MEDIOLANUM GROUP

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2022

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 €600,437,222.1 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@pec.mediolanum.it
Bancamediolanum.it

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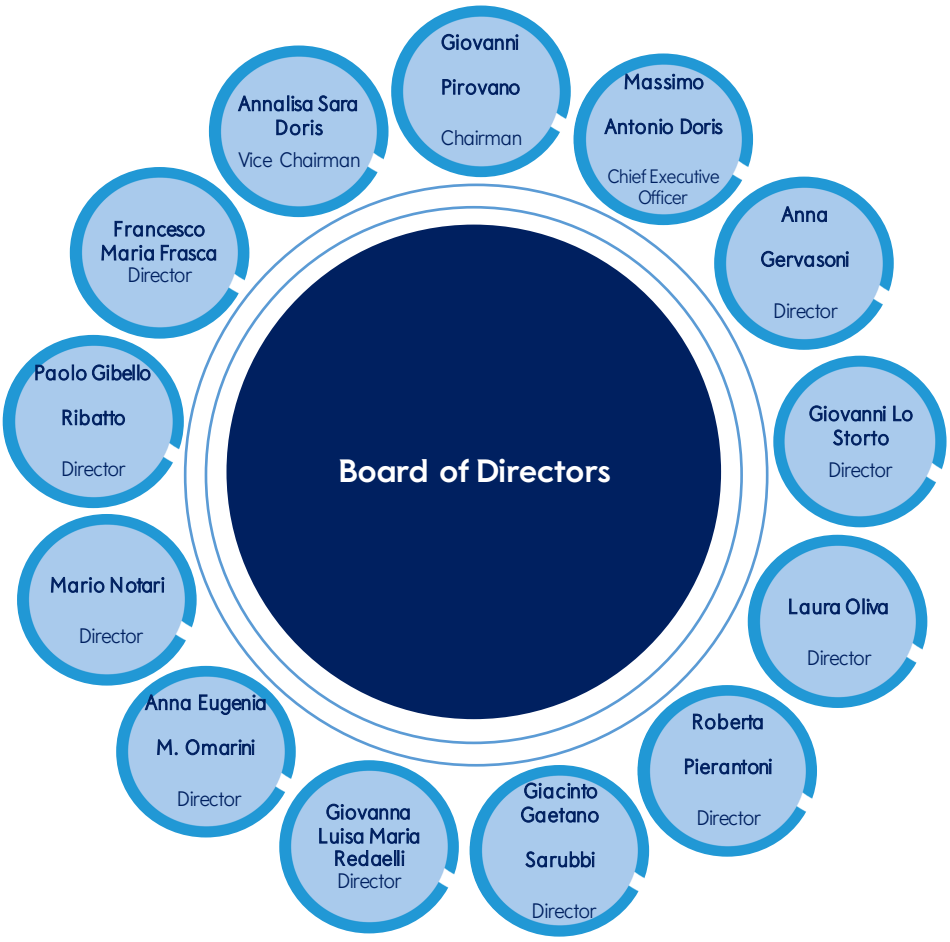
Corporate officers of Banca Mediolanum S.p.A.



Board of Statutory Auditors

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

General Manager

Gianluca Bosisio

Financial Reporting Officer

Angelo Lietti

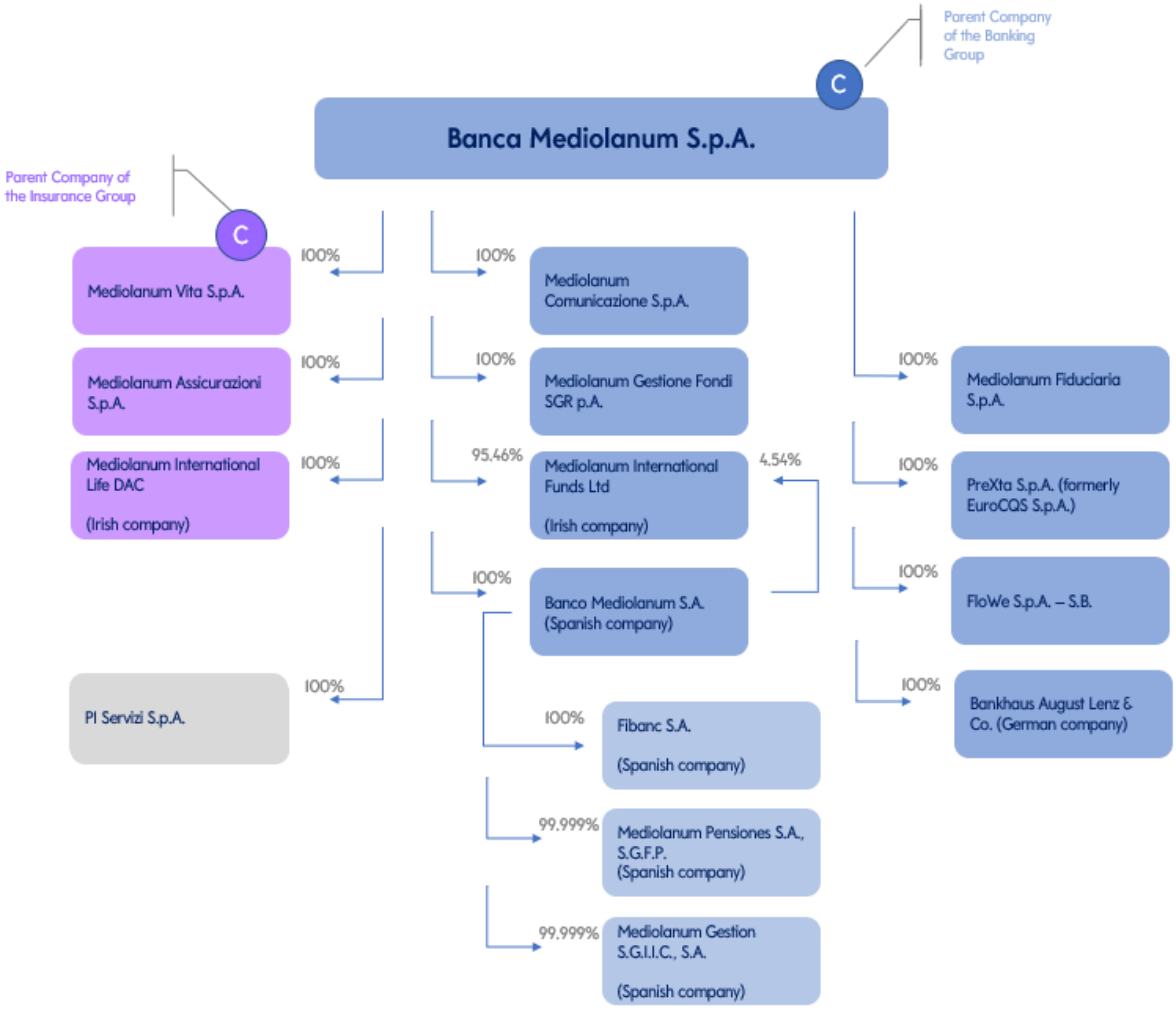
Board Secretary

Luca Maria Rovere

Independent Auditor

PricewaterhouseCoopers S.p.A.

Scope of consolidation at 30 June 2022



Consolidated highlights at 30 June 2022

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Main results of the Mediolanum Group at the end of the first half of 2022

ECONOMIC PERFORMANCE

The Mediolanum Group closed the first half of 2022 with net income of €237.9 million, compared with €268.7 million for the comparative period.

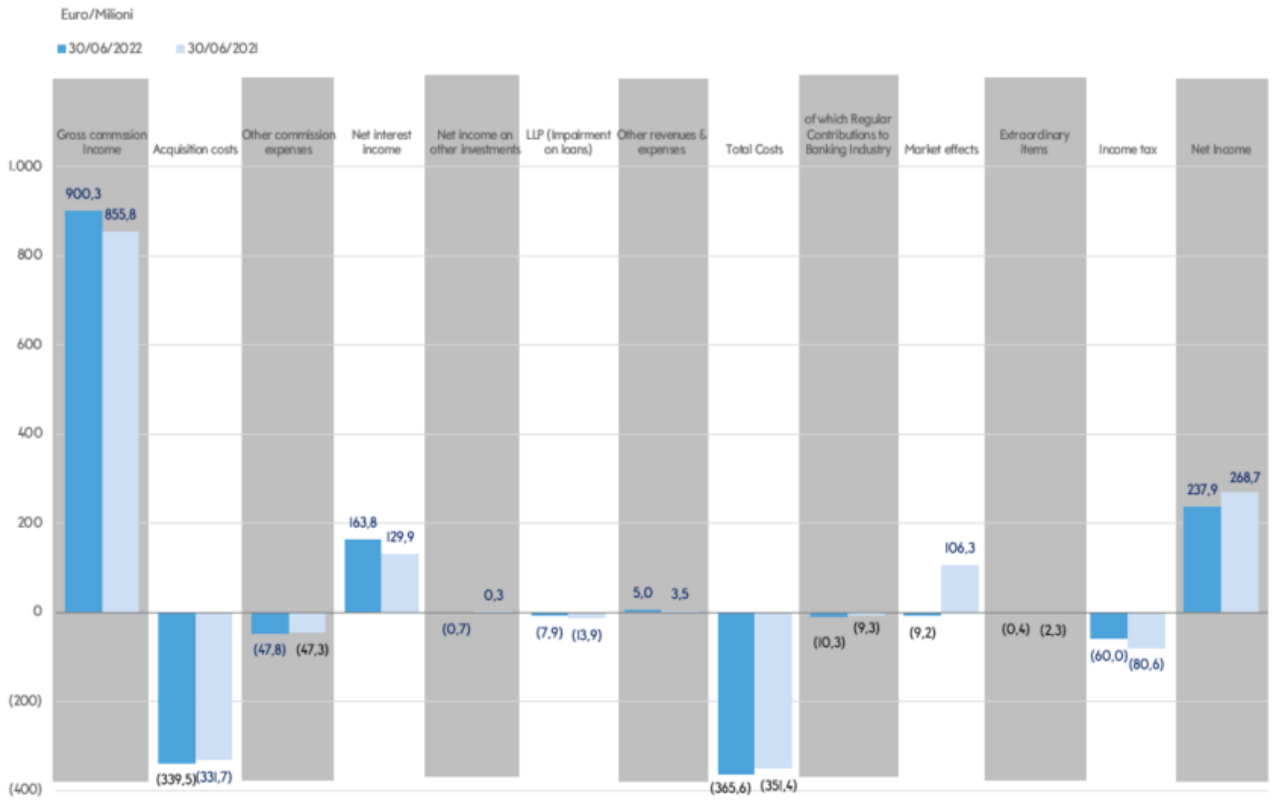
Despite the performance of the financial markets in the first half of 2022, the Group recorded a 25.3% increase in its operating margin compared with 30 June 2021, mainly due to the increase in the contribution margin (+€76.4 million). Net commission income increased (+€36.1 million compared with 30 June 2021), driven by excellent commercial results, and the positive contribution of net interest income (+€33.9 million compared with the comparative period), mainly due to the increase in the credit portfolio and treasury operations.

General and administrative expenses increased by 8.8% in the period, mainly due to new projects in progress and the rise in staff expenses resulting from the increase in the average headcount, while cost income, net of market effects, remained below 50%.

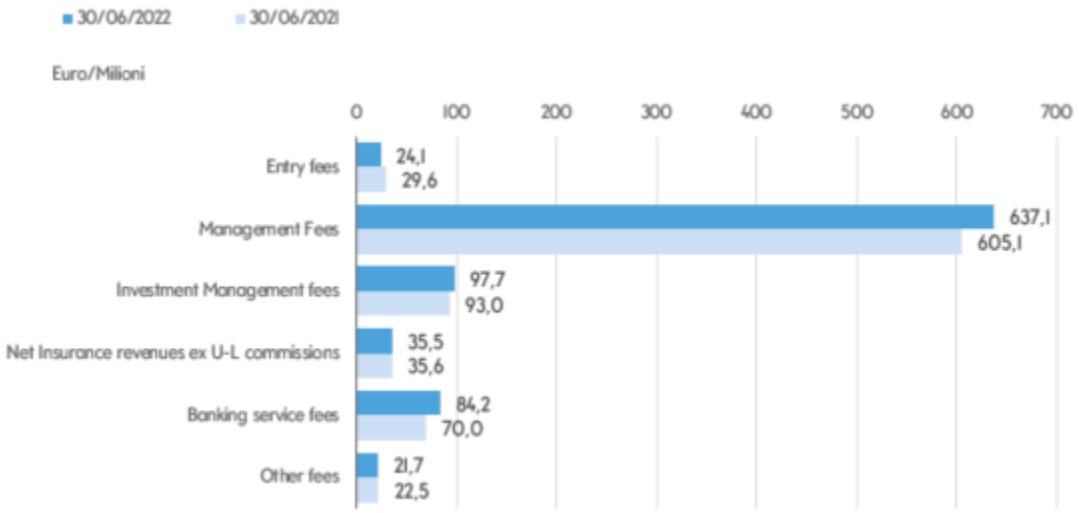
The period in question was also influenced by negative market effects: the market contracted by €115.5 million compared with the same period a year earlier, mainly reflecting net income on investments at fair value (-€104.7 million compared with 30 June 2021).

CONSOLIDATED INCOME STATEMENT DATA

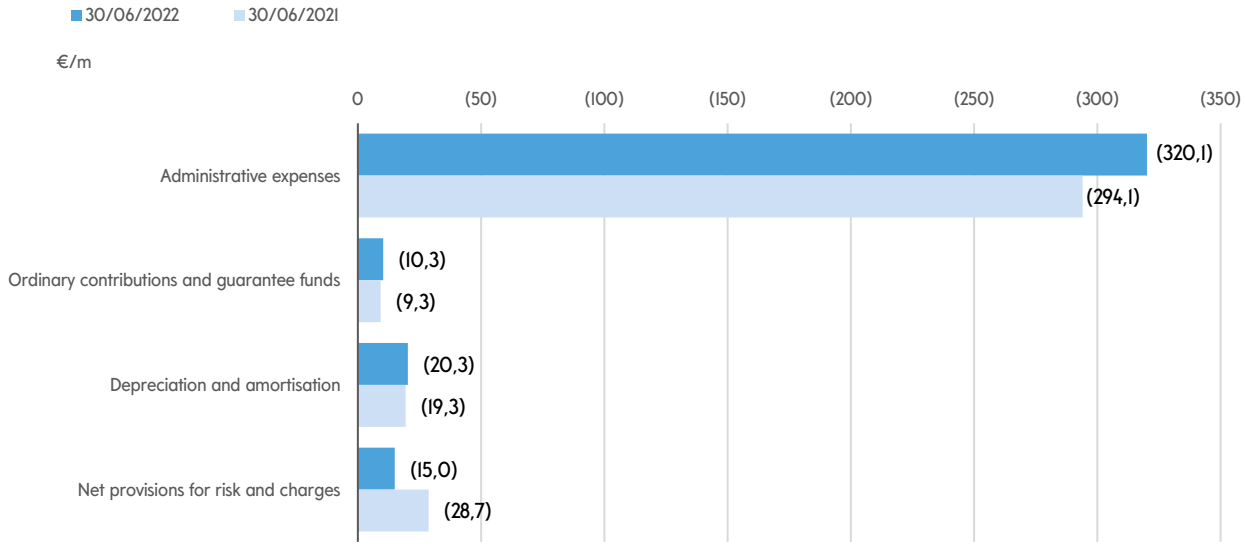
Main items in the consolidated income statement



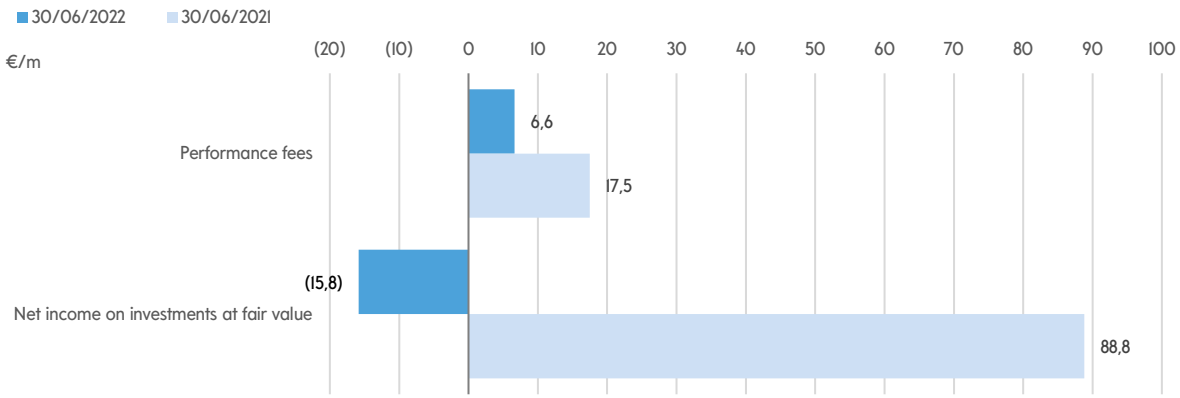
Commission income: breakdown by nature



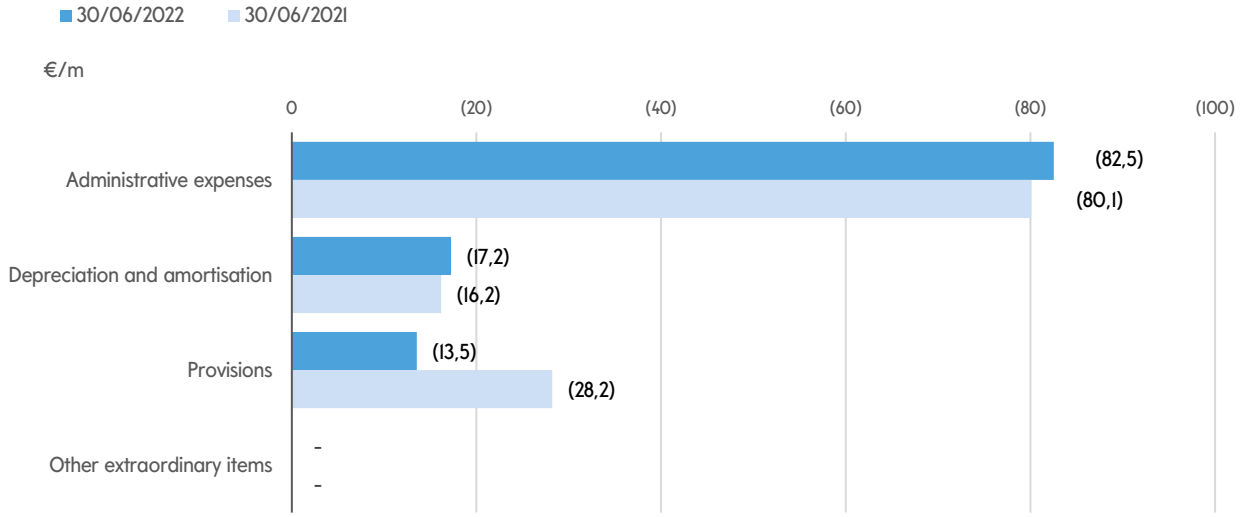
Costs: breakdown by type



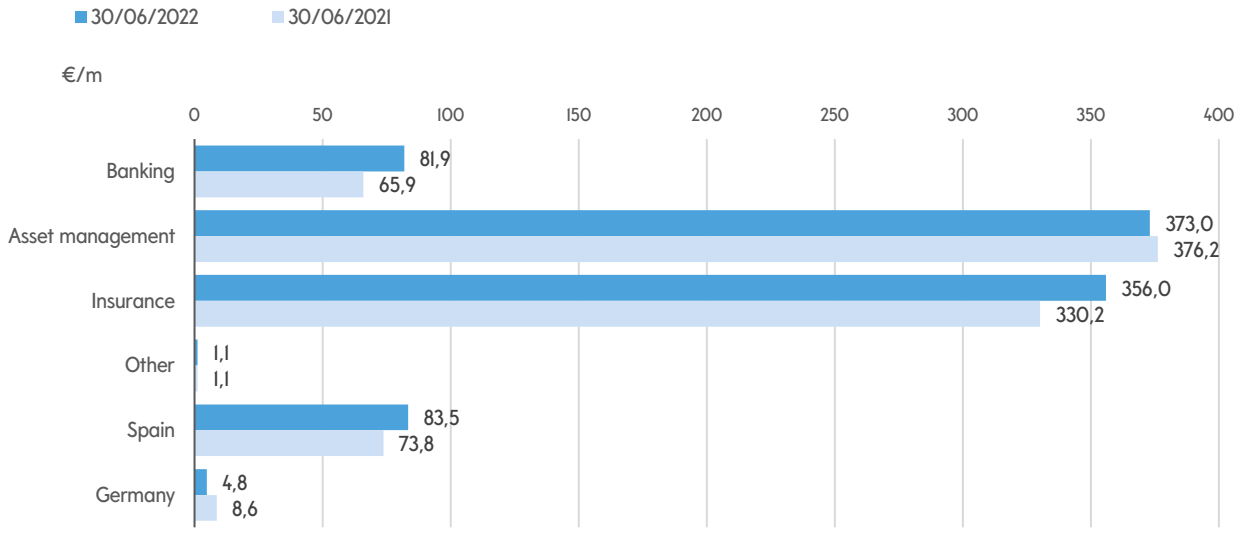
Market effects: breakdown by type



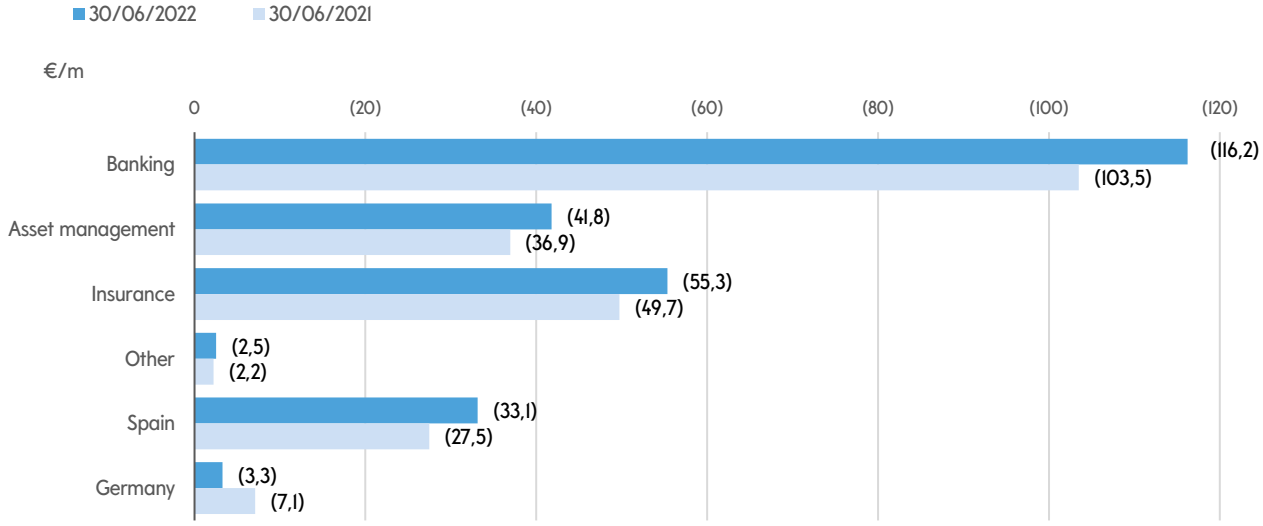
Unallocated costs: breakdown by type



Commission income: breakdown by operating segment

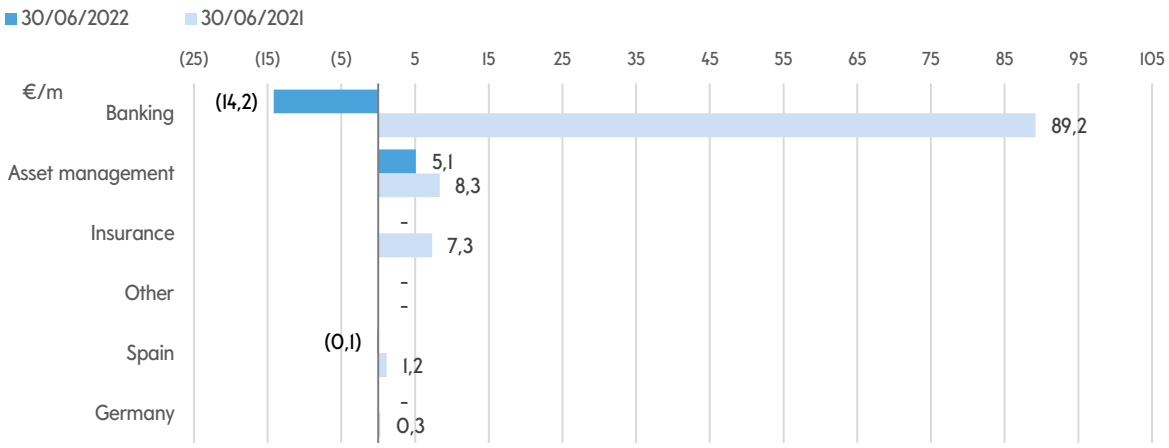


Allocated costs: breakdown by operating segment[1]



[1] For the Italian market (Banking – Asset Management – Insurance – 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).

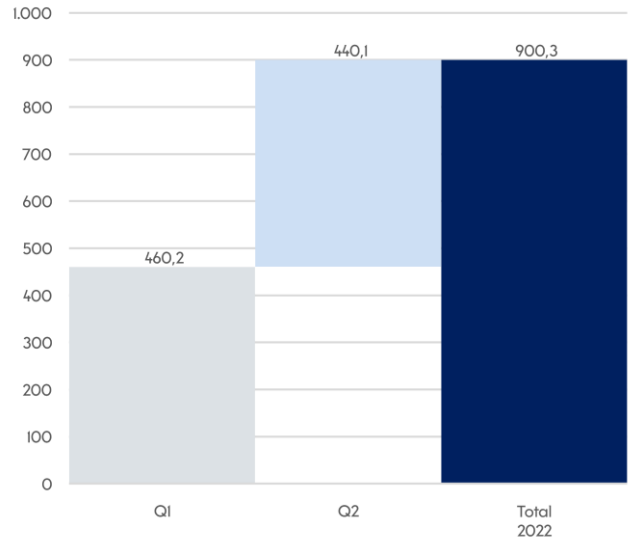
Market effects: breakdown by operating segment



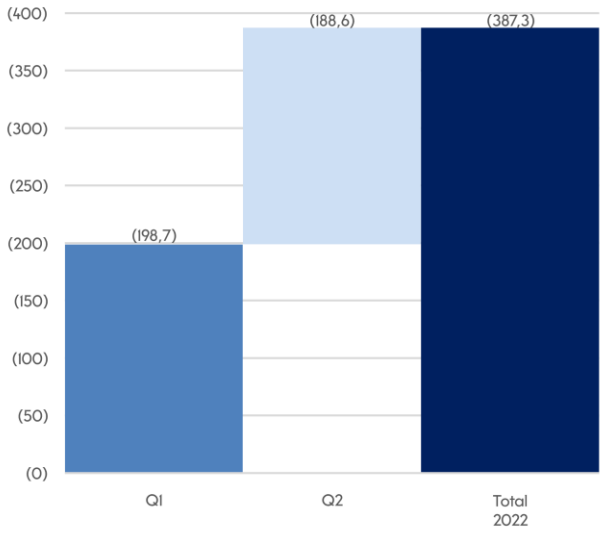
Quarterly changes in main consolidated operating data

(figures in Euro/millions)

