MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

RCSL n. B112885

Interim financial statements
for the six months ended 31 December 2024

MEDIOBANCA INTERNATIONAL (LUXEMBOURG)

SOCIÉTÉ ANONYME

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

Board of Directors Meeting
January 31, 2025

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		Term expires	Location
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INDEPENDENT AUDITOR

ERNST AND YOUNG S.A.	LUXEMBOURG

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MANAGEMENT REPORT

Mediobanca International (Luxembourg) S.A.

Head Office: 4, Boulevard Joseph II, L-1840 Luxembourg

Mediobanca Banking Group

Share capital: € 10,000,000 fully paid up

FINANCIAL SITUATION AS AT 31 DECEMBER 2024

MANAGEMENT REPORT

DEVELOPMENT IN MACROECONOMIC SCENARIO

In the second half of 2024, the trends witnessed on financial markets in the first six months continued: modest growth, ongoing difficulties for the Chinese economy, and further fragmentation of the global economy. The United States were the exception, where the fiscal consolidation process (constantly postponed) and the employment market, more vibrant than expected, enabled decent growth levels to be posted. In the Euro Area, economic activity appears weak and particularly sluggish in Germany and France (where political difficulties, which make economic governance less effective, exacerbate the underlying weakness); economic activity in Spain remains robust, while it is still modest in Italy.

In this scenario, central banks have continued their path of monetary accommodation with measured reductions in reference rates: the ECB followed the first 25 bps cut in June with others of the same magnitude in September, October, and December; the FED, after starting with a round 50 bps cut in September, continued with 25 bps cuts in November and December, showing a tendency to pause while waiting for more reassurance regarding inflation prospects. During the semester, the Japanese central bank cautiously raised the reference rates amid an emerging inflation process that shows good prospects for consolidation.

The Chinese macroeconomic and financial scenario is still hostage to strong risk aversion on the part of both households and companies, driven by the ongoing difficulties in the real estate sector and the fragile financial conditions of the local governments. The action taken by the Chinese authorities has been measured so as not to attenuate the incentive to deploy resources in high value sectors to the detriment of the real estate sector.

In Italy growth has been modest, as mentioned, confirming the weakness seen in the first six months of 2024; the inflation rate remained significantly below 2% YoY (the average for the six months was 1.1% YoY); while the unemployment rate has fallen in any case (5.7% in November). In the markets, investors' preference for equities have continued, moving sideways in the last quarter of the year. Overall, the stock market performances reported in the six months under review reflected the economic performances of their respective geographies (with the exception of China, which benefited from particularly attractive valuations in light of measures to support the economy). The following market performances were recorded: Eurostoxx -0.7%, FTSE MIB, +3.1%, S&P 500 +7.7%, Morgan Stanley Stock Market Index Global +5.6%, and Morgan Stanley China +11.8%. The valuations of credit default swaps in Europe decreased slightly over the period, reflected, for example, in a slightly higher cost of the premium insuring against default in the next five years: the Xover index closed at 314 bps (up 22 bps), and the Main index at 58 bps (up 5 bps). Government interest rates remained virtually unchanged in the United States (the 10Y yield rose by 11 bps to 4.57%), and fell in the Eurozone (where, for example, the German 10Y rate decreased by 24 bps, to 2.37%), although not without some volatility, in December especially. Government spreads within the Eurozone reflected the preference for risk assets (for instance, the spread on 10Y yields between Italian and German paper reduced by around 40bps to 115bps), apart from in France, where they were virtually unchanged, reflecting the institutional stalemate situation which commenced with the national legislative elections. The prospects for both Italian and Eurozone growth are linked to private consumption and international demand. The former could be helped by the robust job market, while the latter will inevitably be impacted by the stance being taken by the new US administration, which could impose tariffs on imports to protect its own production system. Concerns for Italy, and for Europe in general, regard primarily the Russia-Ukraine conflict, the preference being granted by European voters for political groupings that favour national interests to the detriment of increased integration, and the prospects for geo-economic polarization as a result of the costly reforms in China.

Luxembourg - Economic activity remained quite subdued in 2024, only exiting the prolonged recessionary trend in the second half of the year. The wage-indexation mechanism prevented real wages from falling, safeguarding households' purchasing power and supporting private consumption despite weak consumer sentiment. However, net exports and gross fixed capital formation continued to decline, weighing on the overall recovery momentum. We expect the economy to partially rebound in 2025, expanding by +1.6%. The easing of financial conditions is expected to support the financial sector and the recovery of the construction sector. Private consumption will remain supportive, driven by an increase in real disposable income, boosted by another round of wage indexation scheduled for 2025.

In 2025 and 2026, economic growth is expected to accelerate supported by an expansionary fiscal stance, falling interest rates - which underpin investment-, and the improvement of the external environment. Two expected wage indexations in 2025 should further support private demand, while an improved outlook for the property market is set to contribute to investment in dwellings. Credit to companies is projected to pick up from the current low level, benefiting both from the expected further fall in interest rates and from the realisation of delayed equipment investment projects. On the net exports side, financial services recovery, which started already in 2024, is projected to continue, thanks to a pick-up in investment fund revenue. In 2026, momentum is expected to weaken on the back of a lower domestic demand.

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Outlook

Among advanced economies[1], growth forecast revisions go in different directions. In the United States, underlying demand remains robust, reflecting strong wealth effects, a less restrictive monetary policy stance, and supportive financial conditions. Growth is projected to be at 2.7% in 2025. This is 0.5% higher than the October forecast, in part reflecting carryover from 2024 as well as robust labor markets and accelerating investment, among other signs of strength. Growth is expected to taper to potential in 2026.

In the euro area, growth is expected to pick up but at a more gradual pace than anticipated in October, with geopolitical tensions continuing to weigh on sentiment. Weaker-than-expected momentum at the end of 2024, especially in manufacturing, and heightened political and policy uncertainty explain a downward

[1] International Monetary Fund | January 2025

revision of 0.2% to 1.0% in 2025. In 2026, growth is set to rise to 1.4%, helped by stronger domestic demand, as financial conditions loosen, confidence improves, and uncertainty recedes somewhat.

Progress on disinflation is expected to continue. Deviations from the October 2024 WEO (World Economic Outlook) forecasts are minimal. The gradual cooling of labor markets is expected to keep demand pressures at bay. Combined with the expected decline in energy prices, headline inflation is projected to continue its descent toward central bank targets. That said, inflation is projected to be close to, but above, the 2% target in 2025 in the United States, whereas inflationary dynamics are expected to be more subdued in the euro area. Low inflation is projected to persist in China. Consequently, the gap between anticipated policy rates in the United States and other countries becomes wider.

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During the six months under review the Bank has reported a net profit of €10,3m, €-2,3m compared to December 2023 mainly driven by the contraction of net interest income (approx. -27%); the cost/income ratio stood at 28% decreasing compared to Dec-23 (31%) as well as the cost of risk remains well-below of the monitoring trigger. ROE stood at 3.2% compared to 3.8% in Dec-23.

The Common Equity Tier1 ratio stood at 14.5% and Total Capital ratio at 19.8%. The Leverage ratio remained above 5.3%. A detailed analysis of the performance registered on the main income and financial items is made further in this report.

GENERAL PRINCIPLES OF DRAWING UP THE MANAGEMENT REPORT

The Bank's interim financial statements have been drawn up in accordance with the IAS/IFRS international accounting standards as adopted, and in line with the structure of the Parent Bank[2] as disciplined by the circular of Bank of Italy no. 262 of 22 December 2005 as amended from time to time (for further details please refer to Part B of the notes to the interim financial statements – accounting policies).

Notwithstanding the above, the management report includes a reclassified statement of financial position and a reclassified statement of comprehensive income (cf. below) with a view to support management commentaries and evaluations over the results achieved during the financial year. The reconciliation with the primary statements, as required by the reference regulations, is presented in Annex I.

The management report also contains some Key Performance Indicators which are deemed useful and appropriate to provide additional qualitative and quantitative metrics on the performance achieved by the institution over the financial year.

[2] Please refer to page 33 for the definition of "Parent bank".

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

In order to further illustrate the result of the period and support management commentaries, the statement of financial position has been reclassified using the same criteria adopted for the previous annual report (for further details please refer to Annex I).

	31/12/2024	30/06/2024	Chg.
	€m	€m	%
Financial assets at FVTPL	162,2	141,2	14,9%
Treasury investments	2.107,6	1.624,2	29,8%
Debt securities - banking book	-	-	n.a.
Loans and advances	4.845,3	5.031,9	-3,7%
Investments	53,3	88,9	-40,0%
Tangible assets	1,0	1,1	-9,1%
Other assets	33,1	16,3	103,1%
Total Assets	**7.202,5**	**6.903,5**	**4,3%**
Loans and borrowings	3.467,3	3.050,7	13,7%
Debt securities issued	3.120,1	3.187,4	-2,1%
Treasury borrowings	81,0	127,2	-36,3%
Trading Liabilites	70,9	53,9	31,5%
Other liabilities	31,0	34,1	-9,1%
Provisions for risks and charges	1,0	0,8	25,0%
Net equity	424,0	429,7	-1,3%
Net profit	10,3	19,7	-47,7%
Total Liabilities	**7.205,5**	**6.903,5**	**4,4%**

ASSETS

On the balance-sheet side, total assets amounted to € 7,205bn at 30 December 2024 (€ 6,903bn in June 2024), with the main items reflecting the following performances:

- Lower volumes in terms of loans and advances granted to corporates of approx. €200m, mainly due to the contest of unexpected prepayments (or partial reimbursements), while the volumes of loans granted to credit institution remains substantially unchanged;
- The balance of cash and current account was optimized during the semester, allowing for a higher return through Term Deposits, the balance of which increased from €1.018,6m of June-24 to €1.537,3m of Dec-24 (€+50.9%).

Financial assets at FVTPL – the carrying value of financial assets at fair value through profit or loss increased by +14.9%, primarily as a consequence of the mark to market value of the financial and credit derivative contracts negotiated with the Parent Bank (or embedded in other financial instruments) which amounts to € 88,7m (€ 68,5m at 30 June 2024) while the carrying amount of debt securities (CLOs instruments) increased of €+0,7m). It is worth mentioning that the Bank is not taking any speculative position in derivatives and the aforementioned variation was de facto compensated by an equivalent decrease of the carrying value of financial liabilities valued at fair value through profit or loss.

Treasury investment – the carrying value of treasury investments has increased compared to June 2024 from € 1.624,1m to € 2.107,6m (+29.8%) mainly as a consequence of liquidity reinvestment by means of money market instruments. In detail:

- Cash available at Central Bank, amounting to €231,7m in Jun-24, was replaced by a reverse repo with the Parent Company; this leveraged approx. €+200m against HQLA securities, reducing the cash balance to around €12,8m at the end of December 2024;
- Demand deposits with banks remain quite stable at around € 356,2m which corresponds to a decrease of 4.7% compared to June 2024;
- Term deposits with the Parent Bank increased of 50.9% compared to June 2024;
- Other money market operations reflect the outstanding carrying values of the Repo above-mentioned.

	31/12/2024	30/06/2024	Chg.
	€m	€m	%
Cash available at Central Bank	12,8	231,7	-94,5%
Demand deposits	356,2	373,6	-4,7%
Term deposits	1.537,3	1.018,6	50,9%
Other money market operations	201,3	0,2	100550,0%
Treasury investments	**2.107,6**	**1.624,2**	**29,8%**

Loans and advances – the carrying value of loans and advances has decreased of 3.7% compared to June 2024, moving from € 5.031,9m to € 4.845,3m). Considering also the undrawn committed credit lines available, the institution's net credit risk exposure (excluding the portion secured by financial guarantees issued by the Parent and/or the direct exposures towards the Parent) moved in the opposite direction, with an increase from € 862,2m at the end of June 2024 to € 935,3m at the end of December 2024 (+8.5%).

Net carrying value of non-performing exposures (i.e. net book value after any impairment recognition) is nil compared to € 12,8m recorded in June 2024, following the exit of the exposure from the portfolio together with the reimbursement by the Italian Export Credit Agency (SACE).

	31/12/2024	30/06/2024	Chg.
	€m	€m	%
Loans and receivables (banks)	2.039,0	2.012,7	1,3%
of which: non performing	*0,0*	*0,0*	n.a.
Loans and receivables (customers)	2.806,3	3.019,2	-7,1%
of which: non performing	*0,0*	*12,8*	-100,0%
Loans and advances	**4.845,3**	**5.031,9**	**-3,7%**

Investment – in September 2011, the Bank purchased via a share deal all the 1.000 shares of Jodewa S.à.r.l. (following renamed as Mediobanca International Immobilière S.à.r.l.) a company owning the building where the Bank has moved its head office in April 2012. In February 2025, an independent evaluation was carried out by a primary real estate advisor to assess the presence of any impairment indicator and, in particular, whether the carrying amount of the immovable property may be higher than its recoverable amount. The evaluation report has largely confirmed the fairness of the Bank's carrying amount and looking at the macro trends of the real estate market in Luxembourg, the Bank has decided to not perform any impairment test.

Other assets – this item of the reclassified statement of financial position increased from € 16,3m at the end of June 2024 to € 33,1m at the end of December 2024 and is composed by (i) fair value of hedging derivatives (ii) tax assets, and (iii) other receivables. In details:

	31/12/2024	30/06/2024	Chg.
	€m	€m	%
Hedging derivatives	3,3	3,4	n.a.
Tax assets	3,4	2,6	30,8%
Transitory accounts and other receivables	26,4	10,3	156,3%
Other assets	**33,1**	**16,3**	**103,1%**

The fair value of hedging derivatives remains flat over the first part of the fiscal year; nothing to report with reference to the tax assets. Transitory accounts and other receivables increased as a result of the receivables generated in the context of the asset encumbrance. This kind of transactions create various suspended amounts which are generally cleared in a very short period of time.

LIABILITIES

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

Loans and borrowings – the carrying value of loans and borrowings increased from € 3.050,6m (June 2024) to € 3.467,3m (December 2024). In detail:

- Loans due to banks slightly increased of +1,3%, from €1.844,7m to €1.869,6m;
- Amount due to customers moved from €1,0m at the end of June 2024 to nil at the end of December 2024 due to the full repayment of intercompany position;
- Borrowings under the commercial paper program increased to €1.598,2m, representing an approximate rise of 32.5%;
- Change in fair value of hedged debt instruments valued at amortised costs remains stable at around € -0,5m.

	31/12/2024	30/06/2024	Chg.
	€m	**€m**	**%**
Amount due to banks	1.869,6	1.844,7	1,3%
Amount due to customers	-	-	n.a.
Commercial papers	1.598,2	1.206,6	32,5%
CFV notes issued	-0,5	-0,7	-28,6%
Loans and borrowings	**3.467,3**	**3.050,7**	**13,7%**

Debt securities issued – the carrying value of notes issued under the programmes *in force* (EMTN and Structured) remained quite stable, decreasing by 2.1%, of which the most relevant change to mention affected the reduction of the certificates and notes valued at FVO moving from €124,6m to €69,6m partially offset by the increase in volumes experienced on "structured notes" (€+39,3m).

	31/12/2024	30/06/2024	Chg.
	€m	**€m**	**%**
Debt securities issued - non structured	2.998,3	3.049,9	-1,7%
Debt securities issued - structured	52,2	12,9	304,7%
Debt securities valued at FVO	69,6	124,6	-44,1%
Debt securities issued	**3.120,1**	**3.187,4**	**-2,1%**

Treasury borrowings – compared to June 2024, this item of the reclassified statement of financial position decreased from € 127,2m to € 81,0m at December 2024, primarily by reason of the time deposits borrowings with the Parent Bank, which lowered of € 47,4m; the short-term funding collected from customers (approx. € 60m) remains stable over the period. The remaining balance outstanding as of Dec-24 is attributable to the cash collateral received under two-way credit support annex (CSA) agreement with the Parent Bank for a carrying value of € 19,8m (€ 18,6m as at June 2024).

Trading liabilities – the carrying value of financial liabilities at fair value through profit or loss (FVTPL) increased from € 53,9m to € 70,9m at the end of December 2024, as a result of the mark to market value of the financial and credit derivative contracts negotiated with the Parent Bank or embedded in other financial instruments. It is worth mentioning that the Bank is not taking any speculative position in derivatives.

Other liabilities – this item of the reclassified statement of financial position decreased from € 34,1m at the end of June 2024 to € 31,0m at the end of December 2024, who is composed of (i) hedging derivatives, (ii) tax liabilities and (iii) transitory accounts and other payables. In detail:

	31/12/2024	30/06/2024	Chg.
	€m	€m	%
Hedging derivatives	2,7	3,0	-10,0%
Tax liabilities	15,5	12,1	28,1%
Other payables	12,8	19,0	-32,6%
Other liabilities	**31,0**	**34,1**	**-9,1%**

While the fair value of hedging derivative instruments remains in line with June 2024, the positive result of the current fiscal year led to a CIT and MBT liability of € 2.525k and € 937k respectively. Transitory accounts and other payables decreased of +€ 621m, in particular with regard to the amounts owed to the Parent.

Provisions for risks and charges – This item of the reclassified statement of financial position slightly increased compared to June 2024 (€+160k), attributable overall both to the higher unsecured net exposure and to the grater incidence of S2 on the total.

Net equity –Dividends were distributed during the period analyzed, according to the resolution of the Annual General Meeting held in October 2024; taking into account also the AT1 coupon paid in December the aggregate decreased from € 429,7m to € 424,0m**.** For further details please see statement of changes in equity.

RESTATED STATEMENT OF COMPREHENSIVE INCOME

In order to further illustrate the result of the period and support management commentaries, the statement of comprehensive income has been reclassified using the same criteria adopted for the previous annual report (for further details please refer to Annex I).

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

	31/12/2024	31/12/2023	Chg.
	€m	**€m**	**%**
Net interest income	12,6	17,4	-27,6%
Net trading income	3,0	6,0	-50,0%
Net fee and commission income	2,6	-0,1	-2700,0%
TOTAL INCOME	**18,1**	**23,4**	**-22,6%**
Wages and salaries	-1,7	-1,7	0,0%
Other administrative expenses	-3,2	-4,3	-25,6%
OPERATING COSTS	**-4,9**	**-6,0**	**-18,3%**
Loans impairment	0,2	0,9	-77,8%
Provisions for other financial assets	-0,1	-0,2	-50,0%
Other profit (losses)	0,6	—	n.a.
PROFIT BEFORE TAX	**13,8**	**18,0**	**-23,3%**
Fiscal provision	-3,5	-5,5	-36,4%
TOTAL COMPREHENSIVE INCOME	**10,3**	**12,6**	**-18,3%**

Net interest income – net interest income decreased year-on-year from € 17,4m to € 12,6m. During the reference period, the different components performed as follows:

- interest income and similar income from lending activities stands at € 142,4m (€ 125,1m at Dec-23) driven by a strong contribution from loans to banks, which more than offset the decline experienced on the corporate lending, despite the lower cost incurred in relation to the guarantee fees received by Parent Company;
- interest expense and similar charges from borrowing activities increased from €-115,8m to €-132,2m, mostly as a consequence of higher average cost of funding which impacted EMTN debt securities issued, while intercompany financing remains quite stable;
- the abovementioned effects are supported by the positive performance of the treasury activities equals to €+2,4m, lower than PY in which the higher remuneration realized was due to a positive liquidity gap together with the sharp rise in interest rates.

