3.1. Redemptions	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits booked to:	-	-	-
3.3.1. Income statement	-	-	-
- of which, capital gains	-	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfer to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	5	-	-

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

	31.12.2023				31.12.2022			
	CA	LI	L2	L3	CA	LI	L2	L3
1. Financial assets measured at amortised cost	31,991,305	15,620,073	-	17,455,947	30,810,652	14,205,269	-	16,590,413
2. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
TOTAL	31,991,305	15,620,073	-	17,455,947	30,810,652	14,205,269	-	16,590,413
1. Financial liabilities measured at amortised cost	32,370,476	322,880	-	32,057,362	33,475,487	300,699	-	32,175,044
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	32,370,476	322,880	-	32,057,362	33,475,487	300,699	-	32,175,044

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
	31.12.2023	31.12.2022
a) Cash	2,441	2,256
b) Current accounts and demand deposits with central banks	15,000	2,035,112
c) Current accounts and demand deposits with banks	32,446	41,160
Total	49,887	2,078,528

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	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	888,788	-	-	1,008,593	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	888,788	-	-	1,008,593	-	-
2. Equity securities	56,175	-	6,201	55,869	-	5,353
3. Units in investment funds (UCIs)	-	-	-	37	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	944,963	-	6,201	1,064,499	-	5,353
B. Derivative instruments						
1. Financial derivatives	-	552	-	-	472	-
1.1 for trading	-	552	-	-	472	-
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)	-	552	-	-	472	-
TOTAL (A+B)	944,963	552	6,201	1,064,499	472	5,353

Fair value I equity securities include the NEXI security for €56,175 thousand.

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

€/000	31.12.2023	31.12.2022
A. ON-BALANCE SHEET ASSETS		
I. Debt securities	888,788	1,008,593
a) Central banks	-	-
b) General government	888,788	1,008,593
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	62,376	61,222
a) Banks	-	-
b) Other financial corporations	62,372	60,972
of which: insurance companies	-	-
c) Non-financial corporations	4	250
d) Other issuers	-	-
3. Units of UCIs	-	37
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)	951,164	1,069,852
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	552	472
TOTAL (B)	552	472
TOTAL (A+B)	951,716	1,070,324

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

€/000	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. Units in investment funds (UCIs)	21,584	-	112,493	20,545	-	102,781
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	21,584	-	112,493	20,545	-	102,781

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	31.12.2023	31.12.2022
1. Equity securities	-	-
of which: banks	-	-
of which: other financial corporations	-	-
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)	134,077	123,326
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	134,077	123,326

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	31.12.2023			31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	59,481	-	-	98,397	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	59,481	-	-	98,397	-	-
2. Equity securities	253,736	-	6,255	203,440	-	6,039
3. Loans	-	-	-	-	-	-
TOTAL	313,217	-	6,255	301,837	-	6,039

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

€/000	31.12.2023	31.12.2022
1. Debt securities	59,481	98,397
a) Central banks	-	-
b) General government	19,871	19,827
c) Banks	39,610	78,570
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	259,991	209,479
a) Banks	253,734	203,440
b) Other issuers:	6,257	6,039
- other financial corporations	534	310
of which: insurance companies	-	-
- non-financial corporations	5,723	5,729
- 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	319,472	307,876

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

€/000		Gross value			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		59,560	59,560	-	-	(79)	-	-
Loans		-	-	-	-	-	-	-
TOTAL	31.12.2023	59,560	59,560	-	-	(79)	-	-
TOTAL	31.12.2022	98,543	98,543	-	-	(146)	-	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	31.12.2023					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	of which: purchased or originated impaired	L1	L2	L3
A. Loans to central banks	324	-	-	-	-	324
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	324	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	67,058	-	-	30,874	-	36,944
1. Loans	36,944	-	-	-	-	36,944
1.1. Current accounts and demand deposits	-	-	-	X	X	X
1.2. Deposits at notice	25,009	-	-	X	X	X
1.3. - Other loans:	11,935	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
Finance leases	-	-	-	X	X	X
- Other	11,935	-	-	X	X	X
2. Debt securities	30,114	-	-	30,874	-	-
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	30,114	-	-	30,874	-	-
TOTAL	67,382	-	-	30,874	-	37,268

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	31.12.2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	of which: 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 and demand deposits	-	-	-	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
- Finance leases	-	-	-	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

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 1 of 2)

€/000	Total					
	31.12.2023					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	16,185,646	101,749	2,919	-	-	17,418,679
1.1. Current accounts	490,100	5,070	389	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X
1.3. Mortgages	10,987,873	60,813	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,178,522	6,791	2,441	X	X	X
1.5. Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	3,529,151	29,075	89	X	X	X
2. Debt securities	15,633,608	-	-	15,589,199	-	-
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	15,633,608	-	-	15,589,199	-	-
Total	31,819,254	101,749	2,919	15,589,199	-	17,418,679

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 2 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	14,492,054	-	-	14,205,269	-	119
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	14,492,054	-	-	14,205,269	-	119
Total	30,465,257	90,023	2,472	14,205,269	-	16,444,869

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by borrower/issuer

€/000	Total			Total		
	31.12.2023			31.12.2022		
	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	15,633,608	-	-	14,492,055	-	-
a) General government	15,633,608	-	-	14,491,946	-	-
b) Other financial corporations	-	-	-	109	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	-	-	-	-	-	-
2. Loans to:	16,185,647	101,749	2,918	15,973,201	90,024	2,472
a) General government	58	16	-	93	15	-
b) Other financial corporations	2,506,335	10	-	2,319,775	219	-
of which: insurance companies	26,481	-	-	24,014	-	-
c) Non-financial corporations	619,923	27,176	-	634,299	20,506	117
d) Households	13,059,331	74,547	2,918	13,019,034	69,284	2,355
Total	31,819,255	101,749	2,918	30,465,256	90,024	2,472

4.4 Financial assets measured at amortised cost: gross value and overall value adjustments

		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	
€/000											
Debt securities		15,675,457	15,675,457	-	-	-	11,735	-	-	-	-
Loans		15,651,084	-	616,118	198,550	4,395	17,675	26,612	96,802	1,476	171
Total	31.12.2023	31,326,541	15,675,458	616,118	198,550	4,395	29,410	26,612	96,802	1,476	171
Total	31.12.2022	30,190,358	14,503,900	577,734	182,253	3,671	27,541	22,395	92,231	1,199	-

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	
New loans	186,915	-	10,200	31,299	16	(375)	(54)	(5,070)	-	-
Total	31.12.2023	186,915	-	10,200	31,299	16	(375)	(54)	(5,070)	-
Total	31.12.2022	235,360	-	24,650	12,095	22	(373)	(176)	(2,143)	-

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

€/000	31.12.2023				31.12.2022			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	53	-	3,556	-	430	-	22,341
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	53	-	3,556	-	430	-	22,341

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 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	53	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	53	-	-	-	-	-	-	-	-	-
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	31.12.2023	31.12.2022
A. Opening balances	1,840,820	1,827,314
B. Increases	822,672	810,758
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Write-ups	777,203	613,100
B.4 Other changes	45,469	217,391
C. Decreases	(625,097)	(816,985)
C.1 Sales	-	-
of which: Business combinations	-	-
C.2 Value adjustments	-	(11,995)
C.3 Write-downs	(38,438)	(65,251)
C.4 Other changes	(586,659)	(739,739)
D. Closing balances	2,038,394	1,840,820
E. Total write-ups	777,203	613,100
F. Total adjustments	(38,438)	(77,246)

Equity investments incorporate the valuation of equity investments in subsidiaries using the equity method. The other decreases include dividends received by the subsidiaries.

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 2023 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.	100.00%	300.5

The carrying amount of €300.5 million used for the purposes of the impairment test was that of November 2023. At date of preparation of the financial statements, the carrying amount of the equity investment was €303 million. It is confirmed that this difference does not affect the results of the test carried out.

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 2023-2026 business plan (2023-2026 Plan) approved by the directors of Banco Mediolanum and Banca Mediolanum S.p.A., updated with the most recent projections.

The 2023-2026 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 2023 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 1,700 to 2,220;
- > an increase in assets under administration at an average annual rate of 13.1%;
- > the discount rate for future cash flows (K_e) is estimated at 12.76% based on the Capital Asset Pricing Model and considering the following parameters:
 - > a risk-free rate of 3.57%, based on the average historical half-yearly return on 10-year bonds issued by the Spanish government;
 - > the beta coefficient of 1.20, 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 2026, 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. No further value adjustments were recorded with respect to the adjustment of the carrying amount of the equity investments to the respective equity amounts.

8.1 Tangible assets for business use: breakdown of assets measured at cost

€/000	31.12.2023	31.12.2022
1. Own assets	52,381	57,415
a) land	29,376	32,796
b) buildings	19,478	20,806
c) furniture	1,296	1,559
d) electronic equipment	1,660	1,546
e) other	571	708
2. Rights of use acquired through leasing	46,926	53,964
a) land	-	-
b) buildings	46,926	53,964
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
TOTAL	99,307	111,379
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	131,198	22,590	24,133	713	211,430
A.1 Total net impairment losses	-	56,428	21,031	22,588	4	100,051
A.2 Net opening balances	32,796	74,770	1,559	1,546	709	111,379
B. Increases:	-	4,649	380	713	3,146	8,888
B.1 Purchases	-	4,649	380	713	3,146	8,888
- 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	-	-	-	-	-	-
C. Decreases:	3,420	13,015	643	599	3,283	20,960
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation & amortization	-	9,349	643	599	-	10,591
C.3 Impairment losses recognised in	3,420	3,666	-	-	-	7,086
a) shareholders' equity	-	-	-	-	-	-
b) income statement	3,420	3,666	-	-	-	7,086
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	-	-	-	-	3,283	3,284
D. Net closing balances	29,376	66,404	1,296	1,660	572	99,307
D.1 Total net impairment losses	3,420	69,443	21,674	23,187	3,287	121,011
D.2 Gross closing balances	32,796	135,847	22,970	24,846	3,859	220,318
E. Valuation at cost	-	-	-	-	-	-

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type of asset

€/000	Total		Total	
	31.12.2023		31.12.2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	54,274	-	46,460	-
of which: software	54,274	-	46,460	-
A.2.1 Assets measured at cost:	54,274	-	46,460	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	54,274	-	46,460	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	54,274	-	46,460	-

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	-	-	-	46,460	-	46,460
A.1 Total net impairment losses	-	-	-	-	-	-
A.2 Net opening balances	-	-	-	46,460	-	46,460
B. Increases	-	-	-	20,878	-	20,878
B.1 Purchases	-	-	-	20,878	-	20,878
- 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	-	-	-	(13,064)	-	(13,064)
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	(13,064)	-	(13,064)
- Depreciation & amortization	X	-	-	(13,064)	-	(13,064)
- 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	-	-	-	54,274	-	54,274
D.1 Total net value adjustments	-	-	-	-	-	-
E. Gross closing balances	-	-	-	54,274	-	54,274
F. Valuation at cost	-	-	-	-	-	-

Section 10 – Tax assets and tax liabilities – Item 100 of assets and Item 60 of liabilities

10.1 Prepaid tax assets: breakdown

€/000	31.12.2023	31.12.2022
Balancing item in the income statement	70,746	65,400
Balancing item in shareholders' equity	231	703
TOTAL	70,977	66,103

10.2 Deferred tax liabilities: breakdown

€/000	31.12.2023	31.12.2022
Balancing item in the income statement	15,402	10,409
Balancing item in shareholders' equity	2,185	-
TOTAL	17,589	10,409

10.3 Changes in prepaid taxes (balancing item of the income statement)

€/000	31.12.2023	31.12.2022
1. Initial amount	65,400	72,302
2. Increases	23,172	13,888
2.1 Prepaid taxes recognised during the year	23,172	13,888
a) relating to previous years	-	171
b) due to the change in accounting policies	-	-
c) write-backs	-	-
d) other	23,172	13,717
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	(17,826)	(20,790)
3.1 Prepaid taxes cancelled during the year	(17,336)	(20,082)
a) reversals	-	-
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(17,336)	(20,082)
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	(490)	(708)
a) conversion into tax credits pursuant to Law 214/2011	(490)	(708)
b) other	-	-
- of which business combinations	-	-
4. Final amount	70,746	65,400

10.3 *bis* Changes in prepaid taxes pursuant to Law 214/2011

€/000	31.12.2023	31.12.2022
1. Initial amount	4,370	5,177
2. Increases	-	490
- of which business combinations	-	-
3. Decreases	(1,767)	(1,297)
3.1 Reversals	(1,277)	(589)
3.2 Transformation into tax credits	(490)	(708)
a) deriving from operating losses	-	-
b) deriving from tax losses	(490)	(708)
3.3 Other decreases	-	-
4. Final amount	2,603	4,370