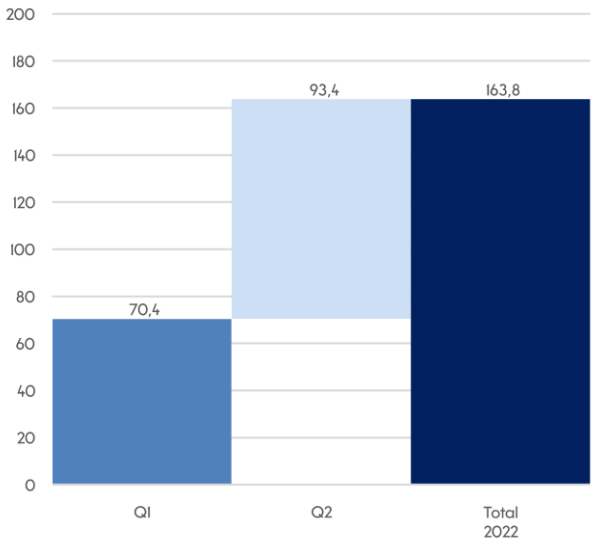
Commission income



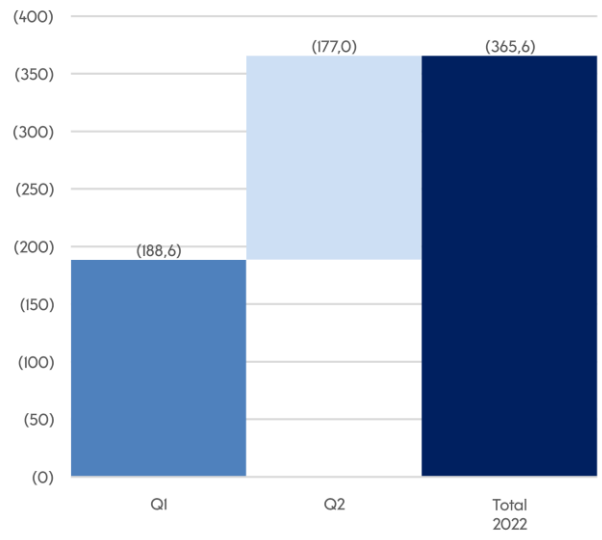
Commission expense



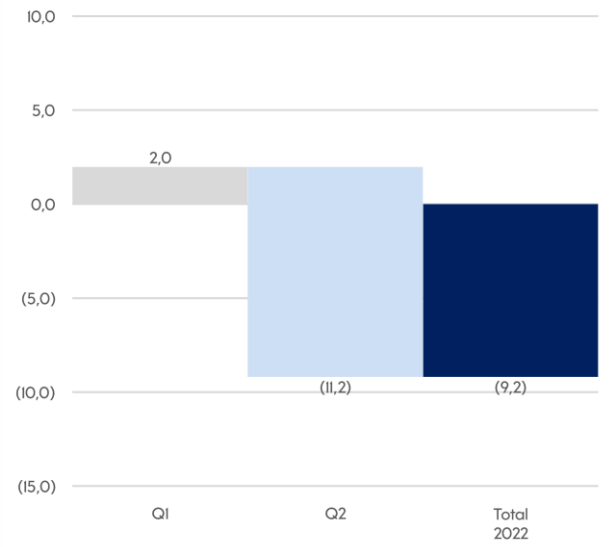
Net interest income



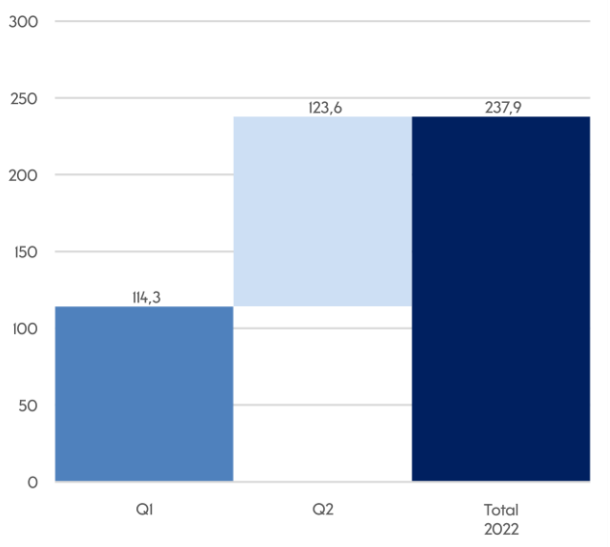
Total costs



Market effects

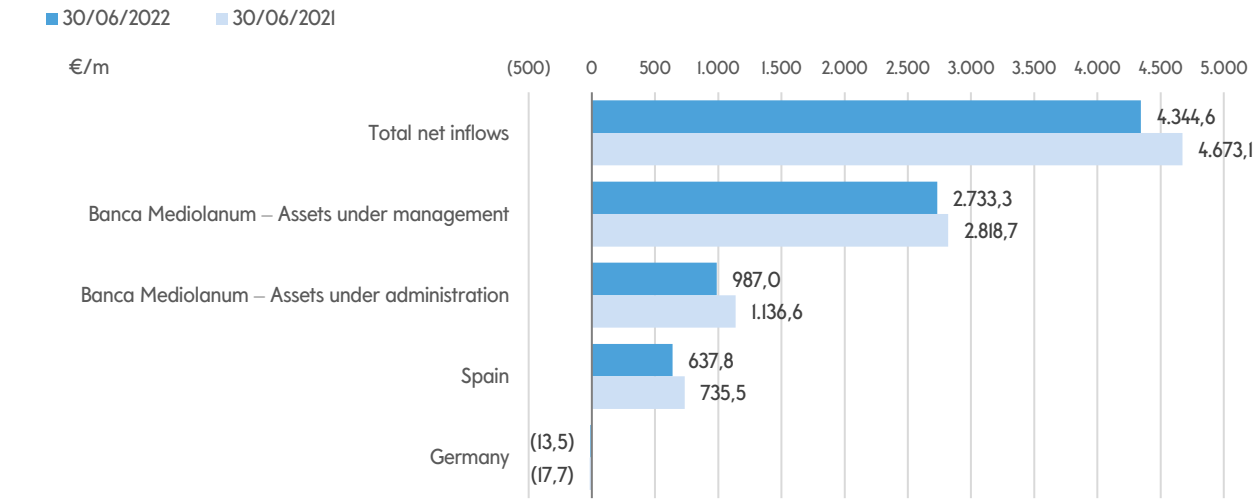


Net result

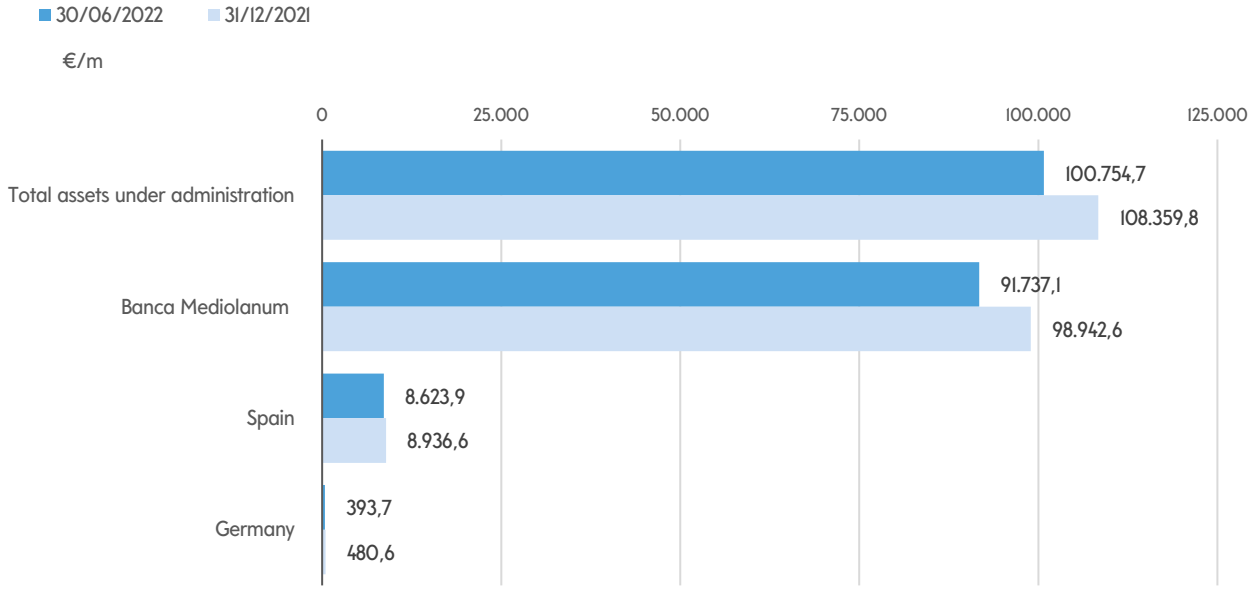


DATA ON INFLOWS AND ASSETS

Net inflows

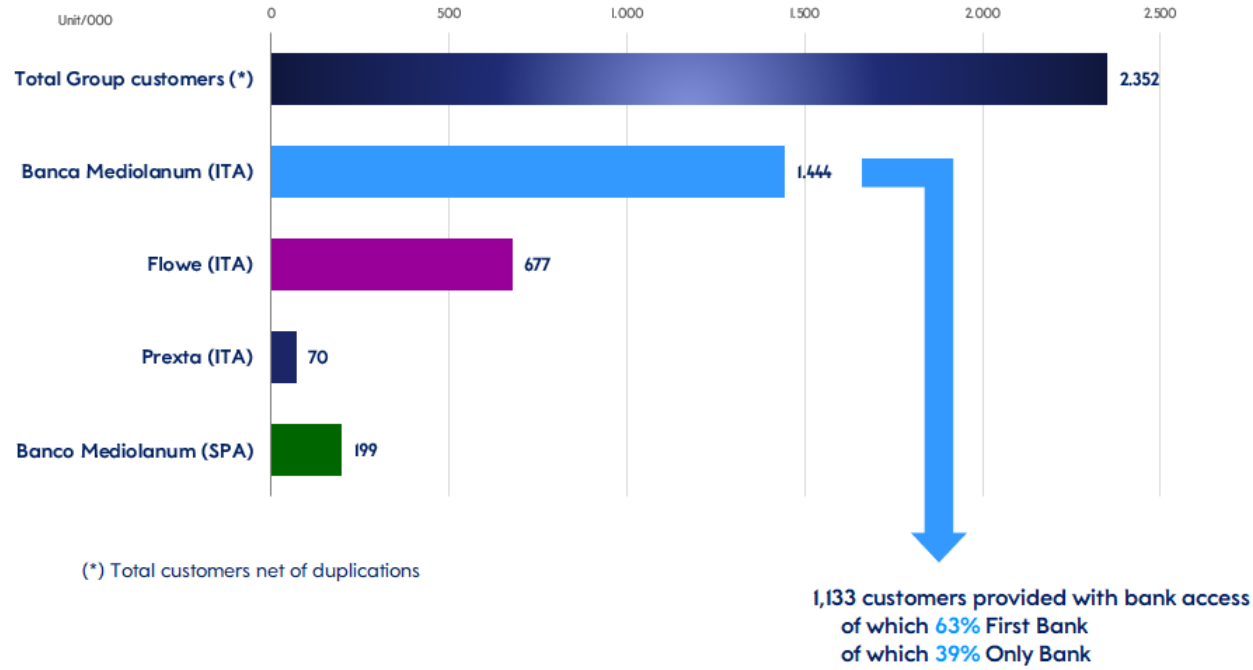


Assets under administration and management

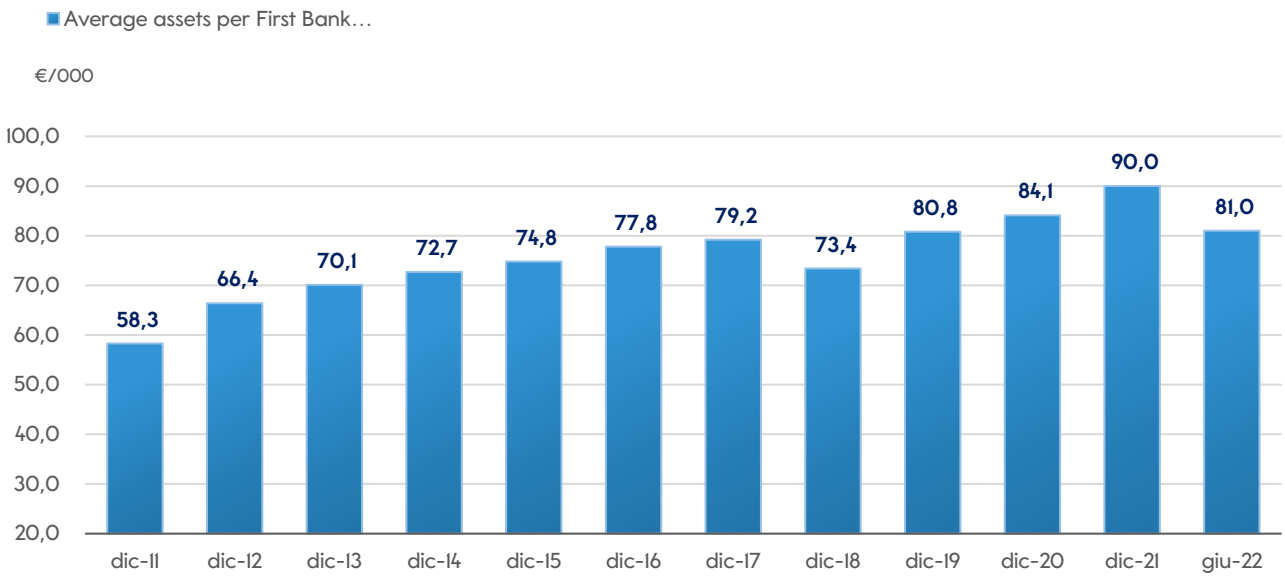


CUSTOMERS

Trends in the customer base



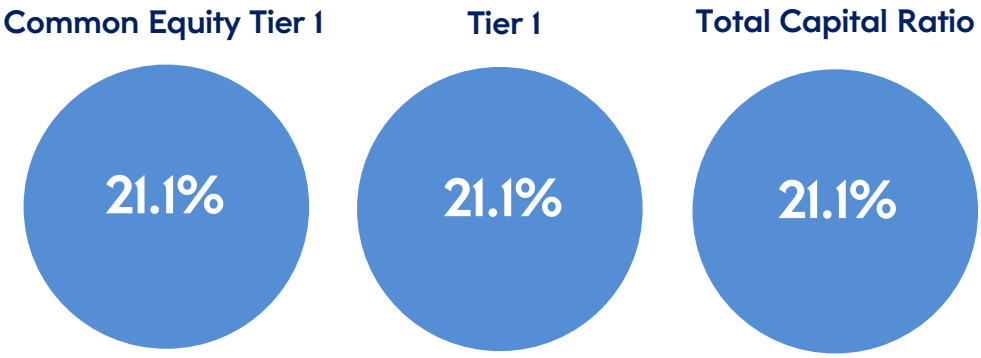
Average assets per customer[2]



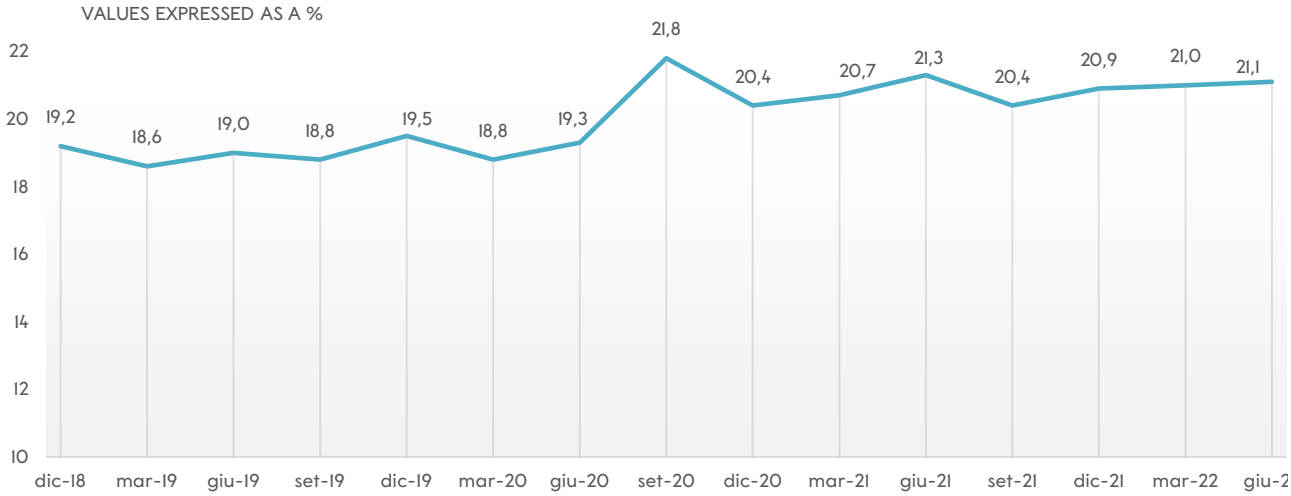
[2] Customers that are primary current account holders with Banca Mediolanum

REGULATORY CAPITAL RATIOS[3]

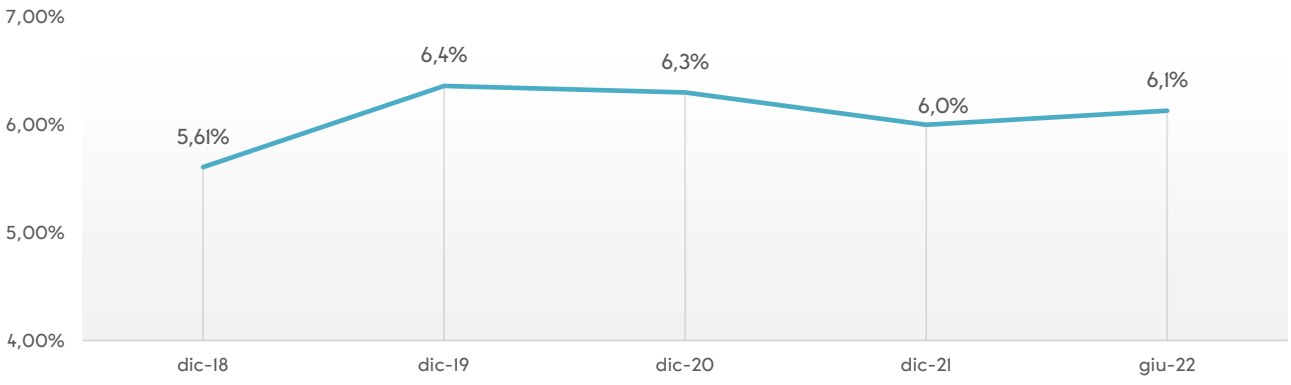
Consolidated capital ratios at 30 June 2022



Evolution of the Common Equity Tier 1 Ratio



Leverage ratio

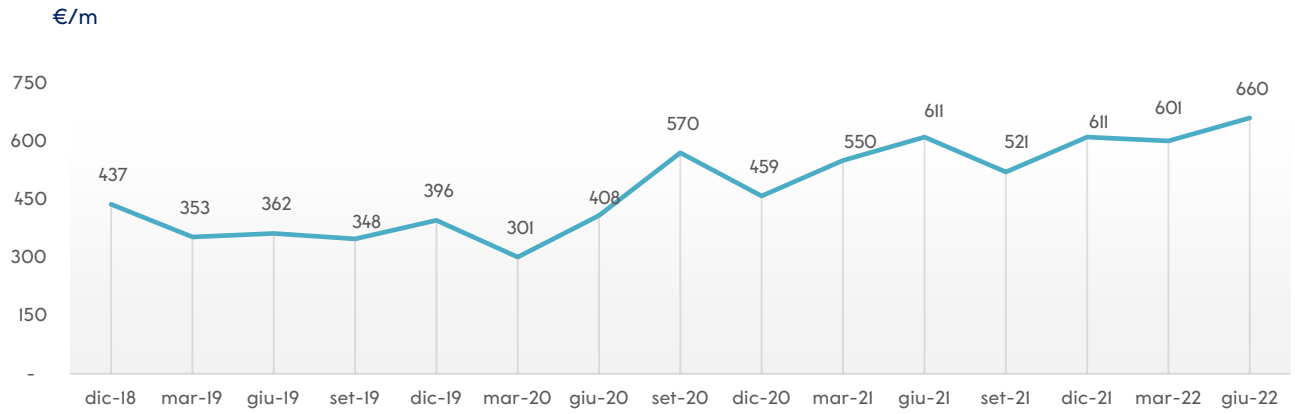


[3] The values set out in this report may be updated during the supervisory authority reporting phase.

Capital adequacy of the Financial Conglomerate*

€/m	30/06/2022	31/12/2021
Financial conglomerate primarily engaged in banking		
Capital	3,061	2,869
Banking capital requirements	1,305	1,254
Insurance capital requirements	1,096	1,004
Capital surplus (deficit)	**660**	**611**

Evolution of the capital surplus of the Financial Conglomerate*



* Capital adequacy at 30 June 2022 was calculated according to the capitalisation limits notified by the Supervisory Authority based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2022) of the Mediolanum Insurance Group sent to the supervisory authority.

Other indicators

Information on the stock

	30/06/2022	31/12/2021
Number of ordinary shares (units)	742,774,078	742,105,815
Price at end of period (€)	6.28	8.68
Market capitalisation (€/m)	4,665	6,441
Shareholders' equity (€/m)	2,808	2,883

Earnings per share (EPS)

Euro	30/06/2022	31/12/2021	30/06/2021
Basic EPS	0.323	0.969	0.365
Diluted EPS	0.320	0.965	0.364

Credit indicators

Ratio	30/06/2022	31/12/2021
Gross NPLs (non-performing loans)	1.32%	1.35%
Net NPLs (non-performing loans)	0.72%	0.71%
Cost of risk	0.10%	0.12%

Cost indicators

Ratio	30/06/2022	31/12/2021	30/06/2021
Cost/income	49.10%	50.60%	50.80%
Network commission expense/Commission income	37.70%	39.60%	38.80%

Operational structure

Individuals	30/06/2022	31/12/2021	30/06/2021
Number of employees	3,448	3,318	3,229
Number of financial advisors	5,947	5,762	5,604
ITALY - BANCA MEDIOLANUM	4,361	4,258	4,200
SPAIN	1,586	1,504	1,404

For the definitions used in this summary of results, please see the **Glossary** at the end of the document.

Group profile

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The history of the Group: key milestones

1982

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

1996

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

1997

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

2000

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

2001

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

2004

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

2006

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

2009

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

2013

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

2014

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

2015

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

2016

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

2017

The focus on financial solidity and stability continues: CET1 reaches 21.9% at 31 December 2017.

2018

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

2019

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

2020

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

2021

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

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

2022

International rating agencies S&P Global Ratings and Fitch Ratings assigned the first rating to the Bank: S&P Global Ratings assigned a long-term Issuer Credit Rating (ICR) of BBB with a stable outlook; Fitch Ratings assigned a long-term Issuer Default Rating (IDR) of BBB with a stable outlook. It should be noted that the ratings assigned by these agencies are in line with the ratings assigned to Italian sovereign debt and to the largest banking players in the domestic market.

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.

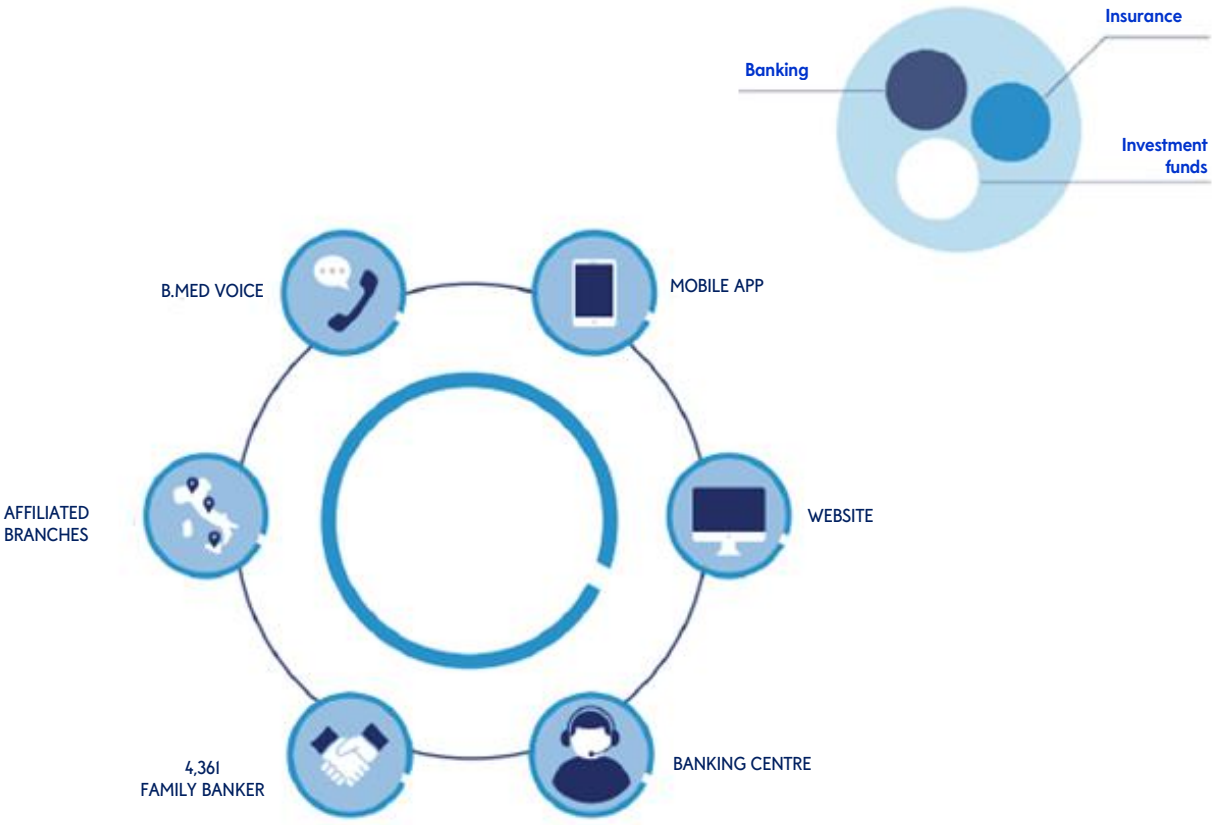
The Mediolanum Group's commercial business model

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



Interim Report on Operations of the Mediolanum Group

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THE MACROECONOMIC SCENARIO

The second quarter of 2022 saw the introduction of more restrictive monetary policies by the biggest central banks, with the aim of curbing rising inflationary pressures, as well as developments in the global geopolitical situation due to the crisis in Ukraine.

The tragic events caused by Russia's invasion of Ukraine and the aforementioned inflationary pressures have resulted in further price rises, particularly for energy and agricultural commodities, prompting central banks to normalise rates and fiscal policies in an effort to contain inflation, or, failing this, to not fuel it further.

The Federal Reserve (Fed) and the Bank of England (BoE) first reacted to the changed environment by abandoning expansionary monetary policies as early as the first quarter of the year, with the former raising official rates of interest from 0.5% to 1% and the latter raising them from 0.5% to 0.75%.

At its May 4 meeting, the Fed signalled a marked acceleration in its monetary policies, through both new measures (rate hikes) and guidance to seal its commitment to bringing inflation back under control. The Committee unanimously voted for a 50bps increase in interest rates in May, followed by a further 75bps increase in June, announced a rapid budget reduction programme and signalled that it would continue with further increases of Fed funds with the ultimate aim of ensuring the return of inflation to the 2% target. However, the assessment of the economic scenario remained positive, despite the contraction in activity recorded in the first quarter: the published text stresses that growth in consumption and investment has remained "strong", with a "solid" expansion in employment and a "substantial" fall in unemployment. Inflation was again described as "high", as a result of "supply-demand imbalances resulting from the pandemic, higher energy prices, and broader price pressures". It should also be noted that the invasion of Ukraine and the related events have contributed to upward pressure on inflation and are likely to weigh on growth; in addition, China's zero-Covid approach to combating coronavirus has led to more lockdowns in China, causing more supply-side problems.

In the UK, the BoE not only raised interest rates to 1% at its May meeting and then to 1.25% in June, but also explicitly expressed concerns about an economic slowdown which, together with the current inflation environment, could result in a stagflation scenario with a sharp contraction in the economy. The rate hike was supported by six of the nine Committee members, with three voting for a 50bps hike. Moreover, according to the board, the war and the lockdowns in China had made imports more difficult, which would probably push the price of some goods even higher. Prices are likely to rise faster than incomes for many people, meaning the cost of living will increase for many households.

The last to join this process of monetary normalisation was the European Central Bank (ECB). The markets had certainly anticipated that this would happen, but not with the intensity demonstrated by the decisions announced at the ECB's last meeting on June 9. The ECB made it clear that it would implement robust rate hikes in the short term, although no changes have yet been made. The conditions for starting the normalisation process are all in place: the institution will therefore end net APP purchases on July 1 and then increase official rates by +25 basis points on July 21: this part of the decision, which had certainly not been taken as read, has dispelled uncertainty over the scale of next month's intervention; subsequent rate hikes are also expected at the next meeting on September 8. However, the expected increase in September could be as high as 50 basis points if inflation does not improve or even worsens. The central scenario is now a total hike of 75 basis points between July and September, unless the 2024 inflation forecast falls back to 2%. Looking further ahead, the central bank stated in its press release at the end of the meeting that a gradual but sustained path of further interest rate increases

would be appropriate. While this is a "forecast" and not a commitment, the phrase suggests that the central scenario is a tight upward sequence of 25 basis points until the medium-term forecast returns to target.
President Lagarde also advised that in September the ECB would decide whether to leave official rate spreads at their current levels or to move back towards a more symmetrical structure. With respect to the pandemic emergency purchase programme (PEPP), reinvestments will continue until December 2024, well beyond the first rate hike and, in any case, for as long as is necessary to maintain ample liquidity. In terms of forecasts, inflation is expected to rise from 1.8% to 2.8% (excluding food and energy), with a contraction in growth from 2.1% from 2.8%.
The unexpected clarity about the ECB's path to rate expansion surprised the market to some extent, and it reacted with a sharp correction. In the area of bonds, BTPs (Italian treasury bonds), hit hardest by European monetary policies among the peripheral countries, were sold off, resulting in 10-year yields stopping at around 4.05%, while the euro-denominated high-yield corporate segment achieved a yield of around 7.5%.
The reaction of the equity markets was just as significant, with generalised losses in Europe, not least given the lack of positive drivers ahead and the risk of elections next year, which the market is already starting to factor in.
On the domestic front, the Italian economy has not been immune either to the inflationary trends caused by bottlenecks in the post-pandemic global production chain or to Russia's invasion of Ukraine. The latest inflation figure was +7.3%, in line with the other European countries, effectively prompting the ECB to react by starting a gradual normalisation of rate levels. This dynamic launched a debate over the impact that rising rates and energy trends may have on the economic slowdown. In recent weeks, the risk of a full-scale gas embargo being imposed by Russia appears to have diminished, which at least reduces the likelihood of a shock to the energy supply. The effects of the sixth EU sanctions package against Russia, which includes stopping 90% of crude imports by the end of the year, also appear to be contained, both because they are diluted over time and because it will be possible to replace Russian oil with other sources. On the industrial front, a slowdown is expected in the next few months, as production could be held back by higher commodity prices and the scarcity of available components to complete production processes. The scenario is very different for the construction sector, which is driven by generous tax incentives and grew by 4% per quarter between the start of 2021 and the start of 2022.
Both investments in construction and the value added in the sector were almost 27% higher in the first quarter of 2022 compared with the end of 2019. Furthermore, the sector has created 140,000 new jobs since the end of 2019. Despite possible pressure on copper and cement prices, manufacturers' confidence is close to the maximum, and the anticipated reduction in tax incentives in 2023 should also continue to drive the sector in the second half of 2022. The service sector was held back at the start of the year by the Covid-19 winter wave, but has plenty of room for recovery: the lower health risk suggests a substantial upturn in the sector, partly in the second and third quarters. On the demand side, the greatest risks are to household consumption, given the ongoing erosion of consumer purchasing power (real disposable household incomes are expected to decline by 1.3% this year).

THE FINANCIAL MARKETS

	Change (bps)		Yield		
Bond markets	**Q2**	**YTD**	**30/06/2022**	**31/03/2022**	**31/12/2021**
GOVERNMENT YIELDS					
United States					
2 years	61.88	222.89	2.95%	2.33%	0.72%
5 years	57.80	177.50	3.04%	2.46%	1.26%
10 years	67.49	150.46	3.01%	2.34%	1.51%
30 years	73.51	126.57	3.18%	2.45%	1.92%
Germany					
2 years	72.30	126.80	0.65%	(0.07%)	(0.62%)
5 years	69.20	152.00	1.07%	0.38%	(0.45%)
10 years	78.80	151.30	1.34%	0.55%	(0.18%)
30 years	94.90	141.80	1.62%	0.67%	0.20%
Italy					
2 years	91.80	126.50	1.20%	0.28%	(0.07%)
5 years	124.00	200.30	2.42%	1.18%	0.42%
10 years	122.50	209.20	3.26%	2.04%	1.17%
30 years	117.60	167.20	3.67%	2.49%	1.99%

Since late 2021 and in the past half-year, the main government bonds have generally registered an increase in yields across the entire curve.

In the US, the yield on 5-year treasuries increased from 1.26% at the start of the year to 3.04% at the end of the half year, reflecting a significant rise in inflation expectations, as well as a faster-than-expected rate hike cycle on the part of the Fed. The upwards movement in yields affected the entire curve, with the greatest effect being on the short end, which is more sensitive to monetary policy.

The yield on German government bonds followed those of the US, albeit to a lesser extent, but nevertheless with substantial increases of around 150bps on the 5-10-year section of the curve. The trend was almost the same for Italian government bonds, with rising yields having a major impact on all sections of the curve, including the 2-year curve.

The government sector therefore recorded a negative performance, with a more pronounced increase in yields than had been expected at the end of 2021. The intensification of the inflationary trend in the main developed economies, and the fact that the central banks were firmly committed to countering the steep rise in consumer prices by raising rates more rapidly than expected, were the main reasons for the rise in yields in the first half.

	Change (bps)		Yield		
Bond markets	**Q2**	**YTD**	**30/06/2022**	**31/03/2022**	**31/12/2021**
SPREADS					
Italy - Germany					
2 years	19.44	(0.38)	0.55%	0.35%	0.55%
10 years	43.68	57.92	1.93%	1.49%	1.35%
Spain - Germany					
2 years	3.70	31.54	0.32%	0.28%	0.00%
10 years	19.87	34.54	1.09%	0.89%	0.74%

	Change (bps)		Yield		
Bond markets	**Q2**	**YTD**	**30/06/2022**	**31/03/2022**	**31/12/2021**
HY and EM					
High yield bonds					
BBG Barclays US Corporate High Yield Yield To Worst	288.0	469.0	8.89%	6.01%	4.20%
Emerging bonds					
J.P. Morgan EMBI Global Sovereign Yields	183.80	281.20	7.76%	5.92%	4.95%

	Change (%)		Level		
Equity markets	**Q2**	**YTD**	**30/06/2022**	**31/03/2022**	**31/12/2021**
World indices					
MSCI All Country World	(16.13%)	(20.99%)	596.77	711.56	755.30
MSCI World	(16.60%)	(21.34%)	2,546.19	3,053.07	3,237.07
US indices					
Dow Jones I.A.	(11.25%)	(15.45%)	30,775.43	34,678.35	36,398.08
S&P 500	(16.45%)	(20.79%)	3,785.38	4,530.41	4,778.73
Nasdaq Comp.	(22.44%)	(29.94%)	11,028.74	14,220.52	15,741.56
European indices					
STOXX Europe 600	(10.67%)	(16.68%)	407.20	455.86	488.71
EURO STOXX	(12.04%)	(20.24%)	382.52	434.89	479.56
FTSE MIB	(14.90%)	(22.13%)	21,293.86	25,021.26	27,346.83
DAX	(11.31%)	(19.52%)	12,783.77	14,414.75	15,884.86
CAC 40	(11.07%)	(17.43%)	5,922.86	6,659.87	7,173.23
AEX	(8.97%)	(17.62%)	659.23	724.20	800.25
IBEX 35	(4.10%)	(7.06%)	8,098.70	8,445.10	8,713.80
SMI	(11.68%)	(16.58%)	10,741.21	12,161.53	12,875.66
FTSE 100	(4.61%)	(3.16%)	7,169.28	7,515.68	7,403.01
Asian indices					
NIKKEI 225	(5.13%)	(8.33%)	26,393.04	27,821.43	28,791.71
S&P/ASX 200	(12.42%)	(12.58%)	6,568.06	7,499.59	7,513.37
Hang Seng	(0.62%)	(5.42%)	21,859.79	21,996.85	23,112.01
Emerging market indices					
MSCI Emerging Markets	(12.36%)	(18.16%)	1,000.67	1,141.79	1,222.75

The global equity indices were in negative territory in the first half of the year, following a trend that characterised the entire period, in a context of heightened volatility.

The performance of the indices was based on the gradual deterioration of the macroeconomic framework, particularly global inflation: these pressures led Central Banks to adopt restrictive policies with negative repercussions on share prices. The re-emergence of geopolitical tensions due to Russia's invasion of Ukraine and the new waves of Covid-19 that led to the introduction of further lockdown measures in China were additional factors that caused a risk-off phase in the global markets.

Looking at US markets, the S&P500 performed in line with global markets, with a marked underperformance by the NASDAQ reflecting the relative weakness of the growth trend. Overall, the European markets also performed in line with global indices, with the UK and Spanish markets outperforming. Meanwhile, the Pacific markets performed better than the global indices. The emerging markets bloc was hit by the aforementioned geopolitical tensions and the spread of Covid in China.

	Change (%)		Level		
Currency	**Q2**	**YTD**	**30/06/2022**	**31/03/2022**	**31/12/2021**
EUR USD	(5.27%)	(7.43%)	1.05	1.11	1.13
EUR GBP	2.20%	2.64%	0.86	0.84	0.84
EUR JPY	5.64%	9.18%	142.26	134.67	130.30

The euro depreciated sharply against the US dollar since the start of the year (-7.4%), a movement that accelerated significantly in Q2 (-5.3% between the beginning of March and the end of June). This movement reflected the worsening growth outlook for the European economy, coupled with growing concerns about gas supplies from Russia and the absence of any signs that might mitigate the conflict between Ukraine and Russia. Furthermore, the surge in energy prices adversely affected the outlook for inflation in the area. In this macroeconomic scenario, the dollar, always considered a "safe haven" during market risk-off phases, was the best performing currency.
The Japanese yen, in contrast, recorded an extremely negative performance (-9.2% vs. the euro), reflecting the fact that the Bank of Japan's approach to inflation is seen as overly passive. Although Japan's inflation figures are also on the rise, the central bank still regards this as a temporary phenomenon, unlike other economic areas, and therefore does not believe it appropriate to adjust its monetary policies, which have traditionally been very expansionary.
Political risk, a shrinking economy and further disagreements over Brexit made the pound one of the worst performing G10 currencies.