	31/12/2024	31/12/2023	Chg.
	€m	**€m**	**%**
Interest income - lending	142,4	125,1	13,8%
Interest expense - funding	-132,2	-115,8	14,2%
Net interest income (expense) - Treasury	2,4	8,2	-70,7%
Net interest income	**12,6**	**17,4**	**-27,6%**

Net trading income – the performance originated from trading activities over the FY moved from €+6,0m to €+3,0m as at Dec-24. The foregoing was essentially a consequence of the following:

- a positive performance carried out either by realized and unrealized items, equals to €+1,2m, o/w approx. €+0,7m originated in Q2 by the early closing of the hedging derivatives linked to the buyback of Certificates;

- a negative net contribution of exchange rates equals to €-0,3m. The impact would be positive at around €+1,5m according to the item 80 of the FS but it drops of €-1,8m as a result of the exchange rate movements realized by the liabilities measured at FV;
- a positive impact of interests paid for swap derivatives to hedge the lending corporate portfolio (€+0,25m);
- net fee income generated by securities lending transactions amounts to €+1,0m in line with the previous figures.

	31/12/2024	31/12/2023	Chg.
	€m	€m	%
Derivatives - realised gains and losses	4,2	-1,0	-520,0%
Derivatives - unrealised gains and losses (mtm)	-1,7	2,4	-170,8%
Forex gains and losses	1,5	-1,3	-215,4%
Gain/loss on disposals/repurch. of A.C. instrument	0,0	0,1	-100,0%
Gain/loss on instruments measured at FVTPL	-2,1	5,0	-142,0%
Securities lending/borrowing	1,0	0,9	11,1%
Net trading income (expense)	**3,0**	**6,0**	**-50,0%**

Net fee and commission income – this item of the reclassified statement of comprehensive income, which remains mostly driven by corporate lending and treasury services, increased significantly to €+2,6m (vs €-0,1m of previous year). Despite the stable lower performance of the fees receivable driven by te reduction in volumes of the lending activity, from the expense side the Bank didn't recorded significant negative fees referred to structuring/origination fees on bonds issued that characterised the whole of FY23-24 (payable fees moved from €-7,3m in Dec-23 to €-3,4m in Dec-24).

	31/12/2024	31/12/2023	Chg.
	€m	€m	%
Fee and commission income	6,2	6,8	-8,8%
Fee and commission expense	-3,4	-7,3	-53,4%
Other income (expense)	-0,2	0,3	-166,7%
Net fee and commission income (expense)	**2,6**	**-0,1**	**-2700,0%**

Operating costs – this item of the reclassified statement of comprehensive income decreased by 18.3%, from €-6,0m to €-4,9m. In details:

- expenditure on salaries totalled €-1,7m in line with the costs experienced during the first half of previous fiscal year;
- administrative expenses decreased from €-4,3m to €-3,2m principally by reason of the decreasing cost coming from the service agreement expenses with Parent Company as well as higher costs carried out last year with reference to regulatory and running side;
- Amortisation of tangible assets remains stable compared to the last year; it's entirely attributable to the depreciation of the right-of-use asset under the new accounting principle IFRS16.

	31/12/2024	31/12/2023	Chg.
	€m	€m	%
Personnel expenses	-1,7	-1,7	0,0%
Administrative expenses	-3,1	-4,2	-26,2%
Amortisation	-0,1	-0,1	0,0%
Other expenses	0,0	0,0	n.a.
Operating costs	**-4,9**	**-6,0**	**-18,3%**

Loans impairment – Impairment provisions for credit exposures, including net adjustments to provisions for risk and charges, worth a positive effect of €+0,1m (€-0,6m compared to Dic-23). The reduction is due to the releases of impairment throughout repayments and prepayments. As far as impairment provisions for other financial assets is concerned, a slightly positive contribution of €0,1m is due to the excess liquidity reinvested with Parent (€-0,1m Dic-24 vs €-0,2m Dic-23). At portfolio level, impairment stands at €-3,3m, € 0,5m lower than Dic-23 (€-3,8m), consisting mainly of:

- ST1 exposures Impairment reduces approx. €-0,3m, mainly due to the higher quality of portfolio which impacts with a percentage equal to 84% of the total;
- despite the migration of new counterparties to ST2, (mostly driven by the shit to lifetime PD instead of the 12-month PD for transfer to ST2, nearly doubled the exposures amount of ST2, the impairment remains flat YoY;
- no ST3 exposures impairment due to the full repayment of the previous one, although it was fully guaranteed.

Other profit (loss) – stands at €+0,6m. Adopting a prudential approach, the amount corresponds to the investment fund performance realized with the estimates available and restated after the equalization process.

Fiscal provision – corresponds to €-3,5m (€-5,5m at the end of December 23): this in line with a decrease in the result before tax (€ 13,8m for December-24 versus € 18,0m of December-23).

Throughout the observation period, Mediobanca International's liquidity indicators amounted to 206.0% (compared with 202.8% at 30 June 2024) for the LCR and to 107.1% (compared with 106.5% at 30 June 2024) for the NSFR. The two ratios have been calculated using a methodology which is consistent with the Group internal regulations.

ALTERNATIVE PERFORMANCE MEASURES

The results achieved at the end of December 2024 are accompanied by the soundness of the capital ratios (CET1 ratio is equal to 14.5%), the adequacy of liquidity indicators (already in line with all Basel 3 requirements) and the low risk profile of our business model (cf. below):

CAPITAL RATIOS

	6 months to	
	31/12/2024	30/06/2024
Common Equity Tier1 Capital Ratio (in %)	14,5	13,4
Total Capital Ratio (in %)	21,1	19,8
Leverage Ratio (in %)	5,3	5,5
Total risk exposure amount (in Euro million)	2.242,1	2.456,4

LIQUIDITY RATIOS

	6 months to	
	31/12/2024	30/06/2024
Liquidity Coverage Ratio (in %)	206,0	202,8
Net Stable Funding Ratio (in %)	107,1	106,5

PROFITABILITY RATIOS [3]

	6 months to	
	31/12/2024	30/06/2024
ROE - Return On Equity (in %)	3,2	6,0
ROA - Return On Assets (in %)	0,1	0,3

[3] The ROE is a profitability measure that compares the profit available to shareholders (€ 10,3m) with the shareholders' capital at December 2024 (€ 324m). It evaluates how efficiently the institution is turning the cash put into the business by the shareholders into growth for the company and the investors. Additionally. ROE serves as a valuable benchmark for comparing the profitability within the same industry.

CORPORATE GOVERNANCE STATEMENT

The Board and Management of Mediobanca International (Luxembourg) S.A. are committed to maintaining the highest standards of corporate governance. Decision making and governance comply with the institution's Articles of Association, the Law of 5 April 1993 (as amended), and other applicable legislation.

Corporate bodies are the followings:

- General meeting of Shareholders;
- Board of Directors;
- Authorised Management, in charge of the day-to-day management of the Bank;
- Audit Committee, in charge of assisting the Board in fulfilling its responsibilities in the areas of financial information, internal control, including internal audit as well as the control by the Approved Statutory Auditor; and
- Credit Committee, empowered to pass resolutions in respect of lending transactions and financial investments.

pp. BOARD OF DIRECTORS

CHAIRMAN

(Mr. Giovanni Mancuso)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Statement of Directors' responsibilities

To the best of our knowledge, the interim financial statements of MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (the "Bank") give a true and fair view of the statement of the financial position and the statement of the comprehensive income of the Bank in accordance with applicable accounting standards. The management report includes a fair view of (I) the Bank's development, (II) its position, and (III) a description of the opportunities and risks relevant to the Bank that arose during the period ended 31 December 2024.

Luxembourg, 31 January 2025

The Board of Directors

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

INTERIM FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2024

STATEMENT OF FINANCIAL POSITION

	ASSETS	31.12.2024	30.06.2024
		€	€
010.	Cash and cash equivalents	356.164.428	596.507.513
020.	Financial assets measured at fair value through profit or loss	225.620.165	235.423.797
	a) Financial assets held for trading	*162.150.221*	*141.158.022*
	b) Financial assets designated at fair value	*14.281.358*	*9.531.987*
	c) Other financial assets mandatorily at fair value	*49.188.586*	*84.733.788*
040.	Financial assets measured at amortised cost	6.582.384.553	6.049.971.160
	a) Due from banks	*3.776.113.038*	*3.030.776.851*
	b) Due from customers	*2.806.271.515*	*3.019.194.309*
050.	Hedging derivatives	3.281.653	3.389.014
070.	Investments	4.150.000	4.150.000
090.	Tangible assets	1.005.781	1.119.484
110.	Tax assets	3.383.921	2.601.024
	a) current	*3.383.921*	*2.601.024*
	b) deferred	—	—
130.	Other assets	26.432.262	10.289.295
	TOTAL ASSETS	**7.202.422.763**	**6.903.451.287**

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

	LIABILITIES AND SHAREHOLDERS'EQUITY	31.12.2024	30.06.2024
		€	€
010.	Financial liabilities measured at amortised cost	6.601.430.482	6.250.831.414
	a) Due to banks	*1.891.157.338*	*1.919.871.557*
	b) Due to customers	*62.077.271*	*62.274.434*
	c) Securities in issue	*4.648.195.873*	*4.268.685.423*
020.	Trading liabilities	70.921.574	53.902.346
030.	Financial liabilities designated at fair value	69.598.518	124.643.151
040.	Hedging derivatives	2.696.902	2.955.362
060.	Tax liabilities	15.532.619	12.094.103
	a) current	*15.532.619*	*12.094.103*
	b) deferred	—	—
080.	Other liabilities	6.938.859	8.796.464
100.	Provisions for risks and charges	961.476	800.566
120.	Revaluation reserves	-1.911.073	-1.911.932
140.	Equity instruments-AT1	100.000.000	100.000.000
150.	Reserves	315.951.410	321.642.009
160.	Share capital	10.000.000	10.000.000
200.	Profit (Loss) for the period	10.301.996	19.697.804
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7.202.422.763**	**6.903.451.287**

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

STATEMENT OF COMPREHENSIVE INCOME

	CAPTION	31.12.2024	31.12.2023
		€	€
010.	Interest and similar income	172.800.908	153.218.892
	of which: interest income calculated according to the effective interest method	136.506.723	121.184.809
020.	Interest and similar charges	-159.286.936	-134.904.751
030.	**Net interest income**	**13.513.972**	**18.314.141**
040.	Fee and commission income	7.896.071	8.267.887
050.	Fee and commission expenses	-4.062.757	-7.863.392
060.	**Net fee and commission income**	**3.833.314**	**404.495**
080.	Net trading income (expenses)	3.049.437	-1.053.042
090.	Net hedging income (expenses)	794	288.916
100.	Gains (losses) on disposal or repurchase of:	14.952	113.703
	a) financial assets measured at amortised cost	*14.952*	*115.900*
	b) financial assets measured at fair value through other comprehensive income	—	—
	c) financial liabilities	—	*-2.197*
110.	Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss, net	-1.554.196	4.953.872
	a) financial assets and liabilities designated at fair value	*-2.113.787*	*860.657*
	b) Other financial assets mandatorily measured at fair value	*559.591*	*4.093.215*
120.	**Total income**	**18.858.273**	**23.022.085**
130.	Net write-offs (write-backs) for credit risk:	218.809	605.217
	a) financial assets measured at amortised cost	*218.809*	*605.217*
	b) Financial assets measured at fair value through other comprehensive income	—	—
150.	**Net income from financial operations**	**19.077.082**	**23.627.302**
190.	Administrative expenses:	-4.787.865	-5.883.140
	a) personnel costs	*-1.732.737*	*-1.690.619*
	b) other administrative expenses	*-3.055.128*	*-4.192.521*
200.	Net adjustments to provisions for risks and charges	-160.910	77.302
210.	Net adjustments to tangible assets	-113.702	-105.154
230.	Other operating income (expenses)	-215.772	329.627
290.	**Profit (loss) of the ordinary activity before tax**	**13.798.833**	**18.045.937**
300.	Income tax on the ordinary activity	-3.496.837	-5.457.239
330.	**Profit (loss) for the year**	**10.301.996**	**12.588.698**
340.	Other comprehensive income, net of tax	—	—
350.	**Total comprehensive income for the year, net of tax**	**10.301.996**	**12.588.698**

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

STATEMENT OF CHANGES IN EQUITY FROM 30.06.2024 TO 31.12.2024 (in €)

	Balance as of June 30, 2024	Allocation of the profit for the previous period			Transactions involving equity					Balance as of December 31, 2024
		Reserves	Dividends and other fund applications	Changes in reserves	Additional Tier 1	New shares issued	Treasury shares derivatives	Stock options and others	Profit (loss) of the period	
Share capital	**10.000.000**	—	—	—	—	—	—	—	—	**10.000.000**
a) ordinary shares	10.000.000	—	—	—	—	—	—	—	—	10.000.000
b) other shares	—	—	—	—	—	—	—	—	—	—
Profit brought forward	—	—	—	—	—	—	—	—	—	—
Reserves	**321.642.009**	—	—	**-5.749.999**	—	—	—	**59.401**	—	**315.951.411**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	—	1.000.000
b) free reserve	299.200.595	—	—	-14.495.074	—	—	—	59.401	—	284.764.922
c) special reserve[1]	21.441.413	—	—	8.745.075	—	—	—	—	—	30.186.488
c) FTA reserve[2]	—	—	—	—	—	—	—	—	—	—
Valuation reserves	**-1.911.932**	—	—	**859**	—	—	—	—	—	**-1.911.073**
Own shares	—	—	—	—	—	—	—	—	—	—
Capital instruments	**100.000.000**	—	—	—	—	—	—	—	—	**100.000.000**
Comprehensive income of the period	**19.697.804**	—	**-19.697.804**	—	—	—	—	—	**10.301.996**	**10.301.996**
Total equity	**449.351.671**	—	**-19.697.804**	**-5.749.140**	—	—	—	**59.401**	**10.301.996**	**434.342.334**

The accompanying notes form an integral part of the interim financial statements. The allocation of prior year result to the NWT reserve results is in line with the resolution taken by the AGM of October 2024.

(1) Luxembourg resident companies are subject to a Net Worth Tax (‘NWT’) of 0.5% of taxable wealth. This charge may be reduced provided the following conditions have been respected: (i) a special reserve account equivalent to five-times the net wealth tax charge for the year is recorded following the decision of the Shareholders meeting, and (ii) the reserve will be maintained for a period of at least five years.

(2) FTA - Refers to "first time adoption" of the new accounting principle IFRS9 application. Please see “Heading 150 – Reserves” for additional information.

STATEMENT OF CHANGES IN EQUITY FROM 30.06.2023 TO 31.12.2023 (in €)

	Balance as of June 30, 2023	Allocation of the profit for the previous period: Reserves	Allocation of the profit for the previous period: Dividends and other fund applications	Changes in reserves	Transactions involving equity: Additional Tier 1	Transactions involving equity: New shares issued	Transactions involving equity: Treasury shares derivatives	Transactions involving equity: Stock options and others	Profit (loss) of the period	Balance as of December 31, 2023
Share capital	**10.000.000**	—	—	—	—	—	—	—	—	**10.000.000**
a) ordinary shares	10.000.000	—	—	—	—	—	—	—	—	10.000.000
b) other shares	—	—	—	—	—	—	—	—	—	—
Profit brought forward	—	—	—	—	—	—	—	—	—	—
Reserves	**327.315.797**	—	—	**-5.652.968**	—	—	—	**-41.465**	—	**321.621.364**
a) legal reserve	1.000.000	—	—	—	—	—	—	—	—	1.000.000
b) free reserve	307.976.555	—	—	-17.119.064	—	—	—	-41.465	—	290.816.026
c) special reserve(1)	21.018.538	—	—	8.786.800	—	—	—	—	—	29.805.338
c) FTA reserve(2)	-2.679.296	—	—	2.679.296	—	—	—	—	—	—
Valuation reserves	**-282.409**	—	—	**-594.531**	—	—	—	—	—	**-876.940**
Own shares	—	—	—	—	—	—	—	—	—	—
Capital instruments	**100.000.000**	—	—	—	—	—	—	—	—	**100.000.000**
Comprehensive income of the period	**18.588.988**	—	**-18.588.988**	—	—	—	—	—	**12.588.699**	**12.588.699**
Total equity	**455.622.376**	—	**-18.588.988**	**-6.247.499**	—	—	—	**-41.465**	**12.588.699**	**443.333.123**

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

(1) Luxembourg resident companies are subject to a Net Worth Tax (‘NWT’) of 0.5% of taxable wealth. This charge may be reduced provided the following conditions have been respected: (i) a special reserve account equivalent to five-times the net wealth tax charge for the year is recorded following the decision of the Shareholders meeting, and (ii) the reserve will be maintained for a period of at least five years.

(2) FTA - Refers to "first time adoption" of the new accounting principle IFRS9 application.

CASH FLOW STATEMENT - Direct Method (€'000)

		Amount	
		31/12/2024	**30/06/2024**
A.	**Cash flow from (used in) operating activity**	**-214.896**	**229.831**
1.	**Operating activity**	**8.203**	**1.945**
	– interests received (+)	177.797	349.819
	– interests paid (-)	-157.987	-330.062
	– net fees and commissions received/paid (+/-)	4.541	-5.022
	– dividends and similar income (+)	—	—
	– net premium income (+)	—	—
	– cash payments to employees (-)	-1.631	-2.649
	– other expenses paid (-)	-15.986	-12.230
	– other income received (+)	2.687	4.611
	– taxes and duties (+/-)	-1.218	-2.522
2.	**Cash generated/absorbed by financial assets**	**-459.728**	**-1.024.445**
	– financial assets held for trading	-12.169	3.236
	– financial assets designated at fair value	-4.458	-1.110
	– Other financial assets mandatorily measured at fair value	36.105	-100.120
	– financial assets measured at amortised cost	-479.404	-927.087
	– other assets	198	636
3.	**Cash generated/absorbed by financial liabilities**	**236.629**	**1.252.331**
	– financial liabilities measured at amortised cost	294.404	1.213.321
	– Trading liabilities	-3.000	-658
	– financial liabilities designated at fair value	-56.226	58.284
	– other liabilities	1.451	-18.616
B.	**Cash flow from (used in) investment activity**	—	—
1.	**Cash generated from:**	—	—
	– disposal of shareholdings	—	—
	– disposal of tangible assets	—	—
	– disposal of intangible assets	—	—
2.	**Cash absorbed by:**	—	—
	– purchase of shareholdings	—	—
	– purchase of tangible assets	—	—
	– purchase of intangible assets	—	—
C.	**Cash flows from (used in) funding activity**	**-25.448**	**-5.750**
	– issuance/acquisition of T1 capital instruments	—	—
	– distribution of dividends and other purposes	-25.448	-5.750
	– issuance/acquisition of T2 capital instruments	—	—
	Net cash inflow (outflow) during the fiscal year	**-240.344**	**224.081**

	Amount	
	31/12/2024	**30/06/2024**
Cash and cash equivalents: balance at 1 July	596.508	372.427
Total cash inflow (outflow) during year	-240.344	224.081
Cash and cash equivalents: balance	**356.164**	**596.508**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

PART A – CORPORATE INFORMATION

Corporate matters

Mediobanca International (Luxembourg) S.A. (hereinafter also referred as the 'Bank') was incorporated under the laws of Luxembourg on 21 December 2005 as a "Société Anonyme" (i.e. as a joint stock company formed under the Commercial Companies Law 1915, as amended).