10.4 Changes in deferred taxes (balancing item of the income statement)

€/000	31.12.2023	31.12.2022
1. Initial amount	10,409	17,717
2. Increases	14,560	9,566
2.1 Deferred taxes recognised in the year	14,560	9,566
a) relating to previous years		
b) due to the change in accounting policies		
c) other	14,560	9,566
2.2 New taxes or increases in tax rates		
2.3 Other increases		
- of which business combinations		
3. Decreases	(9,567)	(16,874)
3.1 Deferred taxes cancelled during the year	(9,567)	(16,874)
a) reversals		
b) due to the change in accounting policies		
c) other	(9,567)	(16,874)
3.2 Reductions in tax rates		
3.3 Other decreases		
- of which business combinations		
4. Final amount	15,402	10,409

10.5 Changes in prepaid taxes (balancing item of shareholders' equity)

€/000	31.12.2023	31.12.2022
1. Initial amount	703	22
2. Increases	119	686
2.1 Prepaid taxes recognised during the year	119	686
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	119	686
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	(591)	(5)
3.1 Prepaid taxes cancelled during the year	(591)	(5)
a) reversals	-	-
b) write-downs due to non-recoverability	-	-
c) due to the change in accounting policies	-	-
d) other	(591)	(5)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Final amount	231	703

10.6 Changes in deferred taxes (balancing item of shareholders' equity)

€/000	31.12.2023	31.12.2022
1. Initial amount	-	461
2. Increases	2,185	462
2.1 Deferred taxes recognised in the year	2,185	462
a) relating to previous years	-	-
b) due to the change in accounting policies	-	-
c) other	2,185	462
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	(923)
3.1 Deferred taxes cancelled during the year	-	(923)
a) reversals	-	-
b) due to the change in accounting policies	-	-
c) other	-	(923)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	2,185	-

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

€/000	31.12.2023	31.12.2022
Receivables from the tax authorities	868,075	544,543
Receivables from financial advisors	1,267	925
Advances to suppliers and professionals	16,298	17,961
Security deposits	77	48
Receivables from employees	125	109
Other receivables	168,539	144,533
Assets for transit items	68,597	45,077
Prepaid expenses	18,975	17,115
Receivables for collection	1,000	265
Receivables from parent companies, subsidiaries, associates and affiliates	8,485	8,663
Receivables from associates for tax consolidation	60,193	45,100
Other sundry assets	13,224	16,210
TOTAL	1,224,855	840,549

Other assets amounted to €1,222,855 thousand, an increase compared with the comparative period (31.12.2022: €840,549 thousand). The change is due to the increase in receivables from the tax authorities, mainly reflecting the increase of approximately €336 million in receivables for Ecobonus transferred by customers and acquired by Banca Mediolanum.

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	31.12.2023				31.12.2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	-	X	X	X	-	X	X	X
2. Payables to banks	591,170	X	X	X	384,341	X	X	X
2.1 Current accounts and demand deposits	92,455	X	X	X	14,244	X	X	X
2.2 Term deposits	3,030	X	X	X	-	X	X	X
2.3 Loans	490,406	X	X	X	368,012	X	X	X
2.3.1 Repurchase agreements	490,406	X	X	X	368,012	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	915	X	X	X	1,154	X	X	X
2.6 Other payables	4,364	X	X	X	931	X	X	X
TOTAL	591,170	-	-	591,171	384,341	-	-	384,341

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to banks came to €591.2 million, up €206.8 million compared with 31 December 2022, an increase mainly related to repurchase agreements.

1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers by type

€/000	31.12.2023				31.12.2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	22,614,166	X	X	X	24,223,064	X	X	X
2. Deposits at notice	1,537,032	X	X	X	119,792	X	X	X
3. Loans	7,062,375	X	X	X	8,111,534	X	X	X
3.1 Repurchase agreements	7,062,375	X	X	X	8,111,534	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	49,240	X	X	X	55,865	X	X	X
6. Other payables	203,378	X	X	X	280,448	X	X	X
TOTAL	31,466,191	-	-	31,466,191	32,790,703	-	-	31,790,703

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Payables to customers came to €31,466.2 million, down +€1,324.5 million compared with 31 December 2022. Compared with a reduction in demand deposits of -€1,608.9 million and repurchase agreements of €1,049.2 million, there was an increase in deposits at notice of +€1,417.2 million.

1.3 Financial liabilities measured at amortised cost: breakdown of securities in issue by type

€/000	31.12.2023				31.12.2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	313,116	322,880	-	-	300,443	300,699	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	313,116	322,880	-	-	300,443	300,699	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
TOTAL	313,116	322,880	-	-	300,443	300,699	-	-

Key:

CA = Carrying amount

L1=Level 1

L2=Level 2

L3=Level 3

At 31 December 2023, the item totalled €313,116 thousand. This item includes the Green Senior Bond issued by Banca Mediolanum. For further details, see the consolidated Report on Operations. With regard to the characteristics of the green bond or for further details, please refer to the Investor Relations section of the website.

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	-	69
1 to 5 years	-	12,718
Over 5 years	915	36,453
Overall total	915	49,240

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	31.12.2023					31.12.2022				
	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	-	-	-	5	5	-	-	-	-	-
3. Debt securities	-	-	-	-	0	-	-	-	-	-
3.1 Bonds	-	-	-	-	0	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	0	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	-	-	-	5	5	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	8,452	-	0	-	-	11,952	-	-
1.1 For trading	X	-	8,452	-	X	X	-	11,952	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	0	-	-	-	-	-
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	-	8,452	-	X	X	-	11,952	-	X
TOTAL (A+B)	X	-	8,452	5	X	X	-	11,952	-	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 level

€/000	31.12.2023				31.12.2022			
	Fair value			NV	Fair value			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	3,605	-	47,365	-	2,594	-	67,051
1) Fair value	-	3,605	-	47,365	-	2,594	-	67,051
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	-	3,605	-	47,365	-	2,594	-	67,051

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	3,605	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	3,605	-	-	-	-	-	-	-	-	-
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 €26.0 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.

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 Bank from its Irish affiliate.

No updates were made to the above during 2023.

As at 31 December 2023, the total provision set aside by Banca Mediolanum in connection with the above dispute was €45.6 million and the charge for the period in question was €6.4 million.

Section 8 – Other liabilities – Item 80

€/000	31.12.2023	31.12.2022
Provision for agency termination indemnities	7,134	7,218
Payables to promoters, producers and mediators	41,249	48,948
Trade payables	72,345	72,909
Payables to parent companies, subsidiaries and associates	2,877	5,126
Payables to the tax authorities	88,091	26,034
Social security contributions	9,908	7,086
Payables to employees	27,158	28,833
Payables to professionals, directors and statutory auditors	3,292	3,022
Payables for transit items	384,906	304,128
Deferred income	1,725	2,212
Accrued expenses	246	277
Other sundry liabilities	21,128	29,173
Tax consolidation	36,167	41,839
TOTAL	696,226	576,805

Payables for transit items include DD payment instructions, bank transfers arranged by customers and settled on the Interbank Network in the early days of 2024 and other items in processing that are regularly closed during the early days of the new year.

Payables due to tax authorities mainly include withholdings on interest expenses and virtual stamp duty.

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 tax forms.

Section 9 – Employee termination benefits – Item 90

9.1 Employee severance benefits: changes during the year

€/000	31.12.2023	31.12.2022
A. Opening balances	9,055	10,265
B. Increases	8,689	5,800
B.1 Provision for the year	8,269	5,422
B.2 Other changes	420	378
C. Decreases	(8,700)	(7,010)
C.1 Settlement payments	(431)	(25)
C.2 Other changes	(8,269)	(6,985)
D. Closing balances	9,044	9,055
TOTAL	9,044	9,055

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 actuarial assumptions adopted for the purposes of valuing the employee severance indemnity at 31 December 2023 are:

- > Mortality rate: table RG48;
- > Inflation rate: 2%;
- > Frequency of early severance pay: 3.7%;
- > Turnover rate: 6%.

Section 10 – Provisions for liabilities and charges – Item 100

10.1 Provisions for risk and charges: breakdown

€/000	31.12.2023	31.12.2022
1. Provisions for credit risk relating to commitments and financial guarantees given	482	82
2. Provisions on other commitments and guarantees given	776	378
3. Company pension funds	-	-
4. Other provisions for risk and charges	278,200	281,867
4.1 legal and tax disputes	11,339	11,654
4.2 staff costs	-	-
4.3 Other	266,861	270,213
TOTAL	279,458	282,327

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	378	-	281,866	282,244
B. Increases	417	-	37,104	37,521
B.1 Provision for the year	417	-	37,104	37,521
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
- of which business combinations	-	-	-	-
C. Decreases	(19)	-	(40,770)	(40,789)
C.1 Utilisation during the year	-	-	(23,974)	(23,974)
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	(19)	-	(16,796)	(16,815)
- of which business combinations	-	-	-	-
D. Closing balances	776	-	278,200	278,976

10.3 Provisions for credit risk relating to commitments and financial guarantees given

31.12.2023					
Euro	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	Total
Commitments to disburse funds	477	5	-	-	482
Financial guarantees given					
Total	477	5	-	-	482

10.6 Provisions for risk and charges: other provisions

€/000	Balance as of 31.12.2022	Allocations in the period	Other changes	Utilisations in the period	Balance as of 31.12.2023
Provision name:					
- legal disputes	11,654	4,730	(3,863)	(1,182)	11,339
- other:	-	-	-	-	-
Managers' allowance	79,398	11,553	(2,471)	(11,040)	77,440
Risk of misconduct by financial advisors	9,797	3,224	(5,259)	(504)	7,258
Additional customers' allowance	151,166	8,287	(2,007)	(2,907)	154,539
Portfolio Indemnities	26,179	5,210	(3,147)	(5,422)	22,820
Sundry provisions	3,672	4,100	(49)	(2,919)	4,804
TOTAL	281,866	37,104	(16,796)	(23,974)	278,200

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 **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 Bank recognises additional and bonus allowances for its financial advisors. These allowances, consisting of the manager advisors' allowance and the portfolio and structure allowance, are described below.

The **manager advisor's 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 manager advisors' 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 MA 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 **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 may take place during the relationship, due to a reduction in the customers or agents portfolio, or when financial advisors leave due to the termination of the agency relationship and are succeeded by another financial advisor. 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 next two years - of an allowance deriving from the valuation of the transferred portfolio or structure, according to predetermined criteria;
- > 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 and exercising its right of recourse in respect of the successor.

In the course of the activity of the transferring agent, the allowance is paid in three or five years from the time of the transfer and, at the same time, recovered from the successor agent during the same period. In the event of termination of the relationship by the transferring agent, the indemnity is paid the end of the third year. 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 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. The provision is estimated on the basis of updated historical trends and takes into account the situation of claims reported to the Bank at the reporting date.

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	742,920,891	-
- fully paid-up	-	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	4,858,190	-
A.2 Shares in issue: opening balances	738,062,701	-
B. Increases	3,078,145	-
B.1 New issues	1,119,250	-
- for payment	1,119,250	-
- business combinations	-	-
- bond conversion	-	-
- exercise of warrants	-	-
- other	1,119,250	-
- free of charge	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	1,958,895	-
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	741,140,846	-
D.1 Treasury shares (+)	2,899,295	-
D.2 Shares existing at the end of the year	744,040,141	-
- fully paid-up	744,040,141	-
- not fully paid-up	-	-

12.3 Share capital: other information

At 31 December 2023, the fully subscribed and paid-up share capital amounted to €600.6 million, divided into 744,040,141 ordinary shares with no par value.

The Company holds 2,899,295 treasury shares, with an value of €19.8 million at 31 December 2023.

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
Share capital	600,564				
Share premium reserve	7,035	A B C	7,035		
Legal reserve	121,026	B	121,026	-	-
Other reserves, of which:					
Extraordinary reserve	1,548,652	A B C	1,548,652	-	-
FTA reserve	(63,413)		(63,413)	-	-
Other reserves: equity method (other changes)	535,848	B	535,848		
Other reserves for incentives in equity instruments	51,727	A B C	51,727		
merger reserve	4,260	A B C	4,260	-	-
Valuation reserve*	39,883	-		-	-
Interim dividends	(207,519)	-	(207,519)		
Reserve for treasury shares	19,781	-	-		
Total	2,657,844	-	1,997,616	-	-
Of which non-distributable portion		-	385,943	-	-
Of which distributable residual portion		-	1,611,674	-	-

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).