	Change (%)		Level		
Commodities	**Q2**	**YTD**	**30/06/2022**	**31/03/2022**	**31/12/2021**
Oil (Brent)	7.92%	46.32%	115.04	106.60	78.62
GOLD	(6.72%)	(0.41%)	1,807.27	1,937.44	1,814.67

As regards commodities, the recovery of crude oil prices, which began earlier this year with the removal of restrictions on social activities, has accelerated further in light of concerns over the reduction of supplies from Russia in response to Western intervention in the war in Ukraine.

	Change (%)		Level		
Sectors (MSCI World AC)	Q2	YTD	30/06/2022	31/03/2022	31/12/2021
Info Tech	(21.89%)	(30.32%)	401.99	514.64	576.89
Healthcare	(7.55%)	(11.66%)	327.11	353.84	370.29
Industrial	(16.70%)	(21.82%)	258.86	310.74	331.11
Material	(20.45%)	(18.84%)	295.55	371.52	364.16
Cons. Discr.	(20.55%)	(29.59%)	288.62	363.29	409.91
Financials	(16.65%)	(17.41%)	124.27	149.09	150.46
Cons. Staples	(6.85%)	(10.55%)	259.82	278.93	290.48
Utilities	(7.89%)	(7.06%)	150.96	163.89	162.42
Real Estate	(14.71%)	(19.69%)	991.26	1,162.24	1,234.25
Tel. Services	(18.43%)	(27.71%)	80.34	98.49	111.14
Energy	(6.39%)	12.87%	212.63	227.15	188.39
VIX Index	39.64%	65.7%	28.71	20.56	17.33

In the first half of the year, there was a significant increase in implicit market volatility, driven by the occurrence of the various macroeconomic and geopolitical risk factors.
In the same period, the performance of most segments was negative, with the only exception being the oil sector, which ended the period substantially higher. This reflected the strength of energy commodities prices, which rose on the back of the geopolitical crisis in Ukraine, involving an area that is particularly sensitive to gas supply trends. Other more defensive sectors, such as healthcare, utilities and consumer staples, performed relatively better, reflecting their correlation with periods of market weakness. The cyclical segment was weaker, where concerns over a movement of the macroeconomic situation towards recession scenarios weighed on performance. The performance of the tech segment was particularly negative.

THE BANKING MARKET[4]

BANK FUNDING

According to initial estimates by SI-ABI, in June 2022, customer funding of all banks operating in Italy – represented by deposits of resident customers (current account deposits, term deposits net of deposits related to loan assignments, notice deposits and repurchase agreements; deposits are net of transactions with central counterparties) and bonds (net of those repurchased by banks) – amounted to €2,040.2 billion, up 2.4% compared with the same period of the previous year.

In particular, resident customer deposits (current account deposits, term deposits net of deposits related to receivables assignments, notice deposits and repurchase agreements net of transactions with central counterparties) showed an upward trend of +3.3% in June 2022, with an increase in absolute value on an annual basis of around €58.6 billion, bringing the amount of deposits to €1,840.7 billion. The annual change in bonds was negative at -5.2% (-5.8% on the previous month). Bonds amounted to €199.5 billion.

According to official ECB data, in May 2022 the trend in deposits showed more limited rates of change than in the previous year (although they were still extremely positive), in the main European countries: compared with May 2021, the increase changed on an annual basis from 7.5% to 5.3% in France, from 4.9% to 2.5% in Germany, from 5.4% to 2.9% in Spain, from 9.3% to 3.7% in Italy and from 6.6% to 3.9% in the euro area overall.

The breakdown of deposits by holding sector (households and businesses) shows that in May 2022, deposits held by companies grew by 4.4% on an annual basis in France (+28.3% in January 2021; +4.9% for households); by 6.0% in Germany (+13.9% in January 2021; +1.0% for households); by 4.2% in Spain (+18.2% in January 2021; +6.0% for households); and by 7.2% in Italy (+32.0% in January 2021, +4.7% for households). Lastly, in all the euro area countries, company deposits rose by 6.1% (+20.3% in early 2021, while household deposits rose by 3.6%).

Foreign deposits increased in May 2022 year on year: in particular, Italian bank deposits amounted to approximately €320.9 billion, 7.0% more than a year earlier. Foreign deposits accounted for 11.7% of total funding (11.2% a year earlier). Net funding inflows from abroad between May 2021 and May 2022 were positive for around €21.1 billion.

In May 2022, net foreign deposits (foreign deposits minus foreign loans) amounted to approximately €67.0 billion (+8.4%). They represented 3.8% of total domestic lending (3.5% a year earlier), while foreign loans – on the same date – amounted to approximately €253.9 billion. The ratio of foreign loans to foreign deposits was 79.1% (79.4% a year earlier).

According to the initial estimates of SI-ABI, the average rate on bank funding from customers (covering the return on deposits, bonds and repurchase agreements in euro applied to households and non-financial corporations) was 0.44% in June 2022 (the same as in the previous month). In particular, the rate on deposits in euro applied to households and non-financial corporations was 0.31% (the same as in the previous month), the rate for bonds was 1.74% (1.72% in the previous month) and the rate for repurchase agreements was 1.02% (0.94% in the previous month).

On the secondary market for government securities, the Rendistato index stood at 2.79% in June 2022, 60 basis points higher than in the previous month and 233 basis points higher than in the previous year (0.46%). In May 2022, the gross yield on the secondary market for CCTs (treasury credit certificates) was 0.27% (-0.06% in the previous month and -0.14% a year earlier). The average yield on BTPs was 2.43% (1.96% in the previous month; 1.01% a year earlier). Finally, the annualised gross average yield on BOTs (treasury bills) decreased in the period May 2021 – May 2022 from -0.52% to -0.27%.

[4] Source: ABI Monthly Outlook – July 2022 – Summary.

BANK LENDING

According to initial SI-ABI estimates, total loans to Italian residents (private sector plus general governments, net of repurchase agreements with central counterparties) stood at €1,750.7 billion in June 2022, with an annual increase of 2.1% (+2.3% 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 €1,489 billion, up by 3.0% compared with one year earlier.

Loans to households and non-financial corporations amounted to €1,349 billion. According to estimates based on data published by the Bank of Italy, the annual change in loans to households and businesses calculated with the inclusion of loans not reported in bank balance sheets as they are securitised, and net of changes in amounts not related to transactions (e.g. changes due to exchange rate fluctuations, value adjustments or reclassifications) was an increase of 3.3%, up slightly compared with the previous month (+3.1%).

According to official Bank of Italy data, loans to non-financial corporations increased by +2.3% in May 2022 (+1.8% in the previous month, -5.9% in November 2013, the negative peak).

Total loans to households grew by +4.0% (+3.9% in the previous month; -1.5% in November 2013). The trend in loans to households increased slightly compared with the previous month for the home purchase component (+5.3% compared with +5.2% in the previous month), while consumer credit growth accelerated more strongly (+2.4% compared with +1.8% in the previous month).

In the first quarter of 2022, the proportion of home purchases financed by mortgage loans decreased to 69.7% (from 73.0% in the previous quarter). The loan-to-value ratio increased to 78.4% (the highest level since records began) from 77.9% in the previous quarter.

The breakdown of bank lending by branch of economic activity shows that in May 2022 manufacturing, mineral extraction and services represented around 58.2% of the total (manufacturing activity alone accounted for 28.0%). Loans for trading, accommodation and catering activities represented around 22.5% of the total, with the construction sector accounting for 9.2% and agriculture 5.5%. The remaining assets represented approximately 4.6%.

According to the latest quarterly bank lending survey (Bank Lending Survey – April 2022), "*in the first quarter of 2022, corporate lending criteria tightened slightly, owing to higher perceived risk and lower risk tolerance. Terms and conditions were also tightened, in particular through increased margins on riskier lending. Household lending criteria – for home purchases, consumption and other purposes – eased to a limited extent, while the terms and conditions were tightened. In the current quarter, lending criteria for businesses and households are expected to be tightened. Demand for bank loans from companies decreased slightly, mainly due to less recourse to debt renegotiation and despite the increased need for inventories and working capital. Household loan applications decreased moderately for mortgages and increased for consumer credit. Demand from enterprises is expected to remain unchanged in the current quarter, while household demand will grow moderately*".

According to SI-ABI reports, in June 2022 the rate on euro loans to households for home purchases – which summarises the trend of fixed and variable rates and is also influenced by the change in the breakdown of disbursements based on loan type – was 2.05% (1.92% in the previous month; 5.72% at the end of 2007). Of total new mortgage disbursements, 71.1% were fixed-rate (81.0% in the previous month). The average rate on new euro loans to non-financial corporations increased to 1.49% from 1.20% in the previous month (5.48% at the end of 2007). The weighted average rate on total loans to households and non-financial corporations was 2.18% (2.16% the previous month; 6.16% at the end of 2007).

INTEREST RATE SPREADS

The spread between the average rate on loans and the average rate on deposits to households and non-financial corporations was 174 basis points in June 2022 (172 bps in the previous month). Before the financial crisis began, the spread was more than 300 points (335 bps at the end of 2007).
The spread on bank loans to businesses in the main European countries (calculated as the difference between bank interest rates for new loans and a weighted average rate of new deposits of households and non-financial corporations) was, in May 2022, 124 bps in Italy, narrower than the 182 bps in Germany, 141 in Spain and 144 in France. For households, the spread was 196 bps in Italy, narrower than the 259 bps in Germany but wider than the 171 bps in Spain and 128 bps in France.
The spread between the average rate on interest-bearing assets denominated in euro relating to households and non-financial corporations and the average rate in euro on customer deposits (held by households and non-financial corporations) was 1.47 percentage points in June 2022 (1.40 percentage points in the previous month).
This difference is the result of the average interest rate on interest-bearing assets of 1.91% and the average cost of customer deposits of 0.44%.

NON-PERFORMING BANK LOANS

Non-performing loans, net of write-downs and provisions already made by banks with their own resources, amounted to €116.3 billion in May 2022, down by €0.4 billion (-2.2%) compared with the previous month and by around €1.7 billion (-9.4%) year on year. The decrease was around €72.5 billion (-81.7%) compared with the highest level of net non-performing loans reached in November 2015 (€88.8 billion). The ratio of non-performing loans to total loans stood at 0.93% (compared with 1.04% in May 2021, 1.50% in May 2020 and 4.89% in December 2015).

SECURITIES PORTFOLIO

Based on SI-ABI initial estimates in June 2022, the total securities in the portfolio of banks operating in Italy amounted to €597.1 billion, down from the previous month (€613.3 billion). According to official Bank of Italy figures, updated in May 2022, the value of government bonds on bank balance sheets was €413.6 billion, corresponding to approximately 67.4% of the total portfolio.

HARMONISED INTEREST RATES IN ITALY AND THE EURO AREA

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 1.82% in May 2022 (also 1.80% in the previous month; 1.75% in May 2021), a value that compares with the 1.84% recorded in Italy (also 1.84% in the previous month; 1.81% 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 1.30% on average in the euro area (1.27% the previous month; 1.18% one year earlier), compared with 0.81% in Italy (0.87% the previous month; 0.70% a year earlier).
Finally, in the same month, the rate on current accounts and revolving loans to households was 4.81% in the euro area (4.75% the previous month; 4.88% a year earlier) and 2.92% in Italy (also 2.91% the previous month; 3.17% a year earlier).

THE INSURANCE MARKET

LIFE PREMIUMS[5]

In May, the new individual life policies written in Italy by Italian companies and agencies of non-EU companies, including additional single premiums, amounted to €6.5 billion, up by half a billion compared with the previous month but nevertheless down (-12.3%) compared with the same month of 2021, when new policies written increased by 44% compared with May 2020 (Table 1 and Fig. 1). In the first five months of the year, new life premiums written amounted to €33.9 billion, down by 13.1% compared with the same period in 2021, when an annual increase of 30.8% was recorded.
In May, 28% of companies, representing 23% of the market in terms of premiums, recorded higher premium income than in the same month of 2021, and 40% of companies (with a 59% share of total premiums) recorded a better performance than the average of all Italian and non-EU companies (-12.3%).
If the new life premiums of the sample of EU company agencies, which amounted to €970 million – down 26.0% compared with the corresponding month in 2021 – are included, total new life business in May was €7.5 billion (-14.3%) and reached €39.4 billion in the year to date, 14.0% less than in the corresponding period in 2021.
With regard to premiums by class, the volume of new Class I premiums for individual policies for Italian and non-EU companies amounted to €4.1 billion in May (63% of total new life business), again contracting compared with the same month in 2021 (-5.5%), but at the lowest rate in the year to date. Of this figure, 53% came from new premiums invested in separate management of multi-class products (policies combining Class I and Class III components), which also recorded a decrease in premium income (-18.1%). Since the start of the year, Class I premiums have reached €21.1 billion, 11.3% less than in the same period of 2021, when the class registered an increase of 15.4%.
Meanwhile, new premium income from Class V policies was negative (-26.5% compared with May 2021), compared with an amount of €37 million, which, when added to the figure for the previous four months, totals €184 million, 28.7% less than the total for the same period a year earlier.
The remaining share of new life business, equal to 36% of the total, related to Class III (exclusively in unit-linked form) for €2.4 billion, down for the fourth consecutive month compared with the same month of the previous year (-21.9%); 58% of new Class III premiums collected were invested in the unit-linked component of multi-class

[5] Source: ANIA Trend – New life business – figures as at 31 May 2022.

contracts, down 7.3%. Since January, premium income from new Class III business was €12.6 billion, 15.7% less than in the first five months of 2021, when a year-on-year increase of 71.3% was recorded.

For long-term health policies (Class IV), volumes of new premiums increased by 35.7% in May compared with the same month in 2021, for an amount of €5.7 million, which, added to premiums collected in the previous four months, amounted to €22.3 million, with a year-on-year increase of 1.7%.

New contributions relating to the management of open-ended pension funds were down (by 12.1%) for the second consecutive month compared with the same month in 2021. The total was €11.3 million, with a year-to-date volume year of €53.4 million, 1.6% lower than in the same period a year earlier.

Since January, the number of new policies/enrolments totalled €1.2 million, down by 5.5% compared with the same period of 2021.

With regard to the various types of products marketed, in May new premiums/contributions relating to individual pension schemes decreased slightly (-1.1%) compared with the same month in 2021, recording a collection volume of €533 million, a year-on-year decrease of 7.6%. Just 10% 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, 47% were subscribed through multi-class products (down 10.7% compared with the first five months of 2021).

New premiums for pure risk policies increased again (by 17.7%) compared with the same month in 2021, reaching €334 million since January, 13.3% more than in the same period a year earlier. Of this total, 46% consisted of policies not linked to mortgages or consumer credit, a category which rose by 17.3%.

New premiums relating to multi-class products, excluding pension products and PIRs (individual savings plans), amounted to €3.5 billion, down 14.3% compared with the same month in 2021. Of this amount, 61% related to Class I, representing 54% of total new business for the month. In the first five months of the year, these products reached €19.7 billion, recording a decrease compared with the same period of 2021 (-2.6%) for the first time since the start of the year. The portion of Class I premiums collected since January through multi-class products makes up 60% 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 business relating to PIR contracts, mostly brokered through bank and post office branches of a small number of companies, was €38 million in May, compared with €30 million in new premiums collected in the same month of 2021; including the premiums collected in the first four months of the year, the total volume of premiums was €308 million (1% of total new business), more than tripling compared with the same period in 2021.

With regard to premiums broken down by premium and channel type as regards Italian and non-EU companies, in the year to date, single-premium policies continued to constitute the most popular option among policyholders, accounting for 95% of total premiums and almost 60% of the number of policies; also in the first five months of the year, the average amount of single premiums was around €42,850, while annual and recurring premiums averaged €700 and €6,100, respectively.

If premiums are calculated using a measure that allows the amount of single and recurring premiums to be standardised, such as the Annual Premium Equivalent (APE) – equal to the sum of annual premiums, considered at 100% of their amount, and single premiums, spread over the duration of the relative contracts, conventionally set at 10 years – the annual change in premium volume since the beginning of the year increases from -13.1% to -12.2%.

In the first five months of the year, the bulk of new business has come from the banking, postal and financial networks, which accounted for 81% of the new premiums written, the same percentage as that calculated for the same period of 2021.

NON-LIFE PREMIUMS[6]

At the end of the first quarter of 2022, the total premiums (Italian companies and representative offices) of the Italian direct portfolio in the Non-Life segment amounted to €10.0 billion, up 5.1% compared with the end of the first quarter of 2021, when the segment recorded growth of 1.3% after the first quarter of 2020 was negatively affected by the lockdown imposed to address the spread of the pandemic. This was the fifth consecutive positive interim change that resulted in premium income surpassing €10 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 the first quarter of 2022 was due, in particular, to the recovery in the Non-Motor segment (+9.7%, the biggest increase ever recorded); in contrast, premiums in the Motor segment decreased by around 1%. Specifically, Motor TPL again recorded a 2.7% decrease in premiums, while Land Vehicles class premiums increased by more than 4%.
The gross premiums of the Italian direct portfolio recorded in the Non-Life segment shown in the following table are provided quarterly and in advance by insurance companies operating in Italy and by the representations in Italy of companies having their registered offices in European and non-European countries. This included almost all national companies and around 40 representative offices of European companies representing more than 90% of total premiums written in terms of market share.
In the case of all Italian companies, EU and non-EU representative offices, the premiums recognised at the end of the first quarter of 2022 amounted to 10,046 million, up 5.1% compared with the end of the first quarter of 2021, when the premiums recognised amounted to 9,562 million, up by 1.3, after the sharp decrease recorded in 2020 due to the negative effects of the lockdown imposed to curb the spread of the pandemic.

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

- a 1.1% decrease in the Motor sector, following the 1.4% decrease at the end of the first quarter of 2021;
- sustained growth in the other Non-Life classes, where premiums rose by almost 10%, the biggest increase on record, and at least 6 percentage points more than in the first three months of 2021, when the segment grew by 3.5%.

The property classes were positively affected by the general recovery in the economic cycle. Overall growth in this sector was around 10%, an unprecedented increase. All the main insurance classes contributed to the recovery: the Accident and Sickness classes, each with a premium volume of €998 million, grew by 5.3% and 9.5% respectively. The Fire class grew by 5.9% to €687 million, the Other Damage to Property class by 5.0% to €865 million, and, lastly, the General TPL class grew by 14.9% with a volume of €1,308 million (the biggest increase among the Non-Life classes). Although they represent only a modest proportion of the total Non-Motor Non-Life business, growth was recorded in Credit (+26%) and Suretyship (+9.3%), whose premiums are commensurate with companies' turnover and the phase of the economic cycle.
By themselves, the representative offices of companies with registered offices in European countries booked premiums of €1.5 billion in the first three months of 2022, up 13.3% compared with the same period in 2021. The proportion of premiums booked by the agencies of European companies was around 15.2% of the total, an increase on the previous quarters, when they accounted for 12% on average: specifically, they constituted 6.9% of the Motor class and more than 20% of the other Non-Life classes. For some classes, the proportion was more than 40%: Goods in Transit (43.1%), Marine Vehicle TPL (63.1%) and Credit, for which the incidence of these

[6] Source: ANIA Trends - Quarterly Non-Life Premiums – QI 2022 data.

companies was more than 85%. It remains particularly low and below 10% in the Railway Rolling Stock classes, where it is absent, in Sickness (5.3%), in Motor TPL (6.5%) and in Land Vehicles (8.2%). Motor sector premium income increased by around 5.3% (around 17% at the end of 2021). Motor TPL premiums rose (+5.6%), bucking the trend among Italian companies, and Land Vehicles class premiums also increased, by 4.5%. Non-Motor premiums increased by more than 15%. In particular, General TPL, where the premium income of representative companies makes up more or less one-third of the total (€441 million Euro), recorded an increase of more 17% at the end of the first quarter of 2022. Among the most representative classes, which account for more than 100 million, there was an increase in the Accident class (€146 million, +5.4%) and the Credit class (€171 million, +23.5%). Among the Italian and non-EU companies, the main form of intermediation in terms of market share was again the agency channel (72.0%), in line with the end of the first quarter of 2021 (71.7%). In particular, the agency channel is most developed in Marine Vehicle TPL (94.4%), Motor TPL (84.7%), Other Damage to Property (80.8%), General TPL (79.0%), Suretyship (76.6%), Legal Protection (76.1%) and Assistance (75.6%). By contrast, very low business volumes for agents were found in the classes of Aircraft (12.5%), Marine Vehicles (16.0%) and Aircraft TPL (16.4%) where there is a strong presence of brokers with market shares of 81.1%, 80.6% and 79.6% respectively. Brokers represent the second-largest distribution channel for Non-Life premiums with a share of 9.4%. Bank branches, with a market share of 9.0% (8.0% at the end of March 2021), continue to be a rapidly growing distribution channel and have been more involved in the marketing of premiums in the Miscellaneous Financial Loss (43.2%) and Accident (19.4%) classes. However, they also play an important (and growing) role in the Sickness (16.0%), Fire (14.5%) and Legal Protection (12.1%) classes. Direct sales as a whole (including distance selling, telephone and Internet) accounted for 9.2% at the end of March 2022 (10.2% at the end of March 2021). With regard to representative offices of EU companies, the main channels of distribution were agents and brokers, with shares of 38.7% and 52.2%, respectively. In particular, in the Motor segment, the agency channel is the most widely used distribution channel, with a 76.0% share, while in the other Non-Life insurance classes brokers were the most widely used (60.3%). Bank branches are the third-largest sales channel with a share of 5.3% (3.1% in the auto sector and 5.8% in the remaining classes). Direct sales accounted for 2.8% overall.

NEW PRODUCTS AND MAIN INITIATIVES DURING THE HALF-YEAR

The first part of 2022 was marked by an uncertain environment: on the one hand, the conflict in Ukraine, which, in addition to humanitarian concerns, has had socio-economic consequences (rising inflation, rising energy costs and rising interest rates); and on the other, the ongoing pandemic, with numbers of cases rising in recent months, which is a constant source of concern.

Banking services

In this scenario, Banca Mediolanum confirms that it is close to its customers in a concrete and timely way, not only with its Family Bankers, but with two promotions for the Double Chance investment strategy, providing to customers:

- for the period from 1 March to 30 April, a lending rate of 2% per annum gross on terms of 12 and 18 months in the Equities segment;
- for the period from 24 June and throughout July, the promotion is enhanced with promotional rates of up to 2% per annum gross on all terms and segments in the Double Chance service, in order to provide additional support for investment during extremely volatile market periods that can provide great opportunities for our customers when the correct strategy is employed.

Banca Mediolanum also continues to offer Black and Elite customers the promotional lending rate of 0.20% per annum gross for the entire period (offer valid until 29/09/22).
Again with a view to rewarding its best customers, Banca Mediolanum extended the Bonifico Instant (instant transfer) promotion until 31/12/22 which, for Black/Elite/Privilege customers, guarantees that transactions carried out through each available channel are free, in view of the recognised and appreciated value of the service.
Banca Mediolanum's offering also continues with a series of commercial initiatives aimed at enriching the offering of both the "Conto Mediolanum" and "SelfyConto" current accounts through various initiatives and competitions that allow customers to request and obtain prestigious prizes.
With regard to the new payment services and systems, the process of scouting possible uses of the Check IBAN service (i.e. online matching of the IBAN code and the tax/VAT code provided by a user/customer to a corporate or to general government) has continued in relation to both general government and retail customers, while activity relating to the use of the SPID (Public Digital Identity System) during the process of onboarding Banca Mediolanum customers is being defined. This service, in particular, provides customers with significant time savings in the confirmation of their identity and provides the Bank with a series of savings in the underwriting process compared with the current normal channels.

With regard to Flowe, a payment service provider, it should be noted that, in order to support the growth of the business, the payment services offering was changed in January.
The restructuring of the offer from the two levels of "Fan" (zero fee) and "Friend" (fee from €10/month) to three, with the introduction of a new intermediate "Flex" plan (fee of €2.5/month), reflects companies' desire to respond to the changed market needs observed in the months prior to the introduction of similar offerings by several direct competitors.

E-money area

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

Credit services

Mortgages area

During the first half of 2022, with the macro-objective of supporting total disbursement and supporting customers, the strategic positioning initiatives launched in the fourth quarter of 2021 continued:

- the Smart+ 30K Campaign continued, aimed at a pre-selected target of customers with assets of between €30,000 and €100,000, offering them better pricing than the standard terms.
- in order to offer customers a valid alternative to fixed-rate interest, the promotion providing the option for customers to access a mixed-rate mortgage offer with an initial period of 10 years (the customer can choose to start with a variable-rate or fixed-rate mortgage and at the end of the period can choose the type of rate to be applied for the remaining 10 years), which has been added to the existing 3- and 5-year intervals.
- With regard also to the legislative developments of the "Sostegni bis" decree, the Bank decided to improve the positioning of its current product dedicated to young people, also with a view to providing a complementary solution to the Mediolanum Fondo Prima Casa (First Home) mortgage product launched in December 2021. Two promotions were renewed, offering an increase in LTV to up to 95% for the Mediolanum Young Mortgage and a discount of 10 bps on the currently listed spread, and for Black, Elite and Privilege customers an increase in LTV to up to 95% for Prima Casa purchases, to achieve better positioning on more well-capitalised clusters.
- the new Mediolanum Bioedilizia+ mortgage, a medium/long-term loan secured by a first mortgage on property intended solely for purchase or exchange and with S.A.L.E. certification (the Italian certification system for houses constructed in wood), was also launched in January 2022.

Loans area

In the first half of 2022, support for government initiatives continued, with an extension of the offering of three types of loans for customers needing to renovate property by using the tax incentives introduced in the Recovery decree law of May 2021 and the possibility of transferring the tax credit, and the extension of loans offered under the "2020 Liquidity Decree" for the self-employed, sole traderships and undertakings.
Changes were also made to the SelfyCredit Instant product in the first half of 2022, with the maximum duration increasing from seven to ten years and the maximum amount payable increasing to €20,000 (previously €15,000).
Three pricing promotions were also dedicated to the product, each lasting approximately ten days, during which target customers could benefit from a lower than usual rate.

To ensure the ease and speed of credit provision, a secured pre-approved loan campaign for preselected customers, with dedicated pricing, was continued, and the product was enhanced, with its maximum duration increased to ten years.
For loans secured since April 2022, there is also the option of taking a payment holiday, whereby our customers can ask to miss up to three loan instalments, postponing them until the end of the repayment schedule.

Investment services

Asset management area

In this period, Banca Mediolanum continued to offer customers a range of products that were again in line with their needs and capable of exploiting market opportunities.
Specifically in this regard, work was done during the half-year to develop the Intelligent Investment Strategy for Mediolanum Best Brands and Challenge Funds, which provides for the possibility of continuing with the Automatic Step-In and Automatic Step-Out mechanisms beyond the duration of the scheduled conversion (beyond 36, 48 or 60 months). Therefore, also after that date, it will be possible to choose to maintain a virtuous approach to investing.
At the same time, in order to take advantage of the current economic environment, which is characterised by the return of inflation, a trend that has prompted the central banks to take a less accommodative stance than previously, and by an increasingly important environmental theme, Banca Mediolanum launched the sale of two new sub-funds of the Best Brands fund of Mediolanum International Fund: "Mediolanum Multi Asset ESG Selection" and "Mediolanum Energy Transition".
The first fund is a multi-asset solution that can adapt to this new economic environment. It is designed to reward the approach of companies that can generate value through a virtuous approach to ESG and with the option of investing in equities, bonds and alternatives. The second, meanwhile, invests in companies related to the replacement of fossil fuels with renewable ones, through a global equity strategy that invests across the value chain. The fund is also classified under Article 9 as a financial product with an explicit sustainable investment objective, in accordance with recent European regulations (SFDR). Both these new funds will be available to Banca Mediolanum customers from early July.

Wealth management area

MyStyle wealth management is the portfolio management service that Banca Mediolanum provides to its high-net-worth customers, which have taken up more and more portfolio space over time as the capacity to respond to customers' needs has become increasingly effective.
In the second quarter of 2022, Banca Mediolanum evolved its service by adding "Mediolanum My Style Wealth" to its range, the new wealth management service for customers with the highest net worth.
The new product includes a new family called "Premium", which consists of three lines, with equity exposure and a profile of increasing risk: Premium Conservative, Premium Balanced and Premium Dynamic. The three strategies are designed to capture major market opportunities dynamically through:

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

Furthermore, in order to be even more competitive and in line with the approach of its target customers, the new Mediolanum My Style Wealth service has no subscription or conversion costs and, compared with the current Mediolanum My Style management, has been subject to a repositioning of the fee level of all management lines.

Investment products in combination with banking products

Mediolanum Medplus Certificate

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

Protection services

Despite the not particularly positive scenario, growth is forecast for the insurance sector in the current year and in subsequent years, particularly in the home, family and health areas, including as an emotional reaction to the situation.

In this context, Banca Mediolanum is committed to supporting and serving customers through its product offering, digitalisation and customer communication.

With regard to the product offering, in the first quarter Banca Mediolanum launched the distribution of Mediolanum Capitale Casa e Famiglia ("Home and Family"), which, as its name suggests, offers a range of assistance solutions and services, which are now an integral part of the domestic and family environment, with modular personalisation of cover.

In the second quarter, the SelfyCare line, dedicated to a digital insurance offering, was supplemented by SelfyCare LifeProject line, a term life insurance policy to protect the achievement of specific life projects of policyholders and their loved ones, involving a decreasing financial commitment. The product provides for the payment of an insured capital amount that decreases annually according to a contractually established formula. To make it easier to sign up for the product, in line with the distribution model, three pre-defined formulas are available on the app, which customers can choose according to the cover they require in terms of initial insured capital and duration.

Lastly, to make it easier for customers to take up the services offered by the Mediolanum Capitale Salute medical expenses reimbursement policy, customer communication was streamlined. In April, the sending out of a digital welcome kit to policy holders was formalised for customers and the sales network. In the kit, customers receive the Mediolanum Carta Salute health card in digital format – which gives the holder and their family access to special rates at the network's affiliated centres for hospitalisation, diagnostic, physiotherapy and dental services, even if these have not been purchased under the policy – and a tutorial on the product and its supporting tools.

In line with the Group's sustainability objectives, in the first half of 2022 the Bank also carried out initiatives to promote digitalisation both in the creation of products supported by direct and innovative purchasing methods (SelfyCare LifeProject), in the streamlining of services (Mediolanum Capitale Salute) and in the completion of the dematerialisation of communications relating to protection products.

In addition, the Group adopted and maintained remote communication techniques for advisory and distribution activities, including after the end of the emergency period, underpinning a constant robust capacity to be present for customers and to assist them.

The Bank's focus on protection in the first half of the year resulted, as usual, in the possibility of receiving advantages for taking out protection products: for example, existing customers can receive a free mobile phone if they introduce new customers who sign up for a protection product, the renewal of the promotion that removes the SelfyConto account fee when a protection product is taken out, the maintenance of ownership of protection

products as part of the definition of customer clusters, and, lastly, access to an ecosystem of health services, free of charge or under special conditions depending on the customer cluster and what personal protection products are held.
As part of customer communication, a new information event, "Protect Your Tomorrow", was organised by the Bank. This was a digital event that took place in collaboration with accredited partners and guests, who stressed the importance of financial and asset advisory services, including in the insurance field, with a focus on the health situation experienced during the pandemic and still ongoing, in order to protect families' savings and financial and emotional stability.

Sustainability of products and services

In the first half of 2022, Banca Mediolanum continued to pursue all the responsible finance themes in which it is involved as a market participant and a distributor.
In this regard, all activities relating to the regulatory requirements in force and planned for the coming months, such as the collection of data on the adverse effects of investments (Principal Adverse Impacts, pursuant to Reg. 2019/2088 SFDR) for the first and second quarters of the year and the preparation of the information provided for by the RTS of the SFDR and TR Regulations.
In April 2022, sustainability preferences were incorporated into customer profiling questionnaires and ESG adequacy checks are being prepared (pursuant to MiFID II).
The creation of new, sustainable investment products was completed, which will further enrich the current product range from early July 2022.
In order to ensure the progressive involvement of the sales network in responsible finance issues, in the first quarter the Bank launched a digital training course (via webinar) for financial advisors, delivered by internal and external teachers (collaboration with the Catholic University of the Sacred Heart of Milan) entitled "The value of sustainable finance: market, strategies and positioning of Banca Mediolanum".
Further training support on responsible finance is being planned for the sales network, particularly in relation to the new provisions on adequacy in the advisory process.
In the first half of 2022, Banca Mediolanum completed its ESG materiality matrix and ESG Rating Model for banking, credit and protection products built in collaboration with the Catholic University of the Sacred Heart of Milan. Using this model, the Bank will be able to assess the positioning of its entire offering with respect to environmental, social and governance factors and characteristics, thus identifying strengths and any areas for improvement, to make the best possible solutions available to its customers.
The aforementioned ESG Rating is in addition to the ESG rating provided by MSCI ESG Research, used by the Bank since 2019, in relation to captive and third-party investment products distributed to customers.
In April and May 2022, Banca Mediolanum was the subject of a Thematic Review of Climate and Environmental Risks by the European Central Bank. During the review, Banca Mediolanum had an opportunity to describe the current ESG safeguards in relation to the product offering to the Joint Supervisory Team (JST).