Nature of the bank's business

Mediobanca International is mostly focused on structured lending transactions and the related activity of buying and selling on the secondary market.

Corporate lending: the business handles loans to corporates, which are generally medium-to-long term, and are granted with a view to meeting our clients' needs for financing in relation either to specific investments or to structural needs generated by growth. Loans may be disbursed to all kinds of corporate clients, whether industrial or service-oriented, European or non-European, large or mid-size. Larger facilities may be syndicated to a selected number of trusted banking counterparties or with the broader involvement of international banks.

Structured finance: the business is focused on transactions involving a considerable degree of financial leverage and limited recourse to the originator. Such deals usually arise as a result of industrial or infrastructure capital spending requirements, or of acquisitions of listed or non-listed companies launched inter alia with the backing of institutional investors. Such facilities are often structured in complex fashion, including in terms of contracts and guarantees, in order to maintain the risk profile of the transaction within limits that are acceptable to the banking community. Because of their size, such loans are often syndicated.

Export finance: the business provides financial support to Italian exporters of goods and services to non-Italian counterparties usually located in emerging markets. It may take the form of financing with the benefit of insurance covers and interest rate subsidies from SIMEST, SACE or other European export credit agencies. The structuring of these transactions, which are often part-syndicated to other banking counterparties, goes hand-in-hand with advisory services provided to clients in respect of commercial negotiations with government organizations granting the insurance cover and/or interest rate subsidy.

The Bank raises funds on international markets, via the issuance of medium-long term or short-term financial instruments under the terms of specific programmes (Notes, Structured Notes, Certificates, Warrants, Negotiable European Commercial Papers, Euro-Commercial Papers) fully guaranteed by the Parent Bank. Mediobanca S.p.A. guarantees a plafond of funding which could be drawn in different ways (i.e. overdraft on current accounts, medium-long term loans, money-market transactions) and provides treasury services as well.

Outsourcing

Since inception, the Bank has outsourced a significant part of its activities to the Parent and to other Group's affiliates under the terms of specific servicing agreements.

Interim financial statements

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

The interim financial statements as at 31 December 2024 were authorised for issue by the Board of Directors on 31st January 2025.

Parent Bank

The Bank is a wholly-owned subsidiary of Mediobanca – Banca di Credito Finanziario S.p.A., the ultimate parent (hereafter “Mediobanca S.p.A.” or “Parent Bank”), having its registered office in Piazzetta Enrico Cuccia n.1, Milan, Italy. The interim financial statements of the Bank are included in the interim consolidated financial statements of Mediobanca S.p.A.

Mediobanca S.p.A. is the leading investment bank in Italy and helped for over seventy years clients grow, offering high-quality advisory services and providing finance in all its various forms, from more traditional bank credit to the most sophisticated solutions available on capital markets.

PART B – ACCOUNTING POLICIES

Section 1

Statement of compliance with the International Accounting Standards

The individual interim financial statements of the Bank are prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), adopted by the European Commission in accordance with the procedure laid down in Article 6 of the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The interim financial statements as at 31 December 2024 have been prepared based on the template of the Parent Bank which, in turn, was based on the "Instructions for drawing up separate and consolidated financial statements for banks and financial companies that head banking groups", issued by the Banca d'Italia (Bank of Italy) through Circular no. 262 of 22 December 2005 – 8th update of 17 November 2022[4], as subsequently amended – which sets out the structure of the financial statements, as well as the content of the notes to the account.

Section 2

General principles for preparation

The interim financial statements comprise:

- statement of financial position
- statement of comprehensive income
- statement of changes in equity
- the statement of cash flows, prepared according to the direct method
- the notes to the interim financial statements

During the half year under review, the European Commission adopted Regulation (EU)2024/2862 of 12 November 2024 (published in the Official Journal of the European Union 13 November 2024), amending IAS 21. These amendments introduce requirements for determining when a currency is convertible into another currency and when it is not. They require an entity to estimate the spot exchange rate when it determines that a currency is not convertible into another currency. The amendments introduced had no impact on the Bank.

On 1 July 2024, the following came into force for the Group:

– Regulation (EU) 2023/2468 of 8 November 2023, adopting amendments to IAS 12 "Income taxes". These amendments added a temporary exception to account for deferred taxes resulting from the implementation of OECD Pillar II rules, as well as targeted disclosures for the entities involved

4 The eighth update published on 17 November 2022 transposed the regulatory changes of IFRS 17 "Insurance Contracts".

– Regulation (EU) 2023/2579 of 20 November 2023 adopting the amendments to IFRS 16 “Leases”. In particular, such amendments specify how the transferor/lessee should subsequently measure the value of sale and leaseback transactions

– Commission Regulation (EU) 2024/1317 of 15 May 2024, adopting “Supply financing arrangements”, which amends IAS 7 Cash Flow Statement and IFRS Financial Instruments: Additional Information. The document introduces disclosure requirements regarding a company’s supply financing arrangements.

ESMA:

On 24 October 2024, ESMA published the annual statement “European Common Enforcement Priorities for 2024 Corporate Reporting” outlining the priorities on which listed companies should focus when preparing the annual reports as at 31 December 2024. ESMA, in particular, recommended that the following information be provided in the financial statements: required disclosure on liquidity risk (IAS 7 for the Cash Flow Statement regarding supply financing agreements – SFA – and IFRS 7 with reference to covenants) in order to allow users of the financial statements to understand the liquidity risks that the company may incur; disclosure on the main accounting policies adopted and on the discretionary assessments of risks and uncertainties related to accounting estimates, which should be as entity-specific as possible and consistent with the rest of the disclosure provided; disclosure to be provided in the Sustainability Statements (formerly CSRD),(2) which should be aligned with the new ESRS principles issued by EFRAG both with regard to dual materiality and value chain and with regard to the structure of the Report.

CSSF:

Circular CSSF-CODERES 24/19: Single Resolution Fund - Information request by the Single Resolution Board for the calculation of the 2025 contribution according to Articles 4 and 14 of Commission Delegated Regulation (EU) 2015/63 – The purpose of this circular is to collect data for the calculation of the 2025 contribution to the Single Resolution Fund.

Circular CSSF 24/864: Application of the Guidelines of the European Banking Authority (“EBA”) on resubmission of historical data under the EBA reporting framework (EBA/GL/2024/04). The purpose of this circular is to inform you that the CSSF, in its capacity as competent authority, applies the Guidelines (EBA/GL/2024/04) of the European Banking Authority (the “EBA”) on resubmission of historical data under the EBA reporting framework (the “Guidelines”), published on 9 April 2024. Consequently, the CSSF has integrated the Guidelines into its administrative practice and regulatory approach with a view to promoting supervisory convergence in this field at the European level.

Circular CSSF 24/865: Update of Circular CSSF 22/821 on the Long Form Report (as amended by Circular CSSF 23/845). The purpose of this circular is to amend Circular CSSF 22/821 on the long form report (LFR) with the aim to further align the content of the self-assessment questionnaire (SAQ) with supervisory points of focus.

Corporate Sustainability Reporting Directive (CSRD)

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

During these years, the project focused on:

– defining the solutions for the preparation of the tables required by Article 8 of the Delegated Act of the EU Taxonomy and the quantitative tables and qualitative charts provided by Pillar 3 in the ESG context;

– industrializing the related indicators, including the GAR (Green asset ratio) and the initial setup of the disclosure related to off-balance sheet items;

– preparing internal regulations for drafting the information (e.g., Pillar 3, PRB Report, TCFD Report); and finally,

– defining the solutions for the activities.

Mediobanca Group publishes the consolidated CSRD Report including Mediobanca International.

Changes in accounting policies since the previous annual publication

Standards effective for Mediobanca International (Luxembourg) S.A from or after 1 July 2024:

Reference to balance sheet asset and liability classification, recognition, valuation, and derecognition phases and with regard to revenue and cost recognition methods, the accounting standards adopted for the preparation of these interim financial statements remained unchanged compared to those adopted for the preparation of the 2024 financial statements.

New standards and interpretations issued that are mandatory for the annual periods beginning on or after 1 July 2024 or later, and which Mediobanca International (Luxembourg) S.A has not early adopted:

➢ None

The following standards and amendments became effective as at 1 July 2024:

➢ Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

➢ Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

➢ Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

New standards and interpretations issued for the annual periods beginning on or after 1 July 2024 or later, and whose adoption by the EU remains open or has been postponed:

➢ Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7) effective for reporting periods beginning on or after 1 January 2026.

➢ IFRS 18 'Presentation and Disclosures in Financial Statements' effective for periods beginning on or after 1 January 2027

- IFRS 19 'Subsidiaries without Public Accountability: Disclosures' effective for periods beginning on or after 1 January 2027

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

These interim financial statements were not audited nor reviewed by the statutory auditor.

Section 3

Basis of preparation

The interim financial statements are prepared on the historical cost basis except for financial instruments valued at fair value through profit or loss and for derivatives concluded for hedging purposes, which are measured at fair value. The carrying amounts of recognized assets and/or liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

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

The preparation of interim financial statements in accordance with IFRS as endorsed by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Due to rounding, numbers may not add up precisely to the totals provided across these interim financial statements.

Section 4

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents[5] comprise cash balances on hand, short-term highly liquid investments with maturities of three months or less when purchased, non-restricted current accounts with the Central Bank and current accounts.

Financial assets measured at fair value through profit or loss (FVTPL)

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while derivative contracts are recognised on the date of signature. In particular, any changes in the fair value of the asset to be received between the settlement date and the earlier arrangement date are recognised at the time of settlement, in the same way in which the asset acquired is recorded. Financial assets measured

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

at fair value through profit or loss are initially recorded at fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, without considering any related costs or income attributable to them, which are recorded directly in the income statement.

Classification

a) **financial assets held for trading**: financial assets held for trading are assets which have been acquired principally for the purpose of being traded and comprise those whose business model is defined as "Other". This also includes s debt securities, equities, loans held for trading purposes, and the positive value of derivatives held for trading, including those embedded in complex instruments (such as structured bonds), which are recorded separately.

b) **financial assets designated at fair value:** this category comprises the financial assets for which the fair value option has been exercised upon initial recognition, financial assets are recognized irrevocably at fair value through profit or loss if, and only if, their being included in this category eliminates or significantly reduces a measurement inconsistency.

c) **other financial assets mandatorily measured at fair value**: this category includes financial assets which fail the SPPI test and therefore do not satisfy the requirements to be classified at amortized cost or at fair value through other comprehensive income In particular, the units in mutual funds are here included as clarified by the IFRS Interpretation Committee[6]

The category also includes loans which do not guarantee full repayment of principal in the event of the counterparty's financial difficulties and which have therefore failed the SPPI test. The process followed to write down these positions is aligned with that used for other loans, on the grounds that the exposure is basically attributable to credit risk, with both the gross exposure and related provisioning stated.

Measurement and criteria for the recognition:

After initial recognition, these assets continue to be measured at fair value. If the fair value of derivatives classified as "financial assets held for trading" becomes negative, this caption is recognised as a financial liability. The positive components of income, represented by the interest income deriving from financial assets classified as "Financial assets measured at fair value through profit or loss", are recognised on an accruals basis in the "interest" captions of the income statement.

Gains and losses deriving from changes in the fair value of "Financial assets measured at fair value through profit or loss – financial assets held for trading" are recognised in income statement caption "Net income from trading activities".

Gains and losses deriving from changes in the fair value of "financial assets designated at fair value" are recognised in income statement caption "Net income on other financial assets and liabilities measured at fair value through profit or loss – financial assets and liabilities designated at fair value", while the other financial assets mandatorily measured at fair value are recognised in caption "Net income on other financial assets and liabilities measured at fair value through profit or loss – other financial assets mandatorily measured at fair value".

[6] The IFRS Interpretation Committee's clarification rules out any possibility of such instruments being treated as equities.

If the Bank sells a financial asset classified among the "Financial assets measured at fair value through profit or loss", it is derecognised on the transfer date (settlement date).

Financial assets measured at amortised cost

Financial assets measured at amortised cost include loans to customers and banks, debt securities and repo transactions that meet the following conditions:

- the financial instrument is held and managed on the basis of the *hold-to-collect* business model, i.e. with the goal of holding it to collect the contractually prescribed cash flows.
- the contractual cash flows represent exclusively the payment of capital and interest (and therefore meet the requirements of the SPPI test).

The business model of the Bank must reflect the management procedures of the financial assets at the portfolio level (and not at the individual instrument level) on the basis of the observable factors at the portfolio level (and not at the individual instrument level) such as:

- operating procedures adopted by management in the measurement of performance.
- type of risk and procedures for managing the risks undertaken, including portfolio turnover ratios.
- procedures for determining the mechanisms for the remuneration of managers.

The business model is based on reasonable expected scenarios (without considering “worst case’’ or ‘‘stress case’’) and in the presence of different cash flow trends from those expected initially. The Bank is not obligated to change the classification of the financial instruments in the portfolio but uses this information for the purposes of classification of the new financial instruments. Upon first recognition, the Bank analyses contractual cash flows for the instrument as part of the SPPI test. In this connection, the Group has developed a standardized process for performing the test, which involves analysing the loans using a specific tool, developed internally, which is structured on the basis of decision-making trees. If the test is not passed, the tool will show that the assets should be recognized at fair value through profit and loss (FVTPL). The method by which loans are tested differs according to whether or not the asset concerned is a retail or corporate loan: at product level for retail loans, individually for corporate loans. An external info-provider is used to test debt securities; if, however, the results of the test are unavailable, the instrument is analysed using the SPPI tool. When contractual cash flows do not represent solely payments of principal and interest on the outstanding amount, the Bank mandatorily classifies the instrument at fair value through profit and loss.

At the initial recognition date, the financial assets are recorded at fair value inclusive of the costs/income directly attributable to the individual transactions and determinable from the origin even though they were liquidated at subsequent times. The recognition value does not, however, factor in costs with the above characteristics which are repaid separately by the borrower or may be classified as normal internal administrative expenses.

The instrument is recognized at amortised cost, i.e. the initial value minus/plus principal repayments, write-downs/write-backs and amortization - calculated with the effective interest rate method - of the difference between the amount disbursed and the amount repayable at maturity, adjusted to take into account the expected losses.

The amortised cost method is not used for short-term loans for which the time-discounting effect is negligible; these receivables are measured at the historical cost. The effective interest rate is identified calculating the rate that equals the present value of the future flows of the loan, for principal and interest, to the initial recognition value.

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through the statement of comprehensive income.

Following initial recognition, all financial assets recognized at amortised cost I are subject to the impairment model based on the expected loss, i.e. performing as well as non-performing assets.

The impairment pertains to the losses expected to arise in the twelve months following the reporting date or, if there is a significant increase in the credit risk, the losses expected to arise along the residual maturity of the instrument. Both losses expected at twelve months and those over the residual maturity of the instrument can be calculated on an individual or collective basis according to the nature of the underlying portfolio.

The expected credit losses are recorded and released only insofar as the changes actually occur. For financial instruments held to be in default, the Group records an expected loss for the outstanding life of the instrument (similar to stage 2 above); while value adjustments are calculated for all the exposures split into different categories, factoring in forward-looking information which reflects macro-economic factors.

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

- *stage 1*: includes exposures at the date of initial recognition in the interim financial statements and as long as their credit rating does not undergo a significant deterioration. For these instruments, the expected loss is to be calculated on the basis of default events that are possible within twelve months from the reporting date.
- *stage 2*: includes exposures that, while not impaired, underwent a significant deterioration in credit risk since the initial recognition date. In moving from stage 1 to stage 2, it is necessary to recognize the expected losses along the residual maturity of the instrument.
- *stage 3*: includes impaired exposures according to the regulatory definition. In moving to stage 3, exposures are evaluated on an individual basis, i.e. the value adjustment is calculated as the difference between the carrying amount at the date (amortised cost) and the present value of the expected cash flows, calculated applying the original effective interest rate. Expected cash flows take into account the expected collection times, the estimated realizable value of any guarantees, the costs expected to be incurred to recover the credit exposure with a forward-looking perspective which takes account of alternative recovery scenarios and developments in the economic cycle.

In the expected credit loss calculation model used by the Group, forward-looking information has been taken into consideration with reference to three possible macroeconomic scenarios (baseline and two alternative scenarios) which impact on the PD and the LGD, including possible disposal scenarios where the Group's NPL strategy aims at derisking through market sales.

The Group's policy to establish the significant increase in credit risk takes into consideration qualitative and quantitative elements of each credit transaction or financial instrument and consideration is given in particular to elements determining the recognition of "forbearance measures", the ''30 days past due" criterion or the identification of other backstops like the passage to watch list according to credit risk monitoring rules. The Bank adopted the method that provides for lifetime PD comparison between reference and origination date (replacing the 12-month PD) with the lifetime PD variation range being selected for the transfer to Stage 2. The Group uses the simplified approach of the ‘‘low credit risk exemption’’ to a very limited extent.

POCI (Purchased or Originated Credit Impaired) are receivables that are already impaired at the point in time when they are acquired or disbursed. At the initial recognition date, they are recognized at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item, and recovery flows are periodically updated in light of new evidence, with flows discounted using the above-mentioned internal rate of return.

Hedging transactions

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

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

- *fair value hedges*, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value.

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

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

- for *fair value hedging*, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument, both recognized in the statement of comprehensive income, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge.

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

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

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

- the existence of economic relationship between the hedged item and hedging relationship.

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

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

Fair value hedges

As long as the fair value hedge meets the eligibility criteria, the profit or loss of the hedging instrument is recognized in the statement of comprehensive income or under one of the other comprehensive income headings if the hedging instrument hedges an equity instrument for which the Bank chose to recognize the changes in fair value through OCI. The profit or loss on the hedged item are recognized as adjustments to the carrying amount of the edge with balancing entry in the statement of comprehensive income, even in cases where the item hedged is a financial asset (or one of its components) recognized at fair value with changes taken through OCI. However, if the item hedged is an equity instrument for which the entity has opted to recognize changes in fair value through OCI, the amounts remain in the other items in the comprehensive statement of comprehensive income. Please refers to Heading 50 (Section 5 Assets) to Heading 40 (Section 4 Liabilities) for further information about outstanding hedges.