With regard to the effects of the resolution pursuant to the Omnibus Decree of 7 August 2023, please refer to the consolidated Report on Operations.

OTHER INFORMATION

1. Financial commitments and guarantees given (other than those designated at fair value)

€/000	Nominal value of financial commitments and guarantees given				Total	Total
	Stage 1	Stage 2	Stage 3	Impaired acquired or originated	31.12.2023	31.12.2022
1. Commitments to disburse funds	1,023,124	20,918	176	-	1,044,218	903,403
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	-	-	-	-	-	44
d) Other financial corporations	475,820	2,502	-	-	478,322	265,058
e) Non-financial corporations	183,846	6,394	-	-	190,240	221,280
f) Households	363,458	12,022	176	-	375,656	417,021
2. Financial guarantees given	75,324	-	-	-	75,324	73,520
a) Central banks	-	-	-	-	-	-
b) General government	-	-	-	-	-	-
c) Banks	75,324	-	-	-	75,324	73,520
d) Other financial corporations	-	-	-	-	-	-
e) Non-financial corporations	-	-	-	-	-	-
f) Households	-	-	-	-	-	-

2. Other commitments and guarantees given

€/000	31.12.2023	31.12.2022
1. Other guarantees given	107,471	92,556
of which: non-performing credit exposures	446	147
a) Central banks	-	-
b) General government	-	-
c) Banks	57	57
d) Other financial corporations	11,030	11,649
e) Non-financial corporations	26,197	22,468
f) Households	70,187	58,382
2. Other commitments	58,605	11,334
of which: non-performing credit exposures	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial corporations	58,605	11,334
e) Non-financial corporations	-	-
f) Households	-	-

3. Assets pledged as collateral for liabilities and commitments

€/000	31.12.2023	31.12.2022
1. Financial assets at fair value through profit or loss	81,611	677,824
2. Financial assets measured at fair value through other comprehensive income	-	98,397
3. Financial assets measured at amortised cost	19,087,879	8,119,890
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

4. Asset management and trading on behalf of third parties

€/000	31.12.2023
1. Execution of orders on behalf of customers	
a) purchases	384,943
1. settled	384,943
2. not settled	-
b) sales	163,190
1. settled	163,190
2. not settled	-
2. Individual portfolio management	
a) individual	1,325,727
3. Securities custody and administration	
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	15,897,149
1. securities issued by the bank that prepares the financial statements	3,847
2. other securities	15,893,302
c) third-party securities held with third parties	15,892,120
d) own securities held with third parties	16,875,614
4. Other transactions	13,102,849

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	31.12.2023	31.12.2022
1. Financial assets at fair value through profit or loss	7,880	-	-	7,880	3
1.1 Financial assets held for trading	7,880	-	-	7,880	3
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	628	-	X	628	156
3. Financial assets measured at amortised cost	435,876	573,260	X	1,009,136	353,302
3.1 Loans to banks	297	23,942	X	24,239	5,685
3.2 Loans to customers	435,579	549,318	X	984,897	347,617
4. Hedging derivatives	X	X	2,051	2,051	314
5. Other assets	X	X	38,293	38,293	7,087
6. Financial liabilities	X	X	X	285	28,918
TOTAL	444,384	573,260	40,344	1,058,273	389,780
of which: interest income on impaired financial assets	-	7,940	-	7,940	3,761

1.2 Interest income and similar income: other information

1.2.1 Interest income on foreign-currency financial assets

€/000	31.12.2023	31.12.2022
Interest income on foreign-currency financial assets	1,214	440
TOTAL	1,214	440

1.3 Interest expense and similar expenses: breakdown

Euro	Payables	Securities	Other transactions	Total	Total
				31.12.2023	31.12.2022
1. Financial liabilities measured at amortised cost	(461,329)	(15,511)	X	(476,840)	(62,683)
1.1 Payables to central banks	-	X	X	-	-
1.2 Payables to banks	(11,130)	X	X	(11,130)	(1,565)
1.3 Payables to customers	(450,199)	X	X	(450,199)	(59,501)
1.4 Debt securities in issue	X	(15,511)	X	(15,511)	(1,617)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(343)	(343)	(1,684)
5. Hedging derivatives	X	X	(2,333)	(2,333)	(2,930)
6. Financial assets	X	X	X	(110)	(3,459)
Total	(461,329)	(15,511)	(2,676)	(479,626)	(70,756)
of which: interest expense relating to lease liabilities	(1,062)	X	X	(1,062)	(1,169)

1.4 Interest expense and similar expenses: other information

1.4.1 Interest expense on foreign-currency liabilities

€/000	31.12.2023	31.12.2022
Interest expense on foreign-currency liabilities	(1,622)	(1,129)
TOTAL	(1,622)	(1,129)

1.5 Differentials relating to hedging transactions

€/000	31.12.2023	31.12.2022
A. Positive differentials relating to hedging transactions	2,051	314
B. Negative differentials relating to hedging transactions	(2,333)	(2,930)
C. Balance (A-B)	(282)	(2,616)

Section 2 – Fees and commissions – Items 40 and 50

2.1 Commission income: breakdown

€/000	31.12.2023	31.12.2022
a) Financial instruments	88,051	93,437
1. Placement of securities	60,730	70,492
1.2 Without irrevocable commitment	60,730	70,492
2. Receipt and transmission of orders and execution of orders on behalf of clients	9,961	9,700
2.2 Execution of orders on behalf of clients	9,961	9,700
3. Other fees for activities associated with financial instruments	17,360	13,245
of which: management of individual portfolios	17,360	13,245
c) Investment advisory activities	2,047	3,082
e) Custody and administration	1,921	1,783
2. Other custody and administration fees	1,921	1,783
g) Trust activity	10	11
h) Payment services	71,467	45,885
1. Current accounts	28,086	25,365
2. Credit cards	25,603	4,437
3. Debit and other payment cards	11,170	10,077
4. Wire transfers and other payment orders	2,777	1810
5. Other payment service fees	3,831	4,196
i) Distribution of third-party services	678,362	644,707
1. Collective portfolio management	390,815	374,218
2. Insurance products	282,888	266,762
3. Other products	4,659	3,727
m) Financial guarantees given	776	691
n) Financing transactions	17,180	19,044
q) Other commission income	428	473
Total	860,242	809,113

2.2 Commission income: distribution channels for products and services

€/000	31.12.2023	31.12.2022
a) at own branches:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. services and products of third parties	-	-
b) solicitation:	756,452	728,444
1. portfolio management	17,360	13,245
2. placement of securities	60,730	70,492
3. services and products of third parties	678,362	644,707
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. services and products of third parties	-	-

2.3 Commission expense: breakdown

€/000	Total 31.12.2023	Total 31.12.2022
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	(1,315)	(1,226)
d) Collection and payment services	(57,256)	(24,731)
of which: credit cards, debit cards and other payment cards	(39,868)	(10,479)
e) Securitisation servicing services	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	-	-
of which: derivatives on receivables	-	-
h) Financial solicitation	(570,888)	(551,898)
i) Foreign exchange trading	-	-
j) Other commission expenses	(50,035)	(55,240)
Total	(679,494)	(633,095)

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

€/000	31.12.2023		31.12.2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	40	-	57	-
B. Other financial assets mandatorily measured at fair value	-	1,233	-	1,033
C. Financial assets measured at fair value through other comprehensive income	19,257	-	16,998	-
D. Equity investments	-	-	-	-
TOTAL	19,297	1,233	17,055	1,033

Dividends from financial assets measured at fair value through other comprehensive income include the dividend received by Mediobanca of €19,248 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	20,691	17,596	(1,500)	(832)	35,955
1.1 Debt securities	19,096	17,593	(1,212)	(815)	34,662
1.2 Equity securities	1,595	3	(251)	(17)	1,330
1.3 Units in investment funds (UCIs)	-	-	(37)	-	(37)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	10	-	(17)	(7)
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	(2)	(2)
2.3 Other	-	10	-	(15)	(5)
3. Financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	(185)
4. Derivative instruments	5,105	8,264	(226)	(18,550)	(679)
4.1 Financial derivatives	5,105	8,264	(226)	(18,550)	(679)
- On debt securities and interest rates	5,105	8,260	(226)	(18,550)	(5,411)
- On equity instruments and equity indices	-	4	-	-	4
- On currencies and gold	X	X	X	X	4,728
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	25,796	25,870	(1,726)	(19,399)	35,084

Section 5 – Net gains (losses) from hedging – Item 90

5.1 Net gains (losses) from hedging: breakdown

€/000	31.12.2023	31.12.2022
A. Income relating to:		
A.1 Fair value hedging derivatives	210	17,019
A.2 Hedged financial assets (fair value)	1,444	-
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)	1,654	17,019
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(2,320)	(27)
B.2 Hedged financial assets (fair value)	-	(15,290)
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)	(2,320)	(15,317)
C. Net gains (losses) from hedging (A - B)	(666)	1,702
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	31.12.2023			31.12.2022		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	8	(4)	4	11	-	11
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	8	(4)	4	11	-	11
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
TOTAL ASSETS (A)	8	(4)	4	11	-	11
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 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	8,637	170	(9,635)	(16)	(844)
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	8,637	170	(9,635)	(16)	(844)
1.4 Loans	-	-	-	-	-
2. Foreign-currency financial assets: foreign exchange gains and losses	X	X	X	X	-
TOTAL	8,637	170	(9,635)	(16)	(844)

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 31.12.2023	Total 31.12.2022
	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						
A. Loans to banks	(9)	-	-	-	-	-	-	-	-	-	(9)	31
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	(9)	-	-	-	-	-	-	-	-	-	(9)	31
B. Loans to customers	(1,900)	(5,039)	(1,356)	(29,898)	-	(12)	118	743	13,357	-	(23,987)	(17,803)
- Loans	(1,900)	(5,039)	(1,356)	(29,898)	-	(12)	-	743	13,357	-	(24,105)	(16,980)
- Debt securities	-	-	-	-	-	-	118	-	-	-	118	(823)
Total	(1,909)	(5,039)	(1,356)	(29,898)	-	(12)	118	743	13,357	-	(23,996)	(17,772)

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 31.12.2023	Total 31.12.2022
	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	-	-	-	-	-	-	67	-	-	-	67	52
B. Loans	-	-	-	-	-	-	-	-	-	-	-	(232)
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	(232)
Total	-	-	-	-	-	-	67	-	-	-	67	(180)

Section 10 – Administrative expenses – Item 160

10.1 Staff costs: breakdown

€/000	31.12.2023	31.12.2022
1) Employees	(187,372)	(175,458)
a) wages and salaries	(124,556)	(116,791)
b) social security contributions	(36,308)	(34,175)
c) severance benefits	-	-
d) social security costs	-	-
e) provision for employee severance benefits	(8,458)	(7,073)
f) provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(2,332)	(2,014)
- defined contribution	(2,332)	(2,014)
- defined benefit	-	-
h) costs arising from share-based payment agreements	(5,677)	(4,997)
i) other employee benefits	(10,041)	(10,408)
2) Other staff in service	(16,000)	(15,529)
3) Directors and statutory auditors	(3,619)	(3,452)
4) Retired staff	-	-
TOTAL	(206,991)	(194,439)

10.2 Average number of employees by category

Units	31.12.2023	31.12.2022
1) Employees	2,277	2,193
a) executives	84	81
b) management	460	431
c) other employees	1,733	1,682
2) Other staff	255	257
TOTAL	2,532	2,451

10.4 Other employee benefits

Other employee benefits, shown in Table 10.1 Staff costs, came to €10.0 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	31.12.2023	31.12.2022
Information systems services	(96,033)	(90,841)
Infoprovder services	(14,777)	(12,461)
Financial services fees and charges	(1,018)	(1,024)
Other sundry services	(35,713)	(33,718)
Taxes and duties	(976)	(968)
Television and internet communications services	(4,542)	(4,462)
Measures in support of the banking system	(37,250)	(37,965)
Rentals, hiring, leases	(18,373)	(15,045)
Maintenance and repairs	(3,993)	(3,163)
Telephone and postal expenses	(10,333)	(9,781)
Other consultancy and collaborations	(26,317)	(21,924)
Contributions to "Family Banker Offices"	(836)	(1,129)
Consumables	(2,649)	(3,212)
Insurance	(3,117)	(3,197)
Membership contributions	(4,626)	(2,254)
Advertising and promotional expenses	(28,723)	(24,367)
Organisation of conventions	(20,660)	(20,088)
Sales network consulting, education and training	(3,752)	(2,507)
Energy utilities	(4,053)	(3,598)
Entertainment, gifts and donations	(12,548)	(8,909)
Market research	(684)	(677)
Search and selection of employees	(414)	(333)
Travel expenses	(674)	(195)
Fuel costs	(456)	(324)
Search and selection of financial advisors	(97)	(61)
Other administrative expenses	(1,074)	(1,390)
TOTAL	(333,688)	(303,593)

Section 11 – Net provisions for liabilities and charges – Item 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees given: breakdown

€/000	31.12.2023	31.12.2022
Commitments to disburse funds and financial guarantees given	(797)	(57)
TOTAL	(797)	(57)

11.3 Other net provisions for risk and charges: breakdown

€/000	31.12.2023	31.12.2022
Portfolio and structure allowance	(2,063)	(1,517)
Additional customer allowance	(6,280)	673
Risk of misconduct by financial advisors	2,035	641
Legal disputes	(867)	337
Managers' allowance	(9,084)	(7,786)
Other provisions for risk and charges	(4,050)	1,770
TOTAL	(20,309)	(5,882)

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	(10,591)	(7,085)	-	(17,676)
- Owned	(2,280)	(7,085)	-	(9,365)
- Rights of use acquired through leasing	(8,311)	-	-	(8,311)
A.2 Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leasing	-	-	-	-
A.3 Inventories	X	-	-	-
B. Assets held for sale	-	-	-	-
TOTAL	(10,591)	(7,085)	-	(17,676)

The “Impairment losses” item includes value adjustments of €7.085 thousand on properties owned by the Company in order to align the carrying amount with the market value, as 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

€/000	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(13,064)	-	-	(13,064)
A.1 Owned	(13,064)	-	-	(13,064)
- Generated internally by the company	-	-	-	-
- Other	(13,064)	-	-	(13,064)
A.2 Rights of use acquired through leasing	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	(13,064)	-	-	(13,064)

Section 14 – Other operating income and expenses – Item 200

14.1/14.2 Other revenues and expenses: breakdown

€/000	31.12.2023	31.12.2022
Recovery of costs for procurement and services rendered	15,008	14,738
Rental income on owned properties	558	558
Chargebacks to customers	3,788	4,225
Chargebacks to advisors	21	31
Other sundry income	9,884	6,698
Total - Breakdown of "Other operating income"	29,260	26,250
Settlements and compensation	(2,442)	(3,022)
Depreciation of leasehold improvements	(2,918)	(2,860)
Other expenses	(5,186)	(5,168)
Total - Breakdown of "Other operating expenses"	(10,547)	(11,050)

Section 15 – Gains (Losses) on equity investments – Item 220

15.1 Gains (losses) on equity investments: breakdown

€/000	31.12.2023	31.12.2022
A. Income	744,938	603,975
1. Write-ups	744,938	603,975
2. Profits on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	(38,323)	(47,167)
1. Write-downs	(38,323)	(47,167)
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net result	706,614	556,808

Write-ups and Write-downs include the shares of the results of the investee companies measured according to the equity method.

Section 18 – Gains (losses) on disposal of investments – Item 250

18.1 Gains (losses) on disposal of investments: breakdown

€/000	31.12.2023	31.12.2022
A. Real estate	-	-
- Profits on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-	26
- Profits on disposal	-	26
- Losses on disposal	-	-
Net result	-	26

Section 19 – Taxes on income from continuing operations – Item 270

19.1 Taxes on income from continuing operations: breakdown

€/000	31.12.2023	31.12.2022
1. Current taxes (-)	(91,608)	(17,960)
2. Changes in current taxes in previous years (+/-)	394	898
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 (+/-)	7,538	(5,217)
5. Change in deferred taxes (+/-)	(4,994)	7,308
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(88,670)	(14,971)

19.2 Reconciliation between theoretical tax liability and current actual tax liability recognised

RECONCILIATION BETWEEN REPORTED AND THEORETICAL TAX CHARGES

Euro	Rate	Value	Tax
Determination of corporate income tax (IRES)			
Profit before tax including the tax credit due		922,376,794	
Theoretical tax charge	27.50%		(253,653,618)
Temporary differences taxable in future years		11,978,374	
Temporary differences deductible in future years		37,828,100	
Temporary differences from previous years		(49,991,787)	
Permanent differences		(691,894,651)	
Aid to Economic Growth (ACE)		(6,862,807)	
Aid to Economic Growth (ACE) previous additional IRES		(7,058,247)	
Previous losses additional IRES		(184,161,643)	
Total tax base		32,214,134	
Current income tax for the year			(54,751,660)
Taxes relating to tax disputes			(4,691,279)
Tax relating to previous years			391,767
Current taxes in the income statement			(59,051,173)
Average rate on pre-tax profit	6.40%		
Determination of the IRAP tax base			
Gross value of production before changes		455,308,703	
Employee deduction		(186,751,631)	
Deduction of compulsory, consortium and voluntary contributions		(27,824,218)	
Net value of production		240,732,855	
Theoretical tax charge	5.57%		(13,408,820)
Temporary differences taxable in future years			
Temporary differences deductible in future years			
Temporary differences from previous years		(20,837,651)	
Permanent differences		326,301,869	
Value of production		546,197,072	
Current income tax for the year			(30,423,177)
Taxes relating to tax disputes			(1,742,028)
Tax relating to previous years			1,985
Current taxes in the income statement			(32,163,220)
Average rate on value-added result	13.36%		

SECTION 22 – EARNINGS PER SHARE

22.1 Average number of ordinary shares (fully diluted)

	31.12.2023	31.12.2022
Net income (€/000)	833,707	508,293
Weighted average number of shares outstanding (units)	739,601,774	737,252,214
Adjustment for stock options with potential dilutive effect	1,252,098	2,097,089
Weighted average number of shares outstanding for diluted EPS purposes	743,753,167	744,207,493
Diluted earnings per share (€)	1.121	0.683

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	31.12.2023	31.12.2022
10. Net income for the year	833,707	508,293
Other income items without reversal to the income statement	61,900	(30,815)
20. Equity securities designated at fair value through other comprehensive income:	50,543	(25,497)
a) change in fair value	50,543	(25,497)
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	-	-
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)	-	-
50. Tangible assets	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(66)	1,448
80. Non-current assets and disposal groups	-	-
90. Share of valuation reserves of equity investments measured at equity	13,585	(6,853)
100. Income taxes relating to other income items without reversal to the income statement	(2,162)	87
Other income items with reversal to the income statement	7,060	(10,781)
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:	1,603	(2,438)
a) changes in fair value	911	(2,302)
b) reversal to income statement	692	(136)
- credit-induced adjustments	(67)	(52)
- gains (losses) on disposals	759	(84)
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:	5,926	(9,049)
a) changes in fair value	5,926	(9,049)
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	(469)	706
190. Total other income	68,960	(41,596)
200. Comprehensive income (Item 10+190)	902,667	466,697

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 of Banca Mediolanum is responsible for implementing the governance policies and the risk management system. The banking risks addressed by the function are defined as the unfavourable future effects on the Bank's profitability that may be produced from various sources of uncertainty. Consequently, the Risk Management 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 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 Mediolanum Banking Group with which the Bank has entered into specific service agreements, 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 competent structures of the ICT Division, which oversees first-level controls, to define the methods of assessing and controlling ICT risk in order to supplement the findings made within the operational risk control framework with the evidence collected as part of the IT and security 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 and updating internal regulations concerning all significant risks, and identifies and develops quantitative methodologies for managing significant Basel 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 internal regulations. In accordance with the express requirements of applicable legislation, the Risk Management Function carries out its management and coordination function for all Mediolanum Group companies.

Traditional risks are continuously articulated within these, such as the above-mentioned ICT risk and security 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 risks, the Risk Management Function promotes a culture of risk management in order to obtain an ever-increasing awareness and understanding of the phenomenon throughout the organisation, with a greater commitment on the part of company management to managing climate and environmental risks. It also provides specific technical, methodological and organisational support to all organisational units involved in the process of managing climate and environmental risks. Finally, it periodically carries out simulations relating to hypothetical stress scenarios that generate significant impacts on the provisions of the economic and financial plan, including, when deemed necessary or/and on specific request, a quantitative assessment of the climate and environmental risks to which the Group could be exposed in an extreme, but plausible, economic crisis situation.

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 and terrorist financing risk and adapt processes according to 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.

In addition to the above, the Anti-Money Laundering Function identifies the rules applicable to the oversight of money laundering risk and assesses their impact on internal processes and procedures. It also provides advice and assistance to the Bank's corporate bodies, senior management and organisational units, for matters within their competence, collaborating in defining the system of internal controls, procedures and controls aimed at preventing and combating money laundering risk by continuously verifying the adequacy of the process for managing money laundering risk and the suitability of the system of internal controls and procedures.

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 within its remit and the consequent regulatory alerting activity, 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 the Bank also oversees non-compliance risks on behalf of the Italian companies of the Mediolanum Group, with which it has entered into appropriate service agreements.

It 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 structures 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

With a view to third-level controls, the Internal Audit Function assesses the regular performance of company operations and the completeness, adequacy, functionality and reliability of the organisational structure, the risk

management process and the other components of the Internal Control System, bringing possible improvements to the attention of the corporate bodies, with particular reference to the Risk Appetite Framework, the risk management process and the tools for measuring and controlling the same.

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. The plan includes a specific section on the ICT Audit.

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 service agreements. For the other companies that have their own internal audit function, the Bank's function performs audits in its capacity as Parent Company and provides guidance and implements methodology and information coordination activities for the respective internal 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.

The function is also responsible for the Whistleblowing System and is responsible for analysing and assessing the reports received, in compliance with the regulatory provisions in force and incorporated into the relevant process.

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 Basel first- and second-pillar risks, are correctly identified and measured, managed and monitored.

The Committee assists the Board of Directors with the task of determining the guidelines for the Internal Control System of the Bank 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 by the respective function heads), 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 request that the Internal Audit Function, where it deems this necessary, carry out checks on specific operational areas, simultaneously notifying the Board of Directors and the Board of Statutory Auditors of this; it reports to the Board of Directors, at least every six months, at the time of the 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 assessment tasks related to internal control that are entrusted to it by the Board of Directors, also in relation to the correct use of accounting policies for the preparation of the annual and

consolidated financial statements and their homogeneity for the purpose of the preparation of the consolidated financial statements, coordinating itself during this time with the Financial Reporting Officer, the external auditor 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.

The Board of Statutory Auditors ascertains the effectiveness of all the structures and functions involved in the control system and its adequate coordination, promoting corrective measures for any shortcomings and irregularities detected. Without prejudice to the reporting obligations to the Supervisory Bodies, it reports to the Board of Directors on any irregularities found, requests the adoption of appropriate corrective measures and monitors their effectiveness over time.

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 (e.g. finance, credit, etc.), operations (e.g. 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.

The Board of Statutory Auditors also arranges 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 231/2001

Section 1 – 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.

General considerations and impacts arising from the European and international context

The ongoing monitoring of risk indicators, including during 2023, showed, as in the previous year, a trend that continued within the physiological parameters of the normal evolution of the credit portfolio, without actually leading to a substantial deterioration in the existing credit portfolio's credit quality. The control measures in place 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. 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 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. In particular, the main non-performing loan positions entered into in 2023 are characterised by the presence of SACE or MCC State guarantees: the process of enforcing these guarantees did not reveal any operational problems and was ongoing on a regular basis and in accordance with the established timescales.

The cost level of credit risk recorded in 2023 was higher than in the previous year, but below the forecasts made as part of the strategic planning process: the increase compared with 2022 is attributable to the annual calibration process of IFRS 9 risk parameters, the physiological evolution of the non-performing portfolio indicated above and the prudential writing down of individual positions.

In 2023, the preventive measures implemented to manage the shortfall in the non-performing loan portfolio continued on the basis of the "NPE coverage expectations" notified by the ECB.

Credit risk management therefore continued in accordance with the current policies, credit policies and procedures.

Also regarding the effects of changes in the geopolitical environment, which led to uncertainty in the markets, no values of the risk parameters were 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 variable-rate mortgage instalments was not reflected in anomalous positions in outstanding payments, which remained substantially in line with the levels of the previous year.

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, forbore 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 forbore 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.

Three macroeconomic scenarios were used to estimate the ECL during 2023:

- > Mild scenario: the Russian invasion of Ukraine is expected to resolve faster than expected, while there is no risk of a new wave of the COVID-19 pandemic. This leads to an increase in aggregate demand and the expansion of aggregate supply.
- > Adverse scenario: the Russian invasion of Ukraine is expected to continue and intensify further. As part of the escalation, the flow of natural gas from Russia stops completely, causing European prices to rise further. Geopolitical tensions also flare between the US and China, leading to significant barriers to shipping along the Taiwan Strait. Lastly, there is a strong wave of the COVID-19 pandemic, caused by a new variant.