OPERATING PERFORMANCE

NET INFLOWS AND ASSETS UNDER ADMINISTRATION AND MANAGEMENT

Net inflows

€/m	30/06/2022	30/06/2021	Change	Change (%)
ITALY				
Fund and unit-linked products	**2,254.1**	**2,842.4**	**(588.3)**	**(20.7%)**
of which directly in funds	816.7	565.5	251.2	44.4%
of which "My Life" unit-linked	927.3	1,622.3	(695.0)	(42.8%)
of which other unit-linked	510.1	654.6	(144.5)	(22.1%)
Other insurance products - Life	**(6.4)**	**(3.6)**	**(2.8)**	**78.3%**
Total managed	**2,247.7**	**2,838.8**	**(591.1)**	**(20.8%)**
Third-party structured notes	485.6	(20.1)	505.7	n.s.
Total managed + Structured notes	**2,733.3**	**2,818.7**	**(85.4)**	**(3.0%)**
Total administered	**987.0**	**1,136.6**	**(149.6)**	**(13.2%)**
BANCA MEDIOLANUM	**3,720.3**	**3,955.3**	**(235.0)**	**(5.9%)**
SPAIN	637.8	735.5	(97.7)	(13.3%)
GERMANY	(13.5)	(17.7)	4.2	(23.6%)
TOTAL FOREIGN MARKET	**624.3**	**717.8**	**(93.5)**	**(13.0%)**
TOTAL NET INFLOWS	**4,344.6**	**4,673.1**	**(328.5)**	**(7.0%)**

Total net inflows amounted to €4,344.6 million at 30 June 2022, down from €4,673.1 million in the comparative period.

In particular, net inflows in the domestic market amounted to €3,720.3 million compared with €3,955.3 million at 30 June 2021. More specifically, net inflows into mutual funds, through both direct investments and unit-linked policy investments, came to €2,254.1 million, a decrease on the €2,842.4 million recorded in the first half of 2021. Net inflows into other Life insurance products, excluding unit-linked products, were negative, at -€6.4 million (30/06/2021: -€3.6 million); the assets under administration segment recorded a decrease of 13.2%, with a positive balance of €987.0 million, compared with a positive balance of €1,136.6 million in the first six months of 2021.

Structured notes recorded net inflows of €485.6 million (30/06/2021: -€20.1 million).

The foreign market recorded positive net inflows of €624.3 million, down from €717.8 million for the same period of 2021.

Assets under administration and management

€/m	30/06/2022	31/12/2021	30/06/2021	Change (%) vs Dec-2021
ITALY				
Funds and management and unit-linked policies	62,080.4	69,743.0	65,376.5	(11.0%)
Other insurance products	1,819.5	1,778.0	1,696.0	2.3%
Bank funding	27,837.2	27,421.6	26,335.3	1.5%
BANCA MEDIOLANUM	**91,737.1**	**98,942.6**	**93,407.8**	**(7.3%)**
SPAIN	**8,623.9**	**8,936.6**	**8,283.8**	**(3.5%)**
GERMANY	**393.7**	**480.6**	**492.7**	**(18.1%)**
TOTAL FOREIGN	**9,017.6**	**9,417.2**	**8,776.5**	**(4.2%)**
TOTAL ASSETS UNDER ADMINISTRATION AND MANAGEMENT	**100,754.7**	**108,359.8**	**102,184.3**	**(7.0%)**

At 30 June 2022, the total assets under administration and management of the Mediolanum Group reached €100,754.7 million, down compared with the end of 2021 (31/12/2021: €108,359.8 million), compared with the balance at 30 June 2021 (30/06/2021: €102,184.3 million), mainly due to the adverse effect of the financial markets.

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 at 30 June 2022, amounting to €27,837.2 million, summarised using management criteria, is as follows:

Assets managed

€/m	30/06/2022	31/12/2021	30/06/2021	Change (%) vs Dec-2021
Current account deposits	23,011.1	22,388.4	21,415.6	2.8%
Third party structured bonds	1,559.5	1,432.1	1,538.0	8.9%
Securities custody and administration	3,256.6	3,583.1	3,347.1	(9.1%)
Repurchase agreements	10.0	18.0	34.6	(44.2%)
Total assets under administration	**27,837.2**	**27,421.6**	**26,335.3**	**1.5%**

The number of current accounts was 1,237,446, including 88,617 deposit accounts, up by +54,023 compared with the figure for the end of 2021 (31.12.2021: 1,183,423 individuals).

ITALY – ASSET MANAGEMENT

Net inflows

€/m	30/06/2022	30/06/2021	Change	Change (%)
"Best Brands" funds of funds	563.8	605.5	(41.7)	(6.9%)
"Challenge" funds	221.9	248.3	(26.4)	(10.6%)
Other Italian mutual funds	(349.6)	(782.6)	433.0	(55.3%)
Third-party funds and other management	380.6	494.3	(113.6)	(23.0%)
Total direct inflows in mutual funds	**816.7**	**565.5**	**251.2**	**44.4%**
Funds included in "My Life" unit-linked	927.3	1,622.3	(695.0)	(42.8%)
Funds included in other unit-linked	510.1	654.6	(144.5)	(22.1%)
Total indirect inflows in mutual funds	**1,437.4**	**2,276.9**	**(839.5)**	**(36.9%)**
Total mutual funds and management	**2,254.1**	**2,842.4**	**(588.3)**	**(20.7%)**

Total net inflows into mutual funds and management were €2,254.1 million, down by 20.7% compared with the same period of the previous year (30/06/2021: €2,842.4 million).
The change was mainly due to lower indirect net inflows into the mutual funds included in My Life and into the other unit-linked products.

Assets managed

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

€/m	30/06/2022	31/12/2021	30/06/2021	Change (%) vs Dec-2021
"Best Brands" funds of funds	23,639.9	26,211.4	24,455.0	(9.8%)
"Challenge" funds	17,587.2	19,699.4	18,799.7	(10.7%)
Hedge funds of funds	37.6	40.1	40.5	(6.3%)
Other Italian mutual funds	6,669.4	8,325.8	8,482.5	(19.9%)
Real estate funds	243.0	244.3	263.7	(0.5%)
Third-party funds and other management	6,262.5	6,877.2	5,901.1	(8.9%)
Adjustments for Group funds included in funds of funds and management	(387.0)	(409.2)	(343.1)	(5.4%)
Funds included in "My Life" unit-linked	*11,843.4*	*12,750.3*	*11,221.0*	*(7.1%)*
Funds included in other unit-linked	*17,538.4*	*19,665.1*	*18,265.0*	*(10.8%)*
Sub-total unit-linked funds	**29,381.8**	**32,415.4**	**29,486.0**	**(9.4%)**
Adjustments for own funds included in unit-linked	(21,354.0)	(23,661.4)	(21,708.9)	(9.8%)
Total assets mutual funds and management	**62,080.4**	**69,743.0**	**65,376.5**	**(11.0%)**

At 30 June 2022, total assets under management amounted to €62,080.4 million, a decrease both compared with the end of 2021 (31/12/2021: €69,743.0 million) and compared with the same period of the previous year (30/06/2021: €65,376.5 million) mainly due to the negative market performance.

ITALY – LIFE

INSURANCE

Assets managed

€/m	30/06/2022	31/12/2021	30/06/2021	Change (%) vs Dec-2021
Unit-linked products	29,381.8	32,415.4	29,486.0	(9.4%)
Traditional products	1,819.5	1,778.0	1,696.0	2.3%
Total Life assets	**31,201.3**	**34,193.4**	**31,182.0**	**(8.8%)**

The volume of assets under management decreased from €34,193.4 million at the end of 2021 to €31,201.3 million at the end of the period under review, a decrease of 8.8%.
The table below shows the breakdown of insurance business at 30 June 2022:

Insurance business

€/m	30/06/2022	30/06/2021	Change	Chge (%)
Multi-year and recurring premiums	48.0	47.8	0.2	0.4%
Single premium and group policies	1,822.0	2,757.1	(935.1)	(33.9%)
Total new business	**1,870.0**	**2,804.9**	**(934.9)**	**(33.3%)**
Subsequent premiums – pension plans	270.2	254.4	15.8	6.2%
Subsequent premiums – other products	207.0	192.7	14.3	7.4%
Total portfolio	**477.2**	**447.1**	**30.1**	**6.7%**
Total gross premiums	**2,347.2**	**3,252.0**	**(904.8)**	**(27.8%)**

Total gross premiums amounted to €2,347.2 million at 30 June 2022, a decrease of €904.8 million compared with the comparative period, mainly due to the decrease in new business (-€934.9 million).
It should be noted that the gross premiums shown in the table include premium income relating to products classified as "financial" products.

Insurance settlements

The table below details the settlements recorded at the end of the first half of 2022:

€/m	30/06/2022	30/06/2021	Change	Chge (%)
Claims	127.9	117.6	10.3	8.8%
Coupons	26.4	23.0	3.4	14.9%
Expired	267.9	282.2	(14.3)	(5.1%)
Surrenders	494.0	555.9	(61.9)	(11.1%)
Total settlements	**916.2**	**978.7**	**(62.5)**	**(6.4%)**

It should be noted that the settlements shown in the table include those relating to products classed as "financial" products.

NON-LIFE

Inflows from direct premiums written breaks down as follows:

€/m	30/06/2022	30/06/2021	Change	Chge (%)
Class - 01 Accident	13.6	12.1	1.5	12.3%
Class - 02 Sickness	34.7	29.8	4.9	16.5%
Class - 08 Fire	6.7	5.9	0.8	13.6%
Class - 09 Other Damage to Property	2.3	2.1	0.2	10.9%
Class - 13 General TPL	2.4	2.1	0.3	14.7%
Class - 16 Miscellaneous Financial Loss	1.5	1.4	0.1	4.0%
Class - 17 Legal Protection	0.2	0.1	0.1	n.s.
Class - 18 Assistance	1.0	0.8	0.2	25.8%
Total direct premiums written	**62.4**	**54.3**	**8.1**	**15.0%**

At 30 June 2022, the volume of premiums written was €62.4 million (30/06/2021: €54.3 million), an increase of 15.0%.

SPAIN

€/m	30/06/2022	31/12/2021	30/06/2021	Change vs Dec-2021	Change (%) vs Dec-2021
Assets under administration:	**8,623.9**	**8,936.6**	**8,283.8**	**(312.7)**	**(3.5%)**
Assets under management	*5,931.6*	*6,523.5*	*5,949.6*	*(591.9)*	*(9.1%)*
Assets under administration	*2,692.3*	*2,413.1*	*2,334.2*	*279.2*	*11.6%*

	30/06/2022	30/06/2021	Change	Change (%)
Net inflows:	**637.8**	**735.5**	**(97.7)**	**(13.3%)**
Assets under management	*402.1*	*498.4*	*(96.3)*	**(19.3%)**
Assets under administration	*235.7*	*237.1*	*(1.4)*	*(0.6%)*

Assets under management and administration at 30 June 2022 amounted to €8,623.9 million, compared with €8,936.6 million at the end of 2021 and €8,283.8 in the first half of 2021.
Net inflows at the end of the reporting period came to €637.8 million, down by €97.7 million compared with the comparative period (30/06/2021: €735.5 million).

GERMANY

€/m	30/06/2022	31/12/2021	30/06/2021	Change vs Dec-2021	Change (%) vs Dec-2021
Assets under administration:	**393.7**	**480.6**	**492.7**	**(86.9)**	**(18.1%)**
Assets under management	*393.7*	*480.6*	*489.6*	*(86.9)*	*(18.1%)*
Assets under administration	*-*	*-*	*3.1*	*-*	*n.s.*

	30/06/2022	30/06/2021	Change	Change (%)
Net inflows:	**(13.5)**	**(17.7)**	**4.2**	**(23.8%)**
Assets under management	*(13.5)*	*(17.7)*	*4.2*	*(23.8%)*
Assets under administration	*-*	*-*	*-*	*n.s.*

Total assets amounted to €393.7 million, down by €86.9 million compared with the end of 2021 (31/12/2021: €480.6 million).
Net inflows were -€13.5 million, compared with -€17.7 million in the comparative period.

THE SALES NETWORKS

Individuals	30/06/2022	30/06/2021	Change	Change (%)
ITALY - BANCA MEDIOLANUM	4,361	4,200	161	**3.8%**
SPAIN	1,586	1,404	182	**13.0%**
Total	**5,947**	**5,604**	**343**	6.1%

Overall, the sales network comprises 5,947 individuals (30/06/2021: 5,604 individuals). Banca Mediolanum's financial advisors number 4,361, an increase on 4,200 in the first half of 2021.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT AT 30 June 2022[7]

€/000	30/06/2022 a	30/06/2021 b	Change value c=a-b	Change (%) c/b
Entry fees	24,135	29,643	(5,508)	(18.6%)
Management fees	637,054	605,062	31,992	5.3%
Investment management fees	97,651	92,987	4,664	5.0%
Net insurance revenues (ex U-L commissions)	35,503	35,643	(140)	(0.4%)
Banking service fees	84,241	70,038	14,203	20.3%
Other fees	21,667	22,457	(790)	(3.5%)
Gross commission income	**900,251**	**855,830**	**44,421**	**5.2%**
Acquisition costs	(339,486)	(331,690)	(7,796)	2.4%
Other commission expenses	(47,828)	(47,292)	(536)	1.1%
Total commission expense	**(387,314)**	**(378,982)**	**(8,332)**	**2.2%**
Net commission income	**512,937**	**476,848**	**36,089**	**7.6%**
Net interest income	**163,796**	**129,899**	**33,897**	**26.1%**
Net income on other investments	**(745)**	**327**	**(1,072)**	**n.s.**
LLP (impairment on loans)	**(7,855)**	**(13,885)**	**6,030**	**(43.4%)**
Other revenues and expenses	**4,965**	**3,472**	**1,493**	**43.0%**
CONTRIBUTION MARGIN	**673,098**	**596,662**	**76,436**	**12.8%**
General and administrative expenses	(320,075)	(294,075)	(26,000)	8.8%
Regular contribution to Banking industry	(10,268)	(9,281)	(987)	10.6%
Depreciation and amortisation	(20,297)	(19,315)	(982)	5.1%
Provisions for risk and charges	(14,977)	(28,691)	13,714	(47.8%)
TOTAL COSTS	**(365,617)**	**(351,362)**	**(14,255)**	**4.1%**
OPERATING MARGIN	**307,481**	**245,300**	**62,181**	**25.3%**
Performance fees	6,634	17,486	(10,852)	(62.1%)
Net income on investments at fair value	(15,840)	88,827	(104,667)	n.s.
MARKET EFFECTS	**(9,206)**	**106,313**	**(115,519)**	**n.s.**
Extraordinary contributions and guarantee funds	(410)	(2,276)	1,866	(82.0%)
EXTRAORDINARY ITEMS	**(410)**	**(2,276)**	**1,866**	**(82.0%)**
PROFIT BEFORE TAX	**297,865**	**349,337**	**(51,472)**	**(14.7%)**
Income tax	**(60,012)**	**(80,589)**	**20,577**	**(25.5%)**
NET INCOME	**237,853**	**268,748**	**(30,895)**	**(11.5%)**

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

Summary of economic performance in the first half of 2022

€/m	30/06/2022	30/06/2021	Change	Change (%)
Net income for the period	**237.9**	**268.7**	**(30.9)**	**(11.5%)**
of which:				
Gross Commission income	900.3	855.8	44.4	5.2%

Commission income for the period was €900.3 million, compared with €855.8 million in the comparative period. Despite market trends in the period in question, recurring revenues (+€32 million) rose, due to the increase in average assets under management and higher banking service fees, in particular for the distribution of certificates by Banca Mediolanum (+€15.4 million).

Acquisition costs	(339.5)	(331.7)	(7.8)	2.4%

Acquisition costs increased, primarily as a result of the increase in commission income.

Net interest income	163.8	129.9	33.9	26.1%

Net interest income increased by 26.1%. The change of +€33.9 million is mainly due to the increase in portfolio volumes and is equally distributed among treasury assets and credit assets.

LLP (impairment on loans)	(7.9)	(13.9)	6.0	(43.4%)

Provisions for loan impairment decreased compared with the first half of 2021, particularly with regard to the performing portfolio, which generated approximately €5.2 million lower adjustments than in June 2021. The effect is attributable to a great extent to the effect of provisions on certain specific positions in the first half of 2021.

General and administrative expenses	(320.1)	(294.1)	(26.0)	8.8%

General and administrative expenses increased by €26 million compared with the same period a year earlier. In particular, staff costs were higher, due in particular to the growth in the average headcount (+269 resources) and administrative expenses were higher due to some projects in progress, some of a regulatory nature, and the increase in IT costs to strengthen the structure and management of applications.

Provisions for risk and charges	(15.0)	(28.7)	13.7	(47.8%)

Provisions decreased by €13.7 million compared with the previous period. The change was mainly due to the trend in discount rates and higher provisions in the comparative period for updates to turnover assumptions.

Market effects	(9.2)	106.3	(115.5)	n.s.
of which:				
Performance fees	6.6	17.5	(10.9)	(62.1%)
Net income on investments at fair value	(15.8)	88.8	(104.7)	n.s.

Market effects as a whole decreased sharply (-€115.5 million). This change was primarily due to the net losses recorded on investments measured at fair value (-€104.7 million compared with the previous period). This change was mainly due to the decrease in the market price of NEXI S.p.A. shares (-€119.1 million compared with the comparative period).

INCOME STATEMENT AT 30 JUNE 2022 BY COUNTRY AND BUSINESS AREA

Comments on the changes in the income statement by country and business area, with any reclassification of comparatives, are provided below. While revenues can be originally and directly allocated to products and, through aggregation, to the 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 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	30/06/2022	30/06/2021	Change	Chge (%)
Banking service fees	80,080	63,280	16,800	26.55%
Other fees	1,791	2,627	(836)	(31.8%)
Gross commission income	**81,871**	**65,907**	**15,964**	**24.2%**
Acquisition costs	(50,424)	(45,946)	(4,478)	9.7%
Other commission expenses	(15,338)	(15,081)	(257)	1.7%
Total commission expense	**(65,762)**	**(61,028)**	**(4,734)**	**7.8%**
Net commission income	**16,109**	**4,880**	**11,229**	**n.s.**
Net interest income	**155,593**	**127,153**	**28,440**	**22.4%**
Net income on other investments	(1,967)	275	(2,242)	n.s.
LLP (impairment on loans)	**(7,390)**	**(13,775)**	**6,385**	**(46.4%)**
Other revenues and expenses	**(1,347)**	**(2,187)**	**840**	**(38.4%)**
LEVEL I CONTRIBUTION MARGIN	**160,997**	**116,345**	**44,652**	**38.4%**
Allocated costs	**(106,896)**	**(95,984)**	**(10,912)**	**11.4%**
Regular Contributions to Banking Industry	**(9,346)**	**(7,507)**	**(1,839)**	**24.5%**
LEVEL II CONTRIBUTION MARGIN	**44,756**	**12,855**	**31,901**	**n.s.**
OPERATING MARGIN	**44,756**	**12,855**	**31,901**	**n.s.**
Net income on investments at fair value	(14,187)	89,188	(103,375)	n.s.
MARKET EFFECTS	**(14,187)**	**89,188**	**(103,375)**	**n.s.**
Extraordinary contributions and guarantee funds	(410)	(2,276)	1,866	(82.0%)

EXTRAORDINARY ITEMS	**(410)**	**(2,276)**	**1,866**	**(82.0 %)**
SEGMENT MARGIN BEFORE TAX	**30,158**	**99,767**	**(69,608)**	**(69.8 %)**

The **segment margin before tax** for the Italy – Banking segment was a positive €30.2 million, compared with a positive €99.8 million in the first half of 2021. This decrease was mainly due to the revaluation of NEXI S.p.A. shares in the first half of last year (+€72.5 million), recorded under net income on investments at fair value.

Commission income stood at €81.9 million, up by €16.0 million year on year. The increase was mainly due to the distribution of certificates of €552.8 million compared with the distribution of €362.5 million in the first half of 2021.

Acquisition costs increased by €4.5 million, primarily due to the following effects: the increase of €3.0 million in commissions relating to the placement of structured bonds and the increase of €2.1 million in recurring commission expenses paid on products in the administered segment, due to the growth in retail deposits.

Net interest income stood at €155.6 million, an increase compared with the comparative period due to the rise in volumes relating to loans to customers and treasury operations.

Allocated costs increased by €10.9 million. They reflect an increase of €3.3 million in trade-related costs (distribution of certificates and loan stock). There was also an increase of approximately €3.1 million in the costs associated with the development of subsidiary Flowe. Lastly, there was an increase due to higher marketing and support costs for the sales network, in line with commercial trends in the period (€1.8 million), as well as an increase in IT costs due to the growth of the customer base (€2.6 million).

Regular Contributions to Banking Industry increased by €1.8 million due to the increase in contributions to the Single Resolution Fund (European).

Market effects were approximately -€14.2 million, down by €103.4 million compared with the first half of 2021. The year-on-year decrease was mainly due to the different contribution of NEXI stock, which had a positive impact of €72.5 million in the first half of 2021, while in the first half of 2022 it made a negative contribution of €46.6 million.

ITALY – ASSET MANAGEMENT SEGMENT

€/000	30/06/2022	30/06/2021	Change	Chge (%)
Entry fees	16,337	21,053	(4,716)	(22.4%)
Management fees	292,287	291,730	557	0.2%
Investment management fees	52,668	50,986	1,683	3.3%
Other fees	11,759	12,410	(650)	(5.2%)
Total commission income	**373,051**	**376,178**	**(3,127)**	**(0.8%)**
Acquisition costs	(122,347)	(123,887)	1,540	(1.2%)
Other commission expenses	(15,407)	(14,180)	(1,227)	8.7%
Total commission expense	**(137,754)**	**(138,067)**	**313**	**(0.2%)**
Net commission income	**235,297**	**238,111**	**(2,814)**	**(1.2%)**
Net interest income	**(7,456)**	**(6,547)**	**(909)**	**13.9%**
Net income on other investments	**65**	**68**	**(3)**	**(4.1%)**
Other revenues and expenses	**(200)**	**(270)**	**70**	**(25.9%)**
LEVEL I CONTRIBUTION MARGIN	**227,706**	**231,362**	**(3,656)**	**(1.6%)**
Allocated costs	(41,781)	(36,936)	(4,845)	13.1%
LEVEL II CONTRIBUTION MARGIN	**185,925**	**194,426**	**(8,501)**	**(4.4%)**
OPERATING MARGIN	**185,925**	**194,426**	**(8,501)**	**(4.4%)**
Performance fees	5,097	8,407	(3,310)	(39.4%)
Net income on investments at fair value	12	(61)	73	n.s.
MARKET EFFECTS	**5,109**	**8,346**	**(3,237)**	**(38.8%)**
SEGMENT MARGIN BEFORE TAX	**191,034**	**202,772**	**(11,738)**	**(5.8%)**

The **segment margin before tax** of the Italy - Asset Management segment was €191.0 million, compared with the result for the same period of the previous year of €202.8 million.

Commission income for the period was €373.1 million, down slightly (-€3.1 million) compared with the first half of 2021. The decrease was due to lower subscription fees, representing lower segment inflows, partially offset by higher recurring fees, which in turn were affected by higher assets under management compared with the comparative period.

Acquisition costs decreased by €1.5 million compared with the first half of 2021. The decrease was almost entirely due to the decrease in subscription fees (+€3 million), partially offset by the increase in incentive items related to the commercial performance of products in the segment compared with the previous year.

Allocated costs increased by €4.8 million compared with the comparative period, reflecting the increase of €2.0 million in the cost of marketing and support for the sales network, in line with commercial trends in the period, as well as the increase in the costs of the subsidiary in Ireland of €1.7 million.

Market effects decreased by €3.2 million compared with the same period a year earlier, due to lower performance fees.

ITALY – INSURANCE SEGMENT

€/000	30/06/2022	30/06/2021	Change	Chge (%)
Management fees	292,270	265,338	26,932	10.2%
Investment management fees	37,138	34,732	2,405	6.9%
Net insurance revenues (ex U-L commissions)	20,948	25,173	(4,225)	(16.8%)
Other fees	5,612	4,979	633	12.7%
Total commission income	**355,968**	**330,222**	**25,746**	**7.8%**
Acquisition costs	(129,264)	(129,738)	474	(0.4%)
Other commission expenses	(11,038)	(9,446)	(1,592)	16.9%
Total commission expense	**(140,302)**	**(139,185)**	**(1,118)**	**0.8%**
Net commission income	**215,666**	**191,038**	**24,628**	**12.9%**
Net interest income	**2,652**	**914**	**1,738**	**n.s.**
Net income on other investments	**1,052**	**(711)**	**1,764**	**n.s.**
Other revenues and expenses	**1,825**	**2,373**	**(548)**	**(23.1%)**
LEVEL I CONTRIBUTION MARGIN	**221,195**	**193,613**	**27,581**	**14.2%**
Allocated costs	(55,339)	(49,719)	(5,620)	11.3%
LEVEL II CONTRIBUTION MARGIN	**165,856**	**143,895**	**21,961**	**15.3%**
OPERATING MARGIN	**165,856**	**143,895**	**21,961**	**15.3%**
Performance fees	1,421	7,646	(6,225)	(81.4%)
Net income on investments at fair value	(1,394)	(329)	(1,065)	n.s.
MARKET EFFECTS	**27**	**7,317**	**(7,290)**	**(99.6%)**
SEGMENT MARGIN BEFORE TAX	**165,883**	**151,212**	**14,671**	**9.7%**

The **segment margin before tax** of the Italy – Insurance segment came in at €165.9 million, an increase of €14.7 million compared with the result of €151.2 million for the first half of 2021.

Commission income for the period was €356.0 million, an increase of €25.7 million compared with the first half of 2021. Of this increase, €29.3 million is attributable to recurring fees, as a result of the increase in assets under management, partially offset by the trend in net insurance revenues (-€4.2 million).

Acquisition costs were in line with the comparative period.

Allocated costs increased by €5.6 million compared with the comparative period, reflecting the increase of €2.6 million in the cost of marketing and support for the sales network, in line with commercial trends in the period, as well as the increase in the costs of subsidiaries in Ireland of €2.6 million.

Market effects decreased by €7.3 million, mainly due to lower performance fees.

ITALY – OTHER SEGMENT

€/000	30/06/2022	30/06/2021	Change	Chge (%)
Other fees	1,127	1,142	(15)	(1.4%)
Acquisition costs	(251)	2,444	(2,695)	n.s.
Net commission income	**875**	**3,586**	**(2,711)**	**(75.6%)**
Net income on other investments	**75**	**669**	**(594)**	**(88.8%)**
Other revenues and expenses	**2,658**	**1,762**	**896**	**50.9%**
LEVEL I CONTRIBUTION MARGIN	**3,608**	**6,017**	**(2,409)**	**(40.0%)**
Allocated costs	(2,518)	(2,216)	(301)	13.6%
LEVEL II CONTRIBUTION MARGIN	**1,091**	**3,801**	**(2,710)**	**(71.3%)**
OPERATING MARGIN	**1,091**	**3,801**	**(2,710)**	**(71.3%)**
SEGMENT MARGIN BEFORE TAX	**1,091**	**3,801**	**(2,710)**	**(71.3%)**

The **Italy – Other segment** comprises financial items not directly attributable to the other lines of business or relating to common activities.

SPAIN SEGMENT

€/000	30/06/2022	30/06/2021	Change	Chge (%)
Entry fees	7,798	8,590	(792)	(9.2%)
Management fees	48,476	43,385	5,091	11.7%
Investment management fees	7,238	6,575	663	10.1%
Net insurance revenues (ex U-L commissions)	14,548	10,357	4,191	40.5%
Banking service fees	4,161	3,777	384	10.2%
Other fees	1,239	1,063	176	16.6%
Total commission income	**83,460**	**73,747**	**9,713**	**13.2%**
Acquisition costs	(35,504)	(32,638)	(2,866)	8.8%
Other commission expenses	(5,594)	(5,637)	43	(0.8%)
Total commission expense	**(41,098)**	**(38,275)**	**(2,823)**	**7.4%**
Net commission income	**42,362**	**35,472**	**6,890**	**19.4%**
Net interest income	**13,007**	**8,591**	**4,416**	**51.4%**
Net income on other investments	**30**	**27**	**3**	**11.1%**
LLP (impairment on loans)	**(423)**	**(201)**	**(222)**	**n.s.**
Other revenues and expenses	**1,829**	**1,179**	**650**	**55.1%**
LEVEL I CONTRIBUTION MARGIN	**56,805**	**45,068**	**11,737**	**26.0%**
Allocated costs	(27,828)	(22,619)	(5,209)	23.0%
Regular Contributions to Banking Industry	(915)	(1,769)	854	(48.3%)
LEVEL II CONTRIBUTION MARGIN	**28,062**	**20,680**	**7,382**	**35.7%**
Depreciation and amortisation	(2,954)	(2,575)	(379)	14.7%
Provisions for risk and charges	(1,447)	(497)	(950)	n.s.
OPERATING MARGIN	**23,661**	**17,608**	**6,053**	**34.4%**
Performance fees	108	1,122	(1,014)	(90.4%)
Net income on investments at fair value	(258)	34	(292)	n.s.
MARKET EFFECTS	**(150)**	**1,156**	**(1,306)**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**23,511**	**18,764**	**4,747**	**25.3%**

The **segment margin before tax** of the Spain segment was €23.5 million, compared with the result for the comparative period of €18.8 million.

Commission income rose from €73.7 million in the first half of 2021 to €83.5 million in the reporting period. This trend was mainly due to the increase in recurring commissions (+€5.8 million), driven by the increase in assets under management and net insurance revenues (+€4.2 million), due to the favourable trend in technical provisions and the commercial results of insurance business products.

Acquisition costs grew in line with the growth in revenues and sales results for the period.

Net interest income amounted to approximately €13.0 million, up €4.4 million compared with the comparative period, driven by growth in treasury portfolio yields and credit volumes.

Allocated costs, which represent the total general and administrative expenses for the segment, increased by €5.2 million on the previous half-year. This difference is mainly attributable to: higher staff costs of €1 million (an

average of 31 additional units), an increase in commercial costs of €1.2 million due to the resumption of in-person marketing and training activities and an increase of €2.3 million in operations and volumes.

GERMANY SEGMENT

€/000	30/06/2022	30/06/2021	Change	Chge (%)
Management fees	4,021	4,609	(588)	(12.8%)
Investment management fees	607	694	(87)	(12.5%)
Net insurance revenues (ex U-L commissions)	7	113	(106)	(93.8%)
Banking service fees	-	2,981	(2,981)	n.s.
Other fees	139	236	(97)	(41.1%)
Total commission income	**4,774**	**8,633**	**(3,859)**	**(44.7%)**
Acquisition costs	(1,695)	(1,924)	229	(11.9%)
Other commission expenses	(451)	(2,947)	2,496	(84.7%)
Total commission expense	**(2,146)**	**(4,871)**	**2,725**	**(55.9%)**
Net commission income	**2,628**	**3,762**	**(1,134)**	**(30.1%)**
Net interest income	**-**	**(212)**	**212**	**n.s.**
LLP (impairment on loans)	**(42)**	**91**	**(133)**	**n.s.**
Other revenues and expenses	**200**	**615**	**(415)**	**(67.5%)**
LEVEL I CONTRIBUTION MARGIN	**2,786**	**4,256**	**(1,470)**	**(34.5%)**
Allocated costs	(3,182)	(6,512)	3,330	(51.1%)
Regular Contributions to Banking Industry	(7)	(5)	(2)	40.0%
LEVEL II CONTRIBUTION MARGIN	**(403)**	**(2,261)**	**1,858**	**(82.2%)**
Depreciation and amortisation	(100)	(574)	474	(82.6%)
OPERATING MARGIN	**(503)**	**(2,835)**	**2,332**	**(82.3%)**
Performance fees	8	311	(303)	(97.4%)
Net income on investments at fair value	(13)	(5)	(8)	n.s.
MARKET EFFECTS	**(5)**	**306**	**(311)**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**(508)**	**(2,529)**	**2,021**	**(79.9%)**

The **segment margin before tax** of the Germany segment was -€0.5 million, compared with the result for the first half of 2021 of -€2.5 million. In June, the sale of the ATM Payment Services business unit was completed. This transaction is reflected in this half-year report and has mainly affected banking service fees and revenues, other commission expenses and allocated costs.
For more information on the German subsidiary, please see the relevant section in the Report on Operations.

PERFORMANCE OF THE PARENT COMPANY AND ITS SUBSIDIARIES

COMPANIES OPERATING IN THE BANKING AND FINANCIAL SECTOR

Banca Mediolanum S.p.A.

Banca Mediolanum ended the first half of 2022 with net income of €237.7 million, compared with €268.5 million at 30 June 2021.

Banca Mediolanum reported net inflows of €3,720.3 million, down from €3,955.3 million in the same period last year. In particular, net inflows into asset management products amounted to €2,733.3 million, down from €2,818.7 million at 30 June 2021, while inflows into assets under administration products in the reporting period amounted to €987 million, compared with €1,136.6 million for the comparative period. At the end of the reporting half-year, total customer assets administered and managed amounted to €91,737.1 million, compared with €98,942.6 million at 31 December 2021.

The sales network comprises 4,361 individuals (30/06/2021: 4,200 individuals).

Banco Mediolanum S.A. Group

The Spanish banking group ended the half-year under review with consolidated profit of €10.8 million (€5.2 million at 30 June of the previous year).

Net inflows into asset management products in the Spanish market amounted to €402.1 million, compared with €498.4 million in the first half of the previous year. Inflows into assets under administration products came to €235.7 million in the half-year under review, compared with inflows of €237.1 million in the same period of the previous year.