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

As at 31 December 2024, the Bank holds FV hedge derivatives for a nominal value amount of € 1.829.419 k, hedging the equivalent bond issued measured at amortised cost.

Cash flow hedges

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

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

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

As at 31 December 2024, the Bank does not hold any cash flow hedged transaction.

Investments

The item includes the stakes held in subsidiaries.

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

Tangible assets

These include land, business and investment properties, technical plants, furniture, furnishings and equipment of any type as well as assets used within financial lease agreements, although the lessor remains their legal owner (at the end of this Financial Period the Bank does not have any tangible asset as listed above but only leasing contracts).

Leasing (IFRS16)

With reference to the transactions governed by IFRS 16 and the contracts which fall within its scope of application, the only leases have in place in this connection are for properties and company cars. Such leases normally have durations of more than twelve months, and typically contain renewal or termination clauses which both lessor and lessee can exercise in accordance with the provisions of law and/or specific contractual arrangements, if any.

The classification of an agreement as a lease7 (or containing an element of a lease) is based on the substance of the agreement at the date on which it is entered. An agreement is or contains a lease if it envisages the use of a specific asset (or assets) and grants the "Right of Use" (RoU) on that asset (or assets) for an established period and in exchange for consideration (lease liabilities); therefore, rental and long-term rental agreements are defined as leases.

The right of use recognized under "tangible assets" is equal to the sum of the present value of future payments (corresponding to the present value of the liability recognized), of the initial direct costs, of any payment received in advance or at the start date of the lease (balloon instalment), of any incentive received from the lessor, and the estimate of any costs of removal or restoration of the asset underlying the lease.

This item is recognized against a liability posted under "liabilities measured at amortised cost" which corresponds to the present value of payments due for the lease; the incremental borrowing rate is equal to the internal rate of transfer at that date.

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[7] Lease agreements in which the Bank is lessor (if any) are broken down between finance leases and operating leases. An agreement is classified as a finance lease if it transfers all risks and rewards typical of ownership to the lessee. It is accounted for with the financial method, with the recognition in the Assets of a receivable the value of which is equal to the amount disbursed net of the principal amount of the lease instalments falling due and paid by the lessee, with interest income recognized in the income statement.

The duration of the lease agreement must consider not only the non-cancellable period established by the contract, but also extension options if it is deemed reasonably certain that they will be exercised. In particular, if there is a right to automatic renewal, it is necessary to consider past behaviors, the existence of company plans to dispose of the leased asset, and any other circumstance indicative of the existence of the reasonable certainty of renewal.

Subsequent to initial recognition, the right of use is depreciated throughout the term of the lease and, in certain circumstances, subject to adjustment for impairment. The liability is increased due to the accrual of interest expense and progressively reduced due to the payments made; if the payments are modified, the liability is redetermined against the right of use asset.

Derecognition of assets

A financial asset must be derecognized from the balance sheet if, and only if, the contractual rights to the cash flows deriving from it have expired, or if the asset has been transferred in compliance with IFRS9. In this case, the Bank verifies that the contractual rights to receive the cash flows from the asset are transferred or, alternatively, said rights are maintained, but at the same time, there is a contractual obligation to pay them to one or more beneficiaries. It is necessary to verify that substantially all risks and rewards are transferred, and any rights and obligations originating from or maintained with the transfer, are, if the case warrants it, recognized separately as an asset or liability. If, on the contrary, the Bank maintains substantially all the risks and rewards, then the financial asset must continue to be recognized.

If the Bank has neither transferred nor maintained all risks and benefits, but at the same time has retained control of the financial asset, this continues to be recognized up to the residual interest retained in that asset.

Currently, the main transactions carried out by the Bank that do not determine the elimination of the underlying asset are credit securitization, repurchase and securities lending transactions.

In case of renegotiation of the financial assets measured at amortised cost, the Bank eliminates the instrument solely if the renegotiation entails such a change that the initial instrument has substantially become a new instrument. In these cases, the differences between the carrying amount of the original instrument and the fair value of the new instrument is recognized in the statement of comprehensive income, taking into account any previous write-downs. The new instrument is classified in stage 1 for the purposes of the calculation of expected losses (barring those cases in which the new instrument is classified among the POCI).

If the renegotiation is not translated into substantially different cash flows, the Bank does not eliminate the instrument, however it will recognize in the statement of comprehensive income the difference between the original carrying amount and the discounting of the expected cash flows at the original internal rate of return (taking into account any existing impairment provision).

Financial guarantees and loan commitments

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances, that means contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of *i)* the amount determined in accordance with the impairment provisions of IFRS 9, *b)* the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are firm commitments to provide loans or advances under pre-specified terms and conditions and are measured as the amount determined in accordance with the impairment provision of IFRS 9. Financial guarantee contracts and loan commitments are recognised in off-balance sheet. The Bank recognises loan commitments when it has fulfilled all its obligations and related contracts have been duly signed by all the counterparties involved.

The Bank recognises a loss allowance in compliance with IFRS 9.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include the items due to banks, due to customers and debt securities in issue less any repurchased amounts.

The initial recognition - upon collecting the amounts raised or issuing the debt securities - is carried out at fair value, equal to the amount collected net of the transaction costs directly attributable to the financial liabilities. Thereafter liabilities are stated at amortised cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured bonds are stripped out from the underlying contract and recognized at fair value when they are not closely correlated to the host instrument. Subsequent changes in fair value are recognized through the statement of comprehensive income.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the carrying value of the liabilities and the amount paid to repurchase them is recorded through the statement of comprehensive income.

The sale on the market of own securities bought back (even in the form of repos and securities lending transactions) is treated as a new issue with recognition at the new sale price, without effects on the statement of comprehensive income.

Financial liabilities valued at fair value through profit or loss (FVTPL)

They include the negative value of derivatives held for trading and of embedded derivatives present in any complex contracts. All liabilities held for trading are measured at fair value and changes are recognized in the statement of comprehensive income.

Financial liabilities designated at fair value

These include the value of financial liabilities designated by the Bank upon initial recognition to be carried at fair value with a balancing entry in the Income Statement, in accordance with the option granted to companies (referred to as “fair value option”) by IFRS 9 and in compliance with the cases set forth by International Accounting Bodies.

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

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

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

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

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

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

Tax assets and liabilities

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

Deferred tax assets are recorded in the interim financial statements to the extent to which there is a probability that they will be recovered.

Deferred tax liabilities are recorded in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available already subjected to taxation is such that it may be reasonably assumed that no transaction will be carried out on the bank’s own initiative that might lead to their being taxed.

Tax assets and liabilities are adjusted as and when any changes occur in the regulatory framework or in the applicable tax rates, inter alia to cover the costs that might arise in connection with assessments by or disputes with the tax revenue authorities.

Contributions to resolution funds are accounted for according to IFRIC21.

Provisions for risks and charges

These pertain to risks tied to the operations of the Bank, not necessarily connected with the missed repayment of receivables, which may entail future costs, that can be estimated reliably. If the time element is significant, allocations are discounted using current market rates. Provisions are recognized in the statement of comprehensive income.

Allocated provisions are periodically reviewed, and if it becomes improbable that possible costs may be incurred, allocations are wholly or partly reversed to the benefit of the statement of comprehensive income.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally made.

This heading also includes credit risk provisions in respect of commitments to disburse funds and guarantees issued falling within the scope of application of the rules on impairment introduced by IFRS9.

In such cases the same staging and expected loss calculation criteria are used for both financial assets recognized at amortised cost and/or fair value through other comprehensive income.

Pension plans

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under personnel costs. The Bank has no defined benefit obligation regarding post employee benefit to be recognized under IAS19.

Foreign currency transactions

Foreign currency transactions are recorded applying to the foreign currency amount the exchange rate prevailing on the date of the transaction.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates prevailing at the dates of the transactions. Differences on monetary items due to translation are recorded through the statement of comprehensive income, whereas those on non-monetary items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through the profit and loss account or on an equity basis).

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial position.

Fair value

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

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

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

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

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

Related guidelines and implementation Directives were defined in compliance with the main international regulations (IFRS 13 and CRR art 105) and corroborated by a benchmarking test[8]; the main activities for calculating the exit price of the financial instruments in the portfolio are shown below.

In particular, the following levels are distinguished:

– Level 1: measurements based on (uniform, unadjusted) quoted prices taken from an active market for the individual financial instrument being measured.

– Level 2: measurements based on valuation techniques using inputs that can be observed directly (prices) or indirectly (price derivatives) on the market. In this case, fair value is measured through a comparable approach or the use of a pricing model that does not leave overly ample margins for subjectivity, normally used by other financial operators and based on inputs that can be observed on the market or estimated internally with a limited impact on fair value.

– Level 3: measurements based on valuation techniques using significant inputs that cannot be observed on the market and/or complex pricing models subject to uncertainty. In this case, fair value is determined on the basis of assumptions concerning future cash flows, which could yield different estimates for the same financial instrument by different valuers.

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

Fair Value Adjustment

Fair value adjustment is defined as the quantity to be added to, or subtracted, from the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. The guidelines defined in the Fair Value policy fully reflect the requirements defined by accounting standard IFRS 13, according to which the valuation of financial instruments should use the exit price method and allow for corrections to be made to the valuations in specific circumstances.

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

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

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

– Model Risk (MR): adjustments aimed at mitigating the risk of discrepancy with respect to market

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

practice in the valuation of a product in relation to the choice and implementation of the valuation model.

Credit Value Adjustment and Debt Value Adjustment

Credit and Debt Value Adjustments (CVA and DVA) are incorporated into the valuation of derivatives to reflect the impact of the counterparty's credit risk and the Bank's credit quality. In particular:

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

– DVA is a positive quantity which takes into account scenarios in which the Bank itself might fail before the counterparty, while amounts are still payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each counterparty. The CVA/DVA methodology used by Mediobanca is based on the following inputs:

– Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques.

– PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities.

– Loss given default (LGD) based on the estimated value of recovery in the event of the counterparty going bankrupt, as defined in specific analysis conducted by the Bank itself or the recovery rates conventionally utilized for credit default swap prices.

Furthermore, the fair value of non-collateralized derivatives may be influenced by the Bank's cost of funding. To take account of this aspect, some adjustments are calculated to reflect the different cost of funding (Funding Value Adjustments), using a discount curve representative of the average funding level of banks participating in the European corporate derivative market.

1. Fair value Hierarchy: Observability and materiality of inputs

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

– market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

– cost approach (or current method), which reflects the amount that would currently be required to replace an asset's service capacity.

– income approach, which converts future amounts (e.g. cash flows or revenues and expenses) into a single discounted amount through, for example: present value methods and option pricing models.

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

– exchange markets: In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the London Stock Exchange.

– dealer markets: In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities and physical assets.

– brokered markets: In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. Brokers do not use their own capital to hold an inventory of the items for which they make a market, but they know the prices bid and asked by the respective parties. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets.

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

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

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

Level 1 inputs:

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

Level 2 inputs:

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

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

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

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

(ii) Implicit volatility.

(iii) Credit spread.

Market-corroborated inputs.

Level 2 inputs may require adjustments for example relating to:

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

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

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

Level 3 inputs:

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

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

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

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

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

Level 1

This level comprises all instruments quoted on active markets or for which quotations are available on an ongoing basis. The former instance covers cash equity instruments, funds and listed derivatives[9] (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official price was available[10]. The second instance covers liquid debt securities for which quotations are available on an ongoing basis, and ABS and CLOs for which tradable quotations are available at the reporting date.

Level 2

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

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

- Plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap & floor, credit default swaps and credit default indexes as underlying;
- Exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by Mediobanca whose characteristics replicate those referred to above;
- Issues of certificates with credit derivatives or shares as underlying (basket or single name),

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

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

including the issuer credit risk which is thus factored into the total calculation of the fair value.

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

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

Level 3

- *Bonds*: instruments whose fair value is determined using prices that cannot be corroborated are classified as Level 3, as are instruments not traded on active markets which are marked to model using the credit spread curves implicitly derived from Level 1 or Level 2 instruments, to which a spread is added in order to factor in their unobservable illiquidity. Fair value adjustments may be used in recognizing such instruments at fair value when there is low liquidity, in order to compensate for the lack of observable market parameters for the Level 3 positions.
- *Asset-backed securities, CLOs and loans*: the measurement process relies on info-providers which effectively collect market prices. Basically, ABS are categorized as Level 3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level 1;
- *Credit exposures* which, based on the characteristics of their cash flows, are recognized at fair value (IFRS 9, SPPI criteria - Solely Payments of Principal and Interest): specific valuation methodologies are adopted to represent the individual exposure's characteristics, seeking to maximize use of observable market data;
- *Equities and UCITS*: equities and UCITS are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 when there are no quoted prices or when quoted prices have been suspended indefinitely and for which an internal model is used in order to determine the fair value.
- *Derivatives:* when the valuation of an OTC derivative has been materially affected by unobservable parameters it is classified as Level 3. Such derivatives include:
  - Plain vanilla instruments, such as options with equity as the underlying and long expiries, or dividends on which there is no market consensus and options on equity baskets (indexes and single name);
  - Equity certificates for which the valuation inputs show a high degree of uncertainty (as it emerges during the Independent Price Verification process) in terms of volatility or future dividends[11];
  - Exotic instruments that use certain payoffs (i.e. Knock-in/Knock-out reverse notes) on a single security (or baskets) for which the valuation inputs are not directly observable;
  - Bespoke CDO tranches.

[11] New rules application in order to establish whether an instrument is level 3 and the consequent DOP (see page 60, "Day One profit or loss").

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

The fair value of the financial assets and liabilities measured at amortized cost and classified as “Financial assets measured at amortized cost” (loans to banks and customers) or as “Financial liabilities measured at amortized cost” (payables to banks and customers and debt securities in issue) is relevant only for information purposes in line with IFRS 7 requirement:

- In such cases the fair value is calculated only for the purpose of meeting the Bank’s responsibilities in terms of providing market disclosure and has no impact on the book value of the investment, on the profit and loss account or on net equity. Such instruments are not normally traded, and their fair value is thus measured on the basis of internal inputs not directly observable on the market;
- The fair value of corporate loans is measured using the Discounted Cash Flow Method i.e., adding, at the measurement date, the value of future cash flows discounted with appropriate rates to reflect the credit risk of the counterparty. The credit spread is determined using industry curves representing the counterparty (rating, geography, industry). For corporate receivables, loans to counterparties with official ratings are categorized as Level 2; in all other cases as Level 3. The same applies to retail loans (i.e., mortgage loans and consumer credit);
- For on-demand or short-term receivables and payables, their book value is considered a good approximation of their fair value;
- Bonds issued by Mediobanca are categorized as Level 1 fair value if quoted in an active market (considering the market price as the input); if there are no quoted prices, fair value is categorized as Level 2 and is determined using the discounted cash flow method at a market interest rate adjusted for the Group’s issuer risk (with a distinction being made between senior and subordinated risks). The fair value of our naked derivatives is also categorized as Level 2 when the Group proceeds to the split-off of the embedded derivatives whose fair value level is determined as described above.

Valuation processes and sensitivity analysis (IFRS 13)

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

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

Non-observable inputs	Quantification of parameter uncertainty	MtM +/- delta (€/k) 31 December 2024	MtM +/- delta (€/k) 30 June 2024
Implied volatility	Defined as a standard deviation from the consensus provided by the independent data provider. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed.	—	—
Equity-equity correlation	Defined as a standard deviation from the consensus provided by the independent data provider. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed.	—	—
Credit Spread	For financial guarantees with specific underlyings, credit spread curves are not observable. For these instruments, proxy curves obtained from prices of the underlyings are therefore used.	-1,4	-0,5

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

Product	Measurement technique	Non-observable inputs	Fair value (*) Assets 31 December 2024 (€m)	Fair value (*) Liabilities 31 December 2024 (€m)	Fair value (*) Assets 30 June 2024 (€m)	Fair value (*) Liabilities 30 June 2024 (€m)
OTC bond option	Black-Scholes model	Implied volatility[1]	—	-1,52	—	-0,73
OTC equity basket options, best of/ worst of, equity autocallable multiasset options	Black-Scholes model, local volatility model	Implied volatility Equity-equity correlation[2]	16,84	—	12,27	—
CSD on Single Names with Recovery Rate 0	Arbitrage Free Credit Spread Model	Recovery Rate	—	—	0,01	-0,06
Financial Guarantees	Arbitrage Free Credit Spread Model	Credit Spread and Recovery Rate[3]	0,91	-1,65	0,95	-1,08

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

[1]Volatility, in the financial context, is an indicator of how much the price of an underlying financial instrument of a derivative can vary over time. The higher the volatility of the underlying, the greater the risk associated with the instrument. In general, long positions in options benefit from increases in volatility, while short positions in options are adversely affected. With reference to equity derivatives, the implied volatility surface can be derived from the price of call and put options, as there are regulated markets for them. The uncertainty of this parameter can be linked to one of the following three cases: illiquidity of quotations (wide bid/ask spreads, typically present at long maturities or moneyness far from At-The-Money), concentration effects, and non-observability of market data (also present when considering maturities that are too long or moneyness too far from At-The-Money).

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

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

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

Fair value of an instrument may transition from Level 1 to Level 2 or vice versa mainly as a result of the loss (increase) in significance of the price expressed by the active market of the instrument.

Conversely, transfers from Level 2 to Level 3 or vice versa mainly arise as a result of the loss (increase) in significance of inputs, in particular the predominance of non-observable inputs over observable inputs.

Fair Value Hierarchy: Quantitative information

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

Financial assets/liabilities measured at fair value	31/12/2024			30/06/2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	-	71.037	153.015	-	55.215	180.209
a) financial assets held for trading	-	71.037	91.114	-	55.215	85.943
b) financial assets designated at fair value	-	-	12.712	-	-	9.532
c) other financial assets mandatorily measured at fair value	-	-	49.189	-	-	84.734
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	3.282	-	-	3.389	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	-	74.319	153.015	-	58.604	180.209
1. Financial liabilities held for trading	-	65.052	5.870	-	50.265	3.637
2. Financial liabilities designated at fair value	-	34.026	35.573	-	83.215	41.428
3. Hedging derivatives	-	2.697	-	-	2.955	-
Total	-	101.775	41.443	-	136.435	45.065

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

Level 2 liabilities in December 2024 decreased due to the reduction of 59% of instruments designated at fair value compared to June 24. Level 2 assets increased (+€15.715k) over the period.

Financial assets mandatorily measured at fair value on level 3 decreased from €84.734k to €49.189k due to the reduction of the exposure into the closed alternative fund (PSSF) [12].

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

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

	Financial assets measured at fair value through profit or loss							
	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**	**Financial assets measured at fair value through other comprehensive income**	**Hedging derivatives**	**Tangible assets**	**Intangible assets**
1. Opening amount	180.209	85.943	9.532	84.734	-	-	-	-
2. Increases	9.134	5.864	3.270	-	-	-	-	-
2.1. Purchases	6.542	3.682	2.860	-	-	-	-	-
2.2. Gains recognized in:	2.592	2.182	410	-	-	-	-	-
2.2.1. Income statement	2.592	2.182	410	-	-	-	-	-
- of which, capital gains	-	-	-	-	-	-	-	-
2.2.2. Net equity	-	-	-	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	36.328	693	90	35.545	-	-	-	-
3.1. Disposal	35.558	13	-	35.545	-	-	-	-
3.2. Redemptions					-	-	-	-
3.3. Losses recognized in:	770	680	90	-	-	-	-	-
3.3.1. Income statement	770	680	90	-	-	-	-	-
- of which, capital losses	-	-	-	-	-	-	-	-
3.3.2. Net equity	-	-	-	-	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing amount	153.015	91.114	12.712	49.189	-	-	-	-

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

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening amount	3.637	41.428	-
2. Increases	2.655	7.492	-
2.1. Purchases	1.348	7.042	-
2.2. Losses recognized in:	1.307	450	-
2.2.1. Income statement	1.307	450	-
- *of which, capital losses*	-	-	-
2.2.2. Net equity	-	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	422	13.347	-
3.1. Disposal	54	12.624	-
3.2. Redemptions	-	-	-
3.2. Gains recognized in:	368	723	-
3.2.1. Income statement	368	723	-
- *of which, capital gains*	-	-	-
3.3.2. Net equity	-	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing amount	5.870	35.573	-

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2024				30/06/2024			
	Book Value	Level 1	Level 2	Level 3	Book Value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	6.582.386	-	4.269.989	2.267.682	6.049.971	-	3.610.458	2.596.568
2. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	6.582.386	-	4.269.989	2.267.682	6.049.971	-	3.610.458	2.596.568
1. Financial liabilities measured at amortised cost	6.601.431	-	6.829.780	-	6.250.831	-	6.479.046	-
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	6.601.431	-	6.829.780	-	6.250.831	-	6.479.046	-

“Day-One Profit/Loss”

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

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

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

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

Securities lending and borrowing

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

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

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

Interest income and expenses

For most instruments measured at amortised cost, interest income and expenses are recognized in the comprehensive income as they accrue (the same apply for interest in current accounts and debt securities), taking into account the effective yield of the asset and the liability or an applicable floating rate. Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. In addition, interest income and expenses include revenue generated by financial assets held for trading and costs by financial liabilities designated at fair value as well as some instruments measured at amortised cost for which the interest income and expense is not computed using the effective yield method but for which the interest income and expense is computed using the accrual method.

Fee and commission income and expense

This heading includes all revenues deriving from the provision of services to customers (in the form of upfront fees, guarantees given fees, net stable funding ration fees, ongoing fees, and stock lending fees from revenue side, while include from the expense side: ongoing fees, stock lending fees, brokerage fees, treasury fees, CD-CP fees, payment services fees) with the exception of those relating to financial instruments, leases and insurance contracts.

Revenues from contracts with customers are measured through profit or loss when control over the service is transferred to the customer, in an amount that reflects the fee to which the Bank considers to be entitled in return for the service rendered.

For revenue recognition purposes, the Bank analyses the contracts to establish whether they contain more than one obligation to provide services to which the price of the transaction should be allocated. The revenues are then recorded throughout the time horizon over which the service is rendered, using suitable methods to recognize the measurement in which the service is provided. The Bank also takes into consideration the effects of any variable commissions, and whether or not a significant financial component is involved.

In the event of additional costs being incurred to perform or execute the contract, where such costs meet the requirements of IFRS 15, the Bank will assess whether to capitalize them and then amortize them throughout the life of the contract, or to make use of the exemption provided by IFRS 15 to expense the costs immediately in cases where their amortization period would be complete within twelve months.

Net trading income/expense

Gains and losses on financial instruments measured at fair value through profit or loss includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading or designated at fair value through profit or loss.

Administrative expenses

Administrative expenses are recognized in the statement of comprehensive income as incurred and comprise expenses relating to administrative staff and management, including bonus.

Related parties

Related parties are defined by IAS24 as:

a) Individuals or entities which directly or indirectly:
    1. are subject to joint control by the Bank (including parent companies, subsidiaries and associates).
    2. own an interest in the Bank which enables them to exert a significant influence over it: “significant influence” is presumed to exist in cases where an individual or entity owns a shareholding of more than 5% of the share capital of Mediobanca International (Luxembourg) S.A., along with the entitlement to appoint at least one member of the Board of Directors.

b) Associate companies.

c) Management with strategic responsibility, that is, those individuals vested with powers and responsibilities, directly or indirectly, in respect of the planning, management and control of the activities of the Parent Bank, including directors and members of the statutory audit committee.

d) Subsidiaries, companies controlled jointly and/or subject to significant influence by one of the individuals referred to under the foregoing letter c), or in which the said individuals hold, directly or indirectly, a significant share of the voting rights or are shareholders or hold strategic positions such as Chairman or Managing Director.

e) close relations of the individuals referred to under the foregoing letter c), that is, individuals who might be expected to be able to influence or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents), and the entities controlled or controlled jointly or otherwise subject to significant influence by one of these individuals, or in which they directly or indirectly hold a significant share of the voting rights.

f) staff pension schemes operated by the Parent Bank or by any other entity related to it.

Section 5

Significant accounting estimates and judgment

In the process of applying the accounting policies, the bank's management makes estimates and assumptions concerning the future and the amounts recognized in the interim financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Board of Directors has made an assessment of the bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the interim financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for structured securities. The valuation of financial instruments is described in more detail in Section 4.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, risk judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumption about a number of factors and actual results may differ, resulting in future changes to the allowance. Impairment of financial assets takes account of data from the portfolio (such as level of arrears, credit utilization, loan to collateral ratio, etc.) and judgments to the effect of concentration of risk and economic data. The impairment loss on loans and advances is disclosed in more detail in Section 5.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the loss can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Section 6

Impacts deriving from the war in Ukraine and Palestine

As at 31st December 2024, the Bank's portfolio does not shows any direct credit exposures linked to Russia, Ukraine, Israel or Palestine.

PART C - NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1

Heading 10 – Cash and cash equivalents

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

	31/12/2024	30/06/2024
a) Cash	1	1
b) Current accounts and Demand deposits held at Central Banks	11	222.877
c) Current accounts and Demand deposits	356.152	373.630
Total	**356.164**	**596.508**

Compared to the previous year "Cash and cash equivalent" decreased of approximately €240m as of December 2024. The reduction is primarily due to the absence of the deposit facility at the BCL. The current accounts slightly decreased.

Section 2

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

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

Item/Values	31/12/2024			30/06/2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	—	—	73.382	—	—	72.699
1.1 Structured	—	—	73.382	—	—	52.252
1.2 Other debt securities	—	—	—	—	—	20.447
2. Equities	—	—	—	—	—	—
3. UCITS units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	**—**	**—**	**73.382**	**—**	**—**	**72.699**
B. Derivative products						
1. Financial derivatives	—	57.558	16.828	—	45.811	12.273
1.1 Trading	—	57.558	16.828	—	45.811	12.273
1.2 Linked to FV options	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—
2. Credit derivatives	—	13.479	904	—	9.404	971
2.1 Trading	—	13.479	904	—	9.404	971
2.2 Linked to FV options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	**—**	**71.037**	**17.732**	**—**	**55.215**	**13.244**
Total (A+B)	**—**	**71.037**	**91.114**	**—**	**55.215**	**85.943**

Financial assets held for trading amount to € 162,1m as of 31 December 2024 (+15% vs previous year). Total A is due to the carrying amount of debt securities (CLOs instruments), of which variation is equals to +0,7m entirely due to the FV adjustment in comparison to the last year. The financial structure underlying this transaction (level 3) is hedged by the payoffs of the protection purchased via financial guarantees by external counterparty (Level 3 accordingly).

Total B is mainly represented by the gross positive fair value of financial and credit derivatives contracts negotiated with the Parent Bank or embedded in other financial instruments[13], in addition to the credit derivatives mentioned above.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1, quoted (unadjusted) prices available on active markets for identical assets or liabilities;
- Level 2, other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable (either directly or indirectly) market data;
- Level 3, other techniques for which all inputs which have a significant effect on the recorded fair value are based on not observable market data.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

[13] Financial derivatives include certificates to be valued at Level 3 starting from January 2021. See "Fair Value Hierarchy", p. 57.

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

Item/Value	31/12/2024	30/06/2024
A. CASH ASSETS		
1. Debt securities	73.382	72.699
a. Central Banks	—	—
b. Public administration	—	—
c. Banks	—	—
d. Other financial companies	73.382	72.699
of which: insurance companies	—	—
e. Non-financial companies	—	—
2. Equity securities	—	—
a. Banks	—	—
b. Other financial companies	—	—
of which: insurance companies	—	—
c. Non-financial companies	—	—
d. Other issuers	—	—
3. UCITS units	—	—
4. Loans and advances	—	—
a. Central Banks	—	—
b. Public administration	—	—
c. Banks	—	—
d. Other financial companies	—	—
of which: insurance companies	—	—
e. Non-financial companies	—	—
Total A	**73.382**	**72.699**
B. DERIVATIVE INSTRUMENTS		
a. Central Counterparties	—	—
- *Fair value*	—	—
b. Other	88.769	68.459
- *Fair value*	88.769	68.459
Total B	**88.769**	**68.459**
Total A+B	**162.151**	**141.158**

2.3 Financial assets designated at fair value: product breakdown

Items/Values	31/12/2024			30/06/2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Debt securities	—	—	—	—	—	—
1. Structured securities	—	—	—	—	—	—
2. Other debt securities	—	—	—	—	—	—
B. Loans	—	—	14.281	—	—	9.532
1. Structured	—	—	—	—	—	—
2. Others [1]	—	—	14.281	—	—	9.532
Total	**—**	**—**	**14.281**	**—**	**—**	**9.532**

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

The carrying value of financial assets designated at fair value amounts to €14,3m at the end of the reference period (+49.8% compared to Jun-24). The increase of approx. 4,8m of Euro is due to the positive balance between new and closed intercompany loans settled against the equivalent notes in Euro issued at liability side.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

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

Items/Values	31/12/2024	30/06/2024
A. Debt securities	—	—
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: Insurance companies	—	—
e) Non financial companies	—	—
B. Loans	14.281	9.532
a) Central Banks	—	—
b) General Government	—	—
c) Banks [1]	14.281	9.532
d) Other financial companies	—	—
of which: Insurance companies	—	—
e) Non financial companies	—	—
f) Households	—	—
Total	**14.281**	**9.532**

(1) Counterparty refers to the Parent Bank.

2.5 Other financial assets mandatorily at fair value: product breakdown

Items/Values	31/12/2024			30/06/2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Debt securities	—	—	—	—	—	—
1. Structured securities	—	—	—	—	—	—
2. Others	—	—	—	—	—	—
B. Equity instruments	—	—	—	—	—	—
C. UCITs	—	—	49.189	—	—	84.734
D. Loans	—	—	—	—	—	—
1. Reverse Repos	—	—	—	—	—	—
2. Others[1]	—	—	—	—	—	—
Total	**—**	**—**	**49.189**	**—**	**—**	**84.734**

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

With regard to UCITS item, the Bank invested 41.2m of Euro equivalent into the new closed alternative fund (under Luxembourg law) Polus Special Situations Fund[14] (PSSF) managed by the Group company Polus Capital Management (€84,7m as of 30 June 2024).

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

Items/Values	31/12/2024	30/06/2024
1. Equity instruments	—	—
of which: banks	—	—
of which: other financial companies	—	—
of which: other non-financial companies	—	—
2. Debts securities	—	—
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non financial companies	—	—
3. UCITs	49.189	84.734
4. Loans	—	—
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non financial companies	—	—
f) Households	—	—
Total	**49.189**	**84.734**

14 Regarding the PSSF structure, investments are made through three Feeder funds (société en commandite spéciale) denominated in various currencies (USD, EUR) and flow into a Master fund (also société en commandite spéciale) denominated in Euros which implements the investment strategy. The General Partner of the fund is Polus Special Situations Fund (GP) S.A.R.L, which is responsible for the operation of the fund, but does not make investments and has no economic interest in it. Polus Capital Management Limited is the Portfolio Manager of PSSF.

Section 4

Heading 40 – Financial assets measured at amortised cost

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

Type of transactions/Values	Total 31/12/2024						Total 30/06/2024					
	Carrying value			Fair value			Carrying value			Fair value		
	Stage 1 and stage 2	Stage 3	of which: non performing acquired or originated	Level 1	Level 2	Level 3	Stage 1 and stage 2	Stage 3	of which: non performing acquired or originated	Level 1	Level 2	Level 3
A. Due from Central Banks	12.789	—	—	—	12.789	—	8.841	—	—	—	8.841	—
1. Term deposits	—	—	—	X	X	X	—	—	—	X	X	X
2. Compulsory reserve	12.789	—	—	X	X	X	8.841	—	—	X	X	X
3. Repos	—	—	—	X	X	X	—	—	—	X	X	X
4. Others	—	—	—	X	X	X	—	—	—	X	X	X
B. Due from banks	3.763.325	—	—	—	3.828.124	—	3.021.936	—	—	—	3.088.973	—
1. Loans and advances	3.763.325	—	—	—	3.828.124	—	3.021.936	—	—	—	3.088.973	—
1.1 Current accounts and demand deposits	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Term deposits	1.537.336	—	—	X	X	X	1.018.555	—	—	X	X	X
1.3 Other financings:	2.225.989	—	—	X	X	X	2.003.381	—	—	X	X	X
- Repos	200.958	—	—	X	X	X	—	—	—	X	X	X
- Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
- Others	2.025.031	—	—	X	X	X	2.003.381	—	—	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—	—	—	—	—
2.1 Structured debt securities	—	—	—	X	X	X	—	—	—	X	X	X
2.2 Other debt securities	—	—	—	X	X	X	—	—	—	X	X	X
Total	**3.776.114**	**—**	**—**	**—**	**3.840.913**	**—**	**3.030.777**	**—**	**—**	**—**	**3.097.814**	**—**

The carrying value of financial assets due from banks valued at amortised cost increased throughout the reference period, passing from € 3.021.936k (June 2024) to € 3.763.325k (December 2024), mainly due to the increase of Intercompany loans with the Parent (approx. +€0,2 bn) and Time Deposits (approx. +€0,5 bn). The line "Due from Central Banks" is the balance of the compulsory reserve which, at the end of the financial period, amounted to EUR 12,8m (€8,8m as of 30 June 2024). Most of the transactions reported under this caption are de facto concluded with the Parent Bank. For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

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

Type of transactions/Values	Total 31/12/2024						Total 30/06/2024					
	Carrying value			Fair Value			Carrying value			Fair Value		
	Stage 1	Stage 2	Stage 3	Level 1	Level 2	Level 3	Stage 1	Stage 2	Stage 3	Level 1	Level 2	Level 3
1. Loans and advances	2.771.779	34.493	—	—	429.076	2.267.682	2.971.293	35.140	12.761	—	512.644	2.596.568
1.1 Current accounts	—	—	—	X	X	X	—	—	—	X	X	X
1.2 Repos	—	—	—	X	X	X	—	—	—	X	X	X
1.3 Term loans	2.771.779	34.493	—	X	X	X	2.971.293	35.140	12.761	X	X	X
1.4 Credit cards and personal loans	—	—	—	X	X	X	—	—	—	X	X	X
1.5 Finance leases	—	—	—	X	X	X	—	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X	—	—	—	X	X	X
1.7 Other loans	—	—	—	X	X	X	—	—	—	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—	—	—	0	—
2.1 Structured debt securities	—	—	—	X	X	X	—	—	—	X	X	X
2.2 Other debt securities	—	—	—	X	—	X	—	—	—	X	0	X
Total	**2.771.779**	**34.493**	**—**	**—**	**429.076**	**2.267.682**	**2.971.293**	**35.140**	**12.761**	**—**	**512.644**	**2.596.568**

As at 31 December 2024, portfolio total exposure (gross of guarantees) stands at € 2,806bn against € 3,019bn of the previous FY, with a decrease of 7,1% over the six months; considering the guarantees, received and given, on a standalone basis portfolio's net exposure as at 31 December 2024 stands at € 768m (25,4% of drawn total exposures) against € 704m (22,5%) of June-24, with an increase of +9% y-o-y. The increase in the net credit portfolio, in light of a decreasing drawn exposures over the period which reflects the spontaneous repayments of customers, is also the result of new lending production with Investment Grade counterparts allowing a lower parent company protection.

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

Type of transactions/Value	31/12/2024			30/06/2024		
	Stage 1 / Stage 2	**Stage 3**	**of which: impaired assets acquired or created**	**Stage 1 / Stage 2**	**Stage 3**	**of which: impaired assets acquired or created**
1. Debt securities:	—	—	—	—	—	—
a) Public administration	—	—	—	—	—	—
b) Other financial company	—	—	—	—	—	—
of which: insurance companies and funds	—	—	—	—	—	—
c) Non financial companies	—	—	—	—	—	—
2. Loans and advances to:	2.806.272	—	—	3.006.433	12.761	—
a) Public administration	—	—	—	—	—	—
b) Other financial company	900.496	—	—	939.954	—	—
of which: insurance companies and funds	106.768	—	—	103.571	—	—
c) Non financial companies	1.905.776	—	—	2.066.479	12.761	—
d) Households	—	—	—	—	—	—
Total	**2.806.272**	**—**	**—**	**3.006.433**	**12.761**	**—**

At the reporting date, Stage 2 exposures represent 1,2% of the total portfolio, consistent with the previous year. In comparison with last year, no stage 3 exposures are present as they were repaid by SACE, the guarantor.

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

	Gross value				Expected Credit Loss			Write off partial/total
	Stage 1	***of which: low credit risk ****	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Debt securities	—	—	—	—	—	—	—	—
Loans[1]	6.552.234	31.765	34.588	—	-4.341	-95	—	—
Total 31/12/2024	**6.552.234**	**31.765**	**34.588**	**—**	**-4.341**	**-95**	**—**	**—**
Total 30/06/2024	**6.006.604**	**—**	**35.204**	**12.982**	**-4.534**	**-64**	**-221**	**—**

(1) This item includes loans to customers and credit institutions.

Section 5

Heading 50 – Hedging derivatives

The objective of the fair value hedge is to reduce the interest rate risk through swaps that convert fixed-rate into floating rate assets and/or liabilities. The hedging derivatives hold by the Bank are mean to hedge fixed-rate or structured notes issued by the Bank and classified in the portfolio "financial liabilities at amortized cost". All the hedging derivatives are booked at inception with the Parent Bank. The accounting treatment is in line with the methodological and procedural choices for the accounting management of hedge transactions[15].

At June 2024, the notional amount of the hedging derivatives was €780m on asset side and €692m on liabilities, while their M-t-M were respectively €3.39m and €2.96m.

During the first semester of this fiscal year, two notes and the related hedging derivatives, expired (notional amount € equivalent 66.7m) but, at the same time, the number of notes issued under hedge accounting have increased. In December 2024, the notional amount of the hedging derivatives is €938m on asset side and €891m on liabilities[16]. As far as concern the M-t-M of these hedging instruments, on assets side it amounts to €3.28m and on liabilities side it is equal to €2.70m (please refer to tables 4.1 and 4.2 on Liabilities section).

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

	31/12/2024			**Notional value**	**30/06/2024**			**Notional value**
	Fair value				***Fair value***			
	Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**	
A. Financial derivatives	—	3.282	—	937.973	—	3.389	—	780.382
1) Fair value	—	3.282	—	937.973	—	3.389	—	780.382
2) Cash flow	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	**—**	**3.282**	**—**	**937.973**	**—**	**3.389**	**—**	**780.382**

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

[16] See table 4.1 on Liabilities section.

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

31/12/2024 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	3.282	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**3.282**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

30/06/2024 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	3.389	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**3.389**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

Section 7

Heading 70 –Investments

7.1 Investments: disclosure on shareholdings

Company Name	Registered office	Control type[17]	Ownership		Voting rights (%)
			Controlling entity	% shareholding	
Mediobanca International Immobilière S.à r.l.	Luxembourg	3	Mediobanca International (Luxembourg) S.A.	100	100

[17] Type of relationship:
1 = controlled and consolidated
2 = subject to significant influence
3 = controlled and not consolidated

In accordance with article 83 of the Law of 17 June 1992 (as amended) the undertaking is not consolidated on the local balance sheet since it would represent a negligible interest to the consolidated financial situation.

*7.2 Investments: financial information (in € k) **

Company Name	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Carrying value
Mediobanca International Immobilière S.à r.l.	2.151	93	26	2.132	4.150

(*) Figures as at 31/12/2024 from Mediobanca International Immobilière S.à.r.l. are coming from unaudited accounts.

The financial year of Mediobanca International Immobilière S.à.r.l. runs from 1 July to 30 June (as modified by the extraordinary Shareholders’ meeting held on 15 May 2012). The company owns and leases the building where the Bank has moved its head office in April 2012. Based on the last available evaluation report made in February 2025 by an independent advisor, which shows a market value higher than the carrying amount and looking at the macro trends of the real estate market in Luxembourg, the Bank has decided to not perform any impairment test.

Section 9

Heading 90 – Tangible assets

9.1 Tangible assets: composition (in € k)

Assets/value	31/12/2024	30/06/2024
1. Assets owned by Bank	—	—
a) land	—	—
b) buildings	—	—
c) furniture and fitting	—	—
d) electronic equipment	—	—
e) other assets	—	—
2. Right-of-use assets	1.006	1.119
a) land	—	—
b) buildings	892	979
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	114	140
Total	**1.006**	**1.119**

Section 11

Heading 110 – Tax assets

11.1 Current tax assets: composition (in € k)

	CIT [A]	MBT [B]	Other [C]	Total
Balance at the beginning of the year	**—**	**77**	**2524**	**2.601**
Increase of the period (+)	**—**	**—**	**800**	**800**
- advances paid	—	—	800	800
- transfers	—	—	—	—
- others	—	—	—	—
Decrease of the period (-)	**—**	**—**	-17	-17
- releases of the year (assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	-17	-17
Balance at the end of the fiscal year	**—**	**77**	**3.307**	**3.384**

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

Current tax asset increased from € 2,601k (June 2024) to € 3,384k (December 2024). This is mostly due to advance payments for Net Wealth Tax (category “Other”) due over the financial year (following the last tax assessment received from Tax authority).

11.2 Deferred tax assets: composition (in € k)

	31/12/2024	30/06/2024
- Deferred tax assets recognised in the statement of comprehensive income	—	—
- Deferred tax assets recognised in the net equity	—	—
Total	—	—

The Bank does not have any deferred tax asset.

Section 13

Heading 130 – Other assets

13.1 Other assets: composition (in € k)

	31/12/2024	**30/06/2024**
1. Gold, silver and precious metal	—	—
2. Accrued income other than capitalized income	1.186	1.256
3. Trade receivables or invoice to be issued	—	—
4. Amount due from tax revenue Authorities (not attributed to heading 110)	—	—
5. Other	25.246	9.033
- *transitory accounts*	*24.387*	*7.941*
- *prepayments*	*859*	*1.092*
Total	**26.432**	**10.289**

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

Transitory accounts increased from the previous financial year as there are more pending payments to be received after month-end (positions closed in the first days of January 2025).

LIABILITIES

Section 1

Heading 10 – Financial liabilities measured at amortised cost

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

Type of transactions/Values	31/12/2024				30/06/2024			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	—	X	X	X	—	X	X	X
2. Due to banks	1.891.158	X	X	X	1.919.872	X	X	X
2.1 Current accounts and demand deposits	19.787	X	X	X	18.607	X	X	X
2.2 Term deposits	—	X	X	X	47.363	X	X	X
2.3 Loans	1.869.630	X	X	X	1.844.736	X	X	X
2.3.1 Repos	—	X	X	X	—	X	X	X
2.3.2 Others	1.869.630	X	X	X	1.844.736	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Other liabilities	1.741	X	X	X	9.166	X	X	X
Total	**1.891.158**	—	**1.903.664**	—	**1.919.872**	—	**1.928.413**	—

The carrying value of due to banks valued at amortised cost decreased by -1.5% at the end of the reference period, passing from € 1.919.872k (June 2024) to € 1.891.158k (December 2024). Transactions reported under this caption are de facto concluded with the Parent Bank, as an internal source of funding to finance the core lending activities. The carrying value of € 1.869.630k reported at the end of December 2024 under 'other loans' includes € 65m of subordinated loan assimilated to Tier 2 and concluded with the Parent for regulatory capital purposes.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

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

Type of transactions/Values	31/12/2024				30/06/2024			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	—	X	X	X	—	X	X	X
2. Term deposits	60.276	X	X	X	60.293	X	X	X
3. Loans	779	X	X	X	849	X	X	X
3.1 Repos	779	X	X	X	849	X	X	X
3.2 Others	—	X	X	X	—	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease payables [1]	1.022	X	X	X	1.132	X	X	X
6. Other liabilities	—	X	X	X	—	X	X	X
Total	**62.077**	—	**62.077**	—	**62.274**	—	**62.274**	—

(1) This heading includes obligations in respect of future instalments payable on leases as provided by IFRS16.

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

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

Type of transactions/Values	31/12/2024				30/06/2024			
	Carrying value	Fair value			Carrying value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debt securities								
1. Bonds	3.050.005	—	3.265.848	—	3.062.110	—	3.281.783	—
1.1 Structured	50.987	—	50.987	—	12.651	—	12.651	—
1.2 Other	2.999.018	—	3.214.861	—	3.049.459	—	3.269.132	—
2. Other securities	1.598.191	—	1.598.191	—	1.206.575	—	1.206.575	—
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Other	1.598.191	—	1.598.191	—	1.206.575	—	1.206.575	—
Total	**4.648.196**	**—**	**4.864.039**	—	**4.268.685**	**—**	**4.488.358**	**—**

Under debt securities item, outstanding bonds includes approx. €2.15 Bn, guaranteed by the parent company, of derivative arbitrage strategies or indices (skew) on bases mainly linked to credit derivatives and commodity derivatives and, to a lesser extent, also on rates, equity and inflation risk (underlying transaction).

All these notes issued involve payment of interest in the form of a coupon, including a premium (extra yield), and the full repayment of capital at maturity. In case of the subscriber opting for early repayment, the issuer has the faculty, at its discretion, to choose a repayment price that takes into account the current fair value (including that of the underlying transactions). As required by par. 4.3.3 of IFRS 9, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

Other securities item refers to the Commercial Paper program: short-term financing instruments, with duration generally of one year or less, which increased moving from €1,2bn to €1,5 bn (+24,5% compared to June-24).

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

Section 2

Heading 20 – Trading liabilities

2.1 Trading liabilities: composition (in € k)

Transaction type/Values	31/12/2024				30/06/2024			
	Nominal value	Fair Value			Nominal value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Cash liabilities								
1. Due to banks	—	—	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—	—	—
3. Debt securities	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—	—	—
3.1.2 Other bonds	—	—	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—	—	—
Total (A)	—	—	—	—	—	—	—	—
B. Derivative instruments								
1. Financial derivatives	1.587.658	—	53.885	4.216	1.919.342	—	43.371	2.502
1.1 Trading	1.587.658	—	53.885	4.216	1.919.342	—	43.371	2.502
1.2 Related to the fair value option	—	—	—	—	—	—	—	—
1.3 Others	—	—	—	—	—	—	—	—
2. Credit derivatives	1.630.934	—	11.167	1.654	1.198.042	—	6.894	1.135
2.1 Trading	1.630.934	—	11.167	1.654	1.198.042	—	6.894	1.135
2.2 Related to the fair value option	—	—	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—	—	—
Total (B)	**3.218.592**	**—**	**65.052**	**5.870**	**3.117.384**	**—**	**50.265**	**3.637**
Total (A+B)	**3.218.592**	**—**	**65.052**	**5.870**	**3.117.384**	**—**	**50.265**	**3.637**

For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

Section 3

Heading 30 – Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: composition

Operation Type/Values	31/12/2024					30/06/2024				
	Nominal value	Fair Value			Fair Value	Nominal value	Fair Value			Fair Value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	—	—	—	—	—	—	—
1.2 Others	—	—	—	—	—	—	—	—	—	—
of which:										
- *commitments to disburse funds*	—	—	—	—	—	—	—	—	—	—
- *financial guarantees given*	—	—	—	—	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	—	—	—	—	—	—
2.2 Others	—	—	—	—	—	—	—	—	—	—
of which:										
- *commitments to disburse funds*	—	—	—	—	—	—	—	—	—	—
- *financial guarantees given*	—	—	—	—	—	—	—	—	—	—
3. Debt securities	77.573	—	34.026	35.573	69.599	125.235	—	83.215	41.428	124.643
3.1 Structured	77.573	—	34.026	35.573	69.599	125.235	—	83.215	41.428	124.643
3.2 Others	—	—	—	—	—	—	—	—	—	—
Total	**77.573**	**—**	**34.026**	**35.573**	**69.599**	**125.235**	**—**	**83.215**	**41.428**	**124.643**

Section 4

Heading 40 – Hedging derivatives

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

Items/Values	31/12/2024				30/06/2024			
	Notional value	Fair value			Notional value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	891.446	—	2.697	—	691.633	—	2.955	—
1) Fair value hedges	891.446	—	2.697	—	691.633	—	2.955	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	**891.446**	**—**	**2.697**	**—**	**691.633**	**—**	**2.955**	**—**

Please refers to Heading 50 (Section 5 Assets). For further information about the criteria adopted for the determination of the fair value as well as the classification of the financial instruments within the three-levels of the fair value hierarchy, please refer to Part B - Accounting Policies.

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

31/12/2024 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	2.697	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**2.697**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

30/06/2024 Operations/Type of hedging	Fair Value Hedge						Cash Flow Hedge		Net Investments in foreign
	Specific					Generic	Specific	Generic	
	Interest risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Financial assets valued at FVOCI	—	—	—	—	—	X	—	X	X
2. Financial assets valued at amortised cost	—	—	—	—	—	X	—	X	X
3. Portfolio	X	X	X	X	X	—	X	—	X
4. Other	—	—	—	—	—	X	—	X	—
TOTAL ASSETS	—	—	—	—	—	—	—	—	—
1. Financial liabilities	2.955	—	—	—	—	X	—	—	X
2. Portfolio	X	X	X	X	X	—	X	—	X
TOTAL LIABILITIES	**2.955**	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

Section 6

Heading 60 – Tax liabilities

*6.1 Current tax liabilities: composition * (in € k)*

	CIT	MBT	Other	Total
Balance at the beginning of the year	**8.666**	**3.211**	**217**	**12.094**
Increase of the period (+)	**2.525**	**937**	**—**	**3.462**
- provisions of the year	2.525	937	—	3.462
- transfers	—	—	—	—
- others	—	—	—	—
Decrease of the period (-)	**—**	**—**	**-23**	**-23**
- releases of the year (fiscal assessments)	—	—	—	—
- transfers	—	—	—	—
- others	—	—	-23	-23
Balance at the end of the fiscal year	**11.191**	**4.148**	**194**	**15.533**

* [A] Corporate Income Tax, **CIT**: Impôt sur le Revenu des Collectivités is a proportional tax levied on gains made by corporations.

* [B] Municipal Business Tax, MBT: Impôt Commercial Communal is a municipal tax levied on gains made by corporations.

* [C] Other taxes include the outstanding balances in respect of Net Wealth Tax ('NWT', Impôt sur la Fortune) and Value Added Tax ('VAT').

The positive result of the current fiscal year led to a CIT and MBT liability (€2.525k and € 937k respectively).

The caption "Other" include NWT which did not change during the financial period, and VAT which slightly decreased compared to June 24' (€-23k).

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

Deferred tax liabilities	31/12/2024	30/06/2024
1. Initial amount	—	—
1.1 Initial amount	—	—
2. Additions (+)	**—**	**—**
2.1 Deferred tax originated during the period	—	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions (-)	**—**	**—**
3.1 Deferred tax reversed during the period	—	—
3.2 Lowering of tax rates	—	—
3.3 Other reductions	—	—
Total	**—**	**—**

6.3 Deferred tax liabilities: breakdown by interim financial statement caption (in € k)

	31/12/2024		30/06/2024	
	Valuation difference	**Tax rate 24,94%**	**Valuation difference**	**Tax rate 24,94%**
Cash and cash equivalent	—	—	—	—
Financial assets valued at FVTPL	—	—	—	—
Financial assets valued at amortized cost	—	—	—	—
Hedging derivatives	—	—	—	—
Other assets	—	—	—	—
Total assets	—	—	—	—
Financial liabilities valued at FVTPL	—	—	—	—
Financial liabilities valued at amortized cost	—	—	—	—
Hedging derivatives	—	—	—	—
Other liabilities	—	—	—	—
Total liabilities	—	—	—	—
Total deferred liabilities	—	—	—	—

There are no movements to be reported through the period.

Section 8

Heading 80 – Other liabilities

8.1 Other liabilities: composition (in € k)

	31/12/2024	30/06/2024
1. Payment agreements (IFRS 2)	—	—
2. Impaired endorsements	—	—
3. Working capital payables and invoices pending receipt	2.021	2.345
4. Prepaid expenses other than capitalized expenses on related financial assets	—	—
5. Amounts due to revenue authorities	—	—
6. Amounts due to staff	272	452
7. Other items:	4.647	5.999
- bills for collection	—	—
- coupons and dividends pending collection	—	—
- available sums payable to third parties	4.647	5.999
- premiums, grants and other items in respect of lending transactions	—	—
- credit notes to be issued	—	—
- other	—	—
Total	**6.940**	**8.796**

Other liabilities are mostly composed of invoices accrued or payable for € 2.021k (€ 2.345k at the end of June 2024) and other items for € 4.647k (€ 5.999k at the end of June 2024). The last consists in particular of accrued commissions payable to related parties for the financial guarantees or retrocessions related to the lending portfolio.

Section 10

Heading 100 – Provisions for risks and charges

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

Items / Values	31/12/2024	30/06/2024
1. Provisions for credit risk related to commitments and financial guarantees issued	961	801
2. Provisions on other obligations and warranties release	—	—
3. Provisions to retirement payment and similar	—	—
4. Other provisions for risks and obligations	—	—
4.1 Legal and fiscal controversies	—	—
4.2 Staff expenses	—	—
4.3 Others	—	—
Total	**961**	**801**

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

Provisions for credit risk related to financial obligations and guarantees issued	31/12/2024				30/06/2024			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Commitments to distribute funds	472	419	—	**891**	699	73	—	**772**
Financial guarantees issued	70	—	—	**70**	29	—	—	**29**
Total	**542**	**419**	**—**	**961**	**728**	**73**	**—**	**801**

Section 15

Heading 150 – Revaluation reserves

15.1 Reserves: composition (in € k)

	31/12/2024	30/06/2024
A. Reserves	**315.951**	**321.642**
A.1 Legal reserve (1)	1.000	1.000
A.2 Free reserve	284.765	299.201
A.3 NWT reserve (2)	30.186	21.441
A.4 Other (3)	—	0
B. Valuation Reserves (4)	**-1.911**	**-1.912**

(1): under Luxembourg law, an amount equal to at least 5% (five per cent) of the net profit must be allocated to a legal reserve until such reserve equals 10% (ten per cent) of the issued share capital. This reserve is not available for dividend distributions and has been already fully provisioned throughout the previous financial years.

(2): Luxembourg resident companies are subject to a Net Worth Tax ('NWT') of 0.5% of taxable wealth. This charge may be reduced provided the following conditions have been respected: (i) a special reserve account equivalent to five-times the net wealth tax charge for the year is recorded following the decision of the Shareholders meeting, and (ii) the reserve will be maintained for a period of at least five years.

(3): the account comprises the FTA reserve created on the transition to IFRS9 has been maintained for a period of five years, and then reclassified as free reserve during this financial year.

(4): Valuation reserve due to changes in fair value which are attributable to the issuer's own credit standing must be recognized through other comprehensive income (net equity).

Section 16

Heading 160 – Share capital

16.1 Share capital

As at 31 December 2024, the issued capital of the Bank amounts to € 10.000.000 and is divided into one million shares fully paid with a pair value of € 10 each.

Authorised capital and issue share capital coincide.

Other information

1. Guarantees and commitments (in € k)

	Nominal value of commitments and financial guarantees			31/12/2024	Nominal value of commitments and financial guarantees			30/06/2024
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1. Commitments to disburse funds	**1.350.499**	**185.124**	**—**	**1.535.623**	**1.858.763**	**38.230**	—	**1.896.993**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	—	—	—	—	176.352	—	—	176.352
d) Other financial companies	245.677	57.638	—	303.315	164.793	33.230	—	198.023
e) Non-financial companies	1.104.822	127.486	—	1.232.308	1.517.618	5.000	—	1.522.618
f) Retail clients	—	—	—	—	—	—	—	—
2. Financial guarantees given	**226.473**	**—**	**—**	**226.473**	**111.430**	**—**	—	**111.430**
a) Central Banks	—	—	—	—	—	—	—	—
b) Public Administrations	—	—	—	—	—	—	—	—
c) Banks	—	—	—	—	100.000	—	—	100.000
d) Other financial companies	100.000	—	—	100.000	10.000	—	—	10.000
e) Non-financial companies	126.473	—	—	126.473	1.430	—	—	1.430
f) Retail clients	—	—	—	—	—	—	—	—

Total amount of the item "Guarantees and commitments" reflects the general movements of the corporate portfolio as showed above (please refer to Section Assets, Heading 40, Table 4.2), with a decrease in Commitments more pronounced and equal to -23,5% in December 2024 compared to June 2024. On the opposite, it should be noted that in December 2024 the bank gave financial guarantees for a total amount of € 226.473k (€ 111.430k at June 2024).

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

Portfolios	Amount	
	31/12/2024	**30/06/2024**
Financial assets measured at fair value through profit or loss	—	—
Financial assets measured at fair value through other comprehensive income	—	—
Financial assets measured at amortised cost	636.765	720.540
Tangible assets	—	—
Total	**636.765**	**720.540**

As at 31 December 2024, the Bank has encumbered assets for approx. € 1.264m of which € 637m originated by the Bank itself (financial instruments valued at amortised cost), whereas € 627m represents the re-use of collateral borrowed from the Parent Bank. The encumbered assets are mainly related to collaterals pledged under both Swap agreements and Repurchase agreements with the SPV.

PART D - NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Section 1

Headings 10 and 20 – Net interest income

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

Items/Technical forms	31/12/2024				31/12/2023			
	Debt securities	Loans	Other operations	Total*	Debt securities	Loans	Other operations	Total*
1. Financial assets valued at FVTPL:	2.937	2	—	2.939	3.351	—	—	3.351
1.1. Financial assets held for trading	2.937	—	—	2.937	3.351	—	—	3.351
1.2. Financial assets designated at fair value	—	2	—	2	—	—	—	—
1.3. Other financial assets mandatorily at fair value	—	—	—	—	—	—	—	—
2. Financial assets valued at FVOCI	—	—	X	—	—	—	X	—
3. Financial assets at amortized cost	—	166.779	X	166.779	—	149.868	X	149.868
3.1 Due from banks	—	85.696	X	85.696	—	52.602	X	52.602
3.2 Due from customers	—	81.083	X	81.083	—	97.266	X	97.266
4. Hedging derivatives	X	X	—	—	X	X	—	—
5. Other assets	X	X	3.083	3.083	X	X	—	—
6. Financial liabilities bearing negative interests	X	X	X	—	X	X	X	—
Total	**2.937**	**166.781**	**3.083**	**172.801**	**3.351**	**149.868**	**—**	**153.219**

* please refer to the column Total as the valid amount

The recent decrease in the interest rates applied by the European Central Bank did not significantly impact yet the income generated by the financing activity of the Bank.

The overall interest income increased during the period of reference and went from € 153.219k (December 2023) to € 172.801k (December 2024). In particular, interests in loans to customers decreased from € 97.266k (December 2023) to € 81.083k (December 2024), while interest from loans to banks increased from € 52.602k (December 2023) to € 85.696k (December 2024).

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

Items/Technical forms	31/12/2024				31/12/2023			
	Borrowings	Securities issued	Other operations	Total*	Borrowings	Securities issued	Other operations	Total*
1. Financial liabilities at amortized cost	-52.105	-105.536	X	-157.641	-51.476	-79.036	X	-130.512
1.1 Due to central banks	—	X	X	—	—	X	X	—
1.2 Due to banks	-51.023	X	X	-51.023	-51.455	X	X	-51.455
1.3 Due to customers	-1.082	X	X	-1.082	-21	X	X	-21
1.4 Debt securities in issue	X	-105.536	X	-105.536	X	-79.036	X	-79.036
2. Trading financial liabilities	—	—	—	—	—	—	—	—
3. Financial liabilities designated at fair value	—	-1.368	—	-1.368	—	-1.165	—	-1.165
4. Other liabilities and funds	X	X	—	—	X	X	—	—
5. Hedging derivatives	X	X	-278	-278	X	X	-3.228	-3.228
6. Financial assets bearing negative interests	X	X	—	—	X	X	—	—
Total	**-52.105**	**-106.904**	**-278**	**-159.287**	**-51.476**	**-80.201**	**-3.228**	**-134.905**

* please refer to the column Total as the valid amount

In line with the interest income also the interest expense faces a surge in the figures compared to the previous financial year. In this case the expense in loans borrowed from banks is in line with the previous FY with € 51.455k (December 2023) and € 51.023k (December 2024), while increased sharply in relation to issued notes from € 79.036k (December 2023) to € 105.536k (December 2024).

Section 2

Headings 40 and 50 – Net fee and commission income

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

Type of service/Values				31/12/2024	31/12/2023
a)	guarantees given			451	52
b)	credit derivatives			—	—
c)	management and brokerage services			1.119	1.776
	1.	trading in financial instruments		—	—
	2.	currency trading		—	—
	3.	portfolio management		—	—
	4.	securities custody and administration		—	—
	5.	custodian bank		—	—
	6.	placement of financial instruments		1.119	1.776
	7.	reception and transmission of orders		—	—
	8.	advisory services		—	—
		8.1.	related to investments	—	—
		8.2.	related to financial structure	—	—
	9.	distribution of third parties services		—	—
		9.1.	portfolio management	—	—
			9.1.1. individual	—	—
			9.1.2. collective	—	—
		9.2.	insurance products	—	—
		9.3.	other products	—	—
d)	collection and payment services			—	—
e)	securitization servicing			—	—
f)	factoring services			—	—
g)	tax collection services			—	—
h)	management of multilateral trading facilities			—	—
i)	management of current account			—	—
j)	other services			6.326	6.440
Total				**7.896**	**8.268**

Fee and commission income are connected to the lending activity of the Bank. These are related to the contracts and assume various forms as the followings: underwriting fees, waiver, amendment, extension, ongoing and bookrunning fees.

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

Other services (breakdown)	31/12/2024	31/12/2023
Loans - ongoing fees	3.424	3.684
Stock lending fees	1.673	1.443
NSFR fees	1.229	1.313
Treasury fees	—	—
Total	**6.326**	**6.440**

The two periods are substantially in line. In particular, the NSFR fees generated revenues for € 1.229k (December 2024) compared to € 1.313k (December 2023). This alignment is due to a decrease in interest rates partially compensated by the increase of the funding cost sustained by the Bank to generate the additional ASF (*available stable funding, the denominator of **NSFR ratio***) as a consequence of being Group reference center of short-term funding program. Average cash collected through commercial papers and reinvested moved from €575m of FY23-24 to €674m of FY24-25, +17,2% yoy.

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

Services/Amounts	**31/12/2024**	**31/12/2023**
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and brokerage services	-638	-1.363
1. trading in financial instruments	—	—
2. currency trading	—	—
3. portfolios management:	—	—
3.1 own portfolio	—	—
3.2 third parties portfolio	—	—
4. securities custody and administration	—	—
5. placement of financial instruments	-638	-1.363
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	-656	-434
e) other services	-2.769	-6.066
Total	**-4.063**	**-7.863**

Fees and commission expenses decreased compared to the previous financial year due to specific one-off effects incurred in the previous period.

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

Other services (breakdown)	**31/12/2024**	**31/12/2023**
Loans - ongoing fees	-1.540	-1.591
Stock lending fees	-670	-585
CD-CP fees	—	-4
Treasury fees	-559	-3.886
Total	**-2.769**	**-6.066**

Section 3

Heading 80 – Net trading income/expense

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

Transactions / Income	Unrealized profit (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net Profit 31/12/2024*	Net Profit 31/12/2023*
1. Financial trading assets	741	641	—	—	1.382	6.077
1.1 Debt securities	741	—	—	—	741	2.885
1.2. Equity	—	641	—	—	641	3.192
1.3. O.I.C.R. shares	—	—	—	—	—	—
1.4. Loans	—	—	—	—	—	—
1.5. Others	—	—	—	—	—	—
2. Financial trading liabilities	—	—	—	—	—	—
2.1. Debt securities	—	—	—	—	—	—
2.2. Borrowings and deposits	—	—	—	—	—	—
2.3. Others	—	—	—	—	—	—
3. Financial assets and liabilities in foreign currencies: exchange differences	X	X	X	X	4.023	112
4. Derivatives	49.717	8.573	-52.205	-5.925	-2.356	-7.241
4.1 Financial derivatives:	36.136	7.931	-38.211	-4.385	-1.045	-4.319
4.1.1 debt securities and interest rates	16.552	4.606	-16.254	-3.764	1.140	396
4.1.2 equity securities and shares indexes	1.567	3.325	-3.940	-621	331	-3.304
4.1.3 currencies and gold	X	X	X	X	-2.516	-1.411
4.1.4 other	18.017	—	-18.017	—	—	—
4.2. Credit derivatives	13.581	642	-13.994	-1.540	-1.311	-2.922
Total	**50.458**	**9.214**	**-52.205**	**-5.925**	**3.049**	**-1.052**

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

Net trading result increased compared to December 2023 moving from approx. €-1m to €+3m, mainly attributable to:

- a positive contribution carried out by the realized and unrealized items (€+1,2m);
- a positive impact originated from the interests paid for swap derivatives to hedge the lending corporate portfolio (€+0,25m);
- the dynamic of the net foreign exchange result, which can be explained as the sum of (i) the exchange differences on financial assets and liabilities in foreign currencies (cf. caption 3. of the table above), and (ii) the net gain/loss on financial derivatives on currencies and gold (cf. caption 4.1.3 of the table above). Net foreign exchange item, throughout the financial year, passed from a loss of € -1.299k (December 2023) to a profit of € 1.507k (December 2024).

Section 4

Heading 90 – Net hedging income/expense

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

	31/12/2024	31/12/2023
A. Income from:		
A.1 Fair value hedge derivatives	4.075	7.599
A.2 Financial assets hedged (fair value)	—	—
A.3 Financial liabilities hedged (fair value)	957	—
A.4 Cash flow hedge financial derivatives	—	—
A.5 Assets and liabilities in foreign currency	—	—
Total hedging income (A)	5.032	7.599
B. Expenses relating to:		
B.1 Fair value hedge derivatives	-3.943	-2.176
B.2 Financial assets hedged (fair value)	—	—
B.3 Financial liabilities hedged (fair value)	-1.088	-5.134
B.4 Cash flow hedge financial liabilities	—	—
B.5 Assets and liabilities in foreign currency	—	—
Total hedging expenses (B)	-5.031	-7.310
C. Net hedging income (A-B)	**1**	**289**

The fair value change due to the exchange rate for the hedged instrument is recorded under profit and loss - Heading 90 "Net hedging income (expense)" - while the remaining fair value (any difference, i.e. partial ineffectiveness of the hedging derivatives) is recorded under Heading 80, "Net trading gains (losses)".

Section 5

Heading 100 – Gain or loss on disposals or repurchases

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

Items/Income	31/12/2024			31/12/2023		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
A Financial assets						
1. Financial assets valued at amortized cost	72	-57	15	595	-478	117
1.1 Loans and receivables from banks	—	—	—	89	-174	-85
1.2 Loans and receivables from customers	72	-57	15	506	-304	202
2. Financial assets valued at FVOCI	—	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—	—
2.2 Loans	—	—	—	—	—	—
Total assets (A)	**72**	**-57**	**15**	**595**	**-478**	**117**
B Financial liabilities valued at amortized cost						
1. Deposits with banks	—	—	—	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	1	-4	-3
Total liabilities (B)	**—**	**—**	**—**	**1**	**-4**	**-3**

In the course of the financial year, thanks to the credit market conditions, the Bank sold few customer exposures to institutional investors (although not at the same level of the previous period). This gave to the Bank the opportunity to continue the optimization of the financing portfolio. Given the guarantees granted by Parent company, the net effect of these sales has been positive and equals to €15k (€117k in December 2023).

Heading 110 – Gain or loss on other financial assets and liabilities measured at FVTPL net

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

31/12/2024	Capital gains (A)	Proceeds from disposal (B)	Capital Losses (C)	Minus from disposal (D)	Net result* [(A+B)-(C+D)]
1. Financial assets	411	—	122	—	289
1.1 Debt securities	—	—	—	—	—
1.2 Loans	411	—	122	—	289
2. Financial liabilities	669	74	856	1.239	-1.352
2.1 Debt securities in issue	669	74	856	1.239	-1.352
2.2 Due to banks	—	—	—	—	—
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	-1.051
Total at 31/12/2024	**1.080**	**74**	**978**	**1.239**	**-2.114**
Total at 31/12/2023	**2.276**	**—**	**-1.896**	**-530**	**861**

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

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

31/12/2024	Capital gains (A)	Proceeds from disposal (B)	Capital Losses (C)	Minus from disposal (D)	Net result * [(A+B)-(C+D)]
1. Financial assets	1.212	—	—	—	1.212
1.1 Debt securities	—	—	—	—	—
1.2 Equity securities	—	—	—	—	—
1.3 UCITs	1.212	—	—	—	
1.4 Loans	—	—	—	—	—
2. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	-652
Total at 31/12/2024	**1.212**	**—**	**—**	**—**	**560**
Total at 31/12/2023	**4.174**	**—**	**—**	**—**	**4.093**

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

Section 6

Heading 130 – Net write-off for credit risk

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

Items/Income		Writedowns (1)			Writebacks (2)		31/12/2024 (1)+(2)	31/12/2023
		Stage1 and Stage2	Stage3		Stage1 and Stega2	Stage3		
			Write-off	Others				
A	Loans and receivables with banks	-163	—	—	14	—	-149	150
	- Loans and receivables	-163	—	—	14	—	-149	150
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
B	Loans and receivables with customers	-2.771	—	-163	3.081	221	368	455
	- Loans and receivables	-2.771	—	-163	3.081	221	368	455
	- Notes	—	—	—	—	—	—	—
	of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
Total		**-2.934**	**—**	**-163**	**3.095**	**221**	**219**	**605**

Impairment provisions for credit exposures worth a substantially flat contribution of € 0,2m; the positive contribution from the loans and receivables with customers, equals to € +0,37m, is offset by the negative contribution of the intercompany loans and receivables (€-0,1m).

In details, the provisioning made in FY (Stage 1 and Stage 2) have been widely absorbed by the writebacks mainly attributable to: a) an overall good credit quality of the entire net (uncovered) portfolio; b) Stage 2 impairment decreased by approx. € -0,3m, mainly due to a specific exposure forborne included in December 2023. The provisioning in Stage 3, initially recorded in December 2023, has been totally recovered due to the full repayment of NPL exposure (totally covered by SACE group).

Section 7

Heading 190 – Administrative expenses

7.1 Personnel costs: breakdown (in € k)

Type of expense/Amounts	31/12/2024	31/12/2023
1.Employees	-1.645	-1.603
a) wages and salaries	-1.200	-1.196
b) social security contributions	-49	-53
c) severance indemnities	—	—
d) pension contributions	-87	-83
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to outside complementary pension schemes:	-135	-118
– defined contribution	-135	-118
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	-59	-56
i) other staff benefits	-115	-97
2. Other staff	—	—
3. Board members	-88	-88
Total	**-1.733**	**-1.691**

Expenditure on salaries has increased compared to December 2023 (€ +42k), generally due to salary inflation-driven dynamics.

The decrease in employee number on December 31st (please see number of employees, cf. caption 7.2) did not impact the overall expense since the average employee number during the two periods has been stable.

7.2 Number of employees by category

	31/12/2024	31/12/2023
Employees	18	19
a) senior executives	4	4
b) executives	1	1
c) other employees	13	14
Other staff	—	1
Total	**18**	**20**

7.3 Other administrative expenses: breakdown (in € k)

Type of expense/Amounts	31/12/2024	31/12/2023
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	-464	-733
– loan recovery activity	—	—
– marketing and communication	-2	-4
– property expenses	-52	-35
– IT and data processing	-1.125	-1.017
– Info-provider	-17	-15
– bank charges, collection and payment fees	-24	-18
– operating expenses	-879	-1.491
– other staff expenses	-18	-13
– other costs	-442	-582
– indirect and other taxes	-32	-285
Total	**-3.055**	**-4.193**

Other administrative expenses amounted to € 3.055k which corresponds to a deviation of approx. -27,1% compared to December 2023 (€ 4.193k). This result is mainly driven by the decrease in outsourcing expenses with the Parent due to a positive fee adjustment, while the previous financial year has been impacted by a negative adjustment. A further reduction on expenses is also recorded for regulatory costs, legal and general costs compared the previous financial year.

Section 8

Heading 200 – Net adjustments to provisions for risks and charges

8.1 Net adjustments to provisions for risks and charges: composition of the net provisions for credit risk related to commitments to disburse funds and/or financial guarantees issued (in € k)

	31/12/2024			31/12/2023		
	Net provisions	Net releases of surplus	Total	Net provisions	Net releases of surplus	Total
Loan commitments	-161	—	-161	77	—	77
Financial guarantees issued	—	—	—	—	—	—
Total	**-161**	**—**	**-161**	**77**	**—**	**77**

Section 9

Heading 210 – Value adjustments in respect of tangible assets

9.1 Value adjustments in respect of tangible assets: breakdown (in € k)

Asset/Income	Depreciation (a)	Impairment (b)	Write-back (c)	Net result (a+b-c)
A. Property, equipment and investment properties				
1 For operational use	-114	—	—	-114
- Owned	—	—	—	—
- Licences acquired through leases	-114	—	—	-114
2 Held for investment purpose	—	—	—	—
- Owned	—	—	—	—
- Licences acquired through leases	—	—	—	—
Total 31/12/2024	**-114**	**—**	**—**	**-114**
Total 31/12/2023	**-106**	**—**	**—**	**-106**

Section 10

Heading 230 – Other operating income (expense)

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

	31/12/2024	31/12/2023
a) Leasing activity	—	—
b) Other expenses	-3	—
Total expense	**-3**	**—**
a) Amounts recovered from customers	—	—
b) Leasing activity	—	—
c) Other income	-213	330
Total income	**-213**	**330**
Net income (expense)	**-216**	**330**

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

Section 11

Heading 300 – Income tax on the ordinary activity

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

	31/12/2024	31/12/2023
1. Current tax expenses	-3.497	-4.554
2. Changes in current tax expenses of the previous years	—	—
3. Changes of deferred tax assets	—	-903
4. Changes of deferred tax liabilities	—	—
Total	**-3.497**	**-5.457**

Income tax on the ordinary activity amount to € -3.497k and consists of:

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

b) payment of WHT on dividend to shareholder for €35k;

c) income taxes for an amount of €3,462k, as result of:

- €2,526k Corporate income tax FY 24/25 ('CIT');
- €936k Municipality business tax FY 24/25 ('MBT').

PART E – OPERATING SEGMENT REPORTING

A. PRIMARY SEGMENT REPORTING

The Bank does not run separate accounts or reporting for individual divisions or other business segments, primary because the business is essentially focused on wholesale banking. Local management uses specific markets segment reporting (i.e. geographical, economic sector, ratings) to evaluate segment's income, expenses, assets, liabilities and so on in order to assess profitability and riskiness of the business. The Bank's segmental reporting is based on the following operating segments: corporate lending, leverage acquisition, project finance, other.

A.1 Interim financial statement by business segment (in € k)

		CORPORATE LENDING	LEVERAGE FINANCE	PROJECT FINANCE	OTHER	TOTAL
10.	Cash and cash equivalents	211.297	144.868	-	-	356.165
20.	Financial assets valued at FVTPL	104.669	71.763	-	49.189	225.621
	a) Financial assets held for trading	*96.197*	*65.954*	-	-	*162.151*
	b) Financial assets designated at FV	*8.472*	*5.809*	-	-	*14.281*
	c) Other financial assets mandatorily at fair value	-	-	-	*49.189*	49.189
40.	Financial assets valued at amortised cost	3.905.036	2.677.348	-	-	6.582.384
	a) Due from banks	*2.240.200*	*1.535.913*	-	-	*3.776.113*
	b) Due from customers	*1.664.836*	*1.141.435*	-	-	*2.806.271*
50.	Hedging derivatives	1.947	1.335	-	-	3.282
70.	Equity investments	-	-	-	4.150	4.150
90.	Property, plant and equipments	-	-	-	1.006	1.006
110.	Tax assets	2.008	1.376	-	-	3.384
	a) current	*2.008*	*1.376*	-	-	*3.384*
	b) deferred	-	-	-	-	-
130.	Other assets	15.681	10.751	-	-	26.432
	Total assets at 31/12/2024	**4.240.638**	**2.907.441**	**-**	**54.345**	**7.202.424**
	Total assets at 30/06/2024	**4.457.820**	**2.326.898**	**28.730**	**90.003**	**6.903.451**
10.	Financial liabilities valued at amortised cost	-3.916.335	-2.685.096	-	-	-6.601.431
	a) Due to banks	*-1.121.939*	*-769.218*	-	-	*-1.891.157*
	b) Due to customers	*-36.828*	*-25.250*	-	-	*-62.078*
	c) Debt securities in issue	*-2.757.568*	*-1.890.628*	-	-	*-4.648.196*
20.	Financial liabilities valued at FVTPL	-42.075	-28.847	-	-	-70.922
30.	Financial liabilities designated at FV	-41.290	-28.309	-	-	-69.599
40.	Hedging derivatives	-1.600	-1.097	-	-	-2.697
60.	Tax liabilities	-9.215	-6.318	-	-	-15.533
	a) current	*-9.215*	*-6.318*	-	-	*-15.533*
	b) deferred	-	-	-	-	-
80.	Other liabilities	-4.117	-2.822	-	-	-6.939
100.	Provisions for risks and charges	-570	-391	-	-	-961
120.	Revaluation Reserves	1.134	777	-	-	1.911
140.	Equity instruments	-59.326	-40.674	-	-	-100.000
150.	Reserves	-187.440	-128.511	-	-	-315.951
170.	Share capital	-5.933	-4.067	-	-	-10.000
	Total liabilities at 31/12/2024 *	**-4.266.767**	**-2.925.355**	**-**	**-**	**- 7.192.122**
	Total liabilities at 30/06/2024 *	**-4.503.817**	**-2.350.908**	**-29.028**	**-**	**- 6.883.753**

* Profit for the period excluded

Assets have been allocated on the basis of the originator business unit, while break down of liabilities has been performed following criteria of economic pertinence.

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

Items		CORPORATE LENDING	LEVERAGE FINANCE	PROJECT FINANCE	OTHER	TOTAL
010.	Interests and similar income	102.515	70.286	-	-	172.801
020.	Interest expense and similar charges	-94.498	-64.789	-	-	-159.287
030.	**Net interest income**	**8.017**	**5.497**	**-**	**-**	**13.514**
040.	Fee and commission income	4.684	3.212	-	-	7.896
050.	Fee and commission expense	-2.410	-1.653	-	-	-4.063
060.	**Net fee and commission income**	**2.274**	**1.559**	**-**	**-**	**3.833**
080.	Net trading income/expense	1.809	1.240	-	-	3.049
090.	Net hedging income/expense	1	-	-	-	1
100.	Gain or loss on disposal or repurchase of:	9	6	-	-	15
	a) financial assets valued at amortised cost	*9*	*6*	-	-	*15*
	b) financial assets valued at FVOCI	-	-	-	-	-
	c) financial liabilities	-	-	-	-	-
110.	Gain or loss on financial assets and liabilities	-922	-632		-	-1.554
120.	**Total income**	**11.188**	**7.670**	**-**	**-**	**18.858**
130.	Adjustment for impairment to:	130	89	-	-	219
	a) financial assets valued at amortised cost	*130*	*89*	-	-	*219*
	b) financial assets valued at FVOCI	-	-	-	-	-
150.	**Net income from financial operations**	**11.318**	**7.759**	**-**	**-**	**19.077**
190.	Administrative expenses	-2.840	-1.947	-	-	-4.788
	a) personnel costs	*-1.028*	*-705*	-	-	*-1.733*
	b) other administrative expenses	*-1.812*	*-1.243*	-	-	*-3.055*
200.	Net provisions for risks and charges	-95	-65	-	-	-161
210.	Value adjustments in respect of tangible assets	-67	-46	-	-	-114
230.	Other operating income/expense	-128	-88	-	-	-216
290.	**Profit (loss) of the ordinary activity before tax**	**8.187**	**5.612**	**-**	**-**	**13.799**
300.	Income tax on the ordinary activity	-2.075	-1.422	-	-	-3.497
330.	**Profit (loss) for the period**	**6.112**	**4.190**	**-**	**-**	**10.302**
340.	Other comprehensive income, net of tax	–	–	–	–	-
350.	**Profit (Loss) of the year 31/12/2024**	**6.112**	**4.190**	**-**	**-**	**10.302**
	Profit (Loss) of the year 30/06/2024	**12.888**	**6.727**	**83**	**-**	**19.698**

B. SECONDARY SEGMENT REPORTING

The Bank operates in four main geographical markets: Luxembourg, other European Countries, Americas and other EMEA countries (Asia). The following tables show the distribution of the Bank's financial and statement of comprehensive incomes based on the location of the customers for the years ended 31 December 2024 and 30 June 2024.

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

		LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA	TOTAL
10.	Cash and cash equivalents	587	355.578	—	—	356.164
20.	Financial assets valued at FVTPL	59.083	165.911	627	—	225.620
	a) Financial assets held for trading	*59.083*	*102.441*	*627*	—	*162.150*
	b) Financial assets designated at FV	—	*14.281*	—	—	*14.281*
	c) Other financial assets mandatorily at fair value	—	*49.189*	—	—	*49.189*
40.	Financial assets valued at amortised cost	351.305	5.539.586	633.219	58.274	6.582.385
	a) Due from banks	12.789	3.763.325	—	—	*3.776.113*
	b) Due from customers	338.516	1.776.262	633.219	58.274	*2.806.272*
50.	Hedging derivatives	—	3.282	—	—	3.282
70.	Equity investments	4.150	—	—	—	4.150
90.	Property, plant and equipments	1.006	—	—	—	1.006
110.	Tax assets	3.384	—	—	—	3.384
	a) current	*3.384*	—	—	—	*3.384*
	b) deferred	—	—	—	—	—
130.	Other assets	23.436	2.907	89	—	26.432
	A. Total assets at 31/12/2024	**442.950**	**6.067.264**	**633.935**	**58.274**	**7.202.423**
	A. Total assets at 30/06/2024	**834.812**	**3.536.070**	**1.149.100**	**56.406**	**5.576.388**
10.	Financial liabilities valued at amortised cost	-4.710.273	-1.891.157	—	—	-6.601.430
	a) Due to banks	—	*-1.891.157*	—	—	*-1.891.157*
	b) Due to customers	*-62.077*	—	—	—	*-62.077*
	c) Debt securities in issue	*-4.648.196*	—	—	—	*-4.648.196*
20.	Financial liabilities valued at FVTPL	-5.671	-63.597	-1.654	—	-70.922
30.	Financial liabilities designated at FV	-69.599	—	—	—	-69.599
40.	Hedging derivatives	—	-2.697	—	—	-2.697
60.	Tax liabilities	-15.533	—	—	—	-15.533
	a) current	*-15.533*	—	—	—	*-15.533*
	b) deferred	—	—	—	—	—
80.	Other liabilities	-2.471	-3.987	*-481*	—	-6.939
100.	Provisions for risks and charges	-66	-853	-42	—	-961
120.	Revaluation reserves	1.911	—	—	—	1.911
140.	Equity instruments	-100.000	—	—	—	-100.000
150.	Reserves	-315.951	—	—	—	-315.951
170.	Share capital	-10.000	—	—	—	-10.000
	B. Total liabilities at 31/12/2024 *	**-5.227.653**	**-1.962.291**	**-2.177**	**—**	**-7.192.121**
	B. Total liabilities at 30/06/2024 *	**-3.390.283**	**-2.167.380**	**-137**	**—**	**-5.557.800**

* Profit for the period excluded

B.2 Statement of comprehensive income by geographical region (in € k)

	LUXEMBOURG	OTHER EUROPEAN COUNTRIES	AMERICAS	OTHER EMEA	TOTAL
Net interest income	-89.528	74.393	26.900	1.749	13.514
Net fee and commission income	155	2.890	789	—	3.833
Net trading income/expense	-3.000	-8.048	12.377	1.721	3.049
Net hedging income/expense	-131	132	—	—	1
Gain or loss on disposal or repurchase of:	-982	-557	—	—	-1.539
Value Adjustments - impairment	-30	-12	261	—	219
Administrative expenses	-2.431	-2.344	-13	—	-4.788
Net provisions for risks and charges	-38	-160	36	—	-161
Value adjustments in respect of tangible assets	-114	—	—	—	-114
Other operating income/expense	7	-223	—	—	-216
Income tax	-3.497	—	—	—	-3.497
Profit (Loss) of the year 31/12/2024	**-99.588**	**66.071**	**40.349**	**3.471**	**10.302**
Profit (Loss) of the year 30/06/2024	**-165.479**	**101.621**	**74.644**	**8.912**	**19.698**

PART F - SUBSEQUENT EVENTS

The Bank is not aware of any subsequent events (other than those already reflected in the interim financial statement), that occurred between 31 December 2024 and the date when the present interim financial statements were authorised for issue.

ANNEX I

RECONCILIATION BETWEEN OFFICIAL AND RESTATED INTERIM FINANCIAL STATEMENTS

Executive summary

The management report includes a restated statement of financial position and a restated statement of comprehensive income to support management commentary and evaluation over the results achieved during the course of the financial year. A reconciliation between the official and the restated interim financial statements is set hereunder to facilitate lectors' review and understanding.

1.1 Statement of financial position as at 31 December 2024 (in € k)

		Total assets (restated)						
31/12/2024		**Financial assets at FVTPL**	**Treasury Investments**	**Debt securities - banking book**	**Loans and advances**	**Equity Investments**	**Tangible assets**	**Other assets**
10. Cash and cash equivalents	356.163	—	356.163	—	—	—	—	—
20. Financial assets measured at fair value through profit or loss	225.621	162.151	—	—	14.281	49.189	—	—
40. Financial assets measured at amortised cost	6.582.387	—	1.751.352	—	4.831.035	—	—	—
50. Hedging derivatives	3.282	—	—	—	—	—	—	3.282
70. Investments	4.150	—	—	—	—	4.150	—	—
90. Tangible assets	1.006	—	—	—	—	—	1.006	—
110. Tax assets	3.384	—	—	—	—	—	—	3.384
130. Other assets	26.432	—	—	—	—	—	—	26.432
Total assets	**7.202.425**	**162.151**	**2.107.515**	**—**	**4.845.316**	**53.339**	**1.006**	**33.098**

		Total liabilities (restated)						
31/12/2024		**Loans and borrowings**	**Debt securities issued**	**Treasury borrowings**	**Fin. liabilities at FVTPL**	**Other liabilities**	**Prov. for risks and charges**	**Net equity and profit**
10. Financial liabilities measured at amortised cost	6.601.431	3.467.302	3.050.524	80.960	—	2.645	—	—
20. Trading liabilities	70.922	—	—	—	70.922	—	—	—
30. Financial liabilities designated at fair value	69.599	—	69.599	—	—	—	—	—
40. Hedging derivatives	2.697	—	—	—	—	2.697	—	—
60. Tax liabilities	15.533	—	—	—	—	15.533	—	—
80. Other liabilities	6.940	—	—	—	—	6.940	—	—
100. Provisions for risks and charges	961	—	—	—	—	—	961	—
120. Revalution reserves	-1.910	—	—	—	—	—	—	-1.910
140. Equity instruments	100.000	—	—	—	—	—	—	100.000
150. Reserves	315.951	—	—	—	—	—	—	315.951
170. Share capital	10.000	—	—	—	—	—	—	10.000
200. Profit (Loss) of the year	10.301	—	—	—	—	—	—	10.301
Total liabilities and shareholders' equity	**7.202.425**	**3.467.302**	**3.120.123**	**80.960**	**70.922**	**27.815**	**961**	**434.342**

1.2 *Statement of financial position as at 30 June 2024 (in € k)*

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

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

2.1 *Statement of comprehensive income as at 31 December 2024 (in € k)*

31/12/2024		Statement of comprehensive income (restated): Net interest income	Net trading income	Net fee and commission income	Overheads	Net (Value adjustments to) write-backs of loans to customers	Provision for other financial assets	Other gains (losses)	Fiscal provision
010. Interests and similar income	172.801	172.801	—	—	—	—	—	—	—
020. Interest expense and similar charges	-159.287	-159.287	—	—	—	—	—	—	—
030. Net interest income	**13.514**	**13.514**	—	—	—	—	—	—	—
040. Fee and commission income	7.896	—	1.673	6.223	—	—	—	—	—
050. Fee and commission expense	-4.063	—	-670	-3.393	—	—	—	—	—
060. Net fee and commission income	**3.833**	—	**1.003**	**2.830**	—	—	—	—	—
080. Net trading income (expense)	3.049	-940	3.989	—	—	—	—	—	—
090. Net hedging income (expense)	1	1	—	—	—	—	—	—	—
100. Gain or loss on disposal or repurchase of:	15	—	15	—	—	—	—	—	—
110. Gain (losses) on other financial assets and liabilities measured at fair value through profit or loss, net	-1.554	—	-2.114	—	—	—	—	560	—
120. Total income	**18.858**	**12.575**	**2.893**	**2.830**	—	—	—	**560**	—
130. Net write-offs (write-backs) for credit risk	219	—	—	—	—	351	-132	—	—
150. Net income from financial operations	**19.077**	**12.575**	**2.893**	**2.830**	—	**351**	**-132**	**560**	—
190. Administrative expenses	-4.788	—	—	—	-4.788	—	—	—	—
a) personnel costs	*-1.733*	—	—	—	*-1.733*	—	—	—	—
b) other administrative expenses	*-3.055*	—	—	—	*-3.055*	—	—	—	—
200. Net adjustments to provisions for risk and charges	-161	—	—	—	—	*-161*	—	—	—
210. Net adjustments to tangible assets *	-114	—	—	—	-114	—	—	—	—
230. Other operating income (expense) **	-216	—	—	-213	-3	—	—	—	—
290. Profit (loss) of the ordinary activity before tax	**13.798**	**12.575**	**2.893**	**2.617**	**-4.905**	**190**	**-132**	**560**	—
300. Income tax on the ordinary activity	-3.497	—	—	—	—	—	—	—	-3.497
330. Profit (loss) for the period	**10.301**	**12.575**	**2.893**	**2.617**	**-4.905**	**190**	**-132**	**560**	**-3.497**
340. Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—
350. Comprehensive income (loss) for the year, net of tax	**10.301**	**12.575**	**2.893**	**2.617**	**-4.905**	**190**	**-132**	**560**	**-3.497**

(*) € 114k tangible assets amortisation.

(**) € 213k includes fees and commissions with Parent Bank.

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

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

(*) € 215k tangible assets amortisation.

(**) € 1,532k relate to fees and commissions with Parent Bank.

ANNEX II

GLOSSARY

Executive summary

A list (non-exhaustive) of certain technical terms is provided below in the meaning adopted in the interim financial statements as at December 31st 2024.

* * *

ABS – Asset Backed Security

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

ALM – Asset and Liability Management

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

ASF – Available Stable Funding

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

AT1 – Additional Tier 1

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

Basel Accords

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

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

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

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

Certificates

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

CDO - Collateralized Debt Obligation

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

CLO - Collateralized Loan Obligation

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

CET1 – Common Equity Tier 1

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

CET1 Ratio – Common Equity Tier1 Ratio

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

Commercial Paper

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

Contingency Funding Plan

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

CoR - Cost of Risk

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

CRD – Capital Requirement Directive

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

CRR/CRR2 – Capital Requirement Regulation

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

CSSF – Commission de Surveillance du Secteur Financier

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

EBA – European Banking Authority

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

EBIT – Earnings Before Interest and Taxes

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

ECB – European Central Bank

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

ESEF - European Single Electronic Format

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

ESG - Environmental, Social, Governance

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

ESMA – European Security and Markets Authority

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

FED – Federal Reserve System

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

FINREP - Financial Reporting Standards

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

Forborne Exposures

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

FVO – Fair Value Option

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

GDP – Gross Domestic Product

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

HQLA – High Quality Liquid Assets

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

IMF – International Monetary Fund

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

IAS/IFRS – International Accounting Standards

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

IASB – International Accounting Standard Board

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

ICAAP – Internal Capital Adequacy Assessment Process

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

ICC – Impôt Commercial Communal

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

IF - Impôt sur la Fortune

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

IFRIC – International Financial Reporting Interpretations Committee

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

IRC - Impôt sur le Revenu des Collectivités

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

Leverage Ratio

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

LCR – Liquidity Coverage Ratio

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

MREL - Minimum Requirement for own funds and Eligible Liabilities

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

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

NAV – Net Asset Value

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

Non-performing

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

NSFR – Net Stable Funding Ratio

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

OECD – Organization for the Economic Co-Operation and Development

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

Overlay ("overlay adjustment")

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

P2G – Pillar 2 Guidance

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

P2R – Pillar 2 Requirement

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

Payout Ratio

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

Provisioning (loans)

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

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

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

ROA – Return On Assets

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

ROE – Return On Equity

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

RWA – Risk Weighted Assets

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

RSF – Required Stable Funding

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

SPPI – Solely Payments of Principal and Interest

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

SPV – Special Purpose Vehicle

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

SRB – Single Resolution Board

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

SREP - Supervisory Review and Evaluation Process

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

SRM – Single Resolution Mechanism

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

Tier 1

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

Tier 2

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

TLTROs – Targeted Longer-Term Refinancing Operation

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

Total Capital Ratio

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

WL Ratio – Watch List Ratio

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

ZLB – Zero Lower Bound

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