- > Base scenario: modest Italian GDP growth is expected and inflation is still above the ECB's target of 2% throughout 2023. The increase in rates limits access to credit for households and businesses, also weighing on the real estate market.

The following is an extract of the main macroeconomic indicators used in 2023 for ECL estimates.

	BASE		MILD		ADVERSE	
	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA	GDP ITA	UNMP ITA
2022	0.51%	8.48%	2.92%	8.19%	-7.89%	12.33%
2023	2.17%	8.37%	1.64%	8.02%	0.22%	12.84%
2024	2.04%	8.31%	1.88%	8.02%	4.87%	11.58%

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 2023.

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 31.12.2023.

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 targets set lead to a low level of NPL ratios net of value 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 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 non-performing loans if new objective elements exist that cause the Bank to classify the borrower 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 forbore 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 forbore exposures.

- > 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 forbore exposures.

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 debtors that have initiated insolvency proceedings pursuant to the rules governing the “over-indebtedness” crisis of parties not eligible for ordinary insolvency proceedings (“civil insolvency”) are classified as non-performing if new objective elements exist that result in the classification of the debtor in this category or if the exposures are already classified as non-performing at the time of the application for admission.

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. Forbore 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.

With regard to the forbore classification following the application of collective agreements concluded by trade associations or certain legislative requirements (moratoria), the regulatory indications formulated by the Supervisory Authority in force at the time of granting (EBA Guidelines) apply.

A moratorium is considered as such if all of the following conditions are met:

- > it is based on a national law (legislative moratorium) or an initiative to exempt a credit institution from non-legislative payment under an agreed or coordinated sectoral moratorium in the banking sector or a material part thereof, possibly in cooperation with public authorities (non-legislative moratorium);
- > it applies to a group of debtors pre-defined on the basis of general criteria;
- > it only provides for changes to the payment plan, in particular by suspending, postponing or reducing payments of the principal amounts, interest or instalments, for a predefined period of time, and other changes (e.g. interest rate) are therefore excluded;
- > it offers the same conditions to all exposures identified by the moratorium;
- > it does not apply to new contracts granted after the date of announcement of the moratorium.

With particular reference to requests for moratoria received, legislative or non-legislative, the application of the moratorium does not automatically result in the classification of an exposure as forbore, unless this was already the classification of the exposure before the moratorium was applied. Throughout the duration of the moratorium, the first-level organisational units continue to assess whether there are indications of "unlikely fulfilment" of debtors subject to the moratorium, taking into account the payment plan updated as a result of adherence to the moratorium and adjusting the credit classification accordingly.

In addition, in the case of concessions made for more than nine months, each individual case is assessed with a classification of forbore if the customer is ascertained to be in financial difficulty.

During 2023, for counterparties subject to previous moratoria, Banca Mediolanum classified their loans in accordance with existing policies and practices, giving priority to the assessment of counterparties with 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 forbore exposures

Non-performing forbore 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 exposures	TOTAL
1. Financial assets measured at amortised cost		14,308	65,497	23,204	45,131	31,843,164	31,991,304
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	59,481	59,481
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	-	-
5. Financial assets held for sale		-	-	-	-	-	-
TOTAL	31.12.2023	14,308	65,497	23,204	45,131	31,902,645	32,050,785
TOTAL	31.12.2022	16,080	61,064	14,172	35,538	30,782,194	30,909,058

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	201,216	(98,207)	103,009	(171)	31,944,388	(56,093)	31,888,295	31,991,304
	2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	59,560	(79)	59,481	59,481
	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	31.12.2023	201,216	(98,207)	103,009	(171)	32,003,948	(56,172)	31,947,776	32,050,785
TOTAL	31.12.2022	184,687	(93,371)	91,316	-	30,867,872	(50,140)	30,817,732	30,909,048

* 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	-	-	889,340
	2. Hedging derivatives	-	-	53
TOTAL	31.12.2023	-	-	889,393
TOTAL	31.12.2022	-	-	1,009,495

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	3,668	-	-	3,122	34,619	3,638	93	9,070	69,526	3	216	331
	2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
	3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total	31.12.2023	3,668	-	-	3,122	34,619	3,638	93	9,070	69,526	3	216	331
Total	31.12.2022	7,380	-	-	14,260	12,187	1,647	2,973	4,340	44,325	1	158	248

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	27,541	146	-	-	27,766	-	22,395	-	-	-	22,395	-	92,230	-	-	92,230	-
Increases in acquired or originated financial assets	-	5,089	12	-	-	5,101	-	1,438	-	-	-	1,438	-	1,788	-	-	1,788	-
Derecognitions other than write-offs	-	(2,394)	(63)	-	-	(2,456)	-	(1,807)	-	-	-	(1,807)	-	(12,921)	-	-	(12,921)	-
Credit-risk induced net value adjustments/write-backs (+/-)	-	(826)	(16)	-	-	(842)	-	4,586	-	-	-	4,586	-	16,135	-	-	16,135	-
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(430)	-	-	(430)	-
Overall final adjustments	79	29,410	79	-	-	29,569	-	26,612	-	-	-	26,612	-	96,802	-	-	96,802	-
Recoveries from collection of financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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	1,199	-	-	1,141	58	74	8	-	-	143,672	
Increases in acquired or originated financial assets	X	X	X	X	X	404	5	-	-	8,736	
Derecognitions other than write-offs	(144)	-	-	(142)	(2)	(26)	(2)	-	-	(17,356)	
Credit-risk induced net value adjustments/write-backs (+/-)	(59)	-	-	(71)	12	24	(6)	-	-	19,838	
Contractual changes without derecognition	-	-	-	-	-	-	-	-	-	-	
Changes in estimation methods	-	-	-	-	-	-	-	-	-	-	
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	
Other changes	481	-	-	479	2	-	-	-	-	51	
Overall final adjustments	1,477	-	-	1,407	70	476	5	-	-	154,941	
Recoveries from collection of financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	

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		372,095	278,379	39,732	20,468	26,171	2,090
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		3,335	2,168	-	-	-	-
TOTAL	31.12.2023	375,430	280,547	39,732	20,468	26,171	2,090
TOTAL	31.12.2022	269,114	150,766	23,873	9,194	18,167	3,236

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
Loans measured at amortised cost							
New loans		6,530	6,684	14,093	354	6,434	82
Total	31.12.2023	6,530	6,684	14,093	354	6,434	82
Total	31.12.2022	-	12,461	-	-	-	32

A.1.6 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	47,525	47,525	-	-	-	79	79	-	-	-	47,446	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	47,525	47,525	-	X	-	79	79	-	X	-	47,446	-
A.2 Other	107,070	107,069	-	-	-	76	76	-	-	-	106,994	-
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	107,069	107,069	-	X	-	76	76	-	X	-	106,993	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	154,595	154,594	-	-	-	155	155	-	-	-	154,440	-
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	565,708	75,382	-	X	-	-	-	-	X	-	565,708	-
Total (B)	565,708	75,382	-	-	-	-	-	-	-	-	565,708	-
Total (A+B)	720,303	229,976	-	-	-	155	155	-	-	-	720,148	-

* Value to be displayed for information purposes

A.1.7 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	66,547	X	-	66,120	426	52,239	X	-	51,845	394	14,308	171
- of which: forborne exposures	9,774	X	-	9,347	426	6,375	X	-	5,982	394	3,399	-
b) Unlikely to pay	107,117	X	-	105,103	2,014	41,620	X	-	40,650	970	65,497	-
- of which: forborne exposures	32,314	X	-	30,335	1,979	14,665	X	-	13,706	959	17,649	-
c) Non-performing past due exposures	27,552	X	-	27,327	225	4,349	X	-	4,306	42	23,203	-
- of which: forborne exposures	5,138	X	-	4,945	193	1,067	X	-	1,028	39	4,071	-
d) Performing past due exposures	49,180	3,694	45,397	X	90	4,050	26	4,019	X	6	45,130	-
- of which: forborne exposures	3,912	-	3,852	X	60	260	-	256	X	5	3,652	-
e) Other performing exposures	32,736,487	31,275,339	570,721	X	1,639	52,046	29,388	22,594	X	65	32,684,441	-
- of which: forborne exposures	75,262	-	74,280	X	982	2,911	-	2,858	X	53	72,351	-
TOTAL (A)	32,986,883	31,279,033	616,118	198,550	4,394	154,304	29,414	26,613	96,801	1,477	32,832,579	171
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	621	X	-	621	-	79	X	-	79	-	542	-
b) Performing	8,269,986	1,122,782	28,227	X	-	1,178	726	452	X	-	8,268,808	-
TOTAL (B)	8,270,607	1,122,782	28,227	621	-	1,257	726	452	79	-	8,269,350	-
TOTAL (A+B)	41,257,490	32,401,815	644,345	199,171	4,394	155,561	30,140	27,065	96,880	1,477	41,101,929	171

* 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

€/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	-	-	-	-	-	-	-	-	-	-	-	-
New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. LOANS IN UNLIKELY TO PAY POSITIONS	30,683	-	-	30,683	-	4,994	-	-	4,994	-	25,689	-
New loans	30,683	-	-	30,683	-	4,994	-	-	4,994	-	25,689	-
C. NON-PERFORMING PAST DUE LOANS	616	-	-	616	-	75	-	-	75	-	541	-
New loans	616	-	-	616	-	75	-	-	75	-	541	-
D. PERFORMING LOANS	840	-	840	-	-	1	-	1	-	-	839	-
New loans	840	-	840	-	-	1	-	1	-	-	839	-
E. OTHER PERFORMING LOANS	234,913	223,279	11,618	-	16	616	547	69	-	-	234,297	-
New loans	234,913	223,279	11,618	-	16	616	547	69	-	-	234,297	-
TOTAL (A+B+C+D+E)	267,052	223,279	12,458	31,299	16	5,686	547	70	5,069	-	261,366	-

A.1.8 On-balance sheet credit exposures to banks: changes in gross non-performing exposures

Nothing to report.

A.1.9 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	64,353	103,518	16,816
- of which: exposures transferred and not written off	-	-	-
B. Increases	12,176	55,911	26,455
B.1 inflows from performing exposures	352	41,725	21,885
B.2 inflows from purchased or originated impaired financial assets	-	1,273	3
B.3 transfers from other categories of non-performing exposures	10,678	5,901	1,234
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	1,146	7,012	3,333
C. Decreases	9,982	52,312	15,719
C.1 outflows to performing exposures	-	20,677	3,496
C.2 write-offs	3,096	7,756	26
C.3 collections	841	6,054	2,737
C.4 proceeds from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	225	11,881	5,707
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	5,820	5,944	3,753
D. Final gross exposure	66,547	107,117	27,552
- of which: exposures transferred and not written off	-	-	-

A.1.9bis 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	65,661	63,193
- of which: exposures transferred and not written off	-	-
B. Increases	16,852	55,291
B.1 inflows from performing non-forborne exposures	5,475	29,229
B.2 inflows from performing forborne exposures	5,029	X
B.3 inflows from non-performing forborne exposures	X	18,623
B.4 inflows from non-performing non-forborne exposures	887	180
B.5 other increases	5,461	7,259
C. Decreases	35,287	39,310
C.1 outflows to performing non-forborne exposures	X	17,726
C.2 outflows to performing forborne exposures	18,623	X
C.3 outflows to non-performing forborne exposures	X	5,029
C.4 write-offs	7,604	-
C.5 collections	4,126	4,301
C.6 proceeds from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	4,934	12,254
D. Final gross exposure	47,226	79,174
- of which: exposures transferred and not written off	-	-

A.1.10 On-balance sheet non-performing credit exposures to banks: changes in overall value adjustments

Nothing to report.

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	48,272	4,780	42,454	20,924	2,645	790
- of which: exposures transferred and not written off	-	-	-	-	-	-
B. Increases	12,413	2,880	21,877	9,672	4,545	1,265
B.1 value adjustments of purchased or originated impaired assets	-	X	483	X	-	X
B.2 other value adjustments	4,796	921	10,913	3,449	2,614	395
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	4,979	1,425	1,077	322	322	286
B.5 contractual changes without derecognition	-	-	-	-	-	-
B.6 other increases	2,638	534	9,404	5,901	1,609	584
C. Decreases	8,446	1,285	22,713	15,931	2,841	988
C.1 write-backs from valuation	677	58	4,492	3,461	432	177
C.2 write-backs from collection	2,669	615	3,293	2,273	504	230
C.3 profits from disposals	-	-	-	-	-	-
C.4 write-offs	3,096	199	7,756	7,405	26	-
C.5 transfers to other categories of non-performing exposures	53	1	5,285	1,747	1,040	311
C.6 contractual changes without derecognition	-	-	-	-	-	-
C.7 other decreases	1,951	412	1,887	1,045	839	270
D. Overall final adjustments	52,239	6,375	41,618	14,665	4,349	1,067
- 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 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	648,050	19,980	15,020,371	244,485	69,055	81,440	16,062,223	32,145,604
- Stage 1	648,050	19,670	15,016,797	234,097	59,549	68,002	15,280,376	31,326,541
- Stage 2	-	310	3,574	9,554	9,506	-	593,173	616,117
- Stage 3	-	-	-	834	-	13,438	184,279	198,551
- Impaired acquired or originated	-	-	-	-	-	-	4,395	4,395
B. Financial assets measured at fair value through other comprehensive income	20,156	-	39,404	-	-	-	-	59,560
- Stage 1	20,156	-	39,404	-	-	-	-	59,560
- 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)	668,206	19,980	15,059,775	244,485	69,055	81,440	16,062,223	32,205,164
D. Commitments to disburse funds and financial guarantees given	100,000	-	22,199	19,026	3,298	1,655	973,365	1,119,543
- Stage 1	100,000	-	17,549	18,593	3,298	1,655	957,355	1,098,450
- Stage 2	-	-	4,650	433	-	-	15,834	20,917
- Stage 3	-	-	-	-	-	-	176	176
- Impaired, acquired or originated	-	-	-	-	-	-	-	-
Total (D)	100,000	-	22,199	19,026	3,298	1,655	973,365	1,119,543
Total (A+B+C+D)	768,206	19,980	15,081,974	263,511	72,353	83,095	17,035,588	33,324,707

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.3.1 Secured on- and off-balance sheet credit exposures to banks

Nothing to report.

A.3.2 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	
							Other derivatives	
							CLNs	CCPs
1. Secured on-balance sheet credit exposures:	11,632,519	11,528,229	11,015,390	-	-	89,081	-	-
1.1. fully secured	11,434,261	11,335,960	11,011,441	-	-	24,479	-	-
- of which non-performing	134,078	66,752	60,590	-	-	-	-	-
1.2. partially secured	198,258	192,270	3,949	-	-	64,601	-	-
- of which non-performing	25,458	20,729	132	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	49,221	49,198	2,549	-	-	11,031	-	-
2.1. fully secured	43,357	43,334	2,549	-	-	9,985	-	-
- of which non-performing	6	6	3	-	-	-	-	-
2.2. partially secured	5,864	5,864	-	-	-	1,047	-	-
- 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:	-	-	-	230,920	114	652	148,115	11,484,271
1.1. fully secured	-	-	-	134,698	114	652	139,109	11,310,493
- of which non-performing	-	-	-	5,496	-	-	642	66,728
1.2. partially secured	-	-	-	96,222	-	-	9,006	173,778
- of which non-performing	-	-	-	20,009	-	-	6	20,147
2. Secured off-balance sheet credit exposures:	-	-	-	-	-	-	32,416	45,997
2.1. fully secured	-	-	-	-	-	-	30,783	43,317
- of which non-performing	-	-	-	-	-	-	3	6
2.2. partially secured	-	-	-	-	-	-	1,633	2,680
- 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)

€/000		General government		Financial corporations		Financial corporations (of which: insurance companies)	
		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 forbome exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-
- of which forbome exposures		-	-	-	-	-	-
A.3 Non-performing past due exposures		16	(2)	10	(10)	-	-
- of which forbome exposures		-	-	-	-	-	-
A.4 Performing exposures		16,542,325	(11,745)	2,506,335	(2,565)	26,481	-
- of which forbome exposures		-	-	-	-	-	-
TOTAL A		16,542,341	(11,747)	2,506,345	(2,575)	26,481	-
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		-	-	-	-	-	-
B.2 Performing exposures		-	-	547,878	(79)	-	-
TOTAL B		-	-	547,878	(79)	-	-
TOTAL (A+B)	31.12.2023	16,542,341	(11,747)	3,054,223	(2,654)	26,481	-
TOTAL (A+B)	31.12.2022	15,520,475	(11,887)	2,608,092	(9,532)	24,014	-

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	5	(2,159)	14,303	(50,080)	
- of which forbome exposures	-	-	3,398	(6,375)	
A.2 Unlikely to pay	25,984	(15,099)	39,514	(26,521)	
- of which forbome exposures	1,566	(1,685)	16,083	(12,980)	
A.3 Non-performing past due exposures	1,188	(169)	21,990	(4,167)	
- of which forbome exposures	725	(108)	3,345	(959)	
A.4 Performing exposures	619,922	(6,853)	13,060,989	(34,933)	
- of which forbome exposures	16,227	(576)	59,775	(2,595)	
TOTAL A	647,099	(24,280)	13,136,796	(115,701)	
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	291	(51)	251	(28)	
B.2 Performing exposures	215,219	(875)	445,341	(224)	
TOTAL B	215,510	(926)	445,592	(252)	
TOTAL (A+B)	31.12.2023	862,609	(25,206)	13,582,388	(115,953)
TOTAL (A+B)	31.12.2022	898,516	(20,959)	13,565,820	(101,487)

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		14,307	(52,233)	1	(6)	-	-
A.2 Unlikely to pay		65,368	(41,572)	130	(48)	-	-
A.3 Non-performing past due exposures		23,148	(4,341)	56	(7)	-	-
A.4 Performing exposures		30,536,301	(55,256)	1,805,392	(743)	4,589	(5)
Total (A)		30,639,124	(153,402)	1,805,579	(804)	4,589	(5)
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		542	(79)	-	-	-	-
B.2 Performing exposures		1,205,623	(1,177)	2,341	(1)	108	-
Total (B)		1,206,165	(1,256)	2,341	(1)	108	-
Total (A+B)	31.12.2023	31,845,289	(154,658)	1,807,920	(805)	4,697	(5)
Total (A+B)	31.12.2022	32,501,261	(143,414)	79,331	(378)	4,290	(19)

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		4,825	(35)	378,464	(56)
Total (A)		4,825	(35)	378,464	(56)
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures		-	-	-	-
B.2 Performing exposures		145	-	221	-
Total (B)		145	-	221	-
Total (A+B)	31.12.2023	4,970	(35)	378,685	(56)
Total (A+B)	31.12.2022	5,405	(17)	2,617	(1)

B.3 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		77,892	(96)	73,408	(24)	3,138	(35)
Total (A)		77,892	(96)	73,408	(24)	3,138	(35)
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		-	-	-	-	-	-
B.2 Performing exposures		75,470	-	515	-	-	-
Total (B)		75,470	-	515	-	-	-
Total (A+B)	31.12.2023	153,362	(96)	73,923	(24)	3,138	(35)
Total (A+B)	31.12.2022	2,407,965	(103)	70,880	(84)	3,419	(35)

B.3 Distribution of on- and off-balance sheet credit exposures to customers 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)	31.12.2023	-	-	-
Total (A+B)	31.12.2022	-	-	-

B.4 Large exposures

€/000	31.12.2023
a) Amount (carrying amount)	28,642,624
b) Amount (weighted value)	69,890
c) Number	4

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

The company has no exposures arising from third-party securitisation operations.

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		81,611	-	81,611	X	81,635	-	81,635
1. Debt securities		81,611	-	81,611	X	81,635	-	81,635
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		7,514,102	-	7,514,102	-	7,471,147	-	7,471,147
1. Debt securities		7,514,102	-	7,514,102	-	7,471,147	-	7,471,147
2. Loans		-	-	-	-	-	-	-
TOTAL 31.12.2023		7,595,713	-	7,595,713	-	7,552,782	-	7,552,782
TOTAL 31.12.2022		8,653,084	-	8,653,084	-	8,447,335	-	8,447,335

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 securities portfolio - RATINGS BREAKDOWN (S&P equivalent) Period-end data (December 2023 vs. December 2022)

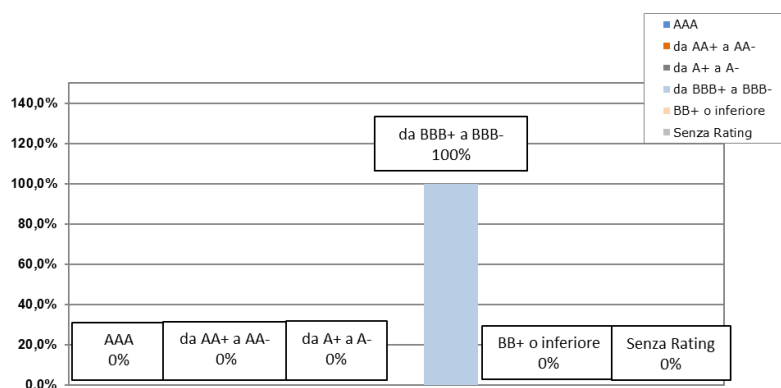
Rating class (S&P equivalent)	31/12/2023		31/12/2022		Change (%)
	€/000	%	€/000	%	
Total portfolio	16,457,279	100.00%	15,528,416	100%	6%
AAA	-	0.00%	19,827	0.1%	0%
AA+ to AA-	328,119	1.99%	-	0.0% N.S.	
A+ to A-	395,951	2.41%	46,346	0.3%	754%
BBB+ to BBB-	15,733,209	95.60%	15,462,243	99.6%	2%
BB+ or lower	-	0.00%	-	0.0%	0%
Unrated	-	0.00%	-	0.0%	0%

The value in portfolio at 31 December 2023 amounted to €14,457,279 thousand.

Rating composition of Banca Mediolanum's trading book S&P Equivalent (December 2023)

The value in portfolio at 31 December 2023 amounted to €887,325 thousand.

Rating Composition portafoglio Trading Gruppo Bancario Mediolanum (dicembre 2023)



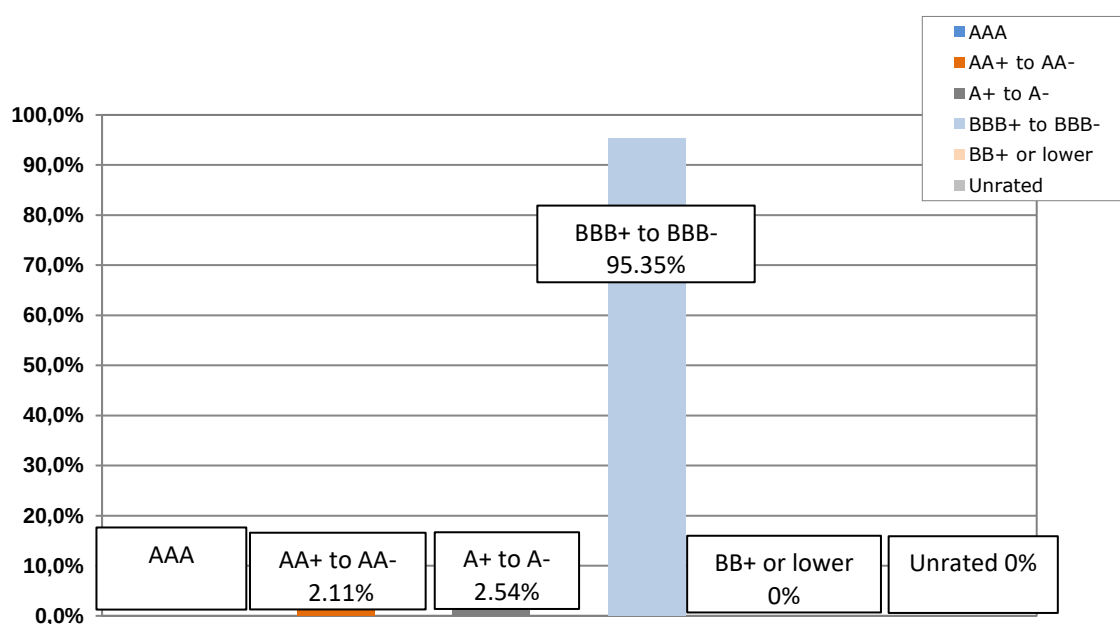
Rating composition of Banca Mediolanum's HTCS, HTC and OTHER portfolio

S&P Equivalent (December 2022)

Rating class (S&P equivalent)	31/12/2023		31/12/2022		Change (%)
	€/000	%	€/000	%	
Total portfolio	15,569,954	100.00%	14,519,823	100%	7%
AAA	-	0.00%	19,827	0.1%	0%
AA+ to AA-	328,119	2.11%	-	0.0%	N.S
A+ to A-	395,951	2.54%	46,346	0.3%	754%
BBB+ to BBB-	14,845,885	95.35%	14,453,650	99.5%	3%
BB+ or lower	-	0.00%	-	0.0%	0%
Unrated	-	0.00%	-	0.0%	0%

The value in portfolio at 31 December 2023 amounted to €15,569,954 thousand.

Ratings breakdown of Banca Mediolanum HTC&S, HTC and OTHER portfolios (December



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 (characteristics of eligible 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. The following is a summary analysis of the quantities relating only to the bond component of the trading book.

VaR tables

Trading book - MARKET RISK

Year-end data (December 2023 vs December 2022)

€/000	dic-23	dic-22	Change (%)
Nominal	889,001	1,040,003	(15%)
Market value	887,325	1,008,593	(12%)
Duration	0.09	0.99	(90%)
VaR 99% - 1 d	124	1,967	(94%)

The minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in 2023 are shown below compared with the year-end spot values.

€/000	dic-23	dic-22	Change (%)
Minimum value	124	0	n.s.
Average value	1,112	2,247	(50%)
Maximum value	2,398	2,953	(19%)

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	-	832,690	44,618	10,015	1	-	1	-
1.1 Debt securities	-	832,690	44,618	10,015	1	-	1	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	832,690	44,618	10,015	1	-	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	81,635	-	-	-	-	-	-
2.1 Repurchase agreements	-	81,635	-	-	-	-	-	-
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	-	2,753	2,514	4,006	60,161	89,453	32,944	-
+ Short positions	-	96	2,792	4,700	56,435	91,944	35,862	-
- Other derivatives								
+ Long positions	-	96,028	-	-	-	-	-	-
+ Short positions	-	105,759	1,851	3,551	31,483	28,096	21,699	-

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	-	103,080	-	-	-	-	-	-
+ Short positions	-	7,289	-	-	-	-	-	-

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	56,173
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 "banking book" of Banca Mediolanum 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. Compliance with the 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 various stressors on the yield curve. On the basis of the analyses carried out on the interest rate risk profile and on risk appetite, it was deemed appropriate to incorporate indications of sensitivity to economic value and the margin within the Group's RAF, also reflecting the structure of the limits established by the current policy.

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. In 2023, Banca Mediolanum completed the updating of the framework for calculating the IRRBB (Interest Rate Risk of the Banking Book), aligning it with the European legislation issued by the EBA and adapting the ALM system with which it oversees trends in the annual net interest income and its economic value (expressed as a percentage of its regulatory capital). It chose to use the analysis with the full evaluation method requested of the "significant" institutions supervised by the ECB. Therefore, for each individual report, the following are calculated:

- the economic value, by discounting all future cash flows provided for contractually (or provided for by the behavioural model)
- the interest margin, using forward rates built on the risk-free zero-coupon rate curve with a constant balance sheet assumption within the 1-year analysis window

Banca Mediolanum also updated the behavioural model of on-demand items, i.e. the model on remunerated current accounts (lending rate) not contractually indexed to a market parameter.

The new calculation method as at 31 December 2023 gave the following results:

- the largest negative change in the consolidated economic value determined by applying the EBA shock of an increase in short-term rates was approximately €40 million;
- the largest potential negative change in net interest income, applying the instantaneous EBA shock of a parallel decrease in the curve of 200 bps, amounted to approximately €52 million.

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	2,212,295	12,566,159	7,141,897	833,764	6,954,563	1,037,096	1,327,817	-
1.1 Debt securities	-	2,748,986	7,025,661	19,469	5,314,009	525,752	89,327	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	2,748,986	7,025,661	19,469	5,314,009	525,752	89,327	-
1.2 Loans to banks	26,671	36,263	-	-	-	-	-	-
1.3 Loans to customers	2,185,624	9,780,910	116,236	814,295	1,640,554	511,344	1,238,490	-
- current account	25,214	470,226	33	23	89	2	-	-
- other loans	2,160,410	9,310,684	116,203	814,272	1,640,465	511,342	1,238,490	-
- with early redemption option	1,926,608	8,852,792	116,099	814,053	1,638,948	510,903	1,238,490	-
- other	233,802	457,892	104	219	1,517	439	-	-
2. On-balance sheet liabilities	20,004,687	11,057,242	758,808	11,421	343,100	11,064	761	-
2.1 Payables to customers	19,931,866	10,566,835	758,747	11,299	29,312	11,064	761	-
- current account	19,521,992	3,585,900	756,636	7,239	-	-	-	-
- other payables	409,874	6,980,935	2,111	4,060	29,312	11,064	761	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	409,874	6,980,935	2,111	4,060	29,312	11,064	761	-
2.2 Payables to banks	72,821	490,407	61	122	672	-	-	-
- current account	68,397	-	-	-	-	-	-	-
- other payables	4,424	490,407	61	122	672	-	-	-
2.3 Debt securities	-	-	-	-	313,116	-	-	-
- with early redemption option	-	-	-	-	313,116	-	-	-
- 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	-	720	743	1,114	14,644	23,730	12,280	-
+ Short positions	-	413	770	1,190	14,088	23,964	12,806	-
- Other derivatives								
+ Long positions	-	53,501	-	-	-	-	-	-
+ Short positions	-	1,257	1,125	2,148	19,091	16,998	12,883	-
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	6,781	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	6,780	-	-	-	-	-	-	-
1.3 Loans to customers	1	-	-	-	-	-	-	-
- current account	1	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	98,419	3,030	-	-	-	-	-	-
2.1 Payables to customers	74,360	-	-	-	-	-	-	-
- current account	74,360	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	24,059	3,030	-	-	-	-	-	-
- current account	5,959	-	-	-	-	-	-	-
- other payables	18,100	3,030	-	-	-	-	-	-
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	-	21	-	-	-	-	-	-
+ Short positions	-	21	-	-	-	-	-	-
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	1,474.84	1,031.11	2,143.64	161.92	187.34	1,785.12	6,784
A.1 Debt securities	-	-	-	-	-	-	-
A.2 Equity securities	3.57	-	-	-	-	-	4
A.3 Loans to banks	1,470.69	1,031.07	2,143.62	161.92	187.34	1,785.12	6,780
A.4 Loans to customers	0.59	0.04	0.02	-	-	-	1
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	105.58	29.51	17.03	7.09	-	-	159
C. Financial liabilities	98,683.27	957.53	1,747.56	-	-	64.23	101,453
C.1 Payables to banks	27,023.81	-	-	-	-	64.23	27,088
C.2 Payables to customers	71,659.47	957.53	1,747.56	-	-	-	74,365
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-	-
E. Financial derivatives	109,234.36	63.36	843.51	65.83	-	161.84	110,369
- Options	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-
- Other	109,234.36	63.36	843.51	65.83	-	161.84	110,369
+ Long positions	102,812.05	15.02	235.26	0.02	-	17.43	103,080
+ Short positions	6,422.31	48.35	608.25	65.82	-	144.41	7,289
Total Assets	104,392.48	1,075.64	2,395.93	169.03	187.34	1,802.54	110,023
Total Liabilities	105,105.58	1,005.88	2,355.81	65.82	-	208.64	108,742
Imbalance (+/-)	(713.11)	69.76	40.12	103.21	187.34	1,593.90	1,281

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	31.12.2023				31.12.2022			
	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	-	-	128,380	-	-	-	219,436	-
a) Options	-	-	33,503	-	-	-	18,370	-
b) Swaps	-	-	94,877	-	-	-	201,066	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	48	-	-	-	3	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	45	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	3	-	-	-	3	-
3. Currencies and gold	-	-	110,369	-	-	-	88,373	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	110,369	-	-	-	88,373	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	-	-	238,797	-	-	-	307,812	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by product

€/000	31.12.2023				31.12.2022			
	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. Positive fair value								
a) Options	-	-	361	-	-	-	459	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	191	-	-	-	12	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	552	-	-	-	471	-
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	7,499	-	-	-	11,756	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	953	-	-	-	196	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
TOTAL	-	-	8,452	-	-	-	11,952	-

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	128,380	-	-
- positive fair value	X	361	-	-
- negative fair value	X	7,499	-	-
2) Equity securities and equity indices				
- notional value	X	45	-	3
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	109,791	-	578
- positive fair value	X	189	-	2
- negative fair value	X	952	-	1
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	8,021	33,626	86,733	128,380	
A.2 Financial derivatives on equity securities and equity indices	48	-	-	48	
A.3 Financial derivatives on currencies and gold	110,369	-	-	110,369	
A.4 Financial derivatives on commodities	-	-	-	-	
A.5 Other financial derivatives	-	-	-	-	
TOTAL	31.12.2023	118,438	33,626	86,733	238,797
TOTAL	31.12.2022	105,827	64,145	137,839	307,811

B. Credit derivatives

The Bank did not use credit derivatives during the year and at 31 December 2023 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 substantially 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.

E. Hedged items

The instruments hedged are fixed-rate loans and variable-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 hedging is the dynamics over time of the “group” initially chosen: over the years, the pool of loans may be reduced by virtue of early repayments, renegotiations, subrogations, etc. As the hedged object changes, the relationship with the hedging instrument is changed and this generates a misalignment that may 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 31.12.2023				Total 31.12.2022				
	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	-	-	50,921	-	-	-	89,392	-	
a) Options	-	-	3,556	-	-	-	22,341	-	
b) Swaps	-	-	47,365	-	-	-	67,051	-	
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	-	-	50,921	-	-	-	89,392	-	

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	
	31.12.2023				31.12.2022				31.12.2022	31.12.2021
	Over the counter			Organised markets	Over the counter			Organised markets		
	CCPs	With netting arrangements	Without netting arrangements		CCPs	With netting arrangements	Without netting arrangements			
Positive fair value	-	-	53	-	-	-	430	-	-	-
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	53	-	-	-	430	-	-	-
Negative fair value	-	-	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	3,605	-	-	-	2,594	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	3,605	-	-	-	2,594	-	-	-

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	50,920	-	-
- positive fair value	X	53	-	-
- negative fair value	X	3,605	-	-
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	3,972	16,948	30,001	50,921
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 31.12.2023	3,972	16,948	30,001	50,921
TOTAL 31.12.2022	6,229	21,004	62,159	89,392

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:		47,630	-	3,072	(899)	1,471	-
I.1 Debt securities and interest rates		47,630	-	3,072	(899)	1,471	x
I.2 Equity securities and equity indices		-	-	-	-	-	x
I.3 Currencies and gold		-	-	-	-	-	x
I.4 Loans		-	-	-	-	-	x
I.5 Other		-	-	-	-	-	x
TOTAL	31.12.2023	47,630	-	3,072	(899)	1,471	-
TOTAL	31.12.2022	77,830	-	2,500	-	15,290	-
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	31.12.2023	-	-	-	-	-	-
TOTAL	31.12.2022	-	-	-	-	-	-

E. Effects of hedging operations on equity

Nothing to report.

Section 4 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management procedures and measurement methods

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations due to an inability to raise funds on the market (funding liquidity risk) or to liquidate its assets (market liquidity risk). The establishment of an appropriate system of governance and management of this risk plays a fundamental role in maintaining the stability not only of the individual bank, but also of the market, given that the imbalances of a single financial institution can have systemic repercussions.

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 overseen through the definition of guidelines for the implementation of the process of monitoring the indicators set out in the Risk Appetite Framework document of the Banca Mediolanum Group. It has adopted a control framework (with the relevant reporting) that provides for daily, weekly, monthly and quarterly monitoring to oversee all aspects of liquidity, both short-term and medium/long-term, under "normal business conditions" and simulating stress scenarios. The internal liquidity risk control and management system is also consistent with and conforms to the bank's specificities and the liquidity regulations introduced by the European Union since June 2013, as updated, as detailed in the consolidated section.

The governance model is based on centralised management of liquidity and the related risk. The Parent Company defines the guidelines for integrated risk management at Group level through the Risk Appetite Framework document, which contains strategic and operational indicators for the risk in question; is responsible for the policy and for defining the methods for identifying liquidity risk.

The Bank's liquidity position

The liquidity position of Banca Mediolanum remained within the risk limits provided for in the current Liquidity Policy throughout 2023. Both short-term (LCR) and long-term (NSFR) indicators are well above the regulatory requirements, supported by adequate high-quality liquid assets (HQLA) and the significant retail funding contribution. In 2023, according to regulatory instructions, Banca Mediolanum's LCR remained well above 100%, averaging 286%, and its NSFR averaged 166%.

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	1,136,671	468,651	528,353	334,352	1,847,193
A.1 Government securities	1,511	-	507,221	256,000	1,601,913
A.2 Other debt securities	373	-	20,175	-	-
A.3 UCI units	134,077	-	-	-	-
A.4 Loans	1,000,710	468,651	957	78,352	245,280
- Banks	185,782	10,930	-	25,097	-
- Customers	814,928	457,721	957	53,255	245,280
B. On-balance sheet liabilities	22,824,440	5,861,823	1,219,586	430,634	830,479
B.1 Deposits and current accounts	22,614,682	24,000	42,774	186,879	523,780
- Banks	68,397	-	-	-	-
- Customers	22,546,285	24,000	42,774	186,879	523,780
B.2 Debt securities	-	-	-	15,105	-
B.3 Other liabilities	209,758	5,837,823	1,176,812	228,650	306,699
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	7,290	-	-	-
- Short positions	-	23,203	-	52,500	28,000
C.2 Financial derivatives without capital exchange					
- Long positions	361	-	-	12	8
- Short positions	7,028	-	-	3	9
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	706,080	3,291,297	13,945,450	11,691,338	324
A.1 Government securities	277,147	1,853,118	9,368,901	2,595,001	-
A.2 Other debt securities	938	22,756	338,200	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	427,995	1,415,423	4,238,349	9,096,337	324
- Banks	-	-	-	-	324
- Customers	427,995	1,415,423	4,238,349	9,096,337	-
B. On-balance sheet liabilities	770,532	12,002	329,983	11,825	-
B.1 Deposits and current accounts	768,099	7,370	-	-	-
- Banks	-	-	-	-	-
- Customers	768,099	7,370	-	-	-
B.2 Debt securities	-	-	300,000	-	-
B.3 Other liabilities	2,433	4,632	29,983	11,825	-
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	27	44	-	-	-
- Short positions	9	20	-	-	-
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	6,816	-	-	-	-
A.1 Government securities	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-
A.3 UCI units	-	-	-	-	-
A.4 Loans	6,816	-	-	-	-
- Banks	6,815	-	-	-	-
- Customers	1	-	-	-	-
B. On-balance sheet liabilities	98,419	11	-	2,733	313
B.1 Deposits and current accounts	98,419	11	-	2,733	313
- Banks	24,059	11	-	2,733	313
- Customers	74,360	-	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with capital exchange					
- Long positions	-	23,250	-	51,614	28,237
- Short positions	-	7,310	-	-	-
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	-	-	-	-	-
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.

QUANTITATIVE INFORMATION

During 2023, the risk assessment process covered almost all of the activities carried out, identifying close to 1,880 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 2023, the ratios of Banca Mediolanum were above the regulatory thresholds.

B. QUANTITATIVE INFORMATION

B.1 Company capital: breakdown

€/000	31.12.2023	31.12.2022
1. Capital	600,564	600,452
2. Issue premiums	7,035	5,297
3. Reserves	2,217,881	2,079,023
- earnings	2,213,621	2,074,763
a) legal	121,026	121,026
b) pursuant to the articles of association		
c) treasury shares		
d) other	2,092,595	1,953,737
- other	4,260	4,260
3.5 Interim dividends (-)	(207,519)	(177,133)
4. Equity instruments		
5. (Treasury shares)	(19,781)	(33,146)
6. Valuation reserves	39,883	(29,077)
- Equity securities designated at fair value through other comprehensive income	29,269	(19,090)
- 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	(388)	(1,522)
- 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	(72)	(28)
- Share of valuation reserves of equity investments measured at equity	11,074	(8,437)
- Special revaluation laws		
7. Net income for the year	833,707	508,293
TOTAL	3,471,770	2,953,709

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income

€/000	31.12.2023		31.12.2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		(388)	-	(1,522)
2. Equity securities	29,273	(4)	6	(19,096)
3. Loans	-	-	-	-
TOTAL	29,273	(392)	6	(20,618)

The table does not include the valuation reserve of subsidiaries measured using the equity method, of -€11,074 thousand.

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes during the year

	Debt securities	Equity securities	Loans
1. Opening balances	(1,522)	(19,090)	-
2. Increases	1,231	48,363	-
2.1 Fair value increases	640	48,334	-
2.2 Credit risk-induced value adjustments	-	X	-
2.3 Reversal to the income statement of negative reserves from disposal	508	X	-
2.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
2.5 Other changes	83	29	-
- of which business combinations	-	-	-
3. Negative changes	(97)	(5)	-
3.1 Fair value reductions	(30)	(4)	-
3.2 Credit risk induced write-backs		-	-
3.3 Reversal to the income statement from positive reserves: from disposal	(67)	X	-
3.4 Transfers to other items of shareholders' equity (equity securities)	-	-	-
3.5 Other changes		-	-
- of which business combinations	-	-	-
4. Closing balances	(388)	29,269	-

B.4 Valuation reserves related to defined-benefit plans: annual changes

Valuation reserves for defined benefit plans amount to -€72 thousand, an increase of +€44 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 – Transactions carried out 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 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” (please see this document for further details). The Board of Directors of Banca Mediolanum also adopted the “Regulations on the process for managing related party transactions of Banca Mediolanum and associates of the Mediolanum Banking Group” for the management of transactions with related parties and associates in accordance with the procedures provided for by the regulations. This document serves to regulate any conflicts of interest in transactions involving parties close to company decision-making centres, in accordance with Consob Regulation No. 17221/2010, as amended, and Bank of Italy Circular No. 285.

During the 2023 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 FinProg companies, wholly owned by the Doris family and the Fininvest company headed by Pier Silvio Berlusconi and Marina Elvira 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 No. 17221/2010, as subsequently updated, and Bank of Italy Circular No. 285. Considering that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions cited, it was decided, for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years.

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	(3,609)	(3,145)
Other remuneration	-	(23)

2. Information on related party transactions

€/000	31.12.2023
Asset items	
Financial assets at fair value through other comprehensive income	253,734
Loans to banks	2,080
Loans to customers	42,014
Liability items	
Payables to banks	285
Payables to customers	432,954
Financial liabilities held for trading	695
Other liabilities	851
Guarantees issued and commitments given	19

€/000	31.12.2023
Income statement items	
Interest income and similar income	1,548
Interest expense and similar expenses	(9,747)
Net interest	(8,199)
Commission income	17,677
Net commission expense	17,677
Dividends	19,248
Net gains (losses) from trading	(104)
Administrative expenses	(4,988)
Other operating revenues and expenses	(73)

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, paragraph 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");
- > 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:

- > 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 a maximum of no. 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 €97,335.00 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.

It should be recalled that at the date of these financial statements, the Employee Plan is still in place and its effects are reflected herein.

PERFORMANCE SHARE PLANS

Banca Mediolanum's Ordinary Shareholders' Meeting approved, for the years from 2015 to 2022, performance plans called the "Top Management Key Personnel Plan" for directors and managers and the "Top Management Other Personnel Plan" for Executive Top Management, in addition to performance plans called the "Employee Key Personnel Plan" and the "Employee Other Personnel Plan" for the Sales Network.

It should also be recalled that on 18 April 2023, the ordinary shareholders' meeting of Banca Mediolanum, as in previous years, approved the establishment of a new performance share plan, called:

- the "2023 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 "2023 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 "2023 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 "2023 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.

At 31 December 2023, the plans approved from 2019 to 2023 were still in place for top management, while for employees, the plans still in place range from 2015 to 2023.

The total number of treasury shares in the portfolio was 2,899,295, with an equivalent value of €19.8 million at 31 December 2023.

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.

The cost of the performance share expense for 2023 was €12.6 million.

PHANTOM SHARE PLANS

The Remuneration Policies of Banca Mediolanum allow for the option of establishing long-term incentive plans based on a multi-year future performance assessment.

The Shareholders' Meeting of 16 April 2020 had 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.

Subsequently, the Shareholders' Meeting of 18 April 2023 approved another long-term incentive and loyalty plan called the "2023-2025 Phantom Share LTI Plan", again 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 plans 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.

The cost of the phantom share expense for 2023 was €0.8 million.

At 31 December 2023, both plans were still in place.

QUANTITATIVE INFORMATION

I. Annual changes

	Total 31.12.2023			Total 31.12.2022		
	Number of options	Average exercise price (euro)	Average maturity	Number of options	Average exercise price (euro)	Average maturity
A. Opening balances	2,680,876	1.70	Jul-26	3,623,888	1.55	Apr-23
B. Increases	-		X	-		X
B1. New issues	-			-		
B2. Other changes	-		X	-		X
C. Decreases	1,110,250		X	943,013		X
C1. Cancelled			X			X
C2. Exercised	1,110,250	1.65	X	943,013	1.23	X
C3. Expired	-	-	X	-	-	X
C4. Other changes			X			X
D. Closing balances	1,570,626	1.73	Nov-26	2,680,876	1.70	Jul-26
E. Options exercisable at the end of the year	-	-	X	-	-	X

Under the stock option plans, as at 31 December 2023, 1,110,250 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 €111.9 thousand and an increase in the share premium reserve of €1,738.7 thousand.

The cost incurred for stock options for 2023 was €0.6 million; and for performance shares the cost incurred was around €12.6 million. The cost recorded for phantom shares was €0.8 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 2023
ASSETS	
Rights of use acquired through leasing	
1. Tangible assets	(8,311)
1.1 land	
1.2 buildings	(8,311)
1.3 furniture	
1.4 electronic equipment	
1.5 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 14 – 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	2023 lease payments to be received
TIME BANDS	
Up to 1 year	69
1 to 5 years	12,718
Over 5 years	37,368
Overall total	50,155

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	1,778,627
Certification services	PricewaterhouseCoopers SpA and other entities of the PwC Network	445,379
Other services	PricewaterhouseCoopers SpA and other entities of the PwC Network	48,117
TOTAL		2,272,124

It should be noted that for 2023, PwC audited the reports on operations of the mutual funds managed by the Mediolanum Group management companies; the relative fees of €718,197 are a cost to the funds and not to the companies conferring the audit mandate.

BANCA MEDIOLANUM (in euro, net of VAT and expenses)		
TYPE OF SERVICES	PARTY PROVIDING THE SERVICE	COMPENSATION
Audit	PricewaterhouseCoopers S.p.A.	530,825
Certification services	PricewaterhouseCoopers S.p.A.	257,203
Other services	PricewaterhouseCoopers S.p.A.	35,000
TOTAL		823,028

Declaration of the Financial Reporting Officer

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS(5) OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND 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 2023.
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 2023 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 compliance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 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, 6 March 2024

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”), which comprise the statement of financial position as of 31 December 2023, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023 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.

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

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** 40124 Via Luigi Carlo Farini 12 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 risk and charges related to indemnities paid to the network of financial advisors

Notes to the financial statements:

Part A – Accounting policies, paragraph “10 - Provisions for risk and charges”

Part B – Information on the statement of financial position, Section 10, Liabilities, “Provisions for risk 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 2023 include provisions for risk and charges equal to Euro 279 million, whereof Euro 255 million relating to contractual and bonus allowances paid to financial advisors.

The measurement of provisions for risk and charges recognised for contractual and bonus allowances owed to financial advisors is the subject of a structured evaluation process based on an analysis of contractual clauses and internal regulations, on actuarial criteria and on other historical-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 risk and charges related to allowance owed to the network of financial advisors as a key audit matter in our audit work.

We understood and evaluated the design of relevant controls for the identification, monitoring and recognition of provisions for risk and charges as of 31 December 2023, and we verified their operating effectiveness.

We discussed with the Banks’ management and with the corporate functions involved about the nature of the provisions recognised and the methodological appropriateness of evaluations made for the purposes of determining provisions for risk and charges.

In detail, also with the support of actuarial experts from the PwC network, we performed the following audit activities:

- we obtained and analysed the recognition and measurement policies applied to provisions for risk and charges in the financial statements and their reasonableness and consistency with the terms of the contractual agreements;
 - we obtained and understood the calculation models used by management to estimate the provisions in question and we verified their mathematical accuracy;
 - we verified, on a sample basis, the accuracy of inputs and the reasonableness of the methods adopted, and related assumptions, also in the light of the uncertainties related to the current market environment, as well as the actuarial assumptions used;
 - we performed a critical analysis of the result of the control activities performed by the corporate functions variously involved in the determination of those provisions for risks and charges;
-

<i>Key Audit Matters</i>	<i>Auditing procedures performed in response to key audit matters</i>
	we analysed the consistency of the input parameters underlying the determination of provisions with the relevant historical trends of the underlying data, also to understand the predictive ability 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, 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.

From 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) No 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 consolidated financial statements for the years ending 31 December 2020 to 31 December 2028.



We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 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 as of 31 December 2023, 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 as of 31 December 2023 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 Banca Mediolanum SpA as of 31 December 2023, 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 2023 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 2023 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, 25 March 2024

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

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 1 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 1 and Tier 2 capital.

Net inflows

Amount of subscriptions net of divestments.

RWAs 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.