Total customer assets administered and managed in the Spanish market amounted to €8,623.9 million at 30 June 2022, compared with €8,936.6 million at 31 December 2021.

The sales network comprises 1,586 individuals (31/12/2021: 1,420 individuals).

Bankhaus August Lenz & Co. AG

The German bank closed the half-year ended 30 June 2022 with a net loss of €3.5 million (-€8.4 million at 30 June 2021).

In March and June 2022, two payments were made towards a future capital increase of €1.6 million each. It will be recalled that the German company closes its financial statements at 30 June.

For more information on the subsidiary, see the relevant section of the Report on Operations.

PreXta S.p.A. (formerly EuroCQS S.p.A.)

The Company's accounts at 30 June 2022 showed a positive result of €1,148.0 thousand compared with €2,182.3 thousand in the comparative period.

As in the previous year, in the first half of 2022 the positive commercial development policy continued. This policy allowed an amount of loans to customers, representing total lending assets, of €1,555.9 million, compared with €1,413.4 million at 31 December 2021 and €1,252.5 million at 30 June 2021.

FloWe S.p.A. – S.B.

The result for the first half of 2022 was a net loss of €13,211.0 thousand, compared with a net loss of €10,790.3 thousand in the same period last year.
The result before tax for the period was a loss of €17,395.2 thousand (30/06/2021: -€14,302.2 thousand).
The number of customers was largely stable compared with the same period a year earlier, reaching 677,000 (30/06/2021: 694,000).
In March 2022, a payment of €16 million was made towards a future capital increase.

COMPANIES OPERATING IN THE ASSET MANAGEMENT SECTOR

Mediolanum International Funds Ltd

The Irish fund company closed the half-year ended 30 June 2022 with net income of €220.2 million (30/06/2021: +€225.7 million).
Net inflows at 30 June 2022 were €2,048.1 million (30/06/2021: €1,829.9 million).
Assets under management at 30 June 2022 were €46,128.1 million, compared with €51,241 million at 31 December 2021. The decrease was primarily due to the negative performance of the financial markets.

Mediolanum Gestione Fondi SGR p.A.

The financial statements for the period ended 30 June 2022 show net income of €17.3 million, down by €0.6 million compared with the same period a year earlier (30/06/2021: €17.9 million).
Half-year profit before tax was €24.5 million, down €0.9 million compared with the comparative period (30/06/2021: €25.4 million). The lower result was mainly attributable to the fee margin (which decreased by approximately €0.4 million compared with the same period a year earlier) and administrative expenses, which increased by approximately €0.5 million.
Total assets directly managed by the Company amounted to €7,195.6 million at 30 June 2022, down by €1,655.6 million from €8,851.2 million at 31 December 2021.
Performance fees of €4.9 million were recorded in the period under review, generated in January 2022, before the international tensions on the markets caused by the Russia-Ukraine crisis.

Mediolanum Fiduciaria S.p.A.

The financial statements at 30 June 2022 show a net loss of €419.4 thousand, compared with a net loss of €436.5 thousand in the first half of 2021.
Net commissions amounted to €202.8 thousand in the period under review, up slightly from €192.6 thousand in the same period of the previous year, mainly due to higher revenues from ancillary services.
Assets under administration amounted to €427,513.0 thousand, down slightly compared with the balance of €440,929.3 thousand at 31 December 2021.
The change was mainly due to the decrease in the volume of assets managed under active mandates, although there was an increase in mandates under management.
In March 2022, a payment of €400 thousand was made towards a future capital increase.

COMPANIES OPERATING IN THE INSURANCE SECTOR

Mediolanum Vita S.p.A.

The IAS/IFRS accounts at 30 June 2022 show net income of €42.4 million compared with €36.2 million in the same period a year earlier. Net income for the half-year determined according to Italian GAAP was €22.0 million, compared with €51.4 million in the same period of the previous year.

The technical operating balance was €72.4 million, an increase compared with the comparative period (+€3.5 million). In particular, net technical income continued to increase compared with the first half of the year (+€4,958 thousand); specifically, the safeguarding and monitoring fees on the My Life product and the product management fees for the Company's unit funds increased.

It should be noted that in April 2022, a payment of €150 million was made towards a future capital increase.

Mediolanum International Life Dac

At the end of the first half of 2022, the Irish company recorded net income of €12.7 million, up by €1.4 million year on year (30/06/2021: +€11.3 million).

Total premium income for the period ended 30 June 2022 was €158.5 million, compared with €149.6 million in the period ended 30 June 2021.

The total balance of commitments to policyholders amounted to €3,080.7 million at 30 June 2022, down compared with the end of the previous year (31/12/2021: €3,399.6 million).

Mediolanum Assicurazioni S.p.A.

The IAS/IFRS accounts at 30 June 2022 show net income of €8,981 thousand, an increase of €1,289 thousand on the net income of €7,692 thousand recorded in the same period a year earlier.

The higher premiums (both gross written and earned) were generated by higher premium income in relation to portfolio renewals. In fact, gross premiums written increased by €8,152 thousand compared with the same period last year, while earned premiums increased by €7,940 thousand compared with 30 June 2021. On the other hand, there was the consequent increase in commission and the increase in claims paid in the property classes, which rose from €13,276 thousand at 30 June 2021 to €14,638 thousand in the half-year under review (+10.3%), mainly due to the effect of the cost of claims paid on the Sickness class.

OTHER INFORMATION

SHAREHOLDERS' EQUITY, TREASURY SHARES AND DIVIDENDS

At the date of this report, the share capital of Banca Mediolanum was €600,437,222.10, divided into 742,774,078 shares with no par value, including 4,858,190 treasury shares (with an equivalent value of €33.1 million).
Consolidated shareholders' equity amounted to €2,808.2 million at 30 June 2022, compared with €2,882.8 million at 31 December 2021. The valuation reserve decreased by €66 million compared with the end of 2021 (30/06/2022: -€51.4 million; 31/12/2021: +€14.6 million), mainly due to the decrease in the value of securities classified as financial assets at fair value through other comprehensive income.

With regard to the allocation of earnings for 2021, it should be recalled that the Shareholders' Meeting of 7 April 2022 resolved to distribute a dividend of €0.58, of which €0.23 had already been distributed as an interim dividend in November 2021. On 26 April 2022, the balance of €0.35 per eligible ordinary share was therefore distributed.
EPS (earnings per share) came to €0.32, compared with €0.36 in the first half of 2021.

CAPITAL ADEQUACY OF THE MEDIOLANUM FINANCIAL CONGLOMERATE[8]

The calculation of the capital adequacy of the Mediolanum Financial Conglomerate at 30 June 2022, in accordance with the additional supervisory provisions in force, showed that, with the capital requirements of the conglomerate of €2,401 million, the capital resources of the conglomerate to cover the required margin amounted to €3,061 million, with a surplus of €660 million:

€/m	30/06/2022	31/12/2021
Financial conglomerate primarily engaged in banking		
Capital	3,061	2,869
Banking capital requirements	1,305	1,254
Insurance capital requirements	1,096	1,004
Capital surplus (deficit)	**660**	**611**

[8] Capital adequacy at 30 June 2022 was calculated according to the capitalisation limits notified by the Supervisory Authority based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2022) of the Mediolanum Insurance Group sent to the supervisory authority.

OWN FUNDS AND CAPITAL RATIOS FOR REGULATORY PURPOSES AT 30 June 2022[9]

Banca Mediolanum S.p.A. has 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)).
For the purposes of supervisory reporting, at 30 June 2022, consolidated net income at 30 June 2022, amounting to €237.9 million, was included in the calculation of own funds, net of the pay-out determined according to the provisions of Decision 2015/656 of the European Central Bank of 4 February 2015 (€163.1 million); the remaining amount of €74.8 million was therefore used for the purposes of calculating own funds.
In light of the above, the Common Equity Tier 1 (CET1) Ratio was 21.1% at 30 June 2022.
The leverage ratio was 6.1% (31/12/2021: 6%).

TAX DISPUTE

With regard to the tax dispute involving Banca Mediolanum and Mediolanum Vita over the tax treatment of the fees paid by the Irish companies, there are no updates on the details provided in the 2021 financial statements. For more information, please see the notes to the financial statements – Tax liabilities.

EQUITY INVESTMENTS

Equity investment in the German subsidiary Bankhaus August Lenz – update

With regard to the equity investment in the German subsidiary, Bankhaus August Lenz, as reported in the financial statements at 31 December 2021, an agreement was signed in December for the sale of the ATM Payment Services business unit. This transaction was completed in June 2022 and is reflected in this half-year report.
For the first half of 2022, the costs incurred by the company to meet disposal costs were €1.2 million. These were absorbed by the provision for liabilities and charges, the remainder of which was €15.2 million at 30 June 2022, which is consistent with the hypothetical scenarios. For this reason, it was not deemed necessary to make further provisions.
At the end of the reporting period, the value of the equity investment reflects the capital increases carried out during 2022, aimed at covering ordinary losses, adjusted by the loss for the period.

SIGNIFICANT EVENTS AFTER THE END OF THE FIRST HALF OF THE YEAR

No events that could have a material effect on the Group's financial position and earnings results took place after 30 June 2022.

BUSINESS OUTLOOK

In a context of already significant corrections in the financial markets, the evolution of the mix of growth and inflation will be decisive from now on, and particularly the relative speeds at which these two variables move,

[9] It should be noted that these data may be updated during the Supervisory Authority reporting phase.

which will also dictate monetary policy approaches. However, although it is quite likely that both will undergo a slowdown, necessary for the achievement of a new equilibrium, the evolution of the main component is not yet known.

It should also be recalled that the ongoing Russian-Ukrainian conflict and its impact on relations between the various countries will doubtless affect macroeconomic indicators.

In the coming period, indications in corporate quarterly reports and the evolution of macroeconomic data will be crucial in determining which scenario might materialise.
Therefore, considering the risks typical of the sector, and unless other exceptional events occur that entail a further significant worsening of the current situation (not under the Directors' control and currently not foreseeable by the management), a positive operating performance is expected for 2022.

Basiglio, 03 August 2022

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

Condensed Consolidated Half-year Financial Statements at 30 June 2022

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

€/000		30/06/2022	31/12/2021
10.	Cash and cash equivalents	518,186	519,025
20.	Financial assets at fair value through profit or loss	31,320,778	33,450,324
	a) Financial assets held for trading	1,104,938	244,300
	b) Financial assets designated at fair value	30,031,231	33,024,615
	c) Other financial assets mandatorily measured at fair value	184,609	181,409
30.	Financial assets measured at fair value through other comprehensive income	1,016,441	1,432,635
40.	Financial assets measured at amortised cost	36,319,246	36,308,486
	a) Loans to banks	705,521	4,890,861
	b) Loans to customers	35,613,725	31,417,625
50.	Hedging derivatives	385	63
80.	Reinsurers' share of technical provisions	72,514	70,136
90.	Tangible assets	250,442	249,095
100.	Intangible assets	208,312	210,912
	of which:		
	- goodwill	132,925	132,925
110.	Tax assets	513,864	546,710
	a) current	428,633	452,167
	b) deferred	85,231	94,543
120.	Non-current assets and disposal groups	187	208
130.	Other assets	714,937	734,776
TOTAL ASSETS		**70,935,292**	**73,522,370**

Liabilities and shareholders' equity

€/000		30/06/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	33,772,676	33,509,845
	a) Payables to banks	1,259,234	1,091,777
	b) Payables to customers	32,513,442	32,418,068
	c) Debt securities in issue	-	-
20.	Financial liabilities held for trading	484,707	60,818
30.	Financial liabilities designated at fair value	12,619,057	13,568,459
40.	Hedging derivatives	7,437	19,936
60.	Tax liabilities	90,381	164,165
	a) current	71,140	133,605
	b) deferred	19,241	30,560
80.	Other liabilities	973,316	1,003,286
90.	Employee severance benefits	11,544	13,259
100.	Provisions for risk and charges	323,260	336,975
	a) commitments and guarantees given	426	395
	b) pensions and similar obligations	466	545
	c) other provisions for risk and charges	322,368	336,035
110.	Technical provisions	19,844,812	21,962,812
120.	Valuation reserves	(51,420)	14,612
150.	Reserves	2,049,249	1,758,439
155	Interim dividends	-	(169,381)
160.	Issue premiums	5,129	4,364
170.	Capital	600,437	600,370
180.	Treasury shares (-)	(33,146)	(38,644)
200.	Net income for the period (+/-)	237,853	713,055
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**70,935,292**	**73,522,370**

Basiglio, 03 August 2022

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

CONSOLIDATED INCOME STATEMENT

€/000		30/06/2022	30/06/2021
10.	Interest income and similar income	226,915	196,652
	of which: interest income calculated using the effective interest method	*202,615*	*169,470*
20.	Interest expense and similar expenses	(26,107)	(27,776)
30.	**Net interest income**	**200,808**	**168,876**
40.	Commission income	921,607	881,550
50.	Commission expense	(387,689)	(380,851)
60.	**Net commission income**	**533,918**	**500,699**
70.	Dividends and similar income	1,362	1,376
80.	Net gains (losses) from trading	(20,924)	84,158
90.	Net gains (losses) from hedging	1,445	(511)
100.	Gains (losses) from disposal or repurchase of:	688	791
	a) financial assets measured at amortised cost	16	6
	b) financial assets at fair value through other comprehensive income	672	785
110.	Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	(2,749,108)	926,999
	a) financial assets and liabilities designated at fair value	(2,753,970)	922,349
	b) other financial assets mandatorily measured at fair value	4,862	4,650
120.	**Operating income**	**(2,031,811)**	**1,682,388**
130.	Credit-risk induced net value adjustments/write-backs relating to:	(8,817)	(14,474)
	a) financial assets measured at amortised cost	(9,233)	(14,623)
	b) financial assets at fair value through other comprehensive income	416	149
150.	**Net gain (loss) from financial operations**	**(2,040,628)**	**1,667,914**
160.	Net premiums	1,154,645	1,313,124
170.	Balance of other revenues/expenses from insurance operations	1,539,951	(2,288,133)
180.	**Net gain (loss) from financial and insurance operations**	**653,968**	**692,906**
190.	Administrative expenses:	(321,154)	(295,223)
	a) staff costs	(136,052)	(126,012)
	b) other administrative expenses	(185,102)	(169,211)
200.	Net provisions for risk and charges	(11,121)	(24,486)
	a) commitments and guarantees given	(31)	(57)
	b) other net provisions	(11,090)	(24,429)
210.	Net value adjustments/write-backs of tangible assets	(8,384)	(8,550)
220.	Net value adjustments/write-backs of intangible assets	(16,662)	(15,321)
230.	Other operating income/expenses	737	-
240.	**Operating costs**	**(356,584)**	**(343,580)**
280.	Gains (losses) on disposal of investments	481	11
290.	**Net income from continuing operations before tax**	**297,865**	**349,337**
300.	Taxes on income from continuing operations	(60,012)	(80,589)
310.	**Net income from continuing operations after tax**	**237,853**	**268,748**
330.	**Net income for the period**	**237,853**	**268,748**
350.	**Net income for the period attributable to the Parent Company**	**237,853**	**268,748**

Basiglio, 03 August 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€/000		30/06/2022	30/06/2021
10.	**Net income for the period**	**237,853**	**268,748**
	Other income net of taxes without reversal to the income statement		
20.	Equity securities designated at fair value through other comprehensive income	(53,463)	9,582
70.	Defined benefit plans	1,628	151
90.	Share of valuation reserves of equity investments measured at equity		
	Other income net of taxes with reversal to the income statement		
140.	- Financial assets (other than equity securities) at fair value through other comprehensive income	(14,197)	(2,803)
160.	Share of valuation reserves of equity investments measured at equity		
170.	**Total other income net of taxes**	**(66,032)**	**6,930**
180.	**Comprehensive income (Item 10+170)**	**171,821**	**275,678**
190.	Consolidated comprehensive income attributable to minority interests		
200.	**Consolidated comprehensive income attributable to the Parent Company**	**171,821**	**275,678**

Basiglio, 03 August 2022

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 June 2021

€/000	Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021	Allocation of previous year's result		Changes in the period								Shareholders'equity at 30/06/2021
							Transactions on shareholders'equity						Comprehensive income at 30/06/2021	
				Reserves	Dividends and other destinations	Changes in reserves	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	600,297		600,297				50							600,347
b) other shares														-
Issue premiums	3,626		3,626				496							4,122
Reserves:														
a) earnings	1,694,865		1,694,865	110,544		148,803			(250,309)					1,703,903
b) other	43,932		43,932									6,092		50,024
Valuation reserves	4,919		4,919										6,930	11,849
Equity instruments														-
Interim dividends	-		-											-
Treasury shares	(43,570)		(43,570)				4,900							(38,670)
Net income for the period	434,462		434,462	(110,544)	(323,918)								268,748	268,748
Shareholders' equity attributable to the Group	**2,738,531**	**-**	**2,738,531**	**-**	**(323,918)**	**148,803**	**5,446**	**-**	**(250,309)**	**-**	**-**	**6,092**	**275,678**	**2,600,323**
Shareholders' equity attributable to minority interests	**-**		**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 June 2022

€/000	Balances at 31/12/2021	Change in opening balances	Balances at 01/01/2022	Allocation of previous year's result		Changes in the period								Shareholders'equity at 30/06/2022
							Transactions on shareholders'equity						Comprehensive income at 30/06/2022	
				Reserves	Dividends and other destinations	Changes in reserves	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		600,370				67							600,437
b) other shares	-													-
Issue premiums	4,364		4,364				765							5,129
Reserves:														
a) earnings	1,703,804		1,703,804	285,630	-									1,989,434
b) other	54,635		54,635			185						4,995		59,815
Valuation reserves	14,612		14,612										(66,032)	(51,420)
Equity instruments	-													-
Interim dividends	(169,381)		(169,381)		169,381									-
Treasury shares	(38,644)		(38,644)				5,498							(33,146)
Net income for the period	713,055		713,055	(285,630)	(427,425)								237,853	237,853
Shareholders' equity attributable to the Group	**2,882,815**	**-**	**2,882,815**	**-**	**(258,044)**	**185**	**6,331**	**-**	**-**	**-**	**-**	**4,995**	**171,821**	**2,808,102**
Shareholders' equity attributable to minorities	**-**		**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Basiglio, 03 August 2022

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

STATEMENT OF CASH FLOWS
Indirect method

€/000	30/06/2022	30/06/2021
A. OPERATING ACTIVITIES		
1. Management	**417,520**	**1,438,049**
- net result for the period (+/-)	237,853	268,748
- capital gains (losses) on financial assets held for trading and on other assets/liabilities at fair value through profit or loss (-/+)	2,275,900	(581,032)
- capital gains (losses) on hedging activities (-/+)	(1,445)	511
- credit-risk induced net value adjustments/write-backs (+/-)	8,817	14,474
- net value adjustments/write-backs of tangible and intangible assets (+/-)	25,046	23,871
- net provisions for liabilities and charges and other costs/revenues (+/-)	11,121	24,486
- other uncollected insurance revenues/expenses (-/+)	(2,104,014)	1,615,792
- unpaid taxes, duties and tax credits (+/-)	(40,938)	65,107
- other adjustments (+/-)	5,180	6,092
2. Cash generated by/utilised for financial assets	**(1,776,743)**	**(7,828,943)**
- financial assets held for trading	(921,535)	(352,523)
- financial assets designated at fair value	(1,193,711)	(3,566,466)
- Other financial assets mandatorily measured at fair value	1,658	27,639
financial assets at fair value through other comprehensive income	350,575	388,445
- financial assets measured at amortised cost	(19,993)	(4,408,073)
- other assets	6,263	82,035
3. Cash generated by/utilised for financial liabilities	**1,619,171**	**6,467,179**
- financial liabilities measured at amortised cost	262,831	3,711,919
- financial liabilities held for trading	464,334	192,550
- financial liabilities designated at fair value	977,388	2,669,836
- other liabilities	(85,382)	(107,126)
Net cash generated by/utilised for operating activities	**259,948**	**76,285**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**2,591**	**1,378**
- dividends received on equity investments/securities	1,362	1,376
- sales of tangible assets	1,229	2
2. Cash utilised for	**(11,664)**	**(13,929)**
- purchases of tangible assets	(1,474)	(1,468)
- purchases of intangible assets	(10,190)	(12,461)
Net cash generated by/utilised for investment activities	**(9,073)**	**(12,551)**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	5,566	4,950
- issues/purchases of equity instruments	765	496
- dividend distribution and other purposes	(258,044)	(19,330)
Net cash generated by/utilised for financing activities	**(251,714)**	**(13,884)**
TOTAL NET CASH GENERATED/UTILISED IN THE PERIOD	**(839)**	**49,850**

Key: (+) generated (-) utilised

RECONCILIATION

€/000	30/06/2022	30/06/2021
Line items		
Cash and cash equivalents at beginning of year	519,025	129,723
Total net cash generated/utilised during the period	(839)	49,850
Cash and cash equivalents at end of period	518,186	179,573

Basiglio, 03 August 2022

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

Notes

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NOTES

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 E – Information on risks and the related hedging policies
Part F – Information on consolidated capital
Part H – Related party transactions
Part L – Segment reporting

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Declaration of Compliance with International Accounting Standards

The condensed consolidated half-year financial statements of the Mediolanum Group at 30 June 2022 have been prepared pursuant to 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.
In particular, the content of this document complies with the international accounting standard applicable to interim financial reporting, IAS 34 Interim Financial Reporting.
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.
The condensed consolidated half-year financial statements of the Mediolanum Group have also 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 subsequently updated.
The Directors of Banca Mediolanum S.p.A. believe that they may reasonably expect that the Group will continue to operate as a going concern for the foreseeable future, and therefore the condensed consolidated half-year financial statements 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.

Section 2 – General basis of preparation

These condensed consolidated half-year financial statements consist of:

- a consolidated statement of financial position as at the end of the interim reporting period (30/06/2022) and a comparative statement of financial position as at the end of the previous year (31/12/2021), the balances of which have been determined according to the accounting standards in force at the time;
- a consolidated income statement for the interim reporting period (30/06/2022) compared with the comparative income statement for the corresponding interim period of the previous year (30/06/2021);
- a consolidated statement of comprehensive income for the interim reporting period (30/06/2022) compared with the statement of comprehensive income for the corresponding interim period of the previous year (30/06/2021);
- a consolidated statement of changes in shareholders'equity for the period between the beginning of the year and the end of the half-year of reference, with a comparative statement for the corresponding period of the previous year;
- a consolidated statement of cash flows for the period between the beginning of the year and the end of the half-year of reference, with a comparative statement for the corresponding period of the previous year;
- consolidated notes containing references to the accounting standards used and other specific explanatory notes relating to transactions during the reporting period.

IAS 34 states that, in the interest of timeliness of information, less information may be provided in the interim financial statements ("condensed financial statements") than in the annual financial statements, essentially to provide an update on the last full annual financial statements; consequently, the condensed financial statements must be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

Section 3 –Scope and methods of consolidation

The condensed consolidated interim financial statements include Banca Mediolanum S.p.A. and its direct and indirect subsidiaries.
The following table shows the equity investments included in the scope of full consolidation following the adoption of the international accounting standards.

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

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

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

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

(*) Type of relationship: 1 = majority of voting rights at the ordinary shareholders' meeting
2 = dominant influence at the ordinary shareholders'meeting
3 = agreements with other shareholders
4 = other forms of control
5 = single management pursuant to Article 26(1) of "Legislative Decree no. 87/92"
6 = single management pursuant to Article 26(2) of "Legislative Decree no. 87/92"

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 interests of their share, where present, of 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. The resulting differences, if positive, are recognised – after allocation to the subsidiary's assets or liabilities – as goodwill in intangible assets or differences in fair value on assets and liabilities still in the statement of financial position recognised on the date of first consolidation and, subsequently, in other reserves. 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.

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.

Section 4 – Events after the half-year reporting date

No events that could have a material effect on the Group's financial position and earnings results took place after 30 June 2022.

Section 5 – Other aspects

Use of estimates

The preparation of these condensed consolidated half-year financial statements entailed the use of complex estimates and assessments which had an impact on the assets, liabilities, costs and revenues recognised as well as on the identification and amounts of contingent assets and liabilities. These estimates mainly concerned:

> the estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
> the identification of loss events as per IAS 36;
> the assumptions used to identify any impairment of intangible assets recognised in the financial statements;
> the quantification of impairment on loans and receivables and other financial assets in general, as well as stage allocation;
> the estimate of technical provisions;
> the quantification of provisions for risks, including the estimated discount rate and other key parameters (network turnover rate) of the provisions for risk on the sales network;
> the estimate of tax liabilities and the assessment of the related risk of an unfavourable outcome;
> estimates and assumptions regarding the recoverability of deferred tax assets;

> the assumptions used to determine the costs associated with incentive plans.

The directors periodically check the estimates and assessments made on the basis of their historical experience and other factors deemed reasonable. Due to the uncertainty inherent in these financial statement items, the relative actual values may differ from estimates made due to unexpected elements or changes in operating conditions.

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

Accounting standards

For information regarding the criteria for the classification and measurement of the main financial statement items, please see Part A.2 of the notes to the consolidated financial statements of the Mediolanum Group as at 31 December 2021.
The financial statements and notes include figures for the period under review and the corresponding data for the comparative period. In order to improve the representation of the balances in the comparative period, the statement of financial position and income statement components of certain insurance products have been reclassified.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF 01 JANUARY 2022

On 14 May 2020, the IASB published the following amendments:

> **Amendments to IFRS 3 Business Combinations**: the purpose of these amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this involving changes to the provisions of the standard.
> **Amendments to IAS 16 Property, Plant and Equipment**: the amendments are intended to prevent the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the asset testing phase. Such sales revenues and the related costs will be recognised in the income statement.
> **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**: the amendment clarifies that when assessing whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, assessment of whether the contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the undertaking cannot avoid because it has entered into the contract (such as the depreciation rate of the machinery used to fulfil the contract).
> **Annual Improvements 2018-2020**: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments had no effect on the Group's condensed consolidated half-year financial statements.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 30 JUNE 2022

In this context, given the particular significance for the Group's financial statements, **IFRS 17 Insurance Contracts**, published by the IASB in May 2017 and subsequently amended on 25 June 2020, and approved on 19 November 2021, has been noted.

It should also be noted that with the Public Statement ESMA32-339-208 of 13 May 2022, ESMA (European Securities and Markets Authority) requested all listed issuers to provide information in their 2022 interim and annual financial reports on the impacts of the initial application of the new accounting standard on insurance contracts.
The date of first application of the standard is 1 January 2023 and applies to all types of insurance contracts, including reinsurance contracts and DPF (discretionary participation feature) investment contracts.
The aim of the new standard is to ensure that entities provide relevant information that faithfully reflects the rights and obligations arising from the insurance contracts they write. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework. The new standard also establishes presentation and reporting requirements to improve comparability between entities operating in this sector.
IFRS 17 measures contract groups on the basis of a General Model or a variant thereof (known as the Variable Fee Approach), which must be used to measure contracts with direct participation. There is also the option for a simplified version of the General Model (PAA or Premium Allocation Approach) to be applied, provided certain eligibility criteria are met.
The main features of the General Model are:

> the estimates and assumptions of future cash flows are always updated;
> the measurement reflects the time value of money;
> the estimates envisage the extensive use of information available in the market;
> there is a current and explicit risk measurement;
> the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and
> the expected profit is recognised in the contractual coverage period taking into account any adjustments resulting from changes in the operating assumptions related to the cash flows of each group of contracts.

In the event that the Variable Fee Approach is adopted, the expected profit is also adjusted due to the portion of the change in the fair value of the underlying assets pertaining to the Company (variable fee).
Due to the expected operational complexity, in order to meet the new IFRS 17 requirements, the Group launched a project in 2020 involving the Parent Company of the conglomerate and the insurance Parent Company, whose project areas are as follows:

> a regulatory/methodology working party;
> a working party focused on defining the target operating process and defining the control safeguards;
> a working party for the development and related checks of the technological infrastructure.

At the date of preparation of this report, this project was still in progress, with specific reference to:

> consolidation of the methodological guidelines identified;
> development of a transition strategy;
> completion of the test phase on application systems and launch of the parallel phase in the third quarter of 2022 to verify the effectiveness of the process.

The main methodological decisions identified at the date of preparation of this report are set out below. It should be noted that these guidelines could be reviewed in the coming months and until the date of entry into force of the standard, based on the results of the in-depth analyses still under way as part of the IFRS 17 implementation project.

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 Solvency II business line values.

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 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).

At present, the simplified accounting model (premium allocation approach) is not applied.

Coverage Units

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

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

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

Financial margin

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

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

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

> for contracts within the scope of the VFA, from an equal but opposite amount ("mirroring") to the booked financial result of the underlying assets;
> for contracts within the scope of the BBA, an amount equal to the revaluation of the insurance liability deriving from the application of the current curve at the date of first valuation of the group of contracts (locked-in curve).

Due to the adoption of IFRS 9 from 1 January 2018, the option provided for by the standard, which permits the reassessment of the business model pursuant to IFRS 9, is being assessed in order to reduce possible mismatches arising from the valuation of liabilities pursuant to IFRS 17.

Discounting

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 the Medinvest separate management on the basis of the registration data of hedging securities and the related market data (company volatility adjustment), while for the remaining business the volatility adjustment considered was derived from a portfolio of European securities.

Risk adjustment

The approach identified by Mediolanum to define the risk adjustment includes the value at risk (VaR) risk measurement estimation technique with a level of confidence consistent with the assessments performed by the Company. With regard to the definition of stresses, the approach provides for shocks consistent with those defined by the regulations, as assessed in the standard formula, recalibrated on the percentile identified.

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;
- a high manual computational effort in reconstructing historical data in the absence of information systems that were adapted when the IFRS 17 project began.

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

- the application of the fair value method for the direct participating products of the Life business and for the Non-Life business;
- the application of the modified retrospective approach for pure risk products.

Activation of the recovery of historical data relating to recently marketed IFRS 17 products is currently being explored.

At the date of preparation of this consolidated half-year report, quantitative estimates of the impacts of the application of the new standard are still being prepared and therefore are characterised by a degree of uncertainty that makes them insufficiently reliable. The Directors expect the application of IFRS 17 to have a significant impact on the recognition of insurance contracts and the related information reported in the Group's consolidated financial statements.

On 12 February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**" and "**Definition of Accounting Estimates—Amendments to IAS 8**". The amendments aim to improve disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policy. The amendments will apply from

1 January 2023 but early adoption is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the reference date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and the standards described below.
On 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short- or long-term liabilities. The amendments will come into effect on 1 January 2023, early adoption is therefore permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes must be accounted for in certain transactions that may generate assets and liabilities of equal amounts, such as leasing and dismantling obligations. The amendments will apply from 1 January 2023 but early adoption is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

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

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 a 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

The Group's 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 and 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.

Expected flows are determined based on implied volatilities (where relevant) using the Black-Scholes model.
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 consist of:

- units of real estate funds;
- unlisted equity securities positions;
- securities positions relating to index-linked policies;
- unlisted bond positions;
- units of closed-end UCI funds;
- real estate.

The starting point for determining the units of real estate funds is the analysis of the underlying properties, and in particular 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 appropriately, using both the initial value of the collected rent and the discount rates of the collected rent, as well as the final net income capitalisation rate after implementation.

Equities measured at fair value level 3 include the indirect investee company VISA Europe Limited. When determining fair value, the Mediolanum Group considered the cash value and the value of the preferred instruments to which a liquidity discount was applied according to valuation clauses, and it decided to assign a value of zero to the price adjustment clause due to the uncertainty associated with this component.
For some more significant equity securities, the Bank has determined the fair value of these instruments on the basis of established academic valuation methods (DCF).

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.
Index-linked policy assets – the volumes of which are residual as a percentage of total assets held by the Irish life insurance company – consist of bonds and derivative contracts traded outside regulated markets and characterised by low liquidity and complex financial structures. They are measured on the basis of appropriately validated assessments of their counterparties or internal stochastic models.
For unlisted bonds, the valuation method in the financial statements is similar to that used for Level 2 assets, with the difference that the input data used for pricing are not directly derived from the market and other parameters, such as the liquidity premium and complexity, but are calibrated in such a way as to take account of the characteristics of the instrument in question.
For closed-end UCI units, however, the value is measured at the NAV communicated by the manager and duly verified and validated.
The carrying amount of properties is determined through an independent expert's appraisal. The report is updated periodically or at the time of significant events that result in the revaluation of these carrying amounts.
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 real properties directly owned by the Company and Group companies has generally been determined using the "comparative" method.

A.4.2 Valuation processes and sensitivity

This section includes disclosure on fair value as required by IFRS 13. Fair value is defined as the consideration that could be received to sell an asset or paid to transfer a liability, in an ordinary transaction between counterparties on the reference market on the measurement date. A financial instrument is considered quoted on an active market if the quoted prices are readily and regularly available on the regulated market (understood as a trading platform, dealer or broker) and such prices represent actual market transactions that take place regularly in normal trading. Alternative valuation models (mark to model) are used if market prices or other observable inputs are not available.
The Group uses valuation methods in line with methods generally accepted and used by the market. The valuation models include techniques based on discounting future cash flows (and estimated volatility) and are reviewed periodically to ensure full consistency with the valuation objectives.

A.4.3 Fair value hierarchy

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 applied by the individual Company 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 the first six months of 2022, one security in the Mediolanum Vita portfolio was reclassified from fair value level 2 to level 1.
This change depends on whether the security in question has acquired all the liquidity and listing characteristics typical of Level 1. Accordingly, the fair value level has been updated since it has exceeded the active market macro, as established by the policy in force.

A.4.4 Other information

There are no situations within the Mediolanum Group 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 on the basis of the price that could 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		30/06/2022			31/12/2021		
Financial assets/liabilities measured at fair value		**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets at fair value through profit or loss		30,960,919	153,852	206,007	33,093,842	160,736	195,745
a)	Financial assets held for trading	1,097,231	1,695	6,012	238,271	3	6,025
b)	Financial assets designated at fair value	29,844,348	152,157	34,726	32,831,982	160,733	31,900
c)	Other financial assets mandatorily measured at fair value	19,340	-	165,269	23,589	-	157,820
2. Financial assets measured at fair value through other comprehensive income		1,009,809	-	6,632	1,426,028	-	6,609
3. Hedging derivatives		-	385	-	-	63	-
4. Tangible assets		-	-	-	-	-	-
5. Intangible assets		-	-	-	-	-	-
TOTAL		**31,970,728**	**154,237**	**212,639**	**34,519,870**	**160,799**	**202,354**
1. Financial liabilities held for trading		457,141	27,566	-	-	60,818	-
2. Financial liabilities designated at fair value		12,608,456	10,602	-	13,566,494	1,965	-
3. Hedging derivatives		-	7,437	-	-	19,936	-
TOTAL		**13,065,597**	**45,605**	**-**	**13,566,494**	**82,719**	**-**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.4.5.2 Changes during the year in assets measured at fair value on a recurring basis (Level 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	195,745	6,025	31,900	157,820	6,609	-	-	-
2. Increases	21,946	299	2,826	18,823	24	-	-	-
2.1. Purchases	8,362	296	2,826	5,242	-	-	-	-
2.2. Profits booked to:	10,951	3	-	10,948	-	-	-	-
2.2.1. Income statement	10,951	3	-	10,948	-	-	-	-
- of which, capital gains	2,721	-	-	2,721	-	-	-	-
2.2.2. Shareholders'equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	2,634	-	-	2,634	24	-	-	-
3. Decreases	(11,685)	(310)	-	(11,375)	(1)	-	-	-
3.1. Sales	(581)	(205)	-	(375)	-	-	-	-
3.2. Redemptions	(7,866)	-	-	(7,867)	-	-	-	-
3.3. Losses charged to:	(1,973)	(76)	-	(1,897)	-	-	-	-
3.3.1. Income statement	(1,973)	(76)	-	(1,897)	-	-	-	-
- of which, capital losses	(1,960)	(75)	-	(1,885)	-	-	-	-
3.3.2. Shareholders'equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(1,265)	(29)	-	(1,236)	(1)	-	-	-
4. Closing balances	206,007	6,012	34,726	165,269	6,632	-	-	-

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	30/06/2022				31/12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	36,319,246	19,499,062	4,573	17,686,268	36,308,486	16,346,139	9,360	22,845,882
2. Tangible assets held for investment purposes	79,763	-	-	93,000	81,294	-	-	94,040
3. Non-current assets and disposal groups	187	-	-	187	208	-	-	208
TOTAL	**36,399,196**	**19,499,062**	**4,573**	**17,779,455**	**36,389,988**	**16,346,139**	**9,360**	**22,959,130**
1. Financial liabilities measured at amortised cost	33,772,676	-	-	33,772,676	33,509,845	-	-	33,509,845
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	**33,772,676**	**-**	**-**	**33,772,676**	**33,509,845**	**-**	**-**	**33,509,845**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

€/000	Total 30/06/2022	Total 31/12/2021
a) Cash	2,535	199,804
b) Current accounts and demand deposits with central banks	372,192	219,046
c) Current accounts and demand deposits with banks	143,459	100,175
Total	**518,186**	**519,025**

SECTION 2 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.1 Financial assets held for trading: breakdown by type

€/000	30/06/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	1,037,242	-	159	130,648	-	138
1.1 Structured notes	59,034	-	158	-	-	-
1.2 Other debt securities	978,208	-	1	130,648	-	138
2. Equity securities	59,950	-	5,853	107,566	-	5,808
3. Units in investment funds (UCIs)	37	-	-	57	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	**1,097,229**	**-**	**6,012**	**238,271**	**-**	**5,946**
B. Derivative instruments						
1. Financial derivatives	2	1,695	-	-	3	79
1.1 for trading	2	1,695	-	-	3	79
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)	**2**	**1,695**	**-**	**-**	**3**	**79**
TOTAL (A+B)	**1,097,231**	**1,695**	**6,012**	**238,271**	**3**	**6,025**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.3 Financial assets designated at fair value: breakdown by type

€/000	30/06/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,628,128**	**1,423**	**34,726**	**1,918,773**	**-**	**31,900**
1.1 Structured notes	1,628,128	1,423	34,726	1,918,773	-	31,900
1.2 Other debt securities	-	-	-	-	-	-
2. Loans	**28,216,220**	**150,734**	**-**	**30,913,209**	**160,733**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	28,216,220	150,734	-	30,913,209	160,733	-
TOTAL	**29,844,348**	**152,157**	**34,726**	**32,831,982**	**160,733**	**31,900**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

€/000	30/06/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**233**	**-**	**-**	**232**
3. Units in investment funds (UCIs)	**19,340**	**-**	**165,036**	**23,589**	**-**	**157,588**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	**19,340**	**-**	**165,269**	**23,589**	**-**	**157,820**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

SECTION 3 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – ITEM 30

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

€/000	30/06/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**769,500**	**-**	**-**	**1,131,817**	**-**	**-**
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	769,500	-	-	1,131,817	-	-
2. Equity securities	**240,309**	**-**	**6,632**	**294,211**	**-**	**6,607**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**1,009,809**	**-**	**6,632**	**1,426,028**	**-**	**6,607**

Key: L1 = Level 1 L2 = Level 2 L3 = Level 3

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 30/06/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	**60,968**	**-**	**-**	**-**	**-**	**60,968**
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	60,968	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	**644,551**	**-**	**-**	**99,086**	**-**	**547,750**
1. Loans	542,319	-	-	-	-	542,319
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	62,129	-	-	X	X	X
1.3. - Other loans:	480,190	-	-	X	X	X
- Reverse repurchase agreements	453,604	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	26,586	-	-	X	X	X
2. Debt securities	102,234	-	-	99,086	-	5,431
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	102,234	-	-	99,086	-	5,431
Total	**705,521**	**-**	**-**	**99,086**	**-**	**608,718**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

At the end of the first half of 2022, loans to banks amounted to €705.5 million, down by €4,185.3 million compared with the previous period.
The change was primarily due to the decrease in receivables from central banks (-€4,590 million compared with the comparative period).

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 2 of 2)

€/000	Total 31/12/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	**4,650,855**	**-**	**-**	**-**	**-**	**4,650,855**
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	4,650,855	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	**240,006**	**-**	**-**	**108,674**	**-**	**131,808**
1. Loans	126,352	-	-	-	-	126,352
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	55,109	-	-	X	X	X
1.3. - Other loans:	71,243	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	71,243	-	-	X	X	X
2. Debt securities	113,654	-	-	108,674	-	5,456
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	113,654	-	-	108,674	-	5,456
Total	**4,890,861**	**-**	**-**	**108,674**	**-**	**4,782,663**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 1 of 2)

€/000	Total 30/06/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**15,894,927**	**114,215**	**2,332**	**-**	**-**	**17,030,563**
1. Current accounts	359,148	5,563	6	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X
3. Mortgages	10,801,441	75,017	-	X	X	X
4. Credit cards, personal loans and salary-backed loans	2,977,091	25,618	2,139	X	X	X
5 Leasing loans	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X
7. Other loans	1,757,247	8,017	187	X	X	X
2. Debt securities	**19,602,251**	**-**	**-**	**19,399,976**	**4,573**	**46,987**
1. Structured notes	-	-	-	-	-	-
2. Other debt securities	19,602,251	-	-	19,399,976	4,573	46,987
Total	**35,497,178**	**114,215**	**2,332**	**19,399,976**	**4,573**	**17,077,550**

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 2 of 2)

€/000	Total 31/12/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**15,219,475**	**109,408**	**2,206**	**-**	**-**	**18,002,805**
1. Current accounts	332,566	5,632	4	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X
3. Mortgages	10,167,251	75,827	-	X	X	X
4. Credit cards, personal loans and salary-backed loans	2,905,174	25,536	1,971	X	X	X
5 Leasing loans	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X
7. Other loans	1,814,484	2,413	231	X	X	X
2. Debt securities	**16,086,536**	**-**	**-**	**16,224,092**	**9,360**	**60,361**
1. Structured notes	-	-	-	-	-	-
2. Other debt securities	16,086,536	-	-	16,224,092	9,360	60,361
Total	**31,306,011**	**109,408**	**2,206**	**16,224,092**	**9,360**	**18,063,166**

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 Intangible assets: breakdown by type of asset

€/000	Total 30/06/2022		Total 31/12/2021	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	**132,925**	X	**132,925**
A.1.1 attributable to the group	X	132,925	X	132,925
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	**75,387**	**-**	**77,987**	**-**
of which: software	51,703	**-**	76,956	**-**
A.2.1 Assets measured at cost:	75,387	-	77,987	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	75,387	-	77,987	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**75,387**	**132,925**	**77,987**	**132,925**

The goodwill item, amounting to €132.9 million, includes the goodwill of €102.8 million allocated to the Spain CGU, €22.7 million to the Italy CGU and €7.3 million to the Prexta CGU.

In light of the recommendations of IAS 36, it should be noted that in the half-year under review:
the main economic variables underlying the CGUs that generate the goodwill recognised in the financial statements were analysed without identifying any indicators of impairment.

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	30/06/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	**1,029,319**	X	X	X	**1,034,572**	X	X	X
2. Payables to banks	**229,914**	X	X	X	**57,205**	X	X	X
2.1 Current accounts and demand deposits	112,409	X	X	X	3,479	X	X	X
2.2 Deposits at notice	5,780	X	X	X	-	X	X	X
2.3 Loans	107,771	X	X	X	50,373	X	X	X
2.3.1 Repurchase agreements	107,771	X	X	X	50,373	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,271	X	X	X	1,387	X	X	X
2.6 Other payables	2,684	X	X	X	1,966	X	X	X
TOTAL	**1,259,234**	**-**	**-**	**1,259,234**	**1,091,777**	**-**	**-**	**1,091,777**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

With regard to TLTRO (Targeted Longer Term Refinancing Operations), it should be noted that Banca Mediolanum did not use the early redemption option.

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

€/000	30/06/2022				31/12/2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	25,873,774	X	X	X	25,008,371	X	X	X
2. Deposits at notice	219,980	X	X	X	308,290	X	X	X
3. Loans	6,018,876	X	X	X	6,693,137	X	X	X
3.1 Repurchase agreements	6,016,585	X	X	X	6,691,886	X	X	X
3.2 Other	2,291	X	X	X	1,251	X	X	X
4. Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
5. Lease liabilities	68,527	X	X	X	65,371	X	X	X
6. Other payables	332,285	X	X	X	342,899	X	X	X
TOTAL	**32,513,442**	**-**	**-**	**32,513,442**	**32,418,068**	**-**	**-**	**32,418,068**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

€/000	30/06/2022					31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	460,000	457,141	-	-	457,141	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	**460,000**	**457,141**	**-**	**-**	**457,141**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	-	1	27,565	-	-	-	-	60,818	-	-
1.1 For trading	X	1	27,565	-	X	X	-	60,818	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
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**	**1**	**27,565**	**-**	**X**	**X**	**-**	**60,818**	**-**	**X**
TOTAL (A+B)	**X**	**457,142**	**27,565**	**-**	**X**	**X**	**-**	**60,818**	**-**	**X**

Key:
NV= Nominal or notional value
L1=Level 1
L2=Level 2
L3=Level 3
Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – ITEM 30

3.1 Financial liabilities designated at fair value: breakdown by type

€/000	30/06/2022					31/12/2021				
		Fair value					Fair value			
	NV	L1	L2	L3	Fair value *	NV	L1	L2	L3	Fair value *
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	12,608,719	12,608,455	264	-	12,608,719	13,568,459	13,566,494	1,965	-	13,568,459
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	12,608,719	12,608,455	264	-	X	13,568,459	13,566,494	1,965	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	10,338	-	10,338	-	10,338	-	-	-	-	-
3.1 Structured	-	-	10,338	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL	12,619,057	12,608,455	10,602	-	12,619,057	13,568,459	13,566,494	1,965	-	13,568,459

Key:
NV= Nominal value
L1=Level 1
L2=Level 2
L3=Level 3
Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

Financial liabilities designated at fair value include liabilities relating to contracts not within the scope of IFRS 4 but classified as "investment" by the Group's life insurance companies, in particular Mediolanum Vita and the Irish company Mediolanum International Life dac.

Section 6 - Tax liabilities - Item 60

Banca Mediolanum

There are no updates to the financial statements relating to the tax dispute.

As reported in the financial statements, on 24 April 2020 the Major Taxpayers Office of the Regional Tax Department for Lombardy served Banca Mediolanum with assessment notices for IRES (corporate income tax) and IRAP (regional production tax) purposes concerning transfer prices for 2015. These assessment notices – which present identical charges to those of previous years – claim total additional taxable income of €94.6 million, including €23.5 million due to a recalculation from 57.43% to 64.25% of the retrocession of the management fees of the mutual funds promoted by the subsidiary Mediolanum International Funds and placed in Italy by the bank, as well as additional taxable income of €70.3 million deriving from the allocation to the bank of 23.83% of the performance fees. In total, additional taxes of €31.2 million were charged (including IRES of €26.0 million and IRAP of €5.3 million). Subsequently, on 8 May 2020, further assessment notices were served for the year 2016, claiming total additional taxable income of €70.6 million, including €24.4 million due to a recalculation from 57.43% to 64.25% of the retrocession of management fees, as well as an additional taxable income of €46.2 million deriving from the allocation to the bank of 21.1% of the performance fees. In total, additional taxes of €23.3 million were charged (including IRES of €19.4 million and IRAP of €3.9 million).
In view of the subjective nature of the charges and the diligent work done by the Company, which prepared the documentation provided for by transfer pricing legislation, the Italian Agency of Revenue has ruled that the administrative tax penalties do not apply. The Company appealed the assessment notices before the Milan Provincial Tax Commission.
These assessment notices were also issued under the framework settlement agreement signed on 18 December 2018 between the companies of the Mediolanum Group concerned and the Revenue Agency. Accordingly, the receipt of the assessment notices was expected and does not change the risk assessment and the consequent provisioning, in line with the previous financial statements. The Company therefore continued to provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.
As previously reported, no provision has been made for the allocation to the bank of the performance fees, as there was confidence that, thanks also to the support of an authoritative tax advisory firm, this finding will not be upheld during the arbitration procedure, in line with market practice and evidence.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020 applications were made for the initiation of the Mutual Agreement Procedure ("MAP") provided for in European Arbitration Convention No. 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities. With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy. This application was declared admissible by the competent Italian authorities on 11 November 2020.

For the years 2019 to 2023, recourse was instead made to the Advanced Pricing Agreement (by application submitted on 1 August 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.
No updates were made to the above during 2022.

As at 30 June 2022, the total provision set aside for both companies in connection with the above dispute was €36.3 million and the charge for the period in question was €2.5 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, comprising IRES of €3.5 million and IRAP of €0.9 million, without the application of penalties. On 8 May 2020, IRES and IRAP assessment notices were then served for 2016. In these notices, the Italian Revenue Agency claims total higher taxes of €4.5 million, of which €3.6 million of IRES and €0.9 million of IRAP. The company appealed the assessment notices before the Milan Provincial Tax Commission.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020 applications were made for the initiation of the Mutual Agreement Procedure ("MAP") provided for in European Arbitration Convention No. 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.
With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy.
For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 24 December 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.
As in the preceding year, the Company continued to make provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income.
Mediolanum Vita has therefore set aside a provision of €12.4 million, and the charge for the period in question amounts to €0.6 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 has applied to the Irish tax authority – thus far to no avail – for a refund of taxes paid corresponding to the higher taxable amounts assessed in Italy, for a maximum value of approximately €41 million.
The Group has therefore set aside a total provision of €48.7 million, and the charge for the period in question amounts to €3.1 million.

SECTION 10 – PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 100

10.1 Provisions for liabilities and charges: breakdown

€/000	30/06/2022	31/12/2021
1. Provisions for credit risk relating to commitments and financial guarantees given	60	117
2. Provisions on other commitments and guarantees given	367	278
3. Company pension funds	466	545
4. Other provisions for liabilities and charges	322,370	336,035
4.1 legal and tax disputes	15,225	15,327
4.2 staff costs	-	-
4.3 other	307,142	320,708
TOTAL	**323,260**	**336,975**

Provisions for liabilities and charges include (in the "Other" item), *inter alia*, the additional customer allowance, which includes the provision for fees accrued to financial advisors, the managers' allowance for agents who perform assistance and coordination activities and whose remuneration is based on specific business parameters and is paid upon qualifying for an old-age pension, the portfolio and structure allowance, which consists of remuneration relating to the value of the customer portfolio or the agent structure managed by a financial advisor, as the case may be, and the provision for lawsuits, mainly linked to legal liabilities (litigation and pre-litigation) and also including the related legal expenses.
The provision of €15.2 million for the restructuring of the German subsidiary set aside in the consolidated financial statements at 30 June 2022 is also included.

SECTION 11 – TECHNICAL PROVISIONS – ITEM 110

11.1 Technical provisions: breakdown

€/000	Direct business	Indirect business	30/06/2022	31/12/2021
A. Non-Life class	**212,617**	**63**	**212,617**	**196,994**
A1. Premium reserves	162,657	-	162,657	153,908
A2. Claims reserves	31,509	63	31,572	27,851
A3. Other reserves	18,388	-	18,388	15,235
B. Life class	**1,853,375**	**-**	**1,853,375**	**1,837,092**
B1. Mathematical reserves	1,730,730	-	1,730,730	1,690,239
B2. Reserves for amounts to be paid	112,730	-	112,730	123,716
B3. Other reserves	9,915	-	9,915	23,137
C. Technical provisions when the investment risk is borne by policyholders	**17,778,820**	**-**	**17,778,820**	**19,928,726**
C1. Reserves relating to contracts whose performance is linked to investment funds and market indices	17,778,820	-	17,778,820	19,928,726
C2. Reserves from pension fund management	-	-	-	-
D. Total technical provisions	**19,844,749**	**63**	**19,844,812**	**21,962,812**

SECTION 13 – GROUP EQUITY – ITEMS 120, 130, 140, 150, 160, 170 and 180

€/000	30/06/2022	31/12/2021
Capital	600,437	600,370
Issue premiums	5,129	4,364
Reserves	2,049,249	1,758,439
Interim dividends	-	(169,381)
Treasury shares (-)	(33,146)	(38,644)
Valuation reserves	(51,420)	14,612
Net income for the period (+/-)	237,853	713,055
Total	**2,808,102**	**2,882,815**

The share capital of Banca Mediolanum is €600.4 million, divided into 742,774,078 shares with no par value. The Company holds 4,858,190 treasury shares with an equivalent value of €33.1 million. No own shares were purchased during the period under review.

With regard to the allocation of earnings for 2021, it should be recalled that the Shareholders' Meeting of 7 April 2022 resolved to distribute a dividend of €0.58, of which €0.23 had already been distributed as an interim dividend in November 2021. On 26 April 2022, the balance of €0.35 per eligible ordinary share was therefore distributed.

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
				30/06/2022	30/06/2021
1. Financial assets at fair value through profit or loss:	**22,366**	**-**	**-**	**22,366**	**25,279**
1.1 Financial assets held for trading	4	-	-	4	725
1.2 Financial assets designated at fair value	22,362	-	-	22,362	24,554
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**7,396**	**-**	**X**	**7,396**	**8,389**
3. Financial assets measured at amortised cost:	**56,572**	**114,030**	**-**	**170,602**	**147,976**
3.1 Loans to banks	2,289	178	X	2,467	2,308
3.2 Loans to customers	54,283	113,852	X	168,135	145,668
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**1,936**	**1,936**	**1,904**
6. Financial liabilities	**X**	**X**	**X**	**24,615**	**13,104**
Total	**86,334**	**114,030**	**1,936**	**226,915**	**196,652**
of which: interest income on impaired financial assets	-	1,911	-	1,911	330
of which: interest income on finance leases	X	-	X	-	-

1.3 Interest expense and similar expenses: breakdown

€/000	Payables	Securities	Other transactions	Total	Total
				30/06/2022	30/06/2021
1. Financial liabilities measured at amortised cost	(19,369)	-	X	(19,369)	(20,163)
1.1 Payables to central banks	-	X	X	-	(100)
1.2 Payables to banks	(426)	X	X	(426)	(393)
1.3 Payables to customers	(18,943)	X	X	(18,943)	(19,670)
1.4 Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	(652)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(2,398)	(2,398)	(1,977)
5. Hedging derivatives	X	X	(1,605)	(1,605)	(1,900)
6. Financial assets	X	X	X	(2,735)	(3,084)
Total	**(19,369)**	**-**	**(4,003)**	**(26,107)**	**(27,776)**
of which: interest expense relating to lease liabilities	(674)	X	X	(674)	(741)

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 Commission income:

€/000	30/06/2022	30/06/2021
a) Financial instruments	**52,533**	**35,724**
1. Placement of securities	39,937	24,537
1.1 With an underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	39,937	24,537
2. Receipt and transmission of orders and execution of orders on behalf of clients	6,343	7,291
2.1 Receipt and transmission of orders for one or more financial instruments	479	511
2.2 Execution of orders on behalf of clients	5,864	6,780
3. Other fees for activities associated with financial instruments	6,253	3,896
of which: own-account trading	-	-
of which: management of individual portfolios	6,253	3,896
c) Investment advisory activities	**918**	**945**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**628,471**	**626,137**
f) Custody and administration	**2,455**	**2,349**
1. Custodian bank	-	-
2. Other custody and administration fees	2,455	2,349
g) Central administrative services for collective portfolio management	**-**	**-**
h) Trust activity	**214**	**249**
i) Payment services	**24,165**	**24,278**
1. Current accounts	12,896	10,095
2. Credit Cards	3,026	2,796
3. Debit and other payment cards	5,131	4,406
4. Wire transfers and other payment orders	1,008	724
5. Other payment service fees	2,104	6,257
j) Distribution of third-party services	**31,593**	**32,895**
1. Collective portfolio management	28,142	28,975
2. Insurance products	520	509
3. Other products	2,931	3,411
of which: management of individual portfolios	-	-
n) Financial guarantees given	**334**	**38**
of which: derivatives on receivables	-	-
o) Financing transactions	**10,461**	**10,011**
of which: for factoring transactions	-	-
p) Foreign exchange trading	**3**	**1**
r) Other commission income	**170,461**	**148,924**
of which: for management of multilateral trading facilities	-	-
of which: management of organised trading systems	10,205	136
Total	**921,607**	**881,550**

2.2 Commission expense: breakdown

€/000	Total 30/06/2022	Total 30/06/2021
a) Financial instruments	(676)	(620)
of which: trading of financial instruments	(676)	(620)
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	(32,089)	(29,591)
1. Own	(30,014)	(27,084)
2. Delegated to third parties	(2,075)	(2,507)
d) Custody and administration	(1,056)	(1,306)
e) Collection and payment services	(16,210)	(17,086)
of which: credit cards, debit cards and other payment cards	(6,212)	(6,490)
f) Securitisation servicing services	-	
g) Commitments to receive funds	-	
h) Financial guarantees received	-	
of which: derivatives on receivables	-	
i) Financial solicitation	(302,343)	(312,766)
j) Foreign exchange trading	-	
k) Other commission expenses	(35,315)	(19,482)
Total	**(387,689)**	**(380,851)**

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

€/000	30/06/2022		30/06/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	42	-	23	-
B. Other financial assets mandatorily measured at fair value	-	1,305	-	1,353
C. Financial assets at fair value through other comprehensive income	15	-	-	-
D. Equity investments	-	-	-	-
TOTAL	**57**	**1,305**	**23**	**1,353**

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	**39**	**573**	**(60,937)**	**(868)**	**(61,193)**
1.1 Debt securities	38	564	(14,286)	(852)	(14,536)
1.2 Equity securities	1	8	(46,631)	(16)	(46,638)
1.3 Units in investment funds (UCIs)	-	1	(20)	-	(19)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**6,654**	**1,532**	**-**	**(1)**	**8,185**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	6,654	1,530	-	-	8,184
2.3 Other	-	2	-	(1)	1
Financial assets and liabilities: foreign exchange gains and losses	**X**	**X**	**X**	**X**	**336**
3. Derivative instruments	**33,807**	**1,880**	**(16)**	**(6,123)**	**31,748**
3.1 Financial derivatives:	33,807	1,880	(16)	(6,123)	31,748
- On debt securities and interest rates	33,807	1,880	(16)	(6,123)	29,548
- On equity instruments and equity indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	2,200
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	**40,500**	**3,985**	**(60,953)**	**(6,992)**	**(20,924)**

At the end of the reporting period, the item in question amounted to -€20.9 million (30/06/2021: +€84.2 million). The equity securities item includes the €46.6 million decrease in the price of NEXI S.p.A. shares. It should be recalled that the comparative period benefited from a revaluation of these shares of +€72.5 million.

In addition, the fair value of interest rate derivatives increased by €29.5 million in the period under review.

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

5.1 Net gains (losses) from hedging: breakdown

€/000	30/06/2022	30/06/2021
A. Income relating to:		
A.1 Fair value hedging derivatives	12,328	4,637
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging cash flows	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging (A)	**12,328**	**4,637**
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(14)	(71)
B.2 Hedged financial assets (fair value)	(10,869)	(5,077)
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)	**(10,883)**	**(5,148)**
C. Net gains (losses) from hedging (A - B)	**1,445**	**(511)**
of which: result of hedges on net positions	-	-

SECTION 7 – NET GAIN (LOSS) FROM OTHER FINANCIAL ASSETS AND LIABILITIES 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	**45,378**	**26,796**	**(4,242,811)**	**(520,460)**	**(4,691,097)**
1.1 Debt securities	-	-	(163,574)	(66,577)	(230,151)
1.2 Loans	45,378	26,796	(4,079,237)	(453,883)	(4,460,946)
2. Financial liabilities	**1,937,128**	**-**	**-**	**-**	**1,937,129**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-
2.3 Payables to customers	1,937,128	-	-	-	1,937,129
3. Foreign-currency financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	-
TOTAL	**1,982,506**	**26,796**	**(4,242,811)**	**(520,460)**	**(2,753,970)**

This item almost exclusively comprises financial changes in the assets underlying unit-linked insurance contracts. The economic changes in the assets in question match the economic changes in the insurance and financial liabilities relating to the aforementioned insurance contracts.

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	**10,949**	**17**	**(6,092)**	**(12)**	**4,862**
1.1 Debt securities	-	-	(411)	-	(411)
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	10,949	17	(5,681)	(12)	5,273
1.4 Loans	-	-	-	-	-
2. Financial assets: foreign exchange gains and losses	X	X	X	X	-
TOTAL	**10,949**	**17**	**(6,092)**	**(12)**	**4,862**

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					30/06/2022	30/06/2021
A. Loans to banks	**(32)**	**-**	**-**	**-**	**-**	**-**	**1,010**	**-**	**-**	**-**	**978**	**(156)**
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	(32)	-		-	-	-	1,010	-	-	-	978	(156)
B. Loans to customers	**(3,243)**	**(6,140)**	**(714)**	**(11,989)**	**-**	**(13)**	**5,596**	**3**	**6,289**	**-**	**(10,211)**	**(14,467)**
- Loans	(850)	(6,140)	(714)	(11,989)	-	(13)	5,409	3	6,289	-	(8,005)	(14,397)
- Debt securities	(2,393)	-	-	-	-	-	187	-	-	-	(2,206)	(70)
Total	**(3,275)**	**(6,140)**	**(714)**	**(11,989)**	**-**	**(13)**	**6,606**	**3**	**6,289**	**-**	**(9,233)**	**(14,623)**

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	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					30/06/2022	30/06/2021
A. Debt securities	(191)	-	-	-	-	-	607	-	-	-	416	161
B. Loans	-	-	-	-	-	-	-	-	-	-	-	(12)
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	(12)
Total	**(191)**	**-**	**-**	**-**	**-**	**-**	**607**	**-**	**-**	**-**	**416**	**149**

SECTION 10 – NET PREMIUMS – ITEM 160

10.1 Net premiums: breakdown

€/000	Direct business	Indirect business	30/06/2022	30/06/2021
A. Life class				
A.1 Gross premiums written (+)	1,118,689	-	1,118,689	1,280,369
A.2 Reinsurance premiums ceded (-)	(6,451)	X	(6,451)	(4,180)
A.3 Total	1,112,238	-	1,112,238	1,286,076
B. Non-Life class				
B.1 Gross premiums written (+)	60,847	-	60,847	52,961
B.2 Reinsurance premiums ceded (-)	(10,715)	X	(10,715)	(9,188)
B.3 Change in gross amount of premium reserve (+/-)	(8,749)	-	(8,749)	(8,209)
B.4 Change in reinsurers' share of premium reserve (+/-)	1,024	-	1,024	1,371
B.5 Total	42,407	-	42,407	36,935
C. Total net premiums	**1,154,645**	**-**	**1,154,645**	**1,313,124**

Net premiums include only business relating to products defined as insurance products under IFRS 4 and do not include business relating to products classified as "financial".

SECTION 11 – BALANCE OF OTHER REVENUES AND EXPENSES FROM INSURANCE OPERATIONS – ITEM 170

11.1 Balance of other revenues and expenses from insurance operations: breakdown

€/000	30/06/2022	30/06/2021
1. Net change in technical provisions	2,104,014	(1,615,792)
2. Claims pertaining to the period paid during the year	(564,258)	(666,535)
3. Other revenues and expenses from insurance operations	195	(5,806)
TOTAL	**1,539,951**	**(2,288,133)**

11.2 Breakdown of the sub-item "Net change in technical provisions"

€/000	30/06/2022	30/06/2021
1. Life class		
A. Mathematical reserves	415,176	(232,270)
A.1 Annual gross amount	416,565	(231,233)
A.2 (-) Reinsurers' share	(1,389)	(1,037)
B. Other technical provisions	(1,732)	(1,461)
B.1 Annual gross amount	(1,732)	(1,461)
B.2 (-) Reinsurers' share	-	-
C. Technical provisions when the investment risk is borne by insurers	1,692,265	(1,380,872)
C.1 Annual gross amount	1,692,265	(1,380,872)
C.2 (-) Reinsurers' share	-	-
Total "life reserves"	**2,105,709**	**(1,614,603)**
2. Non-Life class		
Changes in other technical provisions of the Non-Life class other than claims reserves, net of reinsurance cessions	(1,695)	(1,189)

11.3 Breakdown of the sub-item "Claims pertaining to the period"

€/000	30/06/2022	30/06/2021
Life class: claims-related expenses, net of reinsurance cessions		
A. Amounts paid	(563,752)	(630,666)
A.1 Annual gross amount	(566,858)	(633,845)
A.2 (-) Reinsurers' share	3,106	3,179
B. Change in reserve for amounts to be paid	11,414	(26,218)
B.1 Annual gross amount	11,181	(26,294)
B.2 (-) Reinsurers' share	233	76
Total Life claims	**(552,338)**	**(656,884)**
Non-Life class: claims-related expenses, net of recoveries and reinsurance cessions		
C. Amounts paid	(9,418)	(8,313)
C.1 Annual gross amount	(13,504)	(12,514)
C.2 (-) Reinsurers' share	4,086	4,201
D. Change in recoveries, net of reinsurers' share	51	3
E. Changes in the claims reserve	(2,553)	(1,341)
E.1 Annual gross amount	(3,721)	(1,551)
E.2 (-) Reinsurers' share	1,168	210
Total Non-Life claims	**(11,920)**	**(9,651)**

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Staff costs: breakdown

€/000	30/06/2022	30/06/2021
1) Employees	(124,826)	(116,580)
a) wages and salaries	(87,952)	(83,461)
b) social security contributions	(23,956)	(22,657)
c) severance benefits	-	(16)
d) social security costs	(85)	-
e) provision for employee severance benefits	(3,895)	(3,558)
f) provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(1,672)	(1,544)
- defined contribution	(1,536)	(1,395)
- defined benefit	(136)	(149)
h) costs arising from share-based payment agreements	(2,857)	(2,468)
i) other employee benefits	(4,409)	(2,876)
2) Other staff in service	(6,754)	(4,657)
3) Directors and statutory auditors	(4,472)	(4,775)
4) Retired staff	-	-
TOTAL	**(136,052)**	**(126,012)**

12.2 Average number of employees by category

Individuals	30/06/2022	30/06/2021
1) Employees	**3,097**	**2,902**
a) executives	115	111
b) management	566	521
c) other employees	2,416	2,270
2) Other staff	**313**	**240**
Total	**3,410**	**3,142**

12.5 Other administrative expenses: breakdown

€/000	30/06/2022	30/06/2021
Information systems services	(60,133)	(58,884)
Infoprovider services	(9,046)	(8,858)
Financial services fees and charges	(744)	(386)
Other sundry services	(22,083)	(18,852)
Taxes and duties	(1,766)	(1,727)
Television and internet communications services	(1,443)	(920)
Measures in support of the banking system	(10,261)	(11,554)
Network consultancy and collaborations	(3,434)	(2,215)
Rentals, hiring, leases	(8,875)	(8,209)
Maintenance and repairs	(1,951)	(1,891)
Telephone and postal expenses	(6,771)	(6,358)
Other consultancy and collaborations	(15,066)	(12,289)
Contributions to "Family Banker Offices"	(654)	(785)
Consumables	(2,356)	(1,713)
Insurance	(1,690)	(1,247)
Membership contributions	(3,625)	(2,793)
Advertising and promotional expenses	(17,146)	(18,281)
Organisation of conventions	(5,434)	(2,316)
Sales network consulting, education and training	(1,169)	(1,415)
Energy utilities	(1,528)	(626)
Entertainment, gifts and donations	(4,150)	(3,350)
Market research	(300)	(306)
Search and selection of employees	(578)	(582)
Travel expenses	(218)	(196)
Fuel costs	(175)	(144)
Search and selection of financial advisors	(63)	(66)
Other administrative expenses	(4,443)	(3,248)
TOTAL	**(185,102)**	**(169,211)**

Other administrative expenses for the period amounted to €185.1 million, an increase of €15.9 million on the comparative period. This change was mainly due to expenses incurred for new initiatives and projects and higher costs relating to commercial development and support.

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	30/06/2022	30/06/2021
Net provisions for risk and charges		
a) commitments and guarantees given	(31)	(57)
b) other net provisions	(11,090)	(24,429)
TOTAL	**(11,121)**	**(24,486)**

13.3 Other net provisions for risk and charges: breakdown

€/000	30/06/2022	30/06/2021
Portfolio and structure allowance	(616)	(1,317)
Additional customer allowance	(3,831)	(12,614)
Risk of misconduct by financial advisors	440	1,597
Legal disputes	(254)	(3,162)
Managers' allowance	(4,716)	(5,989)
Other provisions for risk and charges	(2,113)	(2,944)
TOTAL	**(11,090)**	**(24,429)**

The change recorded in the item in question (-€13.3 million) is mainly due to the trend in discounting rates and the higher provisioning in the comparative period for turnover assumptions.

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of ordinary shares (fully diluted)

	30/06/2022	30/06/2021
Net income (€/t)	237,853	268,748
Weighted average number of shares outstanding for diluted EPS purposes	744,144,489	738,704,158
Diluted earnings per share (€)	**0.320**	**0.364**

PART E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Introduction

In economic disciplines, the importance of the risk concept has grown significantly in recent decades due to the operating environments of many companies. Their assets, whether financial or non-financial, always carry a certain margin of risk, which derives from uncertainty over the achievement of corporate objectives and is therefore ultimately associated with changes in the company's future economic value. Until recently, risk was seen only in its negative sense, and the aim of corporate management was to protect the business by minimising or eliminating risks at all costs. Because risk is inherent to a company's business, it must be regarded as an integral part of generating value for shareholders. A risk management system is therefore required to ensure that risk is controlled and regulated. Risk management identifies a process through which the organisation manages its business, taking into account the costs and benefits associated with each action that it undertakes. The main purpose of the risk management function, when it appears in the organisational chart, is to enable the company to obtain lasting benefits from all the activities it performs, 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 risk management function that is flexible and oriented towards change, not only of the economic and financial environment. 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, new cyber/IT risks and the environmental, social and corporate governance risks that could put the various business lines and the ordinary management of the undertaking at risk. In fact, the regulator's vision is also shifting toward an increasingly holistic representation of the risk spectrum.

Risk control organisational structure

The control environment is the element of corporate culture that determines the level of management sensitivity to control needs and the achievement of economic and/or growth targets. 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, whose periodic meetings are a time for comparison and analysis, in order to develop an overview of the various risks associated with the various types of business, and for sharing 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 in their operating structures, taking account, in accordance with the guidelines received from the Parent

Company, of the different applicable regulations and various areas of 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, which outlines the conduct to be observed and is distributed for adoption by the subsidiaries.

Principles underlying the risk control and management model

The Internal Control System is strategically important for the Banking 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;
- 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 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.

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 Funds), while the insurance business is carried out by subsidiaries of Banca Mediolanum which produce financial insurance products in the Life class (Mediolanum Vita and 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 Mediolanum Group 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 the 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. The situation regarding the various types of investment of the Conglomerate with respect to the counterparties to which all the companies of the Mediolanum Group are most exposed is also periodically reported to the Supervisory Board. On the same quarterly basis, the Parent Company's Risk Management Function reports to the Strategic Supervisory Body (Board of Directors) on the performance of the various business lines, representing all the relevant risk indicators by type of business provided for by sector regulations or by 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, also considering the legislation of the country in which they operate. Consequently, the figures on financial and credit risks are presented separately below, maintaining the distinction between the banking and insurance sectors, while the figures on strategic, operational, non-compliance and reputational risks are presented on a comprehensive basis.

Reporting of financial risks pursuant to international accounting standard IFRS 7

IFRS 7, which is addressed in this section, mainly concerns the reporting to be provided on the nature of the risks arising from the financial instruments held and the related exposure that the company has to the risks identified. The exposure to the risk associated with the possession of financial instruments, as defined in IFRS 7, includes information on credit risk, liquidity risk and market risk. In this context, the qualitative information describes "the purposes, policies and processes assumed by management for managing related risks", while the quantitative information describes the extent of the risk exposure, separately examining credit, liquidity and market risk reporting. This section therefore describes the characteristics of the risk control model according to the requirements of IFRS 7 that are relevant for the Mediolanum Group, classifying them in relation to their significance in terms of the business segments of the Group companies: banking, asset management and insurance. Under IFRS 7, the risks on which the analysis is conducted are liquidity risks, credit risk and market risks with their various forms and characteristics. A brief summary is also provided of the risk management techniques and policies adopted by the control functions for purposes beyond the scope of IFRS 7. It should also be noted that with the introduction of IFRS 13, several amendments were made to various standards. In particular, all the reporting associated with the Fair Value Hierarchy (FVH) is no longer governed by IFRS 7 but by IFRS 13. IFRS 13 establishes a single accounting standard for measuring fair value and provides complete instructions on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 proposes a new definition of fair value, to be interpreted as "the price that should be received to sell an asset or that should be paid to settle a liability in a normal transaction between market participants at the measurement date". The fair value is therefore determined on the basis of market values. The topics relating to the reporting of the various fair value levels of the accounting items subject to the relevant measurement, as required by IFRS 13, have been adequately covered in Part A of this note.

Methodology and classification principles for financial instruments

The additional information envisaged by IFRS 7 can essentially be classified into three main types of risk:

> **Credit risk**. Refers to the risk of suffering losses as a result of a deterioration in creditworthiness to default of both retail/corporate customers and institutional counterparties of which the Bank is a creditor in its investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.

> **Market risk**. Defined as the risk of suffering significant losses due to the unfavourable performance of market variables sensitive to the value of the investment activities of companies of the Mediolanum Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.

> **Liquidity risk**. Liquidity risk generally takes the form of limits on the liquidation of assets. More precisely, it is the risk that a financial instrument cannot be bought or sold without a sharp reduction/increase in the price (bid-ask spread) due to the potential inability of the market to settle the transaction partially or completely. Liquidity risk is also defined as the risk associated with access to funding. Under Pillar II of Basel 2 as it applies to the Banking Group, the regulator requires banks to implement policies, management procedures and methods for measuring liquidity risk (e.g. the ILAAP).

The main aspects of the individual risks are therefore reported on the basis of the Group's lines of business.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing credit exposures: amounts, value adjustments, trends and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amount)

€/000	Non-performing loans	Unlikely to pay	Non-performing past due exposures	Other performing past due exposures	Other performing	TOTAL
1. Financial assets measured at amortised cost	19,030	70,235	26,103	74,739	36,129,139	36,319,246
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	769,502	769,502
3. Financial assets designated at fair value	-	-	-	-	30,031,231	30,031,231
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
TOTAL 30/06/2022	**19,030**	**70,235**	**26,103**	**74,739**	**66,929,872**	**67,119,979**
TOTAL 31/12/2021	**20,274**	**67,439**	**22,828**	**52,891**	**70,301,486**	**70,464,918**

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

€/000	Non-performing				Performing			TOTAL (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	211,991	(96,623)	115,368	-	36,260,393	(56,515)	36,203,878	36,319,246
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	769,650	(148)	769,502	769,502
3. Financial assets designated at fair value	-	-	-	-	X	X	30,031,231	30,031,231
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
TOTAL 30/06/2022	**211,991**	**(96,623)**	**115,368**	**-**	**37,030,043**	**(56,663)**	**66,004,611**	**67,119,979**
TOTAL 31/12/2021	**203,241**	**(92,701)**	**110,540**	**-**	**37,383,517**	**(53,752)**	**70,354,380**	**70,464,920**

€/000	Assets clearly of poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	1,039,098
2. Hedging derivatives	-	-	385
TOTAL 30/06/2022	**-**	**-**	**1,039,483**
TOTAL 31/12/2021	**-**	**-**	**130,849**

Section 2 – Risks of prudential consolidation

THE PRUDENTIAL CONTROL PROCESS

Since 2014, the Supervisory Review and Evaluation Process (SREP) has undergone a profound transformation through the establishment of the Single Supervisory Mechanism (SSM), which includes the European Central Bank (ECB) and the competent national authorities of the EU Member States. This body is responsible for the prudential supervision of all credit institutions in the Member States and ensures that EU policy on prudential supervision of banks is implemented consistently and effectively in all EU countries. Therefore, the rules introduced require the supervision of intermediaries defined as significant to be carried out by the ECB in close cooperation with the national supervisory authorities. The supervision of the other banks will remain the responsibility of the authorities in each country and will be carried out according to uniform criteria. With effect from 1 January 2022,

as a result of the significant size it has reached and the significant potential for development of the Group, Banca Mediolanum has been categorised as a significant bank, i.e. in the group of the main Italian banking groups that are supervised by the European Central Bank. This status was notified to Banca Mediolanum in the fourth quarter of 2021. 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. The second consists of the Supervisory Review and Evaluation Process (SREP) and is the responsibility of the Supervisory Authority, which reviews the ICAAP/ILAAP, formulates an overall opinion of the bank and takes corrective measures, where necessary.
The SREP is based, first and foremost, on a dialogue between the Supervisory Authority and the banks. This allows the Supervisory Authority to gain a more in-depth understanding of ICAAP/ILAAP and the underlying methodological assumptions, and allows the banks to explain the reasoning supporting their assessments. Banks 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. ICAAP/ILAAP is based on appropriate company risk management systems and presupposes adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal control system. 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. 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 ECB's supervisory authorities carry out a regular risk assessment and measurement exercise at the individual bank and/or group level, summarising the results of the analysis year after year, and formally notifying the bank or the Parent Company of the actions to be taken to restore and/or keep the financial position under control.

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 risk appetite that the Bank intends to assume, with respect to all the 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 represented, including, for example, capital adequacy indicators (e.g. CET I Ratio, Capital Ratio), credit risk indicators (e.g. NPL, Coverage Ratio) and liquidity risk indicators (e.g. LCR, NSFR), and the other indicators of market risk, interest rate risk, operational risk, technology risk, strategic risk and anti-money laundering risk are then rolled out. 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. In the latest revision of the RAF document, an environmental, social and governance indicator was introduced in relation to exposures to undertakings that are assessed on the basis of a valuation scale that weighs the compliance of the companies assigned all ESG issues.
The RAF, as a tool capable of focusing attention on the Banking Group's risk profile through an integrated view of risks, has significant connections to and 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 the Group's internal rules. The "Pillar II" regulations

(Title III, Chapter I, Bank of Italy Circular No. 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 risks other than those covered by 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 periodicity of the process and the main risks to be assessed, in some cases providing information on the methodologies to be used. In accordance with the proportionality principle, banks are divided into different classes which generally contain intermediaries of different sizes and operational complexity. The Parent Company's corporate governance bodies are responsible for the ICAAP/ILAAP process. The Banca Mediolanum Group has always had capital and the liquidity resources above the average for the sector in which it operates. This is what emerges both from the self-critical self-assessment process that the Parent Company illustrates in the ICAAP/ILAAP report, and from the annual comparison with the Supervisory Authorities when communicating the minimum requirements indicated by assessment of the report sent each year within the deadlines indicated by the regulations.

MAPPING OF MATERIAL RISKS

The set of risks to which a company may be exposed consists of multiple elements that may be classified according to the scope in which they arise (internally or externally to the company), the context to which they refer (financial, operational, strategic or external) or other standard classifications as required. The process of identifying material risks for the Mediolanum Group, also in accordance with the European and Italian industry legislation, starts with an analysis of the scope of operations of the Bank and the Group in the regulatory lines of business and the activities carried out in these lines. The starting point of the risk mapping is therefore an awareness of the macro lines of business that make up the Banking Group's typical activity. The following main business segments can be identified within the Mediolanum Banking Group:

> Retail and Commercial Banking;
> Trading and Sales;
> Asset Management;
> Retail Brokerage.

Based on the risk assessment, a significance threshold is set for both risks with a capital requirement and those that do not absorb any capital but that must nevertheless be analysed and monitored. In the context of the significance of risks, in line with the guidelines of the European governance and supervisory authorities, ESG risks are increasingly important, with a particular focus on climate risk, a factor that is increasingly taken into consideration in all economic sectors, through the active involvement of the banking industry, which remains the driving force of economic and production initiatives.

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, like 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 and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts".

PILLAR II RISKS AND 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 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.

Residual risk

The risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected. Excessive leverage risk. The risk that a particularly high level of debt to equity could make the bank vulnerable, requiring corrective changes to its business plan, including the sale of assets entailing the recognition of losses that could also result in the impairment of the remaining assets.

Strategic risk

The current or prospective risk of a decrease in profits or capital due to changes in the competitive environment or poor corporate decision-making, the inadequate implementation of decisions, or insufficient responsiveness to changes in the competitive environment.

Compliance risk (or risk of non-compliance)

The risk of incurring legal or administrative penalties, significant financial losses or reputational damage due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g. articles of association, codes of conduct or corporate governance codes).

Reputational risk

The current or prospective risk of a decline in profits or capital should customers, counterparties, shareholders, investors or supervisors come to have a negative perception of the Bank.

ICT and security risk

The risk of loss due to breach of confidentiality, shortcomings in the integrity of systems and data, the inadequacy or unavailability of systems and data or the inability to replace information technology (IT) within reasonable time and costs when the requirements of the external environment or activity (i.e. agility) are changed. This includes security risks arising from inadequate or incorrect internal processes or from external events, including cyber attacks or inadequate physical security.

Conduct risk

Conduct risk, as a sub-category of operational risk, can generally be defined as "the current or potential risk of incurring economic losses generated by the inadequate provision of financial services, including instances of wilful misconduct or negligence".

Climate risks

The growing focus of all government, social and production sectors on environmental issues and the simultaneous implementation of shared guidelines at the level of the banking industry for the management and mitigation of risks related to climate change, such as physical risk and transition risk, has also been the subject of particular attention and interest, including on the part of the Banca Mediolanum Group. In the context of the initiatives undertaken, an initial consequence has been the relevant consideration that financial risks may be related precisely to the physical and transition risk mentioned above. The first refers to the economic effects suffered by individuals who may be exposed to extreme events related to natural phenomena. For example, environmental disasters can destroy physical capital (homes, warehouses, industrial facilities, public or private service facilities), thereby forcing households, businesses, and public bodies, both local and central, to devote financial resources to the reconstruction of these assets, with consequences for banks, which may suffer the loss of the value of assets received as collateral, as well as increased recourse to credit by parties affected by these extreme weather events. If these effects occur on a large scale, they effectively threaten the stability of the financial system as a whole, with inevitable consequences in terms of a contraction in productive investment.
Transition risks are a particular type of risk, mainly consisting of financial costs related to and/or arising from the implementation of a process of moving towards a sustainable low-carbon economy. This risk is in fact the ability of an economic or corporate system to be able to continue to perform its functions continuously, including in the face of extreme climate impacts and their evolution, as well as changes in the accessibility of natural resources. At the same time, it is necessary to be able to reconfigure, evolve and adapt internal processes to increase the environmental sustainability of the system itself, in order to help mitigate climate change and develop the capacity to respond appropriately to possible future impacts resulting from any new legislative and/or regulatory regimes.

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.

Money-laundering risk

The risk arising from the violation of provisions of law, regulations and self-regulations functional to the prevention of the use of the financial system for the purposes of money-laundering, financing of terrorism or financing of programmes for the development of weapons of mass destruction, as well as the risk of involvement in episodes of money-laundering, financing of terrorism or financing of programmes for the development of weapons of mass destruction. The implementation of the safeguards adopted by the Bank and the Group dedicated to the traceability of financial transactions and the identification of suspicious transactions are part of the activities dedicated to the prevention, monitoring and repression of money-laundering and terrorist financing. To this end, the Bank has also adopted an RAF indicator for the risk in question.

1.1 Credit risk

QUALITATIVE INFORMATION

The credit policy of the Mediolanum Banking Group is essentially designed to meet 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, which also operates in the market of unsecured personal loans repayable by instalments, expanding the 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 credit, corporate and treasury activities. In the context of retail credit and corporate activity, at the level of the Banking Group, credit risk is identified as the possibility that a counterparty, to which there is a credit exposure, will not fulfil in whole or in part the obligations assumed, thereby causing impairment of the exposure.
With regard to treasury activity, credit risk is defined as the risk of suffering losses as a result of a deterioration in creditworthiness to default of institutional counterparties of which Banca Mediolanum and the other Group companies are creditors in their investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.
The amounts disbursed were essentially in line with budget forecasts, in accordance with the Group's vocation of providing credit mainly to retail customers, and also met the borrowing requirements of corporate counterparties which turned to our Group in the period in question.
The prevalence of loans to retail customers also means that the value of large exposures is significantly below the regulatory requirements. An institution's exposure to a customer or group of connected customers is considered large when its value is equal to or greater than 10% of the institution's eligible capital. Taking into account the effect of exemptions and the mitigation of credit risk, large exposures must in any case comply with the limit of 25% of the entity's eligible capital.
Counterparties that fall within the scope of this type of reporting are primarily Italian and European banks operating with their respective group treasury units.

With regard to the European Banking Authority (EBA) guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07 - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis), please see the Public Disclosure document relating to the data of 30/06/2022, which is published in the dedicated section of the Banca Mediolanum corporate website.
These guidelines, which were also adopted by the National Supervisory Authority in June 2020, require presentation of the following information on:

1) loans subject to "moratoria" falling within the scope of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
2) loans subject to forbearance measures applied due to the Covid-19 crisis;
3) new loans guaranteed by the state or other public body.

The health emergency that also characterised the first months of the current year, as in previous years, had no significant impact on the management processes adopted by the Risk Management Function, at both individual and Group level. It should also be noted that the quality of the credit portfolio again remained at "pre-Covid" levels (i.e. with a low level of non-performing loans), partly due to the limited exposure of loans subject to moratorium measures. At 30 June, receivables with an existing moratorium accounted for approximately 3% of the total exposure of the Group's retail and corporate portfolios.
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: 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, there were no significant changes in the non-performing portfolio either, in accordance with the forecasts made during strategic planning.
The cost of credit risk remained at the limited levels recorded in previous years. Credit risk management therefore continued in accordance with the current policies, credit policies and procedures.

1.2 Market risks

1.2.1 Interest rate risk and price risk - regulatory trading book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

Market risk is defined as the risk of suffering significant losses due to the unfavourable performance of market variables capable of influencing the value of the investment activities of companies of the Mediolanum Banking Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.
This risk is essentially present in the activity carried out within the Group's units with treasury functions. In particular, the assets classified in the trading book, for which the Mediolanum Banking Group adopts the standardised market risk calculation method, fall within this scope for regulatory purposes. Based on this classification, only Banca Mediolanum has a trading book in the strictest sense.

Mediolanum Banking Group total securities portfolio - RATINGS BREAKDOWN (S&P equivalent)
Period-end data (June 2022 vs December 2021)

€/000	30 June 2022		31/12/2021		Change (%)
	Val.	(%)	Val.	(%)	
TOTAL PORTFOLIO	18,524,262	**100.0%**	**15,052,594**	**100.0%**	23.1%
AAA	(430,403)	(2.32%)	23,898	0.16%	n.s.
AA+ to AA-	13,473	0.07%	27,312	0.18%	(50.7%)
A+ to A-	195,333	1.05%	47,739	0.32%	309.2%
BBB+ to BBB-	18,745,858	101.2%	14,953,645	99.34%	25.4%
BB+ or lower	-	n.s.	-	-	n.s.
Unrated	-	n.s.	-	-	n.s.

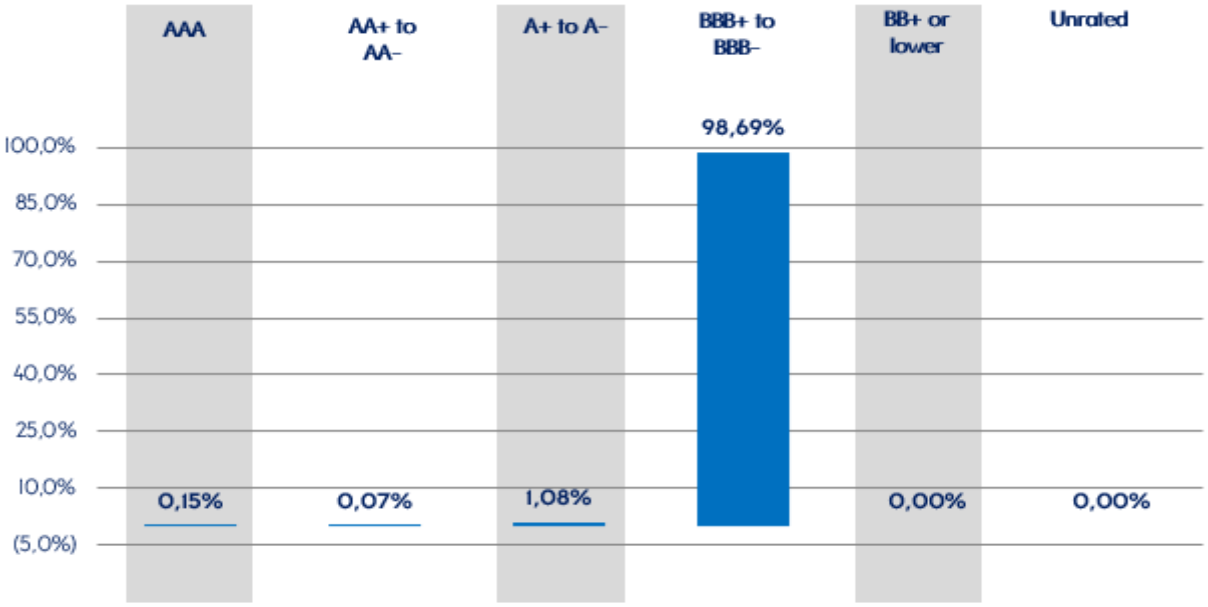
The value of the securities portfolio does not take into account the marginal share of funds, shares and rights.
The issuer's rating is taken into account for the current year
The negative values refer to technical overdraft positions.

Ratings breakdown for Mediolanum Banking Group portfolio (June 2022)

Portfolio value €18,524,262/000

Ratings breakdown for HTC&S and HTC Mediolanum Banking Group portfolios (June 2022)

Portfolio value €18,004,201/000



In the first half of 2022, the performance of the financial markets was rather negative across almost all asset classes. The surge in inflation on the one hand, and the conflict between Russia and Ukraine on the other, have affected the global macroeconomic scenario, prompting central banks to begin a stronger and faster rate-hike programme than expected at the beginning of the year.

The resulting increase in interest rates led to significant movements in bond and equity prices. As a result, yields on the government bonds of the main developed countries rose significantly, in terms of both size and speed, leading to a negative performance for all bond sectors.

In this context, the bank's portfolio was increased, favouring the hold-to-collect classification, particularly in the months of April and May, taking advantage of the rise in bond yields.

The investment programme focused on Italian government bonds, which were more adversely affected than government bonds issued by core eurozone countries.

The classification of bonds purchased in the HTC portfolio enables market movements to be neutralised, as they are measured at amortised cost with no impact on capital or the operating result recognised in the financial statements.

However, the short-term time horizon (between three and four years) of the fixed-rate investments made in the first half of the year is an additional prudential feature to protect against the sudden market movements that characterised the first part of 2022.

In order to mitigate interest rate risk, Italian floating-rate government bonds representing about 20% of total planned purchases were also entered into the banking book.

The monitoring of the RAF indicators carried out in the first half of the year confirmed that the strategies adopted and the positions in the Group's portfolios are in line with the risk appetite defined by the Strategic Supervisory Body at the beginning of the year.

The monitoring measures adopted by all Group Companies, on the basis of the Parent Company's guidelines on market risks, have detected no significant evidence of impacts arising either from the geo-political and economic situation caused by the conflict between Russia and Ukraine, or from the period of the state of emergency due to the Covid-19 pandemic, on the value of the accounting portfolios held by the Group.

B. Interest rate risk and price risk management procedures and measurement methods

The Parent Company's Risk Management Function ensures that financial risk assessment methods are consistent across the various operating entities and helps to set credit limits and operating limits. Each Group Company is, however, directly responsible for controlling the risks assumed in accordance with the guidelines approved by the respective boards of directors in accordance with the principle of consistency between the complexity of the assets under management and the risk measures adopted. Interest rate risk is analysed using indicators of both portfolio composition (concentration limits, characteristics of admitted instruments, characteristics of issuers, etc.) and maximum loss (value at risk).

Trading securities portfolio – VAR tables – MARKET RISK
Period-end data (June 2022 vs December 2021)

€/000	Jun-22	Dec-21	Change (%)
Nominal	527,535	26.19	n.s.
Market value	520,061	26.25	n.s.
Duration	0.55	0.46	n.s.
VaR 99% - 1 d	2,798	11.09	n.s.

The trading portfolio of Banca Mediolanum had considerably lower nominal and market values at 30 June 2022 compared with the year to December 2021. This was due to the closing of the positions in the portfolio at year-end, in line with the treasury management strategy.
Rather than the June 2022 period-end values, the minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in the first half of 2022 are shown below.

€/000	Jun-22	Dec-21	Change (%)
Minimum value	-	-	n.s.
Average value	1,313	1,134	16%
Maximum value	2,953	2,742	8%

1.2.2 Interest rate risk and price risk - banking book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, INTEREST RATE RISK AND PRICE RISK MANAGEMENT PROCEDURES AND MEASUREMENT METHODS

The reference legislation prescribes a set of rules to be adopted to quantify the potential impact that unexpected changes in the term structure of the market might have on the current profits and shareholders' equity of financial corporations. Banks are required to have effective rules, processes and tools for managing the interest rate risk arising from activities (banking book) other than those allocated to the trading book for supervisory purposes.

The regulations also provide methodological guidelines, consistent with the Basel guidelines, for the preparation of a simplified system by which to determine internal capital with respect to the interest rate risk on the banking book. The Parent Company Banca Mediolanum has adopted these guidelines within its risk appetite framework, effectively providing the general rules and procedures for managing and controlling the risk in question, to be adopted and transposed into the internal policies of Group companies. The Banca Mediolanum Group carries out daily monitoring of its banking book through VaR, P&L, and duration and each month it complements these analyses with the calculation of the interest rate risk on the banking book.

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.

1.3 Derivative instruments and hedging policies

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 loan portfolio.

D. Hedging instruments

Within the Banking Group, Banca Mediolanum hedges the interest rate risk of fixed or floating rate loans with caps using interest rate swap (IRS) or interest rate option (IRO) derivatives. Hedge accounting can only be adopted if the effectiveness of the hedge is observed at the beginning and throughout its life, i.e. changes in fair value or in the cash flows of the hedged instrument must be almost completely offset by corresponding changes recorded for the hedging instrument. This effectiveness is monitored periodically through specific tests: it is highly effective when changes in the fair value of the hedging instrument exactly offset changes in the hedged instrument. There are clear limits on how far a hedging instrument can deviate from a perfect hedge when offsetting changes in the hedged instrument. The effectiveness of the hedge should be assessed initially and continuously throughout the life of the hedge. The source of the possible ineffectiveness of the hedge over time,

on the hedging instrument side, is market fluctuations that are reflected unevenly on the two elements of the hedging relationship.

E. Hedged items

The hedged instruments are fixed rate loans and floating rate loans with caps. The accounting method selected by Banca Mediolanum to hedge these instruments is the "group microhedge", where the hedged item consists of a group of instruments that are homogeneous in terms of the associated risk and can in any case be identified individually. One of the possible sources of ineffectiveness of the hedge is the dynamics over time of the "group" initially chosen: in fact, over the years the pool of loans can shrink due to early repayment, renegotiation, substitution, etc. As the hedged item changes, the relationship with the hedging instrument is also altered, generating a misalignment that can reduce effectiveness over time. The effectiveness of hedges is assessed by carrying out periodic effectiveness tests, which fall into two categories:

- Prospective test: this test justifies the application of hedge accounting, demonstrating the expected effectiveness of the hedge during its life, and enables the justification and continuation of the hedging relationship. This test must also be carried out on the date of inception 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.

1.4 Liquidity risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, LIQUIDITY RISK MANAGEMENT PROCEDURES AND MEASUREMENT METHODS

Liquidity risk is understood as the inability of financial corporations such as banks to promptly and economically meet their payment obligations according to the contractual schedule. Depending on the possible area of impact, a distinction is usually made between two types of liquidity risk generally borne by a bank: market liquidity risk and funding liquidity risk. The first type of risk relates to the inability to dispose of a financial asset without incurring capital losses due to poor liquidity of the reference market or inefficiencies within it. The second type of risk concerns the inability to meet expected and unexpected cash flows and collateral requirements according to cost-effectiveness criteria, without prejudicing the bank's daily operations or financial situation. In its liquidity risk management and control system, the Mediolanum Banking Group, coordinated by the Parent Company, has established daily, weekly and monthly monitoring of the quantities that change its liquidity stock in the short and medium-long term. During the first six months of 2022, there were no significant changes in the liquidity reserve, which continued to be very substantial, demonstrating the high level of liquidity and solvency of the Banca Mediolanum Group. All short-term and long-term liquidity limits of its risk appetite framework were observed.

1.5 Operational risks

QUALITATIVE INFORMATION

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 bodies of the Parent Company. Specific Risk Management functions are also present at the main companies of the Banking Group, 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:

I. "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. These indicators may include "exposure indicators" or "anomaly indicators".

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.

During the first half of 2022, the processes governed by the framework described in the previous paragraphs proceeded normally and there are no critical issues to report.
Some losses were also recorded in this period due to anomalous drawdowns on loans disbursed as a result of provisions relating to the Covid-19 health emergency.

Section 3 – Risks of insurance companies

Risks of the Mediolanum Insurance Group

The Mediolanum Insurance Group (hereinafter "GAM") 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 GAM and the companies of which it is composed define the risk they intend to assume (risk appetite) in achieving their corporate objectives and within which strategic activities (business model, business unit, planning) are analysed according to risk-based criteria and approaches. For this reason, the RAF must be consistent with the other processes at the strategic level.

- conducting the **Own Risk and Solvency Assessment (ORSA)**: this consists of a forward-looking assessment of the risk level of the company and the GAM over the time horizon of the company 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:

- **identification of 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**: the methods for measuring the risks to which the companies that are part of the GAM are exposed are defined. 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 in 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.
- **definition of escalation actions**: the escalation process ensures that reports of dangerous situations and breaches of limits to all interested parties are promptly communicated to the competent corporate bodies in order to allow for the 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 in order 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.

3.1 Insurance risks

A. LIFE INSURANCE

QUALITATIVE INFORMATION

The insurance risks to which the life companies are exposed are **underwriting** risks, divided into:

- Mortality risk;
- Longevity risk;
- Lapse risk;
- Expense risk;
- Catastrophe risk

Mortality risk

Mortality risk is associated with (re)insurance obligations (e.g. death insurance or mixed policies) whereby the (re)insurer guarantees a series of individual or recurring payments in the event of the death of the policyholder during the life of the policy.
It applies to (re)insurance obligations that depend on the mortality risk, for example those for which the amount to be paid in the event of death exceeds the technical provisions: consequently, an increase in mortality rates results in an increase in technical provisions.

Longevity risk

Longevity risk is associated with (re)insurance obligations (e.g. annuities) that provide for the (re)insurer guaranteeing a series of payments until the policyholder dies, and for which a decrease in mortality rates results in an increase in technical provisions, or (re)insurance obligations (e.g. mixed policies) whereby the (re)insurer guarantees a single payment if the policyholder survives for the duration of the policy.
It applies to (re)insurance obligations that depend on the risk of longevity, i.e. where there is no benefit in the event of death or the amount to be paid in the event of death is less than the technical provisions: consequently, a decrease in mortality rates results in an increase in technical provisions.
With regard to longevity risk, Mediolanum Vita periodically analyses the adequacy of the technical bases of portfolios of annuities in the course of payment.
For cover that provides for an accumulation phase and a future option to convert capital to an annuity, no guarantee is normally granted on the technical bases for determining the annuity that can be disbursed. The level of appetite for annuities is also monitored so that the demographic bases can be adjusted.

Lapse risk

Lapse risk is the risk of the loss of, or changes in, liabilities due to a change in the rate at which options are exercised by policy holders. All options for policy holders, whether legal or contractual, which can significantly change the value of future cash flows must be taken into account.

Expense risk

Expense risk arises from a change in the expenses incurred in relation to insurance or reinsurance contracts.

Catastrophe risk

Catastrophe risk arises from extreme or abnormal events, the effects of which are not sufficiently captured in other Life insurance underwriting sub-modules.

Monitoring

In relation to regulatory capital, the risk indicators defined in the Risk Appetite Framework and their impact on the ORSA are controlled for the purposes of monitoring the underwriting risks.
Specifically, the reference values of the underwriting risk indicators are closely related to the budget situation and will be equivalent to the value they assume in the ORSA at the end of the first projection year. Short-term limits on the budget amount have been established for each technical/insurance risk classified as significant. For example, significant external risks of a technical insurance nature and monitoring of the relative risk factors that affect them include expense risk, lapse risk, annuity conversion risk and reserve risk (for the Non-Life company only) for the Group and the individual companies.

QUANTITATIVE INFORMATION

Total technical provisions include mathematical reserves and technical provisions when the investment risk is borne by policyholders, which amount to €1,730,730 thousand and €17,778,820 thousand, respectively. The reserves for amounts to be paid (€112,730 thousand) and the reserve for other technical items (€9,915 thousand) are therefore excluded.
Financial liabilities from investment contracts amounted to €12,619,057 thousand at 30 June 2022.
Technical provisions for direct business were mainly concentrated in liabilities without interest rate guarantees with maturities of more than five years.
Business was mainly concentrated in the Italy Area (95%) and in Unit-Linked.

B. NON-LIFE INSURANCE

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

It 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, where the variability of the reserve is not properly estimated, despite the safeguards adopted by Mediolanum Assicurazioni. Any policyholder requirements with respect to Mediolanum Assicurazioni that exceed expectations could have adverse effects on the economic performance, financial position and cash flows of the Insurance Group and thus of the Mediolanum Conglomerate.

€/000	30/06/2022	Breakdown (%)
Class - 01 Accident	3,544	11.25%
Class - 02 Sickness	20,067	63.69%
Class - 07 Goods in transit	4	0.01%
Class - 08 Fire and natural forces	2,583	8.20%
Class - 09 Other damage to property	815	2.59%
Class - 10 Land Vehicle TPL	1,456	4.62%
Class - 13 General TPL	2,339	7.42%
Class - 16 Miscellaneous financial loss	622	1.97%
Class - 17 Legal protection	33	0.10%
Class 18 - Assistance	46	0.15%
Total	**31,509**	100.00%

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 economic performance, financial position and/or cash flows of the Mediolanum Insurance Group and Conglomerate.

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. In accordance with its corporate policies, Mediolanum Assicurazioni may enter into contracts with reinsurers with the following characteristics:

- A minimum BBB rating;
- Belonging to groups or conglomerates with a minimum BBB rating;
- A maximum commitment limit for reinsurers with a BBB rating of 30%;
- Maximum commitment limit per reinsurer is 60%; this limit may be granted if the rating is A or above;
- The commitment limits are to be regarded as the maximum degree of risk concentration on a group basis;
- The minimum rating limits apply to both short- and long-tail risks;
- Reinsurers in major European groups are preferred, possibly with representation in Italy and in any case with an operational headquarters in Italy;
- In the case of specific products, for a defined time period and with the option of collecting premiums not exceeding one million euros, the commitment limit for the reinsurer may be waived, but in any case must not exceed 95% with a minimum A rating;
- The above cession limits may be waived under special conditions, such as in the case of new business lines or specific risks for the Company, subject to assessment by Risk Management and the Actuarial Function, outsourced to Mediolanum Vita S.p.A.
- If no rating is available from Standard & Poor's or another ratings company, other assessments by companies in the insurance or reinsurance sector may be used with the approval of the Risk Management Function.

3.2 Financial risks

Financial risks include:

- Market risks;
- Credit risk;
- Reinsurance counterparty default risk.

QUALITATIVE INFORMATION

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.

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 has been shown to be high, due to the marked diversity of the currencies of the financial instruments underlying the unit-linked policies in the portfolio.

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.

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 credit risk requirement does not include credit 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.).

Monitoring

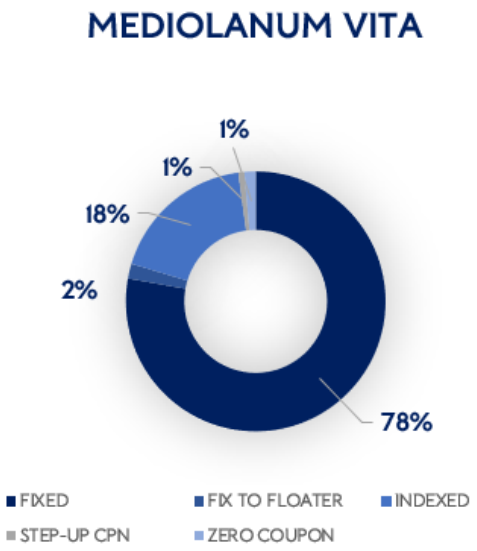
Within Solvency II, market risks are monitored by controlling compliance with the risk limits defined in the Risk Appetite Framework (RAF). The Insurance Group has decided to analyse and monitor only those market risks that are material in terms of their quantitative impact on the calculation of the regulatory capital requirement. As described in the RAF, to which reference should be made for further details, the market risk classes being monitored are:

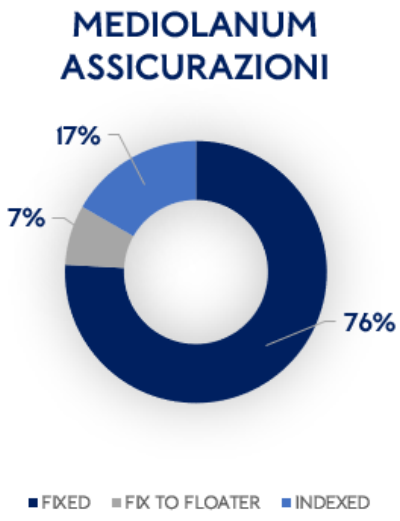
> Equity;
> Currency;
> Interest rate;
> Spread.

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. This reporting provides a range for the solvency ratio, rather than a precise figure.
For the portfolio of traditional Life reserves, the risk of mismatching between liabilities and assets is also periodically assessed using an asset liability management model. The tool enables monitoring of the long-term effects of possible asset management choices on the degree of profitability and solvency of Mediolanum Vita by means of "ad hoc" reporting.

The following graphs show the breakdown of the proprietary securities portfolios and separately managed accounts by rate type for Mediolanum Vita[10] and the proprietary securities for Mediolanum Assicurazioni:

[10] Mediolanum Vita's portfolio does not include real estate, closed-end and infrastructure funds or equities





With regard to Mediolanum International Life, it should be noted that fixed-rate securities constitute almost all of the relevant portfolio.
The following table shows the portfolios of the individual insurance companies and the Insurance Group according to the classification established by IFRS 9:

Securities portfolio of the Insurance Companies - Position Period-end data at 30/06/2022

€/000	Mediolanum Assicurazioni	Mediolanum Vita	Mediolanum International Life	INSURANCE GROUP
FVPL				
Nominal	1,000	3,165	59,153	63,318
Market value	1,007	55,173	59,229	115,409
Amortised cost				
Nominal	141,650	1,632,606	-	1,774,256
Market value	138,550	1,617,971	-	1,756,521
FVOCI				
Nominal	67,780	585,343	-	653,123
Market value	65,052	631,610	-	696,662
TOTAL				
Nominal	**210,430**	**2,221,114**	**59,153**	**2,490,697**
Market value	**204,609**	**2,304,754**	**59,229**	**2,568,592**

Credit risk

Credit risk represents the possibility that an event will occur during the life of a financial instrument linked to the insurance product that changes the repayment capacity (the so-called creditworthiness) of a counterparty

(issuer) thereby changing the value of the credit position itself. Credit risk can be divided into two components: default risk and migration risk. The first concerns the possibility of not collecting a certain number of future payments in full due to debtor insolvency; the second concerns the risk of impairment of the security due to a deterioration in the creditworthiness of the debtor. Counterparty risk also arises from the derivatives activity typical of certain third-party Life products. In particular, when the financial soundness of the counterparty to the OTC transaction deteriorates to such an extent that default could result, it may not fulfil the obligations arising from the trading of that instrument. This risk is monitored in compliance with the European Market Infrastructure Regulation (EMIR). Credit risk may primarily arise from issuer risk following the default of the securities held. It should be noted that for the two Italian companies, the securities portfolio comprises more investments in domestic government securities than those of other issuers, effectively resulting in insignificant default risk exposure.

Securities portfolio of Mediolanum Vita S.p.A. Ratings breakdown (S&P equivalent)

Period-end data (30/06/2022 vs 31/12/2021)

€/000	30/06/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	**2,304,754**	**100.0%**	**2,348,248**	**100.0%**	**(1.9%)**
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	8,294	0.4%	(100.0%)
BBB+ to BBB-	2,105,307	91.3%	2,167,911	92.3%	(2.9%)
BB+ or lower	93,636	4.1%	55,437	2.4%	68.9%
Unrated	105,811	4.6%	116,606	5.0%	(9.3%)

Securities portfolio of Mediolanum Assicurazioni S.p.A. Ratings breakdown (S&P equivalent)

Period-end data (30/06/2022 vs 31/12/2021)

€/000	30/06/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	**204,609**	**100.0%**	**197,697**	**100.0%**	**3.5%**
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	8,959	4.4%	9,979	5.0%	(10.2%)
BBB+ to BBB-	178,712	87.3%	167,904	84.9%	6.4%
BB+ or lower	16,257	7.9%	19,097	9.7%	(14.9%)
unrated	681	0.3%	717	0.4%	(5.0%)

Ratings breakdown for Mediolanum International Life DAC securities portfolio (S&P equivalent)

Period-end data (30/06/2022 vs 31/12/2021)

€/000	30/06/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	**59,229**	**100.0%**	**49,627**	**100.0%**	**19.3%**
AAA	7,908	13.4%	7,515	15.1%	5.2%
AA+ to AA-	30,777	52.0%	15,283	30.8%	101.4%
A+ to A-	-	0.0%	115	0.2%	(100.0%)
BBB+ to BBB-	20,544	34.7%	26,714	53.8%	n.a.
BB+ or lower	-	-	-	-	-
Unrated	-	-	-	-	-

Ratings breakdown for Mediolanum Insurance Group securities portfolio (S&P equivalent)

Period-end data (30/06/2022 vs 31/12/2021)

€/000	30/06/2022		31/12/2021		Chge (%)
	amounts	(%)	amounts	(%)	
Total portfolio	**2,568,592**	**100.0%**	**2,595,572**	**100.0%**	**(1.0%)**
AAA	7,908	0.3%	7,515	0.3%	5.2%
AA+ to AA-	30,777	1.2%	15,283	0.6%	ns
A+ to A-	8,959	0.3%	18,388	0.7%	(51.3%)
BBB+ to BBB-	2,304,563	89.7%	2,362,529	91.0%	(2.5%)
BB+ or lower	109,893	4.3%	74,534	2.9%	47.4%
Unrated	106,492	4.1%	117,323	4.5%	(9.2%)

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 BBB+ before a treaty is entered into.

3.3 Other risks

Liquidity risk

Liquidity risk is defined as the risk that the company may incur when it is faced with cash commitments (expected or unexpected) and the available cash is not sufficient.

The causes of a possible temporary shortage of liquidity include:

> an amount of cash outflows exceeding the amount of cash inflows;

> low liquidity of investments;
> potential cash flow mismatches.

Available cash is not limited to the cash and bank accounting items but is also related to the possibility of liquidating investments in the portfolio, taking into consideration the potential economic and equity loss arising from the sale. A further option to address liquidity risk in the medium term is the Company's ability to raise funds by issuing debt. The risk arising from these operations is defined as the possibility of not having access to the market or only having access at excessive costs.
Assets for which policyholders bear no liquidity risk do not entail any liquidity risk for the Mediolanum Insurance Group as the assets are invested in units of UCITS that can be readily liquidated and payment to the customer only takes place after disinvestment of the units. In accordance with the Liquidity Risk Management Policy of the Group, including the Insurance Group, in order to ensure proper risk monitoring, any deviations in the liquidity indicators from the limits defined are controlled at least once a quarter.

Strategic risk

Strategic risk is regarded as the current and prospective possibility of a decline in profits or capital due to:

> 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.

Compliance risk

The Mediolanum Insurance Group, through the Compliance Function, 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 bylaws, codes of conduct or self-governance codes; it is the risk arising from unfavourable changes in the regulatory framework or case law guidelines.
Compliance risk is monitored, using a risk-based approach, by the Compliance Function in accordance with the compliance model described in the internal reference regulations, which is periodically reviewed and updated.

Operational risk

With reference to the provisions of Article 1, paragraph 1, letter *vv-bis* 5) of the Private Insurance Code, operational risk is understood as: "the risk of losses resulting from the inadequacy or dysfunction of internal procedures, human resources or systems, or from external events".
In this definition, it is important to emphasise the inclusion of legal risk, but not of strategic or reputation risk.
Operational risk also manages **IT risk** by means of a complex process that aims to identify vulnerabilities in the IT system, possible threats and the associated probability of occurrence, and to estimate the potential harm caused by the emergence of homogeneous groups of threats, known as "scenarios". IT risk is the risk of incurring economic losses or loss of reputation and market share due to the use of information and communication technology.

Operational risk takes into account the annual expenses incurred in relation to the insurance risks/obligations assumed by the individual companies.
An operational loss is defined as a group of negative economic effects, net of recoveries and exceeding specifically selected minimum thresholds, arising from the occurrence of an operational event. Material losses for legislative purposes are only those actual losses, both direct and indirect, whose 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 provides for a clear interrelation between the business strategies and the conduct of the financial institution and the Family Bankers, taking into account the corporate values and mission.

Reputation risk

With regard to the provisions of Article 19, letter h) of Ivass Regulation No. 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.

Reputation 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.

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.

PART F – INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – Consolidated capital

Own funds for supervisory purposes of the Mediolanum Banking Group at 30 June 2022

The Mediolanum Banking Group prioritises capital monitoring. The Mediolanum Banking 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 30 June 2022, the ratios of the Mediolanum Banking Group were well above the regulatory thresholds.

SECTION 2 – Own funds and regulatory banking ratios

The Mediolanum Banking Group's own funds amounted to €2,469 million at 30 June 2022 (31/12/2021: €2,361 million) and break down as follows:

- Common Equity Tier 1 (CET 1) capital of €2,469 million (31/12/2021: €2,361 million);
- Additional Tier 1 (AT1) capital of zero (31/12/2021: zero);
- Tier 2 (T2) capital of zero (31/12/2021: zero).

Risk-weighted assets (RWAs) amounted to €11,710 million (31/12/2021: €11,274 million).
On the basis of the above, the CET1 Ratio was 21.1% (31/12/2021: 20.9%).

Capital adequacy of the Banca Mediolanum financial conglomerate as at 30 June 2022[II]

At 30 June 2022, the capital adequacy of the Mediolanum financial conglomerate was determined in accordance with the regulatory provisions of reference for financial conglomerates primarily engaged in banking. In particular, in respect of the conglomerate's capital requirements of €3,061 million, the conglomerate's capital resources covering the required margin amounted to €2,401 million, with a surplus of €660 million.

[II] The values set out in this report may be updated during the supervisory authority reporting phase. Capital adequacy at 30 June 2022 was calculated according to the capitalisation limits notified by the Bank of Italy based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2022) of the Mediolanum Insurance Group sent to the supervisory authority.

€/m	30/06/2022	31/12/2021
Financial conglomerate primarily engaged in banking		
Capital	3,061	2,869
Banking capital requirements	1,305	1,254
Insurance capital requirements	1,096	1,004
Capital surplus (deficit)	**660**	**611**

As described above, the net income for the period was calculated at €74.8 million for the calculation of capital adequacy.

PART H – RELATED PARTY TRANSACTIONS

The Board of Directors of Banca Mediolanum has adopted a Single Group Regulation to manage transactions with related parties and affiliated persons in compliance with the procedures laid down by law. This document takes into account both Consob Resolution no. 17221/2010 as subsequently updated and the supervisory provisions concerning transactions with "Affiliated Persons".

On 22 December 2020, Consob Resolution no. 21624 of 10 December 2020 was published in the Official Journal. This resolution contains, *inter alia*, amendments to the Regulations on Related Party Transactions. With regard to the rules governing related party transactions, the main changes introduced are:

- the definition of related party: since the Directive refers to the definition of related party contained in the international accounting standards in force at the time (IAS 24);
- the obligation to abstain from voting on the part of the director involved in the related party transaction;
- the need for the timely involvement of the committee of independent directors in the negotiation and preparatory stages of a transaction of major significance;
- the introduction of the obligation to identify transactions of small amounts according to different criteria, taking into account at least the nature of the counterparty.

On 22 June 2021, the Board of Directors of Banca Mediolanum approved the new Policy for the Management of Transactions with Related Parties and Affiliated Persons and the relevant Process Regulations, with effect from 1 July 2021.

At 30 June 2022, the Mediolanum Group had undertaken transactions with related parties. These transactions are part of the normal operations of the companies belonging to the Mediolanum Group and are regulated under market conditions.
In accordance with IAS 24, the related parties of the Mediolanum Group are:

- the Fin. Prog. companies, wholly owned by the Doris family and the Fininvest company headed by Silvio Berlusconi;
- "key management personnel" and close family members of "key management personnel" and companies subject to the control, including joint control, of key management personnel or their close family members;
- the Chief Executive Officer, other members of the Board of Directors and Statutory Auditors, their close family members and companies subject to their control, including joint control.

For the purposes of defining and managing related party transactions, reference is made to the rules defined in Consob Regulation no. 17221/2010, as subsequently updated, and Bank of Italy Circular no. 285. Taking into account that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions cited above, it was considered, for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years, even if at present the connection for the purposes of inclusion in the IAS 28 scope of consolidation has ceased.

1. Information concerning the remuneration of key management personnel

€/000	Directors, executives, deputy general managers and statutory auditors	Other key management personnel
Emoluments and social security contributions	(5,426)	(1,282)
Other remuneration	-	-

2. Information on related party transactions

The following table shows the credit and debit balances outstanding at 30 June 2022 in respect of related parties other than intercompany parties. The scope of related parties considered for the purposes of the tables in this section has been extended, on the basis of IAS 24.

€/000	Associated companies	Other related parties
Asset items		
Financial assets held for trading	-	16
Financial assets designated at fair value	-	478
Financial assets at fair value through other comprehensive income	-	240,646
Loans to banks	-	5,469
Loans to customers	-	54,174
Other assets	-	4
Liability items		
Payables to banks	-	(260)
Payables to customers	-	(531,859)
Financial liabilities held for trading	-	(2,109)
Other liabilities	-	(3,196)
Guarantees issued and commitments given	-	421

€/000	Associated companies	Other related parties
Income statement items		
Interest income and similar income	-	205
Interest expense and similar expenses	-	(289)
Net interest	**-**	**(84)**
Commission income	-	26,653
Commission expense	-	(2,494)
Net commission income	**-**	**24,158**
Net gains (losses) from trading	-	(406)
Premiums issued	-	6,000
Administrative expenses	-	(4,053)
Other operating income and expenses	-	(15,377)

PART L – SEGMENT REPORTING

This section presents the consolidated segment results which, pursuant to IFRS 8, were prepared using a format that reflects the management system of the Mediolanum Group (the "management reporting approach"), in accordance with all the information provided to the market and to the various stakeholders.
This representation of the breakdown of the consolidated result for the period makes it possible to assess the quality and sustainability over time of the results generated by the Mediolanum Group in the various operating segments.

The income statement by segment, pursuant to IFRS 8, shows the consolidated results of the Mediolanum Group in relation to the following operating segments:

›› ITALY - BANKING
›› ITALY - ASSET MANAGEMENT
›› ITALY - INSURANCE
›› ITALY - OTHER
›› SPAIN
›› GERMANY

The income statement by segment, or by Result Area, was prepared by allocating costs and revenues to the various segments according to a hybrid model, half-way between the Direct Costing and Full Costing models, given the essentially indirect nature of the operating activities carried out by the Mediolanum Group.
While revenues can be originally and directly allocated to products and, through aggregation, to the Result Areas, costs underwent an allocation process according to the varying degrees to which they could be assigned to the products and the nature of the underlying processes:

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

Operating data by business area at 30/06/2022

Data in €/000	ITALY					Foreign		Total
	Banking	Asset management	Insurance	Other	TOTAL	Spain	Germany	
Entry fees		16,337			16,337	7,798		24,135
Management fees		292,287	292,270		584,557	48,476	4,021	637,054
Investment management fees		52,668	37,138		89,806	7,238	607	97,651
Net insurance revenues ex U-L commissions			20,948		20,948	14,548	7	35,503
Banking service fees	80,080				80,080	4,161		84,241
Other fees	1,791	11,759	5,612	1,127	20,289	1,239	139	21,667
Total commission income	**81,871**	**373,051**	**355,968**	**1,127**	**812,017**	**83,460**	**4,774**	**900,251**
Acquisition costs	(50,424)	(122,347)	(129,264)	(251)	(302,287)	(35,504)	(1,695)	(339,486)
Other commission expenses	(15,338)	(15,407)	(11,038)		(41,783)	(5,594)	(451)	(47,828)
Total commission expense	**(65,762)**	**(137,754)**	**(140,302)**	**(251)**	**(344,070)**	**(41,098)**	**(2,146)**	**(387,314)**
Net commission income	**16,109**	**235,297**	**215,666**	**875**	**467,947**	**42,362**	**2,628**	**512,937**
Net interest income	**155,593**	**(7,456)**	**2,652**		**150,789**	13,007		**163,796**
Net income on other investments	**(1,967)**	**65**	**1,052**	**75**	**(775)**	**30**		**(745)**
LLP (impairment on loans)	**(7,390)**				**(7,390)**	**(423)**	**(42)**	**(7,855)**
Other revenues and expenses	**(1,347)**	**(200)**	**1,825**	**2,658**	**2,936**	1,829	200	**4,965**
LEVEL I CONTRIBUTION MARGIN	**160,997**	**227,706**	**221,195**	**3,608**	**613,507**	**56,805**	**2,786**	**673,098**
Allocated costs	(106,896)	(41,781)	(55,339)	(2,518)	(206,533)	(27,828)	(3,182)	(237,543)
Regular Contributions to Banking Industry	(9,346)				(9,346)	(915)	(7)	(10,268)
LEVEL II CONTRIBUTION MARGIN	**44,756**	**185,925**	**165,856**	**1,091**	**397,627**	**28,062**	**(403)**	**425,286**
Unallocated costs					(82,532)			(82,532)
Depreciation and amortisation					*(17,243)*	*(2,954)*	*(100)*	*(20,297)*
Provisions for risk and charges					*(13,530)*	*(1,447)*		*(14,977)*
OPERATING MARGIN	**44,756**	**185,925**	**165,856**	**1,091**	**284,323**	**23,661**	**(503)**	**307,481**
Performance fees		5,097	1,421		6,518	108	8	6,634
Net income on investments at fair value	(14,187)	12	(1,394)		(15,569)	(258)	(13)	(15,840)
MARKET EFFECTS	**(14,187)**	**5,109**	**27**		**(9,051)**	**(150)**	**(5)**	**(9,206)**
Extraordinary contributions and guarantee funds	(410)				(410)			(410)
EXTRAORDINARY ITEMS	**(410)**				**(410)**			**(410)**
SEGMENT MARGIN BEFORE TAX	**30,158**	**191,034**	**165,883**	**1,091**	**274,862**	**23,511**	**(508)**	**297,865**
Income tax					**(55,971)**	(3,819)	(222)	**(60,012)**
NET INCOME					**218,891**	**19,692**	**(730)**	**237,853**

Operating data by business area at 30/06/2021

Data in €/000	ITALY					Foreign		Total
	Banking	Asset management	Insurance	Other	TOTAL	Spain	Germany	
Entry fees		21,053			21,053	8,590		29,643
Management fees		291,730	265,338		557,068	43,385	4,609	605,062
Investment management fees		50,986	34,732		85,718	6,575	694	92,987
Net insurance revenues ex U-L commissions			25,173		25,173	10,357	113	35,643
Banking service fees	63,280				63,280	3,777	2,981	70,038
Other fees	2,627	12,410	4,979	1,142	21,158	1,063	236	22,457
Total commission income	**65,907**	**376,178**	**330,222**	**1,142**	**773,450**	**73,747**	**8,633**	**855,830**
Acquisition costs	(45,946)	(123,887)	(129,738)	2,444	(297,128)	(32,638)	(1,924)	(331,690)
Other commission expenses	(15,081)	(14,180)	(9,446)		(38,708)	(5,637)	(2,947)	(47,292)
Total commission expense	**(61,028)**	**(138,067)**	**(139,185)**	**2,444**	**(335,836)**	**(38,275)**	**(4,871)**	**(378,982)**
Net commission income	**4,880**	**238,111**	**191,038**	**3,586**	**437,614**	**35,472**	**3,762**	**476,848**
Net interest income	**127,153**	**(6,547)**	**914**		**121,520**	8,591	(212)	**129,899**
Net income on other investments	**275**	**68**	**(711)**	**669**	**300**	**27**		**327**
LLP (impairment on loans)	**(13,775)**				**(13,775)**	**(201)**	**91**	**(13,885)**
Other revenues and expenses	**(2,187)**	**(270)**	**2,373**	**1,762**	**1,678**	1,179	615	**3,472**
LEVEL I CONTRIBUTION MARGIN	**116,345**	**231,362**	**193,613**	**6,017**	**547,338**	**45,068**	**4,256**	**596,662**
Allocated costs	(95,984)	(36,936)	(49,719)	(2,216)	(184,855)	(22,619)	(6,512)	(213,986)
Regular Contributions to Banking Industry	(7,507)				(7,507)	(1,769)	(5)	(9,281)
LEVEL II CONTRIBUTION MARGIN	**12,855**	**194,426**	**143,895**	**3,801**	**354,976**	**20,680**	**(2,261)**	**373,395**
Unallocated costs					(80,089)			(80,089)
Depreciation and amortisation					*(16,166)*	*(2,575)*	*(574)*	*(19,315)*
Provisions for risk and charges					*(28,194)*	*(497)*		*(28,691)*
OPERATING MARGIN	**12,855**	**194,426**	**143,895**	**3,801**	**230,527**	**17,608**	**(2,835)**	**245,300**
Performance fees		8,407	7,646		16,053	1,122	311	17,486
Net income on investments at fair value	89,188	(61)	(329)		88,798	34	(5)	88,827
MARKET EFFECTS	**89,188**	**8,346**	**7,317**		**104,851**	**1,156**	**306**	**106,313**
Extraordinary contributions and guarantee funds	(2,276)				(2,276)			(2,276)
EXTRAORDINARY ITEMS	**(2,276)**				**(2,276)**			**(2,276)**
SEGMENT MARGIN BEFORE TAX	**99,767**	**202,772**	**151,212**	**3,801**	**333,102**	**18,764**	**(2,529)**	**349,337**
Income tax					**(76,733)**	(3,367)	(489)	**(80,589)**
NET INCOME					**256,369**	**15,397**	**(3,018)**	**268,748**

Reconciliation of the income statement at 30/06/2022 with the reclassified income statement

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
Entry fees			-	24,135
Management fees			(43,512)	637,054
Investment management fees			-	97,651
Net insurance revenues ex U-L commissions	160. Net premiums	1,154,645	3,896	1,158,541
	170. Balance of other revenues/expenses from insurance operations	1,539,951	(2,662,989)	(1,123,038)
Banking service fees			(874)	84,241
Other fees			(5,839)	21,667
Performance fees			(6,634)	
Total commission income	**40. Commission income**	**921,607**		**900,251**
Acquisition cost		(336,487)	(2,999)	(339,486)
Other commission expenses		(51,202)	3,374	(47,828)
Total commission expense	**50. Commission expense**	**(387,689)**		**(387,314)**
Net commission income	**60. Net commission income**	**533,918**		**512,937**
Interest income and similar income	10. Interest income and similar income	226,915	(37,724)	189,191
Interest expense and similar expenses	20. Interest expense and similar expenses	(26,107)	712	(25,395)
Net interest income	**30. Net interest income**	**200,808**		**163,796**
				326
Net proceeds on disposal of other investments	70. Dividends and similar income	1,362	-	1,362
	100. a) Financial assets measured at amortised cost	16	-	16
	100. b) Financial assets at fair value through other comprehensive income	672	(1,151)	(479)
	230. Other operating income/expenses	737	(1,766)	(1,029)
	280. Gains (losses) on disposal of investments	481	(25)	456
Net value adjustments of other investments	130. b) Financial assets at fair value through other comprehensive income	416	(1,487)	(1,071)
Net income on other investments				(745)
LLP (impairment on loans)	130. a) Financial assets measured at amortised cost	**(9,233)**	**1,378**	**(7,855)**
Other revenues and expenses	230. Other operating income/expenses	**-**	**4,965**	**4,965**
Contribution margin				**673,098**

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
		(321,154)		**(320,075)**
General and administrative expenses	190. a) Staff costs	(136,052)	(1,432)	(137,484)
	190. b) Other administrative expenses	(185,102)	6,849	(178,253)
	230. Other operating income/expenses	-	(4,338)	(4,338)
Regular Contributions to Banking Industry	190. b) Other administrative expenses	**-**	(10,268)	**(10,268)**
Depreciation and amortisation/Provisions		**(36,167)**		**(35,274)**
		(25,046)		**(20,297)**
Depreciation and amortisation	210. Net value adjustments/write-backs of tangible assets	(8,384)	4,749	(3,635)
	220. Net value adjustments/write-backs of intangible assets	(16,662)	-	(16,662)
		(11,121)		**(14,977)**
Provisions for risk and charges	200. a) Commitments and guarantees given	(31)	-	(31)
	200. b) Other net provisions	**(11,090)**	**(3,856)**	**(14,946)**
Total costs		**(357,321)**		**(365,617)**
Operating margin				**307,481**
Performance fees	40. Commission income	-	6,634	6,634
		(2,768,587)		**(15,840)**
Net income on investments at fair value	80. Net gains (losses) from trading	(20,924)	(1,635)	(22,559)
	90. Net gains (losses) from hedging	1,445	-	1,445
	110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss (IFRS 7 par. 20(a)(i))	(2,749,108)	2,754,381	5,273
Market effects				**(9,206)**
Extraordinary contributions and guarantee funds	190. b) Other administrative expenses	-	(410)	(410)
Extraordinary items				**(410)**
Profit before tax	**290. Net income from continuing operations before tax**	**297,865**	-	**297,865**
Income tax	300. Taxes on income from continuing operations	(60,012)	-	(60,012)
Net income	330. Net income for the year	**237,853**	-	**237,853**

Declaration of the Financial Reporting Officer

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Certification of the half-year financial report pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended and supplemented

1. 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 half-year financial report during the first half of 2022.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the half-year financial report at 30 June 2022 was based on a process defined by Banca Mediolanum S.p.A. consistent with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally accepted international framework.

3. It is further certified that:

   3.1 the half-year financial report:

   > has been drawn up in accordance with the international accounting standards recognised in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   > correspond to the figures in the accounting books and records;
   > is suitable to provide a true and correct representation of the financial position and economic performance of the issuer and of all of the companies within the scope of consolidation.

   3.2 the Interim Report on Operations includes a reliable analysis of references to significant events that occurred in the first six months of the year and their impact on the half-year financial report, as well as a description of the main risks and uncertainties in the remaining six months of the year. The Interim Report on Operations also includes a reliable analysis of information on significant transactions with related parties.

Basiglio, 03 August 2022

The Chief Executive Officer
(Massimo Antonio Doris)

The Financial Reporting Officer
(Angelo Lietti)

Glossary

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Assets Under Management

These consist of: - managed assets, which include the assets of mutual funds and pension funds and the assets under management and technical provisions of the Life class; - non-managed assets, which include securities in custody (net of shares in the Group's funds), the technical provisions of the Non-Life class and the debit balances of current accounts.

Common Equity Tier 1 or CET 1

The highest quality capital component pursuant to the Basel III regulations, mainly consisting of ordinary paid-up capital, the relative share premium reserves, calculable net income for the period, reserves and shareholders' equity of minority interests (calculable within certain limits), net of certain regulatory adjustments, as provided for by Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, as subsequently updated.

Common Equity Tier 1 Ratio or CET 1 Ratio

The solvency ratio expressed by the relationship between Common Equity Tier 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

The amount of inflows into asset management products and assets under administration products net of outflows that occurred during the period.

RWA or risk-weighted assets

This is the risk-weighted value of on- and off-balance sheet assets. Depending on the types of assets concerned, bank assets are weighted by factors representing their risk level and default potential in order to calculate a capital adequacy indicator.

Total Capital Ratio

Solvency ratio expressed by the relationship between Total Capital and RWAs calculated on the basis of the reference 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 income 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 of treasury shares under share-based incentive plans.

Review report on condensed consolidated half-year financial statements

To the shareholders of
Banca Mediolanum SpA

Foreword

We have reviewed the accompanying condensed consolidated half-year financial statements of Banca Mediolanum SpA and its subsidiaries (Mediolanum Group) as of 30 June 2022, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Banca Mediolanum SpA are responsible for the preparation of the condensed consolidated half-year financial statements in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of the condensed consolidated half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated half-year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year financial statements of Mediolanum Group as of 30 June 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 5 August 2022

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers