MEDIOLANUM GROUP

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2023

Banca Mediolanum S.p.A.
Parent Company of the Mediolanum Banking Group, listed in the Register of Banking Groups
Bank listed in the Register of Banks - Member of the National Guarantee Fund and the Interbank Deposit Protection Fund
Share capital €600,530,628.4 fully paid up - Tax code and Milan Companies Register no. 02124090164 - VAT no. 10540610960 of the Banca Mediolanum VAT Group

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Bancamediolanum.it

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Corporate officers of Banca Mediolanum S.p.A.

Board of Statutory Auditors

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

General Manager

Gianluca Bosisio

Financial Reporting Officer

Angelo Lietti

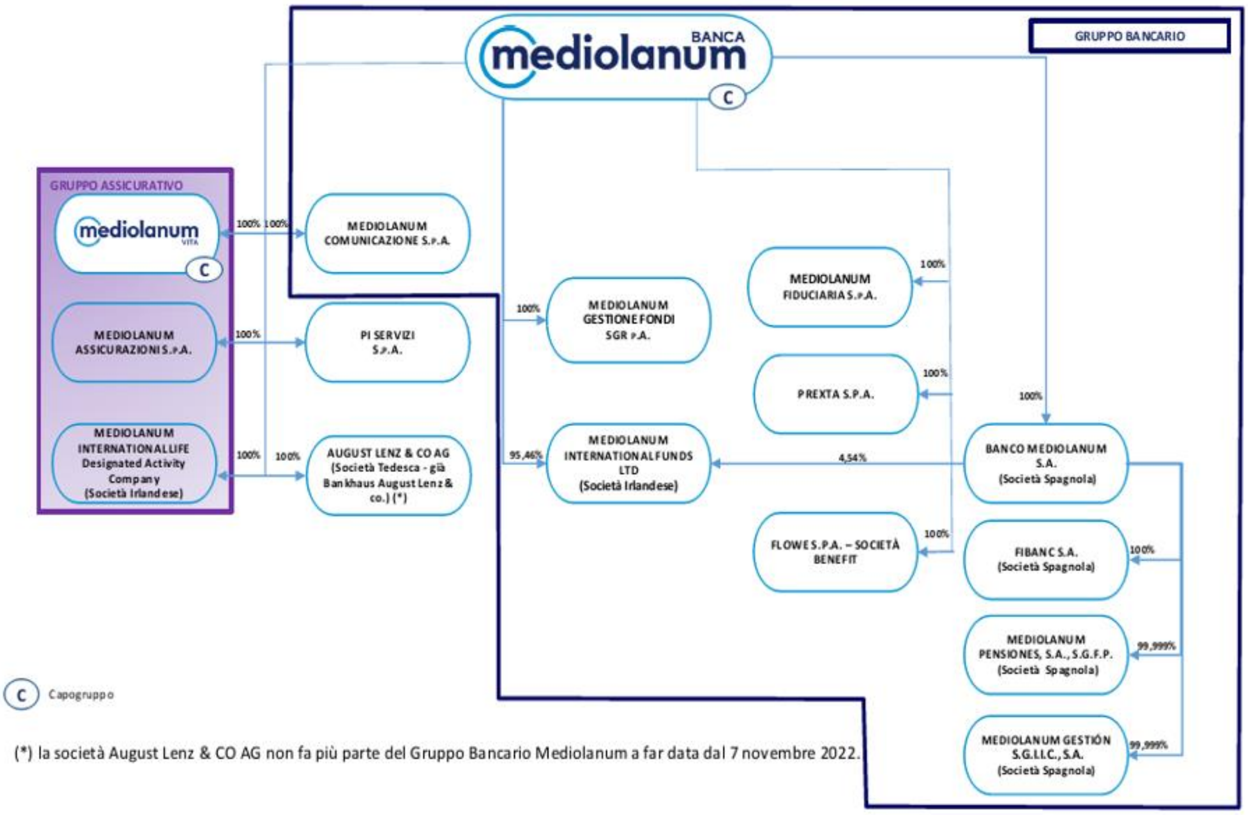
Board Secretary

Luca Maria Rovere

Independent Auditor

PricewaterhouseCoopers S.p.A.

Scope of consolidation at 30 June 2023



(*) the European Central Bank (ECB) recognised the exit from the Banking Group by decision of 16 February 2023.

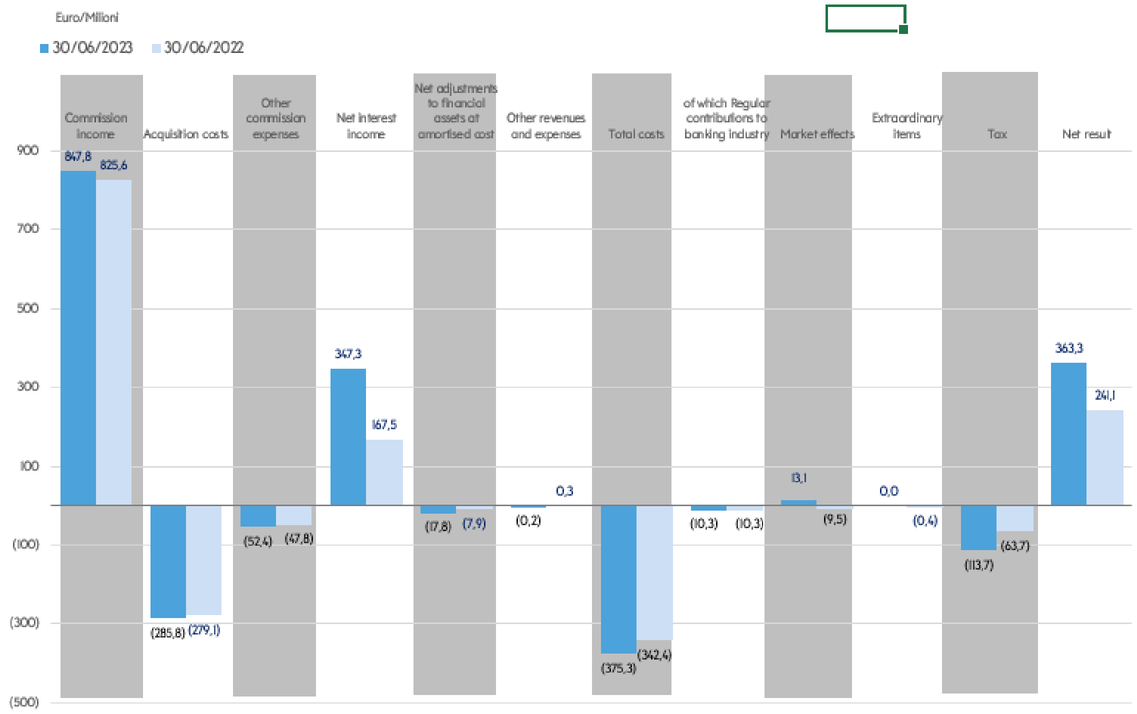
Main results of the Mediolanum Group at the end of the first half of 2023

ECONOMIC PERFORMANCE

The Mediolanum Group closed the first half of 2023 with net income of €363.3 million, compared with €241.1 million for the comparative period (this amount was recalculated after the adoption of IFRS 17).
The operating margin in the period under review increased by 47% compared with 30 June 2022, due to the increase in the contribution margin (+€182.3 million). The increase in net interest income of €180 million was a particularly important factor. General and administrative expenses for the period increased by 12.9%, mainly reflecting higher expenses related to commercial development and support activities and higher operating functioning costs.

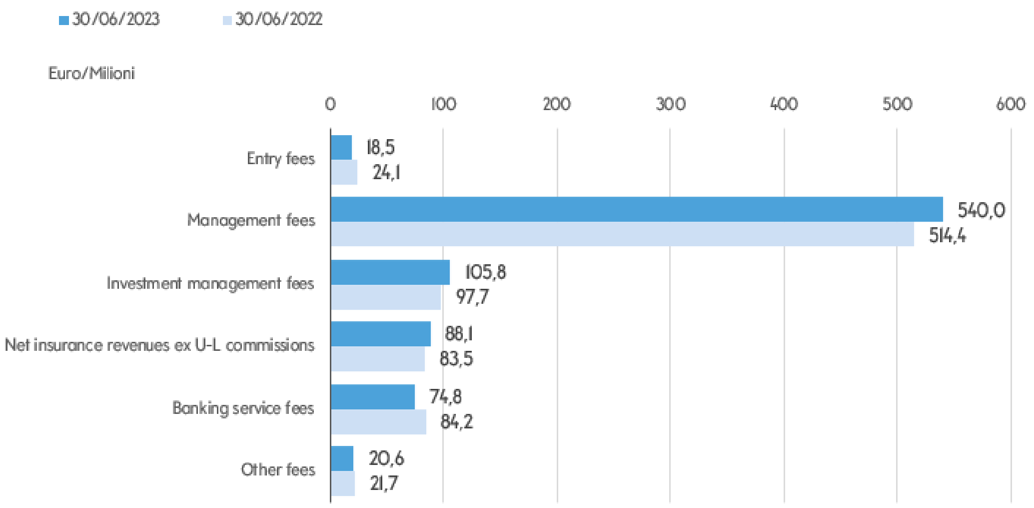
CONSOLIDATED INCOME STATEMENT DATA

Main items in the consolidated income statement



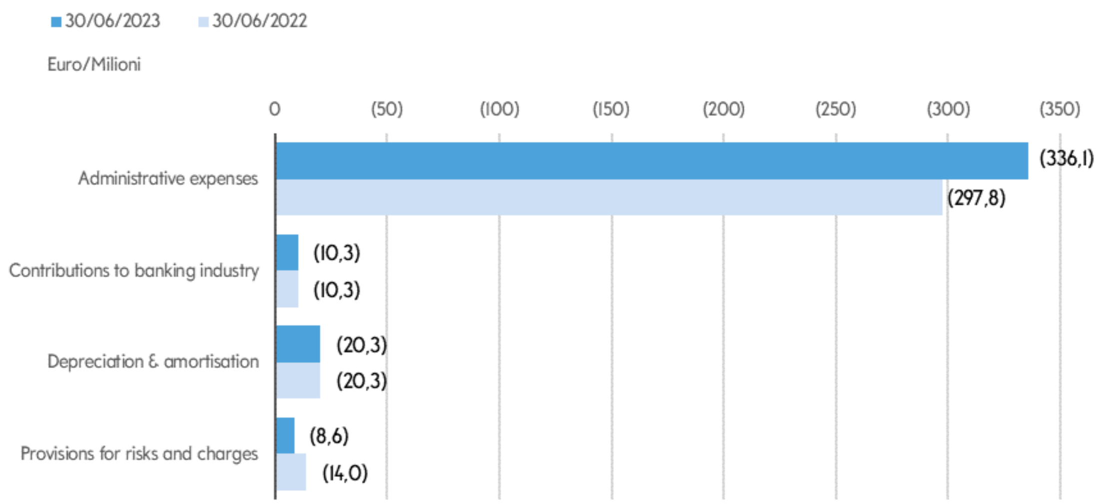
The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

Commission income: breakdown by type



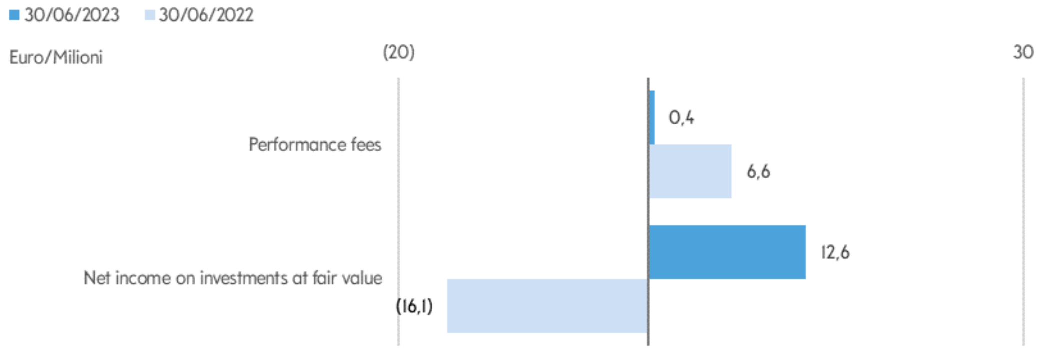
The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

Costs: breakdown by type



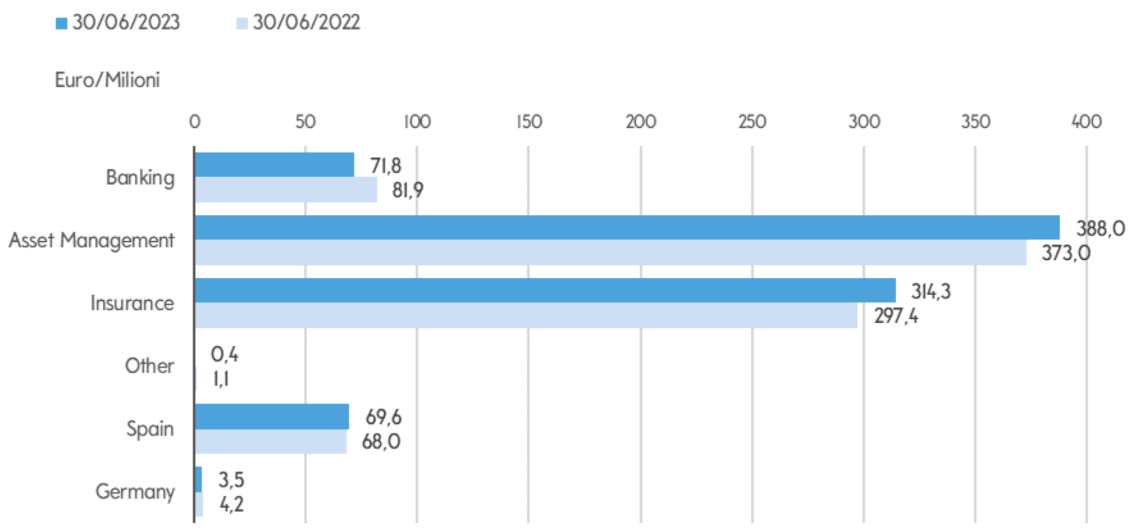
The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

Market effects: breakdown by type



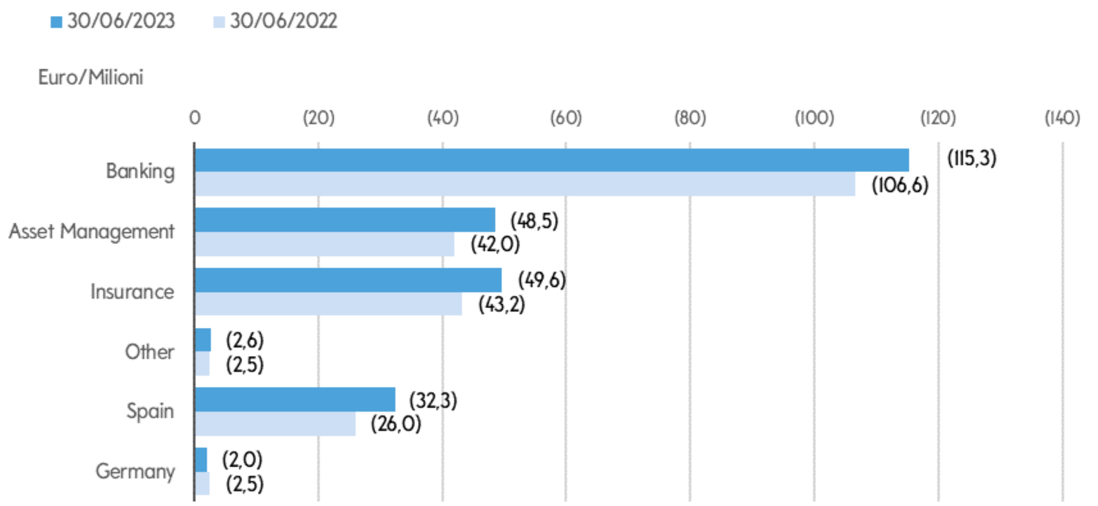
The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

Commission income: breakdown by operating segment



The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

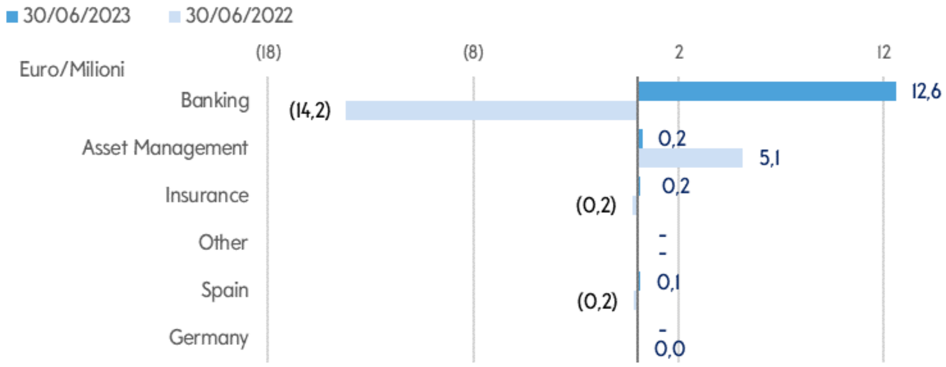
Allocated costs[1]: breakdown by operating segment



The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

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

Market effects: breakdown by operating segment

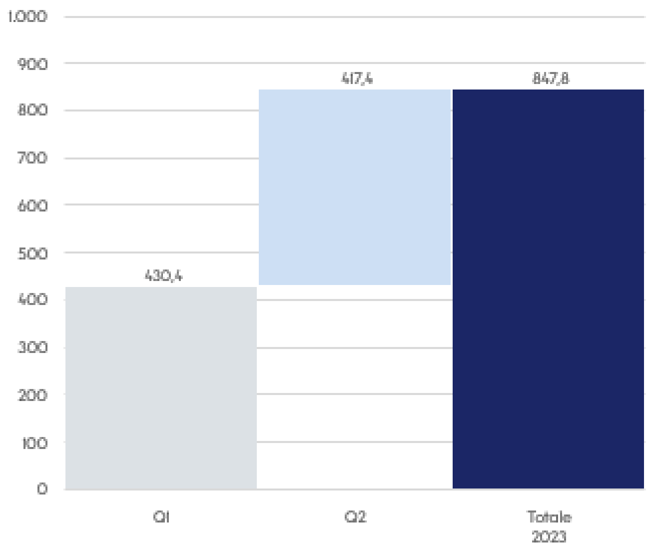


The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

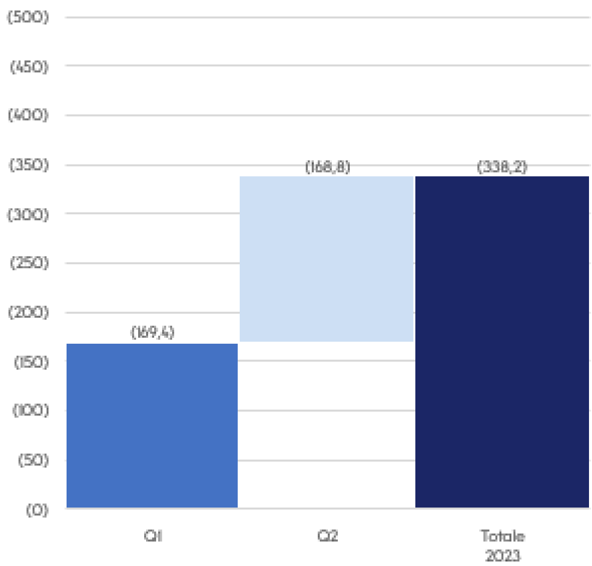
Quarterly changes in main consolidated operating data

(figures in Euro/millions)

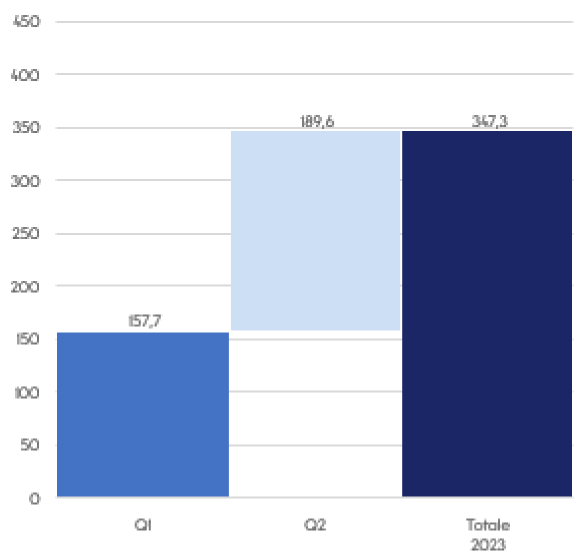
Commission income



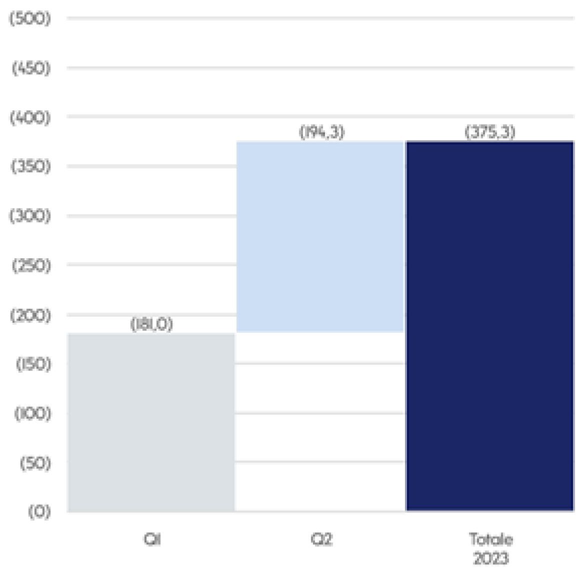
Commission expense



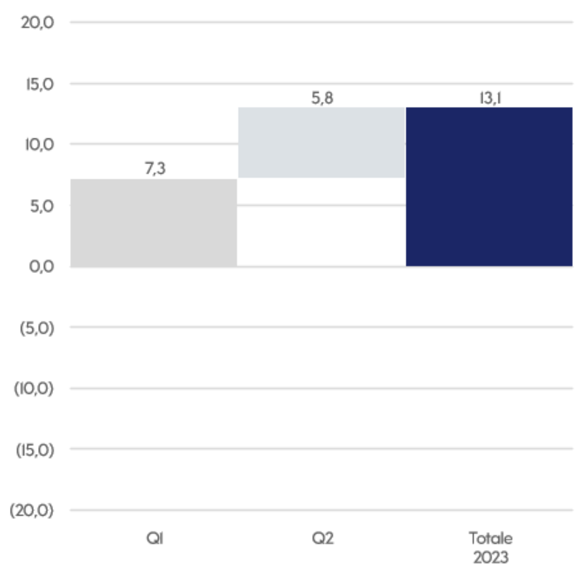
Net interest income



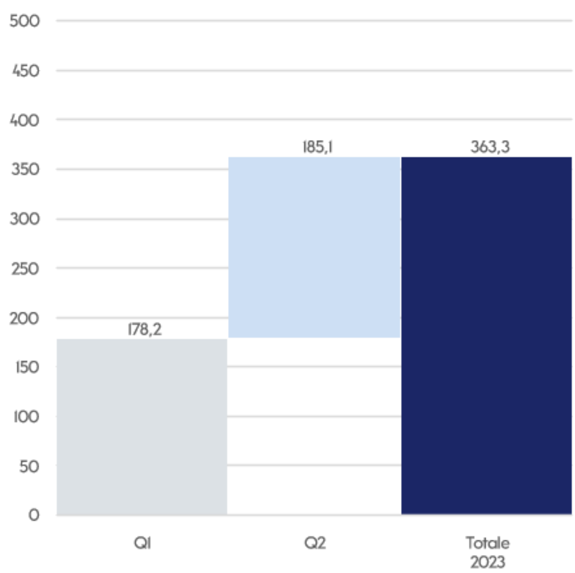
Total costs



Market effects

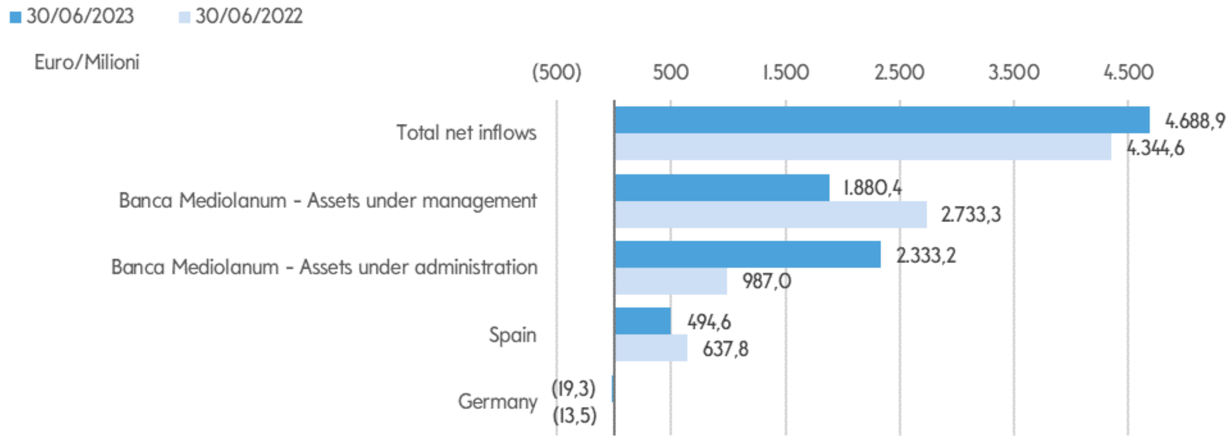


Net result

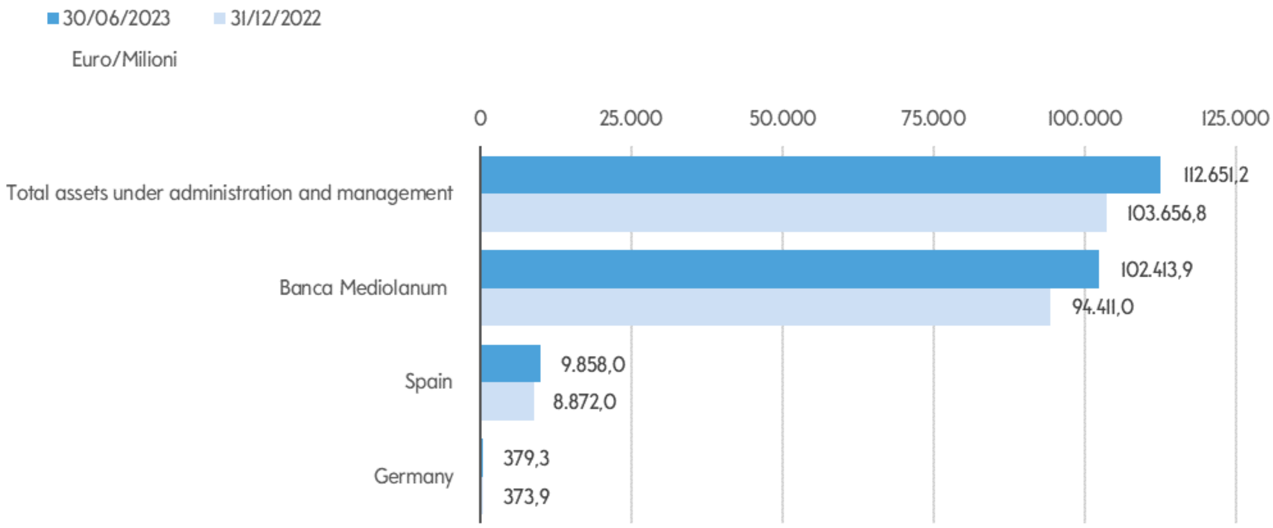


DATA ON INFLOWS AND ASSETS

Net inflows

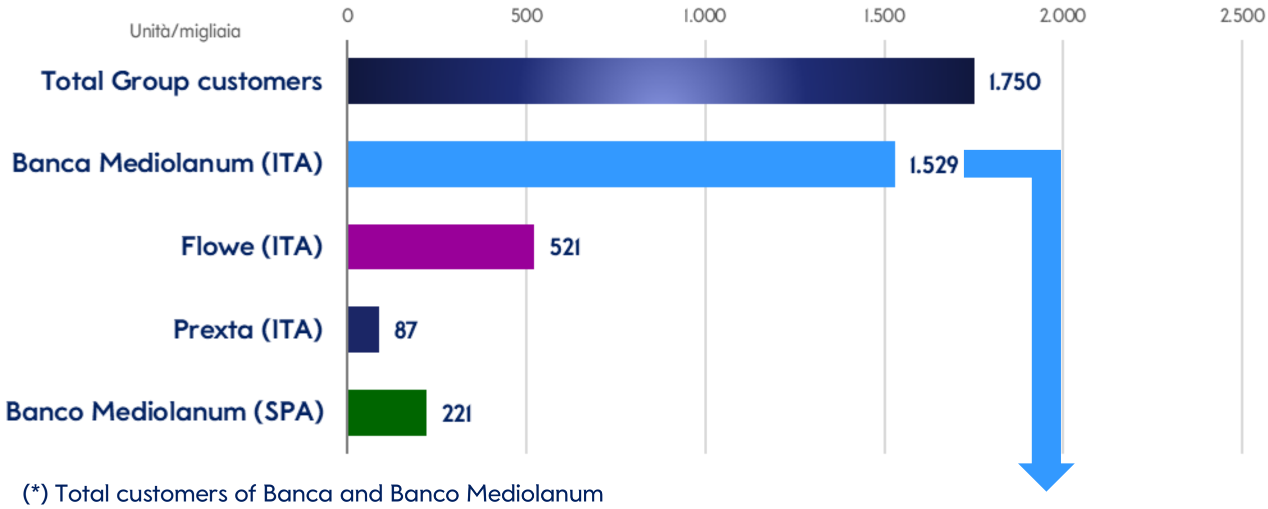


Assets under administration



CUSTOMERS

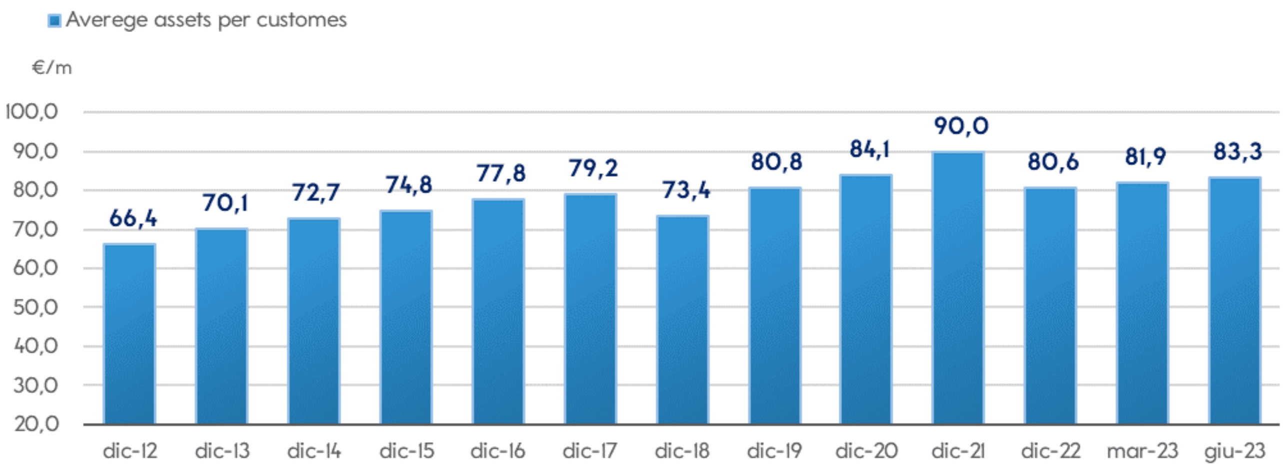
Trends in the customer base



(*) Total customers of Banca and Banco Mediolanum

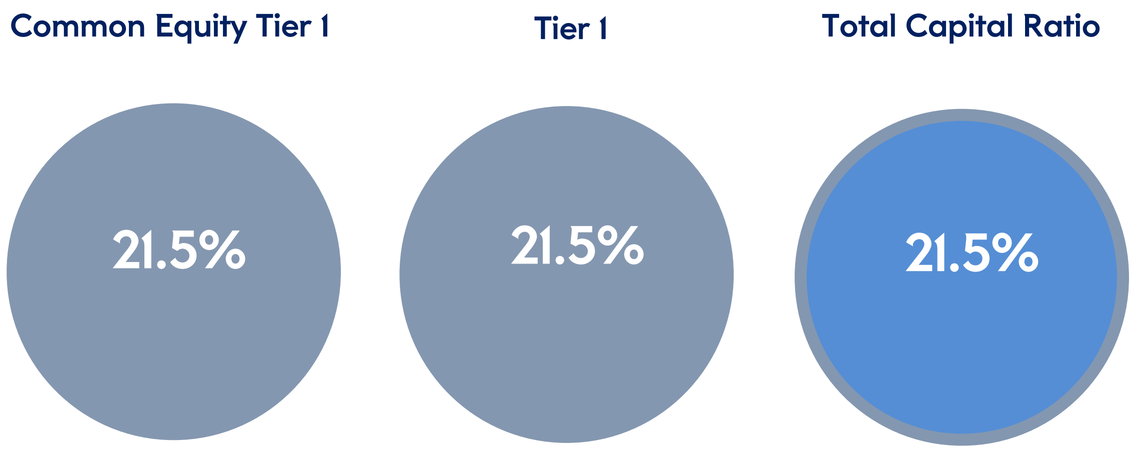
1,217 customers provided with bank access
of which 66% First Bank
of which 34% Only Bank

Average assets per customer

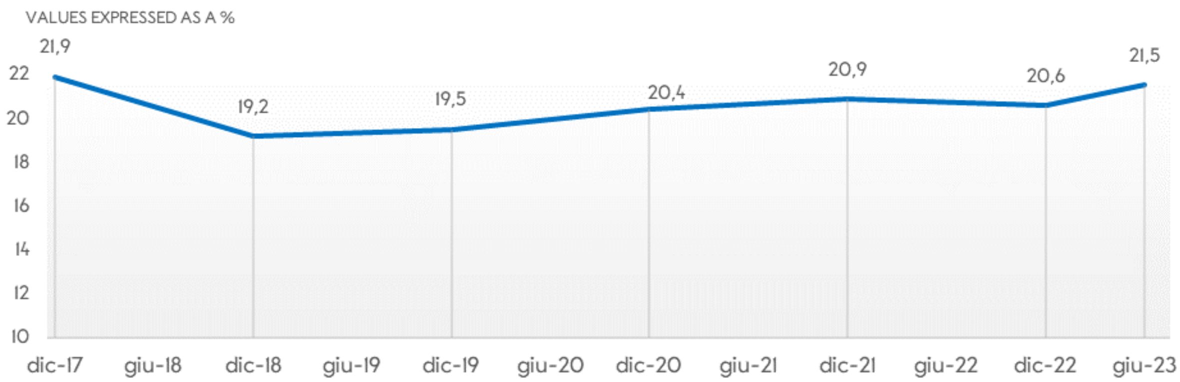


REGULATORY CAPITAL RATIOS[2]

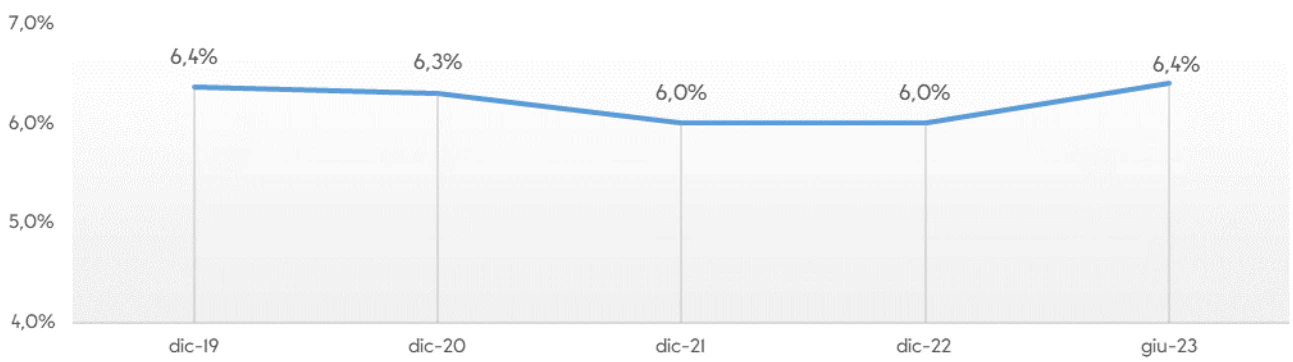
Consolidated capital ratios at 30 June 2023



Evolution of the Common Equity Tier 1 Ratio



Leverage ratio



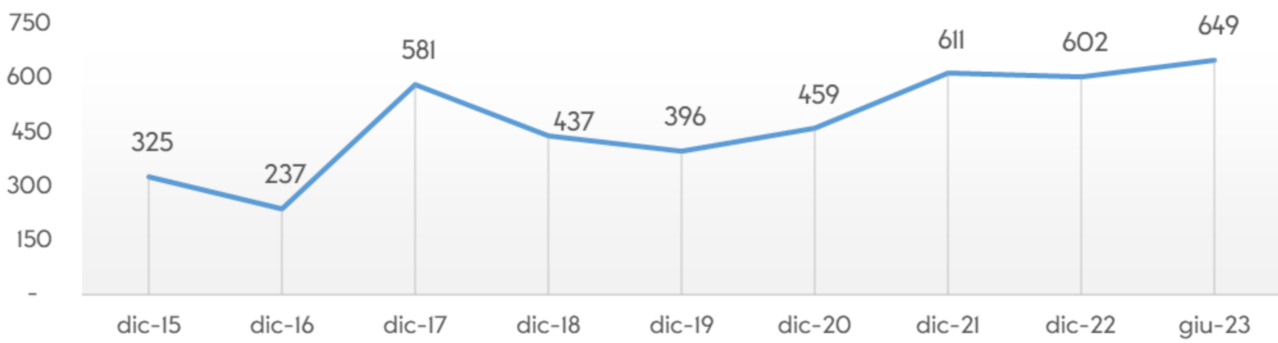
[2] The values set out in this report may be updated during the Supervisory Authority reporting phase.

Capital adequacy of the Financial Conglomerate[3]

€/m	30/06/2023	31/12/2022
Financial conglomerate primarily engaged in banking		
Capital	3,308	2,940
Banking capital requirements	1,480	1,383
Insurance capital requirements	1,179	955
Capital surplus (deficit)	**649**	**602**

Changes in the capital surplus of the Financial Conglomerate

Financial conglomerate primarily engaged in banking
€/m



OTHER INDICATORS

[3] The values set out in this report may be updated during the supervisory authority reporting phase. Capital adequacy at 30 June 2023 was calculated according to the capitalisation limits notified by the Bank of Italy based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2023) of the Mediolanum Insurance Group sent to the supervisory authority.

Information on the stock

	30/06/2023	31/12/2022*
Number of ordinary shares (units)	743,708,141	742,920,891
Price at end of period (€)	8.28	7.80
Market capitalisation (€/m)	6,158	5,795
Shareholders' equity (€/m)	3,184	2,948

Earnings per share (EPS)

Euro	30/06/2023	30/06/2022*
Basic EPS	0.491	0.327
Diluted EPS	0.488	0.324

* The comparative figures have been restated for the adoption of IFRS 17.

Credit indicators

	30/06/2023	31/12/2022
Gross NPLs	1.35%	1.28%
Net NPLs	0.73%	0.68%
Cost of risk	0.19%	0.13%

Cost indicators

	30/06/2023	30/06/2022*
Cost/Income ratio	41.3%	46.9%
Acquisition costs/gross commission income ratio	33.7%	33.8%

The figures at 30 June 2022 have been restated for the adoption of IFRS 17.

Operational structure

Units	30/06/2023	31/12/2022	30/06/2022
Number of employees	3,567	3,490	3,448
Number of financial advisors	6,169	6,054	5,947
ITALY - BANCA MEDIOLANUM	4,519	4,434	4,361
SPAIN	1,650	1,620	1,586

Group profile

mediolanum

1982

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

1996

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

1997

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

2000

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

2001

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

2004

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

2006

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

2009

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

2013

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

2014

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

2015

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

2016

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

2017

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

2018

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

2019

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

2020

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

2021

EuroCQS S.p.A., active in salary-backed loans, changes its name to PreXta S.p.A., partly to take account of the extension of the range of products offered to customers (personal loans).
On 13 October 2021, an official communication from the European Central Bank (ECB) is received, confirming the decision to classify Banca Mediolanum S.p.A. as a significant supervised entity at the maximum level of consolidation.

2022

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

Vision, Mission, …

Vision

We believe
in a better world,
built every day for people
and for the planet.
We believe in human connection and a
deep, freedom-oriented relationship.
We believe that our
conscious and positive view of the world and of life
makes a real difference.

Mission

Building relationships
of in-depth knowledge with people
that last over time,
based on loyalty, commitment and
transparency.
Providing personalised, unique advice with
effective, life-long solutions.
Acting in an innovative and sustainable way
for the well-being of people,
families and
the community.

… our values

There is no greater value than FREEDOM

This is the value with which Mediolanum has changed the very idea of banking.
The freedom of a genuine relationship with people.

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

People at the centre

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

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

Becoming a personal reference over time means growing together.

ACCOUNTABILITY

We are people for people

We are fully aware
of our social role.
We know how to act ethically
and transparently, even when our decisions go
against the tide.

We are committed to solidarity and to education
and development projects, implementing

We believe in constant Improvement

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

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

SUSTAINABLE INNOVATION is our
commitment.

POSITIVITY is making possible
what seems impossible

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

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

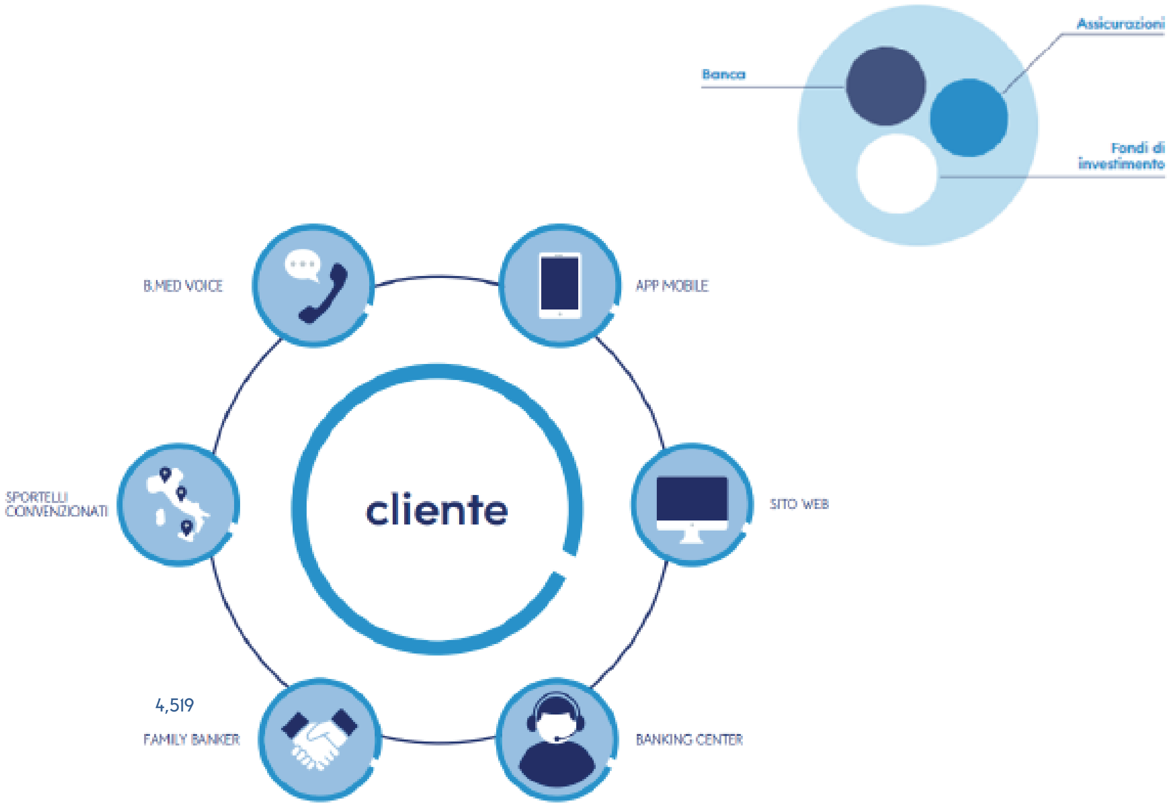
It is being able to seize opportunities
where no one else sees them.

The Mediolanum Group's commercial business model

Banca Mediolanum's commercial business model is designed to meet the external and internal requirements of each customer. Thanks to its numerous communication channels, customers can choose how to "use" "their" bank, deciding on the timing and arrangements of their preferred relationship on an ad hoc basis. Banca Mediolanum offers simple, easy-to-access products and services that meet the needs of individuals and households, who are its main targets.
Through the Family Bankers®, listed in the Single Register of Financial Advisors, Banca Mediolanum helps its customers to manage their savings and provides investment advice in combination with the products and services it offers. Banca Mediolanum does not simply sell products: it offers solutions. This principle enables us to operate in the various business areas of financial services with the expertise and flexibility necessary to respond better to constant economic, taxation, financial and regulatory changes. The investment strategy is the result of careful study of the world markets and the high level of expertise that Mediolanum has developed in asset management, limiting investment concentration risk.

THE BANK BUILT AROUND THE CUSTOMER

Integrated Business Model – Banca Mediolanum



Interim Report on Operations of the Mediolanum Group

The Mediolanum Group closed the first half of 2023 with net income of €363.3 million, compared with €241.1 million recorded in the comparative period (this amount was recalculated after the adoption of IFRS 17).
The positive trend observed in the first quarter of 2023 continued, enabling the Group to close the first half of the year with a solid performance of around €4.7 billion in total inflows and more than €2.1 billion of inflows from asset management products. This resulted in increased market share and the acquisition of 101,000 new eligible customers in the first six months, 10% more than last year.

THE MACROECONOMIC SCENARIO

In the second quarter of 2023, the financial markets, despite repeated attempts by the central banks to contradict such expectations, began pricing in the possibility of an impending monetary policy change, assuming a reversal of the series of interest rate hikes undertaken to address inflationary pressures. These expectations were supported by the first positive signs in price trends: after the levels reached in 2022, the first decreases observed in the data suggest a gradual easing of inflation worldwide, although values are still far from the targets set by the central banks (around 2% per annum). Developments in global inflation rates continue to be linked to various factors, such as energy and food prices, the status of supply chains, and, last but not least, the monetary policy decisions of the world's main central banks. As regards energy prices, natural gas prices continued to fall ($10.11/mmbtu for European gas and $2.15/mmbtu for US gas in May 2023), along with oil prices, which fell further in May 2023 compared with March, after a substantial rise in April. This reflects several factors of uncertainty seen on financial markets since the beginning of the year: the possibility of an economic recession on the back of increasingly restrictive monetary policies, the fall in consumption by China, the world's biggest oil importer, and a less marked decline in Russia's exports than expected, despite the sanctions imposed by the European Union. In recent meetings, central bankers have firmly reiterated their intention to maintain a restrictive monetary policy, even if the rise in policy rates continues to slow (or halts), confirming the dichotomy between actual monetary policy action and market expectations. At its meeting of 14 June, the US Federal Reserve (Fed) decided to keep interest rates stable for the first time since the onset of the monetary tightening cycle following the pandemic, thus confirming rates of 5% to 5.25%. Subsequently, on 15 June, the European Central Bank (ECB), as expected, opted for a 25 bps increase in interest rates on main refinancing operations, marginal refinancing operations and deposits, to 4%, 4.25% and 3.5% respectively, given the still significant presence of key elements that keep the inflation rate too high relative to the 2% target.
More decisively, the Bank of England (BoE) decided on 22 June to raise the policy rate by 50 bps to 5.0% in response to overall inflation, which is proving very persistent, and to rising underlying inflation.
With regard to the state of the US economy, the US recorded growth of 0.5% in the first quarter of 2023 compared with the previous quarter, after growth of 0.6% in the last quarter of 2022. More specifically, the first quarter of 2023 was characterised by growth in consumer spending on both goods and services and by a decline in private investment. In April 2023, consumer spending grew modestly in terms of volume compared with the previous month (0.2%), before recording flat growth in May. When analysing trends in US consumption during the last few months, it is also important to take into account that, in February and March 2023, there was zero growth in total consumption, with a slowdown mainly in durable goods consumption. Growth in services was slow (0.1% in February, 0.4% in March). These figures came along with a growing labour market (with 339,000 more jobs in May than in the previous month) but with a slightly higher unemployment rate (3.7%). Moreover, economic growth in the industrial and manufacturing sectors seemed weak, decreasing by 0.2% and 0.1% respectively in May 2023 compared with the previous month (0.2% and -

0.3% year on year). The industrial production figure was even higher than the predictions of analysts, who had forecast modest growth of 0.1% month-on-month. At the moment, however, the most creditable view remains that of a soft landing, rather than a real recession.
With regard to the other major global economies, the UK did not record particularly significant growth, with the quarterly GDP estimate rising by 0.1% in the first quarter of 2023. The discouraging figures reflect weak consumption in the first quarter (with growth of close to zero compared with the previous quarter), and the inflation rate, which remained high: the headline rate was 8.7% in May (similar to April, and 0.3 percentage points higher than expected), while core inflation continued to grow (7.1% in May 2023 compared with 6.8% in April 2023).
With economic and social activity returning to normal in China, annual growth for most manufacturing and demand indicators improved, albeit at a slightly slower rate. The performance of services and consumption of goods recovered rapidly, while employment and prices remained generally flat (0.2% in May 2023, after 0.1% in April). In May, for example, the service production index increased 11.7% from a year earlier, down 1.8 percentage points compared with the growth recorded in the previous month. On the other hand, the manufacturing PMI remained below the expansion level (50) at 48.8, indicating some weakness in the sector, which could have global repercussions. The overall outlook for China's economy appeared robust but it continued to show signs of weakness, despite its ongoing recovery from the pandemic crisis. Given the weight and global strategic importance of the country's economy, a slow economic recovery means a slower recovery in the global economy as a whole.
In Europe, interest rate increases in the euro area continued, but at a slower pace. The scope of the latest rate increase is in line with that of the last meeting in May 2023, but smaller than that of the March meeting. Despite the Federal Reserve's temporary halt on rate hikes, future increases in the euro area have not been ruled out. As already announced in previous meetings, the ECB is also accompanying the increase in policy rates with a reduction of balance sheet assets, having provided for a decrease in assets in the APP (Asset Purchase Programme) portfolio at a rate of €15 billion per month on average until the end of June 2023. The Governing Council then plans to stop reinvesting under the APP from July 2023. Regarding the Pandemic Emergency Purchase Programme (PEPP), the Governing Council intends to reinvest principal payments from maturing securities purchased under the programme until at least the end of 2024, providing for a degree of flexibility in reinvesting maturing repayments in the PEPP portfolio, in order to counter risks to the monetary policy transmission mechanism related to the pandemic. As well as reducing the central bank's balance sheet, the quantitative tightening (QT) process has further effects to consider, such as rising long-term interest rates. Alongside these instruments, which are designed to maintain price stability, the ECB has implemented additional instruments designed to achieve financial stability within the euro area. This is the aim of the Transmission Protection Instrument (TPI) programme, intended to prevent the fragmentation of financial markets and to ensure the smooth transmission of the monetary policy stance. This instrument allows the purchase of public sector securities, but only in jurisdictions that meet a list of eligibility criteria. Just the possibility of activating the TPI has helped to halt the disorderly and unjustified widening of spreads between the various euro area government bonds.
While rising interest rates have reduced economic activity, restrictive monetary policy is actually helping to reduce the increase in prices: it has been estimated that the ECB's greater interest rate tightening in 2022 resulted in a reduction of around 50 bps in the euro area inflation rate. The maximum effect is expected to be seen in 2024, and overall, in the three years between 2023 and 2025, a reduction in inflation of around 2 percentage points is expected. With regard to the euro area inflation rate, it is interesting to see how core inflation (the core component) has been higher in recent months than headline inflation (which includes all goods in the basket used to monitor price movements). A similar phenomenon occurred during the pandemic crisis, when energy prices decreased substantially due to the slowdown in global economic activity: a core

inflation rate higher than the headline inflation rate indicates a rate of change in the underlying component that is higher than that of energy and/or fresh food. The most recent figures show a decrease in the long-term core component (compared with the same month a year earlier) after the peak recorded in March 2023 (7.6%), to 6.9% in May 2023. The core component continued to be driven by the trend in services prices (the inflation rate for services was 5.1% in May 2023), while the food component (excluding fresh food) slowed, but was particularly persistent in overall terms.
In Italy, headline inflation decreased in June 2023, from 7.6% in May (compared with the same month a year earlier) to 6.4% (year on year). The decline has repositioned inflation in a downwards direction, thanks to a sharp drop in the cost of energy and goods in general. The decrease in overall inflation in June was accompanied by a fall in core inflation, from 6.0% in May to 5.6% in June. In the first quarter of 2023, GDP grew by 0.6% compared with the previous quarter and by 1.9% compared with the first quarter of 2022. Growth thus resumed, after being interrupted by the negative figure in the last quarter of 2022. The figure for the first quarter was much higher than expected (the consensus among economic operators was +0.2%, almost one GDP point less than the actual figure on a year-on-year basis) and significantly higher than in the previous quarter (-0.1% month on month in the fourth quarter of 2022). Growth was mainly driven by a strong recovery in household consumption. This is linked to growth in fixed investment in the period, and a decrease in exports and imports, representing rapidly slowing global trade. Despite the recent acceleration, household consumption remains below pre-pandemic levels.
Finally, the latest projections of the IMF (International Monetary Fund) include world economic growth of 2.8% for 2023, followed by a slight acceleration in 2024 (3.0%). Growth is therefore still below the 2000-2019 average (3.8%), albeit in line with pre-crisis figures (2.8% in 2019), despite slight downwards revisions compared with the January 2023 projections (-0.1% for 2023 and -0.1% for 2024). Analysing growth forecasts in more detail, it is important to highlight the US slowdown: after the growth of 2.1% recorded in 2022, 2023 and 2024 will be characterised by declining growth rates, well below the average of the years preceding the pandemic. However, the picture for the euro area is different: after the growth of 5.4% recorded in 2021 (due to the post-pandemic recovery) and of 3.5% in 2022, according to the IMF, 2023 will see modest growth (0.8%), mainly due to the strong geopolitical tensions still present, the weight of high inflation and interest rates at record levels.
The expectation that these tensions will ease and that other economic factors will normalise (for example, regarding energy supplies from trading partners other than Russia) are fuelling predictions of accelerated growth in 2024 (1.4%).

THE FINANCIAL MARKETS

		Change (bps)	Yield	
Bond markets		**Q2**	**30/06/2023**	**31/12/2022**
GOVERNMENT YIELDS				
United States				
	2 years	87.01	4.90%	4.43%
	5 years	58.23	4.16%	4.00%
	10 years	36.91	3.84%	3.87%
	30 years	21.06	3.86%	3.96%
Germany				
	2 years	51.30	3.20%	2.76%
	5 years	24.00	2.55%	2.58%
	10 years	10.00	2.39%	2.57%
	30 years	2.60	2.39%	2.55%
Italy				
	2 years	72.30	3.90%	3.31%

5 years	14.70	3.75%	4.03%
10 years	(2.50)	4.07%	4.72%
30 years	12.20	4.44%	4.79%

	Change (bps)	Yield	
Bond markets	**Q2**	**30/06/2023**	**31/12/2022**
SPREADS			
Italy - Germany			
2 years	20.92	0.70%	0.55%
10 years	(12.54)	1.68%	2.14%
Spain - Germany			
2 years	6.60	0.30%	0.16%
10 years	(2.02)	0.99%	1.09%

During the first half of the year, the main government bonds generally recorded a rise in yields at the short end of the curve, while yields fell on other areas of the curve.
In the US, the yield on 2-year Treasuries increased from 4.43% at the start of the year to 4.90% at the end of the half-year, reflecting the rate hike cycle undertaken by the Fed to combat persistent inflationary pressure. The rise in yields mainly affected the short end of the curve, which is more sensitive to monetary policy.
The yield on German government bonds reflected the trend in US government bonds, with the yield on the 2-year bond rising from 2.76% to 3.20%. The trend in Italian government bonds was very similar, with the 2-year bond yield rising at the end of the period to 3.90%, while yields fell on the other areas of the curve. The BTP-Bund spread, measured on 10-year bonds, fell to 168 bps, from 214 bps at the beginning of the year.

	Change (bps)	Yield	
Bond markets	**Q2**	**30/06/2023**	**31/12/2022**
HY and EM			
High yield bonds			
BBG Barclays US Corporate High Yield Yield To Worst	(2.0)	8.50%	8.96%
Emerging bonds			
J.P. Morgan EMBI Global Sovereign Yields	0.30	7.67%	7.77%

	Change (%)	Level	
Equity markets	**Q2**	**30/06/2023**	**31/12/2022**
World indices			
MSCI All Country World	5.58%	682.84	605.38
MSCI World	6.28%	2,966.72	2,602.69
US indices			
Dow Jones I.A.	3.41%	34,407.60	33,147.25
S&P 500	8.30%	4,450.38	3,839.50
Nasdaq Comp.	12.81%	13,787.92	10,466.48
European indices			
STOXX Europe 600	0.89%	461.93	424.89
EURO STOXX	0.92%	461.35	409.97
FTSE MIB	4.12%	28,230.83	23,706.96
DAX	3.32%	16,147.90	13,923.59
CAC 40	1.06%	7,400.06	6,473.76
AEX	2.35%	773.94	689.01
IBEX 35	3.90%	9,593.00	8,229.10
SMI	1.57%	11,280.29	10,729.40
FTSE 100	(1.31%)	7,531.53	7,451.74
Asian indices			

NIKKEI 225	18.36%	33,189.04	26,094.50
S&P/ASX 200	0.36%	7,203.30	7,038.69
Hang Seng	(7.27%)	18,916.43	19,781.41
Emerging market indices			
MSCI Emerging Markets	(0.08%)	989.48	956.38

The global equity indices performed well during the first half of the year, albeit with marked differences between global stock market performances.

This trend reflects an easing of fears of a steep recession; falling energy and commodity prices and a reversal of inflation dynamics supported the markets, causing central banks to slow their series of interest rate rises, and, in the case of the Federal Reserve, to halt them entirely in June. Some sources of volatility during the period, such as the crisis in regional US banks, the ongoing political tensions in Ukraine and some signs of a global economic slowdown, resulted in periods of risk-off in the global markets.

In the US markets, the S&P500 index performed in line with the global markets. Mention should be made of the strong outperformance by the NASDAQ, driven by a phase of covering by investors, and continued due to the very positive results recorded by companies operating in the artificial intelligence (AI) industry. The European markets also put in an aggregate performance in line with the global indices, with the more defensive indices (Switzerland and the UK) recording much less sustained results, consistent with the sector dynamics in the Europe area. The rally in the Japanese index is noteworthy: the Japanese economy, historically deflationary, experienced rising consumer prices, partly due to monetary policy manoeuvres and the ROE offered to investors by Japanese companies.

	Change (%)	Level	
Currency	**Q2**	**30/06/2023**	**31/12/2022**
EUR USD	0.65%	1.09	1.07
EUR GBP	(2.25%)	0.86	0.89
EUR JPY	9.27%	157.44	140.41

In the year to date, the single European currency recovered strongly against the US dollar (+1.9%), reflecting the possibility that the European Central Bank may not have put a complete end to interest rate hikes, in contrast with the Federal Reserve, whose response to growing inflationary pressures has been faster and more incisive.

The UK pound was again the best-performing G10 currency this year, boosted by expectations of a further rate hike, with the curve currently pricing in 140bps of monetary tightening, which would take the final rate to the highest levels recorded since 1998. Interestingly, the movement in the currency was less pronounced than that of the interest rate market, indicating investor fears that high rates will adversely affect the quality of UK assets.

Finally, the Japanese yen was negatively affected by broad interest rate spreads compared with the other G10 economies, as the BoJ, despite rising inflation, opted not to take action on rates, leaving them unchanged at -0.10%.

	Change (%)	Level	
Commodities	**Q2**	**30/06/2023**	**31/12/2022**
Oil (Brent)	(5.03%)	75.68	84.97
GOLD	(2.54%)	1,919.35	1,824.02

With regard to commodities, the price of oil (Brent) slowed particularly sharply in the first half of the year, reaching -11% at the end of June. This reflected several factors of uncertainty seen on financial markets since

the beginning of the year: the possibility of an economic recession on the back of increasingly restrictive monetary policies, the fall in consumption by China, the world's biggest oil importer, and a less marked decline in Russia's exports than expected, despite the sanctions imposed by the European Union.
In this uncertain environment, gold, an asset historically regarded as a "safe haven", benefited, rising by 5.2% in the year to date, despite a 2.5 percentage point contraction in the last quarter on the back of a possible turnaround in the restrictive monetary policies of the major central banks.

	Change (%)	Level	
Sectors (MSCI World AC)	**Q2**	**30/06/2023**	**31/12/2022**
Info Tech	13.41%	534.96	392.50
Healthcare	1.91%	341.35	342.38
Industrial	5.67%	318.60	283.70
Material	(1.55%)	320.59	311.77
Cons. Discr.	7.77%	340.44	277.37
Financials	4.07%	134.65	132.16
Cons. Staples	(0.36%)	274.00	267.14
Utilities	(1.10%)	147.98	151.56
Real Estate	(1.03%)	896.04	907.14
Tel. Services	6.66%	87.79	70.43
Energy	(0.30%)	230.73	241.02
VIX Index	(27.33%)	13.59	21.67

The first half of the year was characterised, at the aggregate index level, by a concentration of positive performance in a limited number of sectors. The technology, luxury goods and telecom services sectors performed much better than the rest of the market in relative terms. This was due to substantial covering of the largest-capitalisation companies on the US market: an initial rise at the start of the year, due to poor positioning on the technology segment, was followed by another positive phase resulting from turbulence in the US financial sector and the consequent flight to quality to the above segments. In May, the outlook deriving from the publication of earnings data for the first quarter of 2023 by some US companies operating in the AI industry ultimately resulted in a decisive further price boost.
Over the same period, the energy, utilities and particularly the financials segment were weak. Financials were affected at the aggregate level by the sharp correction of the US banks following the failure of several regional banks. This trend also affected the main financial institutions – the "Global Systemically Important Banks" (G-SIBs) – despite their high capital strength standards. This dynamic will lead to a further tightening of banking supervision rules in the second half of the year.

THE INSURANCE MARKET

LIFE PREMIUMS[4]

In May, the new individual life policies written in Italy by Italian companies and agencies of non-EU companies, including additional single premiums, amounted to €7.1 billion, up by 8.5% compared with the same month in 2022, when the volume of new business contracted by 12.3% year on year. In the year to date, new life premiums written reached €32.5 billion, 4.2% less than in the first five months of 2022, when a year-on-year decrease of 13.1% was recorded. In May, 45% of companies, representing 52% of the market in terms of premiums, recorded higher premium income than in the same month in 2022, and half of companies (with a

[4] Source: ANIA Trend – New life business – figures as at 31 May 2023.

52% share of total premiums) recorded a better performance than the average of all Italian and non-EU companies (+8.5%). If the new life premiums of the sample of EU company agencies, which amounted to €731 million – down 17.7% compared with the corresponding month in 2022 – are included, total new life business in May was €7.8 billion (+5.4%) and reached €35.8 billion in the year to date, 7.7% less than in the first five months of 2022.
With regard to premiums by class, the volume of new Class I premiums for individual policies for Italian and non-EU companies amounted to €5.4 billion in May (76% of total new life business, compared with 63% in May 2020), up 31.5% compared with the same month in 2022, when a year-on-year contraction of 5.5% was recorded. Of this figure, one quarter came from new premiums invested in separate management of multi-class products (policies combining Class I and Class III components), down 45.4% compared with the same month in 2022.
In the year to date, total Class I premiums amounted to €24.9 billion, 18.1% more than in the same period in 2022 (-11.3% in the first five months of 2022).
New premiums for Class V policies were also positive (+44.5% compared with May 2022), at €54 million, reaching €252 million in the year to date, 37.2% higher than in the same period in 2022.
The remaining share of new life business, equal to 23% of the total, related to Class III (exclusively unit-linked) for €1.6 billion, a substantial increase on the previous month, but nevertheless down slightly (-31.7%) compared with the same month of 2022; 60% of new Class III premiums collected were invested in the unit-linked component of multi-class contracts, which also decreased (by 27.1%). In the year to date, premium income from new Class III business reached €7.2 billion, 42.4% less than in the first five months of 2022, when a decrease of 15.7% was recorded compared with the same period of 2022.
For long-term health policies (Class IV), volumes of new premiums increased by 11.8% in May compared with the same month in 2022, to €6.4 million, which, added to the premiums collected in the previous four months, amounted to €28.8 million, 29.1% more than in the same period of 2022.
New contributions relating to the management of open-ended pension funds were down by 16.2% compared with the same month in 2022. The total was €9.4 million, with a year-to-date volume of €51.3 million, 4.0% lower year on year.
In the year to date, the number of new policies/enrolments totalled €1.3 million, up by 5.4% compared with the same period in 2022.

In May, new premiums/contributions relating to individual pension schemes decreased slightly (-3.9%) compared with the same month in 2022, recording a year-to-date premium income volume of €537 million, a year-on-year increase of just 0.9%.
Just 10% of this total concerned new contributions relating to the management of open-ended pension funds (Class VI), with individual pension plans (PIPs) accounting for the remainder. Of these PIPs, just over half (53%) were subscribed through multi-class products (+13.8% compared with the corresponding period in 2022).
New premiums for pure risk policies increased strongly, more than doubling (+159.8%) compared the same month of 2022, reaching €513 million year to date, 53.5% more than in the first five months of 2022. Of this total, 41% consisted of policies not linked to mortgages or consumer credit, a category which rose by 37.7%.
New premiums relating to multi-class products, excluding pension products and PIRs (individual savings plans), amounted to €2.3 billion, down again compared with the same month in 2022 (-38.9%). Of this amount, 58% related to Class I (65% in May 2022), equal to one-third of total new business for the month (58% in May 2022). In the year to date, these products reached €11.1 billion, down 46.0% compared with the same period of 2022. The portion of Class I premiums collected since January through multi-class products made up 27% of total new Class I premiums, while the same type of Class III premiums made up almost 60% of the total new business of that class.

The volume of new premiums relating to PIR contracts, mostly brokered through bank and post office branches of a small number of companies, was €13 million in May, compared with €38 million in new premiums collected in the same month of 2022; including the premiums collected in the first four months of the year, the total volume of premiums was €64 million (0.2% of total new business), down by almost 80% compared with the corresponding period in 2022.

NON-LIFE PREMIUMS[5]

At the end of the first quarter of 2023, the total premiums (Italian companies and representative offices) of the Italian direct portfolio in the non-life sector amounted to €11.2 billion, up 11.0% compared with the end of the first quarter of 2022, when the sector recorded growth of 5.1%. This was the ninth consecutive positive quarterly change that resulted in premium income surpassing €11 billion for the first time at the end of the first three months of the year. The increase in total Non-Life premiums recorded at the end of March 2023 is due, in particular, to the development of the Non-Motor segment, which increased by around 14%; premiums in the Motor segment rose (+6.8%), mainly due to the increase in premiums for the Land Vehicles class (+15.8%), and, to a lesser extent, for Motor TPL, which recorded a 4.1% increase.
The gross premiums of the Italian direct portfolio recorded in the non-life segment shown in the following table are provided quarterly by insurance companies operating in Italy and by the Italian agencies of companies having their registered offices in European and non-European countries. This included almost all Italian national companies and around 40 agencies of European companies representing more than 90% of total earned premiums in terms of market share. For all companies (Italian, agencies of EU and non-EU companies), the premiums recognised at the end of the first quarter of 2023 amounted to €11,168 million, up 11.0% compared with the end of the first quarter of 2022, when premiums written amounted to €10,046 million, increasing by 5.1% year on year. In particular, Italian and non-European companies grew by 8.9%, while EU agencies grew significantly, by 23%.
The year-on-year increase recorded in total Non-Life premiums in 2023 is the result of:
• an increase of 6.8% in the Motor sector following the slight 0.7% increase recorded at the end of 2022;
• robust growth in other Non-Life classes, with premiums rising by 13.8%, significantly higher than in December 2022 (+9.7%).

[5] Source: ANIA Trends - Quarterly Non-Life Premiums – Q1 2023 data.

THE BANKING MARKET[6]

BANK FUNDING

According to initial estimates by SI-ABI, in April 2023, customer funding of all banks operating in Italy – represented by deposits of resident customers (current account deposits, term deposits net of deposits related to loan assignments, notice deposits and repurchase agreements; deposits are net of transactions with central counterparties) and bonds (net of those repurchased by banks) – amounted to €2,013.7 billion, down 2.3% compared with the same period of the previous year.

In particular, resident customer deposits (current account deposits, term deposits net of deposits related to receivables assignments, notice deposits and repurchase agreements net of transactions with central counterparties) recorded a downward trend of 3.7% in the same month, with a decrease in absolute terms of around €68.1 billion year on year, taking the amount of deposits to €1,795.7 billion.

Bonds increased by 10.1% year on year (+9.6% on the previous month). Bonds amounted to €218 billion. Foreign deposits increased in March 2023, year on year: in particular, Italian bank deposits amounted to approximately €334.9 billion, 7.3% more than a year earlier. Foreign deposits accounted for 12.5% of total funding (11.6% a year earlier). Net funding inflows from abroad between March 2022 and March 2023 were positive at around €22.7 billion. In March 2023, net foreign deposits (foreign deposits minus foreign loans) amounted to approximately €79.2 billion (+36.0% year on year). **They represented 4.5% of total domestic lending (3.3% a year earlier), while foreign loans – on the same date – amounted to approximately €255.6 billion.** The ratio of foreign loans to foreign deposits was 76.3% (81.3% a year earlier).

According to the initial estimates by SI-ABI, the average rate on bank funding from customers (including the return on deposits, bonds and repurchase agreements in euro applied to households and non-financial corporations) was 0.82% in April 2023 (0.79% in the previous month). In particular, the rate on deposits in euro applied to households and non-financial corporations was 0.64% (0.60% in the previous month), the rate for bonds was 2.38% (2.42% in the previous month) and the rate for repurchase agreements was 2.62% (2.25% in the previous month).

On the secondary market for government securities, the Rendistato index stood at 3.87% in April 2023, flat compared with the previous month and 214 bps higher than in the previous year (1.73%). In March 2023, the gross yield on the secondary market for CCTs (treasury credit certificates) was 7 Debt to non-residents: deposits of MFIs (monetary financial institutions), central governments, other general governments and others resident in other euro area countries and the rest of the world. The average yield on BTPs was 3.81% (3.77% in the previous month; 1.50% a year earlier). **Finally, the year-on-year gross average yield on BOTs (Italian treasury bills) increased from -0.60% to 3.07% in the period from March 2022 to March 2023.**

BANK LENDING

According to initial SI-ABI estimates, total loans to Italian residents (private sector plus general governments, net of repurchase agreements with central counterparties) stood at €1,708 billion in April 2023, with an annual change of -0.6% (-0.4% in the previous month), calculated including loans not recognised in bank balance

[6] Source: ABI Monthly Outlook – June 2023 – Summary.

sheets because they are securitised and net of changes in amounts not linked to transactions (for example, changes due to exchange rate fluctuations, value adjustments or reclassifications).
In the same month, loans to Italian residents in the private sector amounted to €1,457 billion, flat compared with one year earlier. Loans to households and non-financial corporations amounted to €1,317 billion, with a year-on-year change – calculated with the inclusion of loans not reported in bank balance sheets as they are securitised, and net of changes in amounts not related to transactions (e.g. changes due to exchange rate fluctuations, value adjustments or reclassifications) – of zero, and down compared with the trend in the previous month (+0.4%).
Loans to businesses decreased by 1% year-on-year in March 2023; loans to households increased by 1.9%. According to official Bank of Italy data, in March 2023 the rate of change in loans to non-financial companies was -1.0% (-0.5% in the previous month, negative peak of -5.9% in November 2013).
Total loans to households grew by +1.9% (+2.5% in the previous month; -1.5% in November 2013). The trend in loans to households decreased compared with the previous month for the home purchase component (+3.2% compared with +3.7%), while consumer credit increased (+3.3% compared with +3.1% in the previous month). In the fourth quarter of 2022, the proportion of home purchases financed with mortgage loans decreased to 65.3% (from 68.0% in the previous quarter).
The ratio of the amount of the loan to the value of the property decreased to 77.3%, from 79.0% in the previous quarter. The breakdown of bank lending by branch of economic activity shows that in March 2023, manufacturing, mineral extraction and services represented 58.5% of the total (manufacturing activity alone accounted for 27.9%). Loans for trading, accommodation and catering activities represented around 22.5% of the total, with the construction sector accounting for 8.9% and agriculture 5.6%. The remaining assets represented approximately 4.5%.

According to SI-ABI reports, in April 2023 the rate on euro loans to households for home purchases – which summarises the trend in fixed and variable rates and is also influenced by the change in the breakdown of loans paid out based on loan type – was 4.03% (4.00% in the previous month; 5.72% at the end of 2007). Of the total new mortgages paid out, 73.4% were fixed-rate (70.7% in the previous month). The average rate on new euro loans to non-financial corporations increased to 4.43% from 4.30% in the previous month (5.48% at the end of 2007). The weighted average rate on total loans to households and non-financial corporations was 3.99% (3.80% in the previous month).

INTEREST RATE SPREADS

The spread between the average rate on loans and the average rate on funding for households and non-financial corporations was 317 bps in April 2023 (201 bps in the previous month). Before the start of the financial crisis it was 335 percentage points.
The spread on bank loans to businesses in the main European countries (calculated as the difference between bank interest rates for new loans and a weighted average rate of new deposits of households and non-financial corporations) was, in March 2023, 165 bps in Italy, narrower than the 213 bps in Spain and 189 bps in Germany but wider than the 89 bps in France. For households, the spread was 136 bps in Italy, lower than the 141 bps in Germany and 156 bps in Spain and higher than the -37 bps in France. The spread between the average rate on interest-bearing assets denominated in euro relating to households and non-financial corporations and the average rate in euro on customer deposits (held by households and non-financial corporations) was 2.90 percentage points in April 2023 (2.76 percentage points in the previous month). This spread is the result of the average interest rate on interest-bearing assets of 3.72% and the average cost of customer deposits of 0.82%.

NON-PERFORMING BANK LOANS

Non-performing loans, net of write-downs and provisions already made by banks with their own resources, amounted to €15.2 billion in March 2023, down €0.3 billion compared with the previous month (-2.0%) and by around €2.7 billion (-15.1%) compared with the previous year. The decrease was around €73.6 billion (-82.9%) compared with the highest level of net non-performing loans reached in November 2015 (€88.8 billion).
The ratio of non-performing loans to total loans stood at 0.88% (compared with 1.02% in March 2022, 1.15% in March 2021 and 4.89% in December 2015).

SECURITIES PORTFOLIO

Based on SI-ABI initial estimates, in April 2023 the total securities in the portfolio of banks operating in Italy amounted to €602.4 billion, up from the previous month (€591.4 billion). According to official Bank of Italy figures, updated in March 2023, the value of government bonds on bank balance sheets was €388.9 billion, corresponding to approximately 65.8% of the total portfolio.

HARMONISED INTEREST RATES IN ITALY AND THE EURO AREA

The latest available data on interest rates applied in the euro area indicate that the rate on new bank loans of up to €1 million granted to non-financial corporations was 4.56% in March 2023 (4.29% in the previous month; 1.72% in March 2022), compared with the 4.68% recorded in Italy (4.39% in the previous month; 1.78% a year earlier).
The rates applied to new loans to non-financial corporations of amounts in excess of €1 million in the same month were 4.09% on average in the euro area (3.65% in the previous month; 1.30% a year earlier), compared with 4.01% in Italy (3.04% in the previous month; 0.87% a year earlier).
Finally, in the same month, the rate on current accounts and revolving loans to households was 6.75% in the euro area (6.59% in the previous month and 4.81% a year earlier) and 5.03% in Italy (4.86% in the previous month; 2.97% a year earlier).

NEW PRODUCTS AND MAIN INITIATIVES DURING THE HALF-YEAR

Banking services

During the first half of 2023, Banca Mediolanum remained close to its customers, through promotions (related to current account interest rates and the Double Chance product) and the management of sustainability and inclusion events (natural disasters).
Banca Mediolanum's interest rate offering targeted both new customers and existing customers through specific initiatives:

- **New customer term deposits:** 4% per annum gross for six-month deposits of new funds. Must be customer's first bank (from 17 January to 30 April);
- **Existing customer constraints:** 4% per annum gross for six-month deposits of new funds. Must be customer's first bank or BEP customer (from 17 January to 30 April);
- **Double Chance:** 4% per annum gross for the 3/6/12-month equities segment and down to 3% for 18/24-month bonds to 30 April and then from 19 May to 30 September 2023.

As well as an increasingly competitive interest rate offer, Banca Mediolanum will continue to offer Black and Elite customers the promotional lending rate of 0.2% gross per annum on free current account balances throughout the period (offer valid until 30 September 2023).
Banca Mediolanum also continued its commitment to customers living in areas affected by natural disasters in Liguria, Tuscany and Emilia-Romagna in August and in Marche in September, through a series of benefits on the Conto Mediolanum Account.

E-money area

In May 2023, Banca Mediolanum launched the marketing of a new advanced and sustainable debit card product. The new Mediolanum Card, launched in collaboration with Nexi Payments on the Mastercard circuit, allows worldwide withdrawals and payments, including through mobile payments services and for online purchases of goods and/or services.
It also offers a wide range of advanced services that allow customers to personalise their card limits, temporarily block their card use and view all their card information directly from the Bank's digital channels.
The new Mediolanum Card can also be used immediately, before the physical card is received, thanks to the instantaneous issue service. Lastly, it is also sustainable, because it is made of 100% recycled PVC.
At the level of commercial initiatives, meanwhile, in this first half of the year Banca Mediolanum also enhanced the Conto Mediolanum and SelfyConto offering with prize competitions and co-marketing activities for both new account holders and existing customers. In particular, these included promotional offers for new credit card holders, implemented through the collaboration with Nexi and American Express, aimed at encouraging the penetration and use of digital payments throughout the customer base.

Online trading and securities trading

To facilitate customer acquisition and self-directed trading on the financial markets, in February 2023 a price promotion was launched on the online trading services offered by the Bank.
The promotion, which targeted new customers, existing customers under 30 and customers carrying out more than ten trading transactions a month, gives access to more favourable pricing than the standard terms.
In addition, for the same categories of customers (new customers, under 30 and customers carrying out more than ten transactions a month) half-yearly custody fees are waived for 2023.

Credit services

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

Mortgages area

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

- A promotion was launched that provides for the extension of the term of the loan by five years at the customer's request.
- In order to continue the path undertaken in December 2022 (spread reduction of 0.25% for 12 months, involving approximately 1,300 loans), with effect from May 2023, a unilateral manoeuvre, more favourable for customers, was carried out (involving approximately 5,000 loans taken out in the period 2009-2012), providing for a change in the first "Euribor" band (reduced from 3.50% to 2.50%) and consequently bringing forward the application of the contractually established discount of 0.20%;
- A package of measures to support families affected by the floods in Emilia-Romagna, Tuscany and Marche in May/June 2023, through, for example, the suspension of loan and mortgage payments for 12 months and a 1% spread reduction for two years;
- The renewal of the Smart+ 50K campaign for a pre-selected target of customers with assets of between €50,000 and €100,000, offering them better pricing than the standard terms.
- The application of Article 1, paragraph 322, of Law No. 197 of 29 December 2022, which enables customers with certain characteristics to renegotiate their rate from variable to fixed;
- With a view to sustainable loan payments, the product has been remodelled at a constant rate for "STAFF" customers, extending the maximum term from 20 to 25 years.

Loans area

- During the first half of 2023, in order to sustain the overall loans and credit facilities paid out and to support customers during this difficult period:
- As a sign of greater proximity to its customers (including "STAFF" customers), in this period of record increases in market interest rates, Banca Mediolanum decided to reduce the spread by 0.40% on outstanding secured loans with certain characteristics (this reduction applied to approximately 70,000 loans) for the entire term of the loan. The new spread was applied from the instalment due on 30 June.
- In May 2023, the new SelfyPay Time service was launched, with the aim of providing customers with increasingly advanced and digital services, which allows them to convert debits on their current accounts with the Bank into instalments, by granting one or more loans on the same account. The new service thus has a dual purpose: it expands the Bank's product offering and meets the growing demand from customers for payment by instalments. The purpose of the financing is specifically to make funds available in a current account on which one or more already booked expenses have been recorded. The request for payment by instalments is made directly via the Banca Mediolanum app and the outcome and the paying out of the loan take place in "instant" mode.

  To improve its market positioning, and in view of the ongoing increases in rates by the ECB, in the first half of 2023 Banca Mediolanum implemented a series of repricing measures for customers in its loans and credit facilities offering (for new loans).

Protection Area

Despite the still uncertain socio-economic scenario, growth is forecast for the insurance sector in the current and in subsequent years, particularly in home insurance, including civil liability, and health insurance, due in part to the emotional reaction to the situation.
Banca Mediolanum is aware of the important role that it plays, particularly in the current environment, in terms of supporting and serving its customers through activities and initiatives designed to respond more and more effectively to real protection needs on the market.
In the first quarter, Banca Mediolanum focused on studying and developing its Protection insurance offering, customer communication and digitalisation.
In terms of communication, the various initiatives include: eliminating the fee for holding a SelfyConto account if a Protection product is taken out, the holding of Protection products as part of the requirements for customer promotional profiles, and the "Virtual Hospital ForYou" reward scheme to emphasise the importance of prevention.
The focus on prevention was also expressed through the launch of both the "Personal Premium January 2023 - Protect your loved ones" scheme, which rewards new customers taking out a Mediolanum Personal Life Serenity term life policy with insured capital of at least €200,000, with a health check that can be requested within the Blue Assistance national network, and the "Health Corner" commercial initiative, which offers an innovative caring tool.
With regard to digitalisation, Protection and the other lines of business benefited from the launch of the new Banca Mediolanum website, which has been enhanced in terms of content use and accessibility, in accordance with regulations that require information systems to be available to all users, including with assisted technologies or specific web configurations, and in terms of sustainability, with the creation of lighter content that is easier to use with a poorer app and mobile connection and the introduction of an energy-saving screen.
In May, the first result of the research and development activities for the offering that took place in the first quarter was the launch of the new edition of the Mediolanum Capitale Casa e Famiglia product. Based on the experience of our customers and the sales network, with the aim of providing increasingly satisfactory solutions to customers' needs, the scope of cover has been expanded and service and customer journey elements have been improved. With regard to coverage of escapes of water, electrical phenomena and weather events, the option of eliminating sublimits of liability has been introduced with a new offer without limits of cover for damage to the building and for damage to contents. In addition, practical aid was introduced for customers in difficulty, such as the payment, before settlement of the claim, of an advance of 50% of the minimum amount payable, and a significant increase of up to €6,000 per year in the coverage of expenses for stays in a hotel or other accommodation following damage that makes the property unfit for use.
The sales network's customer journey was improved on the product placement platform through the addition of information on the property to support the risk assessment process, and thus adequate customer coverage.
The proximity of the product to policyholding customers, especially in times of difficulty, also became clear during the catastrophic events in Emilia-Romagna: the Bank updated its operations in the region by facilitating claims reporting and settlement procedures through digital loss adjustment and simplification of the claims management processes.

In order to support both its sales network in identifying the most appropriate risk coverage solutions and its customers in adequately protecting themselves, Banca Mediolanum also worked extensively in the second quarter of the year on supplementing and increasing the efficiency of fundamental processes in the life cycle of insurance products.

Banca Mediolanum's offering has always been based on analysing customers' needs in order to propose the banking, financial, social security and insurance solutions most suitable to meet the needs that have emerged; the advisability of analysing needs in a particularly specific and careful way in the area of Protection resulted in the introduction of a tool to support the sales network in collecting information on customers' perceived coverage needs.
In order to streamline and accelerate the underwriting process with digital signature, a document upload option was made available, so that any supplementary medical documentation can be sent to the Company in electronic format through the distribution platform.
In order to support customers during the delicate claims stage, i.e. when they are experiencing a particularly difficult time and have an opportunity to verify in practice whether the insurance product taken out is useful, the claims tracking service has been expanded to show both the customer and the sales network the basic status of cases through all the channels used by the customer when reporting a claim.
Another delicate moment in the life of an insurance product may be the non-payment of a premium: the notification of the Family Banker and the Family Protection Specialist means that they can immediately take action to help the customer to pay the outstanding premium, avoiding cancellation of the policy.
Finally, in order to support both customers taking out Protection products and these Family Bankers and Family Protection Specialists, the activities of the "Protection Centre", a single point of contact to provide technical and operational assistance for policies taken out, was recently launched.
In the second quarter of the year, the commercial initiatives that had begun in the previous period continued: the elimination of the fee for holding a SelfyConto account if a Protection product is taken out and the holding of Protection products as part of the requirements for customer promotional profiles.
In particular, the "Health Corner" still exists in Italy, providing preventative and protective support for the health of our customers at the main Family Banker Offices on an annual basis. This support includes a set of measurements to explore the customer's lifestyle, with a "receipt" issued at the end that summarises the parameters of the measurements performed and a QR Code to access a detailed report on them. The Health Corner activity is supported by a prize draw that was launched in the second quarter of the year.
The existing reward schemes continued, including the "Virtual Hospital", which gives the best customers with a stand-alone personal protection policy free access to the Bank's channels and to a package of services provided by the partner, Blue Assistance, such as video/teleconsults, a 24/7 general practitioner, access to a network of contracted health and well-being facilities, home services at negotiated rates and home delivery of medicines. Further evidence of Banca Mediolanum's interest in promoting the importance of prevention and protection in the area of health among its customers was the extension of some benefits of the service: for the best customers who do not have a personal protection product and for those with Smart+ and Smart promotional profiles, it is in any case possible to benefit, through the same platform, from video consultations with specialist doctors for themselves and their family members, at a reduced rate of €37 per individual consultation; in addition, in April and May 2023, the option of accessing a "24-hour GP" service free of charge for the period of validity of the promotion, and a special discount on purchases of lenses and frames from a third-party partner, was extended to all other customers.

Lastly, to support the advisory activities of the sales network, the usual training meetings continued, both remotely and, where possible, in person, for a technical and commercial offering to customers that is increasingly supported by awareness of the importance of Protection as a foundation for household financial planning.

OPERATING PERFORMANCE

NET INFLOWS AND ASSETS UNDER ADMINISTRATION

Net inflows

€/m	30/06/2023	30/06/2022	Change	Change (%)
ITALY				
Fund and unit-linked products	**1,396.6**	**2,254.1**	**(857.5)**	**(38.0%)**
of which directly in funds	732.4	816.7	(84.3)	(10.3%)
of which "My Life" unit-linked	444.4	927.3	(482.9)	(52.1%)
of which other unit-linked	219.7	510.1	(290.3)	(56.9%)
Other insurance products - Life	**(11.0)**	**(6.4)**	**(4.6)**	**71.4%**
Total managed	**1,385.6**	**2,247.7**	**(862.1)**	**(38.4%)**
Third-party structured notes	494.7	485.6	9.0	1.9%
Total managed + Structured notes	**1,880.3**	**2,733.3**	**(853.0)**	**(31.2%)**
Total administered	**2,333.2**	**987.0**	**1,346.2**	**n.s.**
BANCA MEDIOLANUM	**4,213.5**	**3,720.3**	**493.2**	**13.3%**
SPAIN	494.6	637.8	(143.2)	(22.4%)
GERMANY	(19.3)	(13.5)	(5.8)	43.0%
TOTAL FOREIGN MARKET	**475.3**	**624.3**	**(149.0)**	**(23.9%)**
TOTAL NET INFLOWS	**4,688.8**	**4,344.6**	**344.2**	**7.9%**

Total net inflows amounted to €4,688.8 million at 30 June 2023, an increase compared with the result of €4,344.6 million at 30 June 2022.

In particular, net inflows from the Italian domestic market were €4,213.5 million, compared with €3,720.3 million at 30 June 2022. In further detail, net inflows into mutual funds, through both direct investments and unit-linked policy investments, were €1,396.6 million (30/06/2022: €2,254.1 million).

The assets under administration segment recorded the greatest growth, with a positive balance of €2,333.2 million, compared with a positive balance of €987.0 million in the first six months of 2022.

Meanwhile, the foreign market recorded positive net inflows of €475.3 million, down from €624.3 million for the same period of 2022.

Assets under administration

€/m	30/06/2023	31/12/2022	30/06/2022	Change vs Dec-2022	Change (%) vs Dec-2022
ITALY					
Funds and management and unit-linked policies	67,443.9	63,072.9	62,080.4	4,371.0	6.9%
Other insurance products	1,986.0	1,861.4	1,819.5	124.7	6.7%
Bank funding	32,984.0	29,476.7	27,837.2	3,507.3	11.9%
BANCA MEDIOLANUM	**102,413.9**	**94,411.0**	**91,737.1**	**8,003.0**	**8.5%**
SPAIN	**9,858.0**	**8,872.0**	**8,623.9**	**986.0**	**11.1%**
GERMANY	**379.3**	**373.9**	**393.7**	**5.4**	**1.5%**
TOTAL FOREIGN	**10,237.3**	**9,245.8**	**9,017.6**	**991.4**	**10.7%**
TOTAL ASSETS UNDER ADMINISTRATION AND MANAGEMENT	**112,651.2**	**103,656.9**	**100,754.7**	**8,994.3**	**8.7%**

At 30 June 2023, the total assets under management of the Mediolanum Group reached €112,651.2 million, up compared with the end of 2022 (31/12/2022: €103,656.9 million), compared with the balance at 30 June 2022 (30/06/2022: €100,754.7 million).

INFLOWS AND ASSETS BY OPERATING SEGMENT

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

ITALY - BANKING

The breakdown of assets under administration at 30 June 2023, amounting to €32,984 million, summarised using management criteria, is as follows:

Assets managed

€/m	30/06/2023	31/12/2022	30/06/2022	Change vs Dec-2022	Change (%) vs Dec-2022
Current account deposits	24,442.8	23,337.8	23,011.1	1,105.0	4.7%
Third party structured bonds	2,685.1	2,125.2	1,559.5	559.9	26.3%
Securities custody and administration	5,846.4	3,993.4	3,256.6	1,852.9	46.4%
Repurchase agreements	9.8	20.3	10.1	(10.5)	(51.8%)
Total assets under administration	**32,984.0**	**29,476.7**	**27,837.2**	**3,507.2**	**11.9%**

The number of current accounts was 1,313,058, including 89,787 deposit accounts, up by +58,650 compared with the figure for the end of 2022 (31.12.2022: 1,254,408 individuals).

ITALY – ASSET MANAGEMENT

Net inflows

€/m	30/06/2023	30/06/2022	Change	Change (%)
"Best Brands" funds of funds	352.9	563.8	(210.9)	(37.4%)
"Challenge" funds	315.8	221.9	93.9	42.3%
Other Italian mutual funds	(155.4)	(349.6)	194.2	(55.5%)
Third-party funds and other management	219.2	380.6	(161.4)	(42.4%)
Total direct inflows in mutual funds	**732.4**	**816.7**	**(84.3)**	**(10.3%)**
Funds included in "My Life" unit-linked	444.4	927.3	(482.9)	(52.1%)
Funds included in other unit-linked	219.8	510.1	(290.3)	(56.9%)
Total indirect inflows in mutual funds	**664.3**	**1,437.40**	**(773.1)**	**(53.8%)**
Total mutual funds and management	**1,396.70**	**2,254.10**	**(857.4)**	**(38.0%)**

Total net inflows into mutual funds and management were €1,396.7 million, down by 38% compared with the same period of the previous year (30/06/2022: €2,254.1 million).
In particular, the change was mainly due to the lower indirect net inflows to mutual funds compared with the comparative period (-€773.1 million), broken down into funds included in "My Life" (-€482.9 million) and mutual funds included in other unit-linked funds (-€290.3 million).

Assets managed

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

€/m	30/06/2023	31/12/2022	30/06/2022	Chge (%) vs Dec-2022	Change (%) vs Dec-2022
"Best Brands" funds of funds	25,796.5	24,229.6	23,639.9	1,567	6.5%
"Challenge" funds	19,778.9	18,028.9	17,587.2	1,750	9.7%
Funds of hedge funds	36.1	36.6	37.6	-	(1.3%)
Other Italian mutual funds	6,980.3	6,773.3	6,669.4	207	3.1%
Real estate funds	204.6	205.2	243.0	(1)	(0.3%)
Third-party funds and other management	7,102.5	6,529.6	6,262.5	573	8.8%
Adjustments for Group funds included in funds of funds and management	(498.7)	(490.1)	(387.0)	(9)	1.8%
Funds included in "My Life" unit-linked	*13,313.2*	*12,295.3*	*11,843.4*	*1,018*	*8.3%*
Funds included in other unit-linked	*18,696.8*	*17,533.2*	*17,538.4*	*1,164*	*6.6%*
Sub-total unit-linked funds	**32,010.1**	**29,828.5**	**29,381.8**	2,182	7.3%
Adjustments for own funds included in unit-linked	(23,966.3)	(22,068.7)	(21,354.0)	(1,898)	8.6%
Sub-total mutual funds and management (formerly unit-linked)	**35,433.8**	**33,244.4**	**32,698.6**	2,189	6.6%
Total assets mutual funds and management	**67,443.9**	**63,072.9**	**62,080.4**	**4,371**	**6.9%**

At 30 June 2023, total assets under management amounted to €67,444 million, an increase both compared with the end of 2022 (31/12/2022: €63,072.9 million) and with the same period of 2022 (30/06/2022: €62,080.4 million).

ITALY – LIFE

INSURANCE

Assets managed

€/m	30/06/2023	31/12/2022	30/06/2022	Change vs Dec-2022	Change (%) vs Dec-2022
Unit-linked products	32,010.1	29,828.5	29,381.8	2,628.2	7.3%
Traditional products	1,986.0	1,861.4	1,819.5	166.6	6.7%
Total life assets	**33,996.2**	**31,689.9**	**31,201.3**	**2,794.9**	**7.3%**

The volume of assets under management increased from €31,689.9 million at the end of 2022 to €33,996.2 million at the end of the period under review, an increase of 7.3%. It should be noted that the volumes relating to unit-linked products have already been commented on in the Asset Management section.

Insurance business

The table below shows the breakdown of insurance business at 30 June 2023:

€/m	30/06/2023	30/06/2022	Change	Chge (%)
Multi-year and recurring premiums	43.4	48.0	(4.62)	(9.6%)
Single premium and group policies	1,190.3	1,822.0	(631.7)	(34.7%)
Total new business	**1,233.7**	**1,870.0**	**(636.3)**	**(34.0%)**
Subsequent premiums – pension plans	284.5	270.2	14.3	5.3%
Subsequent premiums – other products	202.3	207.0	(4.72)	(2.3%)
Total portfolio	**486.8**	**477.2**	**9.6**	**2.0%**
Total gross premiums	**1,720.5**	**2,347.2**	**(626.7)**	**(26.7%)**

Total gross premiums amounted to €1,720.5 million at 30 June 2023, a decrease of €626.7 million compared with the comparative period, mainly due to the decrease in new business (-€636.3 million).
It should be noted that the gross premiums shown in the table include premium income relating to products classified as "financial" products.

Insurance settlements

The table below details the settlements recorded at the end of the first half of 2023:

€/m	30/06/2023	30/06/2022	Change	Chge (%)
Claims	137.5	127.9	9.6	7.5%
Coupons	33.7	26.4	7.3	27.8%
Expired	316.2	267.9	48.3	18.0%
Surrenders	579.7	494.0	85.7	17.3%
Total settlements	**1,067.1**	**916.2**	**150.9**	**16.5%**

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

NON-LIFE

Inflows from direct premiums written breaks down as follows:

€/m	30/06/2023	30/06/2022	Chge (%)
Class - 01 Accident	13.5	13.6	(0.7%)
Class - 02 Sickness	34.9	34.7	0.6%
Class-07 Transported Goods	-	-	n.s.
Class - 08 Fire	6.6	6.7	(1.5%)
Class - 09 Other Damage to Property	2.9	2.3	26.1%
Class - 13 General TPL	2.7	2.4	12.5%
Class - 16 Miscellaneous Financial Loss	1.4	1.5	(6.7%)
Class - 17 Legal Protection	0.3	0.2	50.0%
Class - 18 Assistance	1.2	1.0	20.0%
Total direct premiums written	**63.5**	**62.4**	**1.8%**

At 30 June 2023, the volume of premiums written was €63.5 million (30/06/2022: €62.4 million), an increase of 1.8%.

SPAIN

€/m	30/06/2023	31/12/2022	30/06/2022	Change vs Dec-2022	Change (%) vs Dec-2022
Assets under administration:	**9,858.0**	**8,872.0**	**8,623.9**	**986.0**	**11.1%**
Assets under management	*6,780.1*	*6,092.0*	*5,931.6*	*688.1*	*11.3%*
Assets under administration	*3,077.9*	*2,779.9*	*2,692.4*	*297.9*	*10.7%*

	30/06/2023	30/06/2022	Change	Change (%)
Gross inflows assets under management	**935.4**	**1,404.9**	**(469.5)**	**(33.4%)**
Net inflows:	**494.6**	**637.8**	**(143.2)**	**(22.4%)**
Assets under management	*295.5*	*402.1*	*(106.6)*	*(26.5%)*
Assets under administration	*199.1*	*235.7*	*(36.6)*	*(15.5%)*

Assets under management amounted to €9,858.0 million, compared with €8,872.0 million at the end of 2022, an increase of 11.1%.
Net inflows at the end of the reporting period came to €494.6 million, down by €143.2 million compared with the comparative period (30/06/2022: €637.8 million).

GERMANY

€/m	30/06/2023	31/12/2022	30/06/2022	Change vs Dec-2022	Change (%) vs Dec-2022
Assets under administration:	**379.3**	**373.9**	**393.7**	**5.4**	**1.5%**
Assets under management	*379.3*	*373.9*	*393.7*	*5.4*	*1.5%*

	30/06/2023	30/06/2022	Change	Change (%)
Gross inflows assets under management:	**13.7**	**26.8**	**(13.1)**	**(48.8%)**
Net inflows:	**(19.3)**	**(13.5)**	**(5.8)**	**43.0%**
Assets under management	*(19.3)*	*(13.5)*	*(5.8)*	*43.0%*

Total assets under administration amounted to €379.3 million, an increase of €5.4 million compared with the end of 2022 (31/12/2022: €379.3 million).
Net outflows were -€19.3 million, compared with -€13.5 million in the comparative period.

THE SALES NETWORKS

Units	30/06/2023	31/12/2022	30/06/2022
ITALY - BANCA MEDIOLANUM	4,519	4,434	4,361
SPAIN	1,650	1,620	1,586
Total	**6,169**	**6,054**	**5,947**

Overall, the sales network comprises 6,169 individuals (30/06/2022: 5,947 individuals). Banca Mediolanum's financial advisors number 4,519, an increase of 4,361 in the first half of 2022.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT AT 30 June 2023

It should be noted that the balances for the comparative period have been restated for adoption of the new IFRS 17 – Insurance Contracts, in effect from 1 January 2023. This standard, applicable to the Group's insurance contracts, replaced the previous IFRS 4.
For more details on the adoption and impact of the application of the new standard, see the relevant section of the notes to the financial statements.

€/000	30/06/2023	30/06/2022	Change	
			value	(%)
	a	b	c=a-b	c/b
Entry fees	18,461	24,135	(5,674)	(23.5%)
Management fees	539,973	514,429	25,544	5.0%
Investment management fees	105,822	97,651	8,171	8.4%
Net insurance revenues (ex U-L commissions)	88,068	83,494	4,573	5.5%
Banking service fees	74,787	84,241	(9,454)	(11.2%)
Other fees	20,641	21,667	(1,026)	(4.7%)
Gross commission income	**847,751**	**825,617**	**22,134**	**2.7%**
Acquisition costs	(285,742)	(279,101)	(6,641)	2.4%
Other commission expenses	(52,435)	(47,793)	(4,642)	9.7%
Total commission expense	**(338,177)**	**(326,894)**	**(11,283)**	**3.5%**
Net commission income	**509,574**	**498,723**	**10,851**	**2.2%**
Net interest income	**347,340**	**167,491**	**179,849**	**n.s.**
Net income on other investments	**412**	**(1,527)**	**1,939**	**n.s.**
LLP (impairment on loans)	**(17,788)**	**(7,855)**	**(9,933)**	**n.s.**
Other revenues and expenses	**(243)**	**265**	**(508)**	**n.s.**
CONTRIBUTION MARGIN	**839,295**	**657,097**	**182,198**	**27.7%**
G&A expenses	(336,102)	(297,769)	(38,333)	12.9%
Regular contributions to banking industry	(10,266)	(10,268)	2	(0.0%)
Depreciation & amortisation	(20,319)	(20,297)	(22)	0.1%
Provisions for risk and charges	(8,635)	(14,027)	5,392	(38.4%)
TOTAL COSTS	**(375,322)**	**(342,361)**	**(32,961)**	**9.6%**
OPERATING MARGIN	**463,973**	**314,736**	**149,237**	**47.4%**
Performance fees	445	6,635	(6,190)	(93.3%)
Net income on investments at fair value	12,629	(16,109)	28,738	n.s.
MARKET EFFECTS	**13,074**	**(9,474)**	**22,548**	**n.s.**
Extraordinary contributions and guarantee funds	-	(411)	411	n.s.
EXTRAORDINARY ITEMS	**-**	**(411)**	**411**	**n.s.**
PROFIT BEFORE TAX	**477,047**	**304,851**	**172,196**	**56.5%**
Income tax	**(113,722)**	**(63,720)**	**(50,002)**	**78.5%**
NET INCOME	**363,325**	**241,131**	**122,194**	**50.7%**

This income statement was prepared using a schedule that reflects the Group's management system, which provides for the reclassification of the components of profit before tax by type. It should also be noted that for a correct reading of the tables relating to economic performance, an increase in cost items will have an absolute negative change and a positive percentage change; conversely, a decrease in cost items will have an absolute positive change and a negative percentage change.

Summary of operating performance in the first half of 2023

€/m	30/06/2023	30/06/2022	Change	Change (%)
Net income	**363.3**	**241.1**	**122.2**	**50.7%**
of which:				
Commission income	847.8	825.6	22.1	2.7%

Commission income for the period was €847.8 million, compared with €825.6 million in the comparative period. Recurring revenues grew, reflecting greater average assets under management (+€25.5 million) and higher fees on investment services (+€8.2 million). This increase was only partially offset by the decrease in entry fees and fees on revenues from banking services (-€5.7 million and -€9.5 million respectively compared with 30 June 2022).

Acquisition costs	(285.7)	(279.1)	(6.6)	2.4%

Acquisition costs amounted to €285.7 million, recording lower upfront fees (+€8.4 million), consistent with the entry fees recorded; this was offset by higher recurring fees (-€15.1 million) primarily due to the growth in management fees.

Net interest income	347.3	167.5	179.8	n.s.

Net interest income increased markedly, by €179.8 million, compared with 30 June 2022. The change was mainly due to the trend in market interest rates.

LLP (impairment on loans)	(17.8)	(7.9)	(9.9)	n.s.

Net value adjustments on loans increased by €9.9 million compared with in the previous year. In particular, the period under review shows greater provisions for performing exposures (+€7 million) and non-performing exposures of approximately €3 million.

G&A expenses	(336.1)	(297.8)	(38.3)	12.9%

General and administrative expenses increased by €38.3 million compared with the same period a year earlier. In particular, expenses related to development and commercial support activities increased (€12.5 million compared with the comparative period), and operating costs also increased by 7.7% compared with the previous year, particularly in the IT area.

Provisions for risk and charges	(8.6)	(14.0)	5.4	(38.4%)

Net provisions for risk and charges improved by €5.4 million compared with the comparative period. The change was mainly due to the trend in the discounting rates used to determine the risk provisions, particularly those associated with the sales network.

Market effects	13.1	(9.5)	22.6	n.s.
of which:				
Performance fees	0.4	6.6	(6.2)	(93.3%)
Net income on investments at fair value	12.6	(16.1)	28.8	n.s.

Market effects increased by €22.6 million compared with the comparative period, reflecting the higher net profits recorded on investments measured at fair value (+€28.8 million compared with the previous period). The change was primarily due to the write-up of Nexi shares (+€44.8 million compared with the comparative period).

Performance fees decreased by -€6.2 million.

Income statement at 30 June 2023 by country and business area

Comments on the changes in the income statement by country and business area, with any reclassification of comparatives, are provided below. It should be noted that the figures at 30 June 2022 have been restated for the adoption of IFRS 17.

ITALY – BANKING SEGMENT

€/000	30/06/2023	30/06/2022	Change	Chge (%)
Banking service fees	*70,546*	*80,080*	(9,534)	(11.9%)
Other fees	*1,290*	*1,794*	(504)	(28.1%)
Gross commission income	**71,836**	**81,874**	**(10,038)**	**(12.3%)**
Acquisition costs	*(49,794)*	*(50,424)*	630	(1.2%)
Other commission expenses	*(16,500)*	*(15,338)*	(1,163)	7.6%
Total commission expense	**(66,295)**	**(65,762)**	**(533)**	**0.8%**
Net commission income	**5,542**	**16,112**	**(10,570)**	**(65.6%)**
Net interest income	*301,355*	*155,593*	145,763	93.7%
Net income on other investments	*411*	*(1,967)*	2,378	(120.9%)
LLP (impairment on loans)	*(17,323)*	*(7,390)*	(9,933)	134.4%
Other revenues and expenses	*(3,160)*	*(2,345)*	(816)	34.8%
LEVEL I CONTRIBUTION MARGIN	**286,824**	**160,002**	**126,821**	**79.3%**
Allocated costs	*(115,311)*	*(106,560)*	(8,751)	8.2%
Regular contributions to banking industry	*(9,324)*	*(9,346)*	22	(0.2%)
LEVEL II CONTRIBUTION MARGIN	**162,189**	**44,097**	118,092	267.8%
OPERATING MARGIN	*162,189*	*44,097*	118,092	267.8%
Net income on investments at fair value	*12,578*	*(14,187)*	26,765	(188.7%)
MARKET EFFECTS	**12,578**	**(14,187)**	**26,765**	**(188.7%)**
Extraordinary contributions and guarantee funds	-	*(411)*	411	(100.0%)
EXTRAORDINARY ITEMS	**-**	**(411)**	**411**	**(100.0%)**
PROFIT BEFORE TAX	**174,767**	**29,498**	**145,268**	**492.5%**

The **profit before tax** for the Italy - Banking segment was a positive €174.8 million, compared with a positive €29.5 million in the first half of 2022. The increase was mainly due to growth in net interest income, which rose by €145.8 million on the comparative half-year.

Commission income stood at €71.8 million, down by €10.0 million year on year. The decrease was mainly due to lower placement fees for certificates (-€10.2 million), partially offset by a slight increase in credit fees, due to growth in the existing portfolio.

Acquisition costs are in line with the previous year.

Net interest income stood at €301.4 million, an increase compared with the comparative period, boosted by the increase in interest income on retail loans.

Allocated costs increased by €8.8 million, reflecting an increase in costs related to trade volumes of €4.6 million. In particular, credit and salary-backed loan products accounted for €2.8 million compared with the comparative period. The effect on costs associated with the development of subsidiary Flowe should also be noted (-€1.2 million).

Market effects were approximately -€12.5 million, up by €26.8 million compared with the first half of 2022. The increase was due to the rise in NEXI's value of €44.8 million compared with the comparative period, in which a valuation loss of approximately €46.2 million was recorded, (-€1.4 million) and to the increase in trading revenues of €18.5 million compared with the first half of last year. This growth was partially mitigated by the trend in the valuation of the IRSs and UCIs in the portfolio, whose value decreased by €36.5 million compared with the end of the first half of 2022.

ITALY – ASSET MANAGEMENT SEGMENT

€/000	30/06/2023	30/06/2022	Change	Chge (%)
Entry fees	*13,321*	*16,337*	(3,016)	(18.5%)
Management fees	*302,170*	*292,239*	9,931	3.4%
Investment management fees	*60,922*	*52,668*	8,254	15.7%
Other fees	*11,614*	*11,766*	(152)	(1.3%)
Gross commission income	**388,028**	**373,010**	**15,018**	4.0%
Acquisition costs	*(127,555)*	*(122,347)*	(5,208)	4.3%
Other commission expenses	*(16,439)*	*(14,796)*	(1,643)	11.1%
Total commission expense	**(143,994)**	**(137,143)**	**(6,851)**	5.0%
Net commission income	**244,034**	**235,867**	**8,167**	3.5%
Net interest income	*(9,376)*	*(7,456)*	(1,920)	25.8%
Net income on other investments	*(1)*	*65*	(66)	(101.7%)
Other revenues and expenses	*269*	*292*	(22)	(7.7%)
LEVEL I CONTRIBUTION MARGIN	**234,926**	**228,768**	**6,158**	**2.7%**
Allocated costs	*(48,465)*	*(41,960)*	(6,506)	15.5%
LEVEL II CONTRIBUTION MARGIN	**186,461**	**186,809**	**(348)**	**(0.2%)**
OPERATING MARGIN	**186,461**	**186,809**	**(348)**	**(0.2%)**
Performance fees	*176*	*5,097*	(4,921)	(96.5%)
Net income on investments at fair value	*49*	*12*	37	314.2%
MARKET EFFECTS	**225**	**5,109**	**(4,884)**	**(95.6%)**
PROFIT BEFORE TAX	**186,686**	**191,918**	**(5,232)**	**(2.7%)**

The **profit before tax** of the Italy - Asset Management segment came in at €186.7 million, compared with the previous year's result of €191.9 million. The decrease in the period was mainly due to a decrease of €4.9 million in performance fees.

Commission income for the period was €388 million, an increase of €15 million compared with the first half of 2022. The increase was due to higher recurring fees, affected by a higher average fee than in 2022, partially offset by lower entry fees as a result of lower segment inflows.

Acquisition costs rose by €5.2 million compared with the first half of 2022. The increase mainly reflected the increase of €3.7 million in management fees and the increase in incentive items allocated according to products in the segment as a proportion of net inflows managed compared with the previous year.

Allocated costs increased by €6.5 million and reflect the increase in marketing and support costs of the sales network in the first half-year due to a different schedule of activities compared with the comparative period (-€6.8 million).

Market effects decreased by €4.9 million compared with the same period a year earlier, due to lower performance fees.

ITALY – INSURANCE SEGMENT

€/000	30/06/2023	30/06/2022	Change	Chge (%)
Management fees	*189,156*	*177,341*	11,816	6.7%
Investment management fees	*36,222*	*37,138*	(916)	(2.5%)
Insurance management result (excluding fees)	*83,313*	*77,292*	6,021	7.8%
Other fees	*5,658*	*5,619*	39	0.7%
Gross commission income	**314,349**	**297,389**	**16,960**	5.7%
Acquisition costs	*(83,377)*	*(78,381)*	(4,996)	6.4%
Other commission expenses	*(13,115)*	*(11,630)*	(1,485)	12.8%
Total commission expense	**(96,492)**	**(90,011)**	**(6,481)**	7.2%
Net commission income	**217,856**	**207,378**	**10,479**	5.1%
Net interest income	*17,462*	*6,348*	11,115	175.1%
Net income on other investments	*(265)*	*270*	(535)	(198.2%)
Other revenues and expenses	*(237)*	*137*	(374)	(273.0%)
LEVEL I CONTRIBUTION MARGIN	**234,816**	**214,133**	20,684	9.7%
Allocated costs	*(49,644)*	*(43,178)*	(6,465)	15.0%
LEVEL II CONTRIBUTION MARGIN	**185,173**	**170,955**	**14,218**	**8.3%**
OPERATING MARGIN	**185,173**	***170,955***	**14,218**	**8.3%**
Performance fees	*242*	*1,421*	(1,179)	(83.0%)
Net income (losses) on investments at fair value	*(83)*	*(1,663)*	1,580	(95.0%)
MARKET EFFECTS	**159**	**(242)**	**401**	**(165.9%)**
PROFIT BEFORE TAX	**185,332**	**170,713**	**14,619**	**8.6%**

The **profit before tax** of the Italy - Insurance segment came in at €185.3 million, up by €14.6 million compared with the first half of 2022 (30/06/2022: €170.7 million).

Commission income for the period was €314.3 million, an increase of €16.9 million compared with the first half of 2022. Of this increase, €10 million was due to recurring fees, as a result of the increase in assets under management and a rise in average fees; the contribution of insurance products falling within the scope of application of IFRS 17 also had an effect.

Net interest income, which came to €17.5 million, was up compared with the previous half-year due to the higher yields of the companies' portfolio invested in bonds.

Acquisition costs rose by €5 million compared with the comparative period. The change was mainly due to higher management fees on existing policies.

Allocated costs increased by €6.5 million and mainly reflect the increase in marketing and support costs of the sales network in the first half-year due to a different schedule of activities compared with the comparative period (-€6.0 million).

Market effects increased by €0.4 million. In particular, FV losses were lower than in the previous year. This advantage is reduced due to lower performance fees compared with the first half of 2022.

ITALY – OTHER SEGMENT

€/000	30/06/2023	30/06/2022	Change	Chge (%)
Other fees	*424*	*1,111*	(686)	(61.8%)
Gross commission income	**424**	**1,111**	**(686)**	**(61.8%)**
Acquisition costs	*736*	*(251)*	987	(392.6%)
Total commission expense	**736**	**(251)**	**987**	**(392.6%)**
Net commission income	**1,160**	**859**	**301**	**35.0%**
Net interest income	*46*	-	46	n.a.
Net income on other investments	*251*	*75*	176	235.1%
Other revenues and expenses	*1,923*	*1,924*	(1)	(0.0%)
LEVEL I CONTRIBUTION MARGIN	**3,380**	**2,858**	522	18.3%
Allocated costs	*(2,630)*	*(2,530)*	(100)	3.9%
LEVEL II CONTRIBUTION MARGIN	**750**	**328**	422	128.8%
OPERATING MARGIN	**750**	**328**	422	128.8%
PROFIT BEFORE TAX	**750**	**328**	**422**	**128.8%**

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

Other fees in the first half of 2022 included revenues relating to investment banking of €0.9 million expected in the second half of 2023.

SPAIN SEGMENT

€/000	30/06/2023	30/06/2022	Change	Chge (%)
Entry fees	5,140	7,798	(2,658)	(34.1%)
Management fees	46,220	41,233	4,987	12.1%
Investment management fees	8,142	7,238	904	12.5%
Insurance management result	4,363	6,346	(1,983)	(31.3%)
Banking service fees	4,241	4,161	80	1.9%
Other fees	1,542	1,239	303	24.5%
Gross commission income	**69,648**	**68,015**	**1,633**	**2.4%**
Acquisition costs	(24,726)	(26,025)	1,299	(5.0%)
Other commission expenses	(6,054)	(5,585)	(469)	8.4%
Total commission expense	**(30,780)**	**(31,610)**	**830**	**(2.6%)**
Net commission income	**38,868**	**36,405**	**2,462**	**6.8%**
Net interest income	37,336	13,013	24,323	186.9%
Net income on other investments	17	30	(13)	(43.3%)
LLP (impairment on loans)	(443)	(423)	(20)	4.7%
Other revenues and expenses	813	150	663	442.0%
Level I contribution margin	**76,591**	**49,175**	**27,416**	**55.8%**
Allocated costs	(32,342)	(25,972)	(6,370)	24.5%
Regular contributions to banking industry	(942)	(915)	(27)	3.0%
Level II contribution margin	**43,307**	**22,288**	**21,019**	**94.3%**
Depreciation & amortisation/Provisions	**(4,261)**	**(4,401)**	**140**	**(3.2%)**
Depreciation & amortisation	(3,385)	(2,954)	(431)	14.6%
Provisions for risk and charges	(876)	(1,447)	571	(39.5%)
Operating margin	**39,046**	**17,887**	**21,159**	**118.3%**
Performance fees	25	108	(83)	(76.9%)
Net income on investments at fair value	90	(271)	361	(133.2%)
Market effects	**115**	**(163)**	**278**	**(170.6%)**
PROFIT BEFORE TAX	39,161	17,724	21,437	120.9%

The **profit before tax** for the Spain segment was €39.2 million, compared with the result of €17.7 million for the comparative period.

Commission income rose from €68 million in the first half of 2022 to €69.6 million in the reporting period. This trend was mainly due to the increase in recurring fees (+€5.9 million) due to the increase in assets under management, offset by a decrease of €2.7 million in entry fees and a decrease of €2 million in the insurance management result.

Acquisition costs recorded a reduction in front fees of €1.3 million.

Net interest income amounted to approximately €37.3 million, up €24.3 million compared with the comparative period, driven by the trend in average yields and growth in the credit portfolio.

Allocated costs, which represent the total general and administrative expenses for the segment, increased by €6.3 million on the previous half-year. This difference was mainly due to higher costs (+€0.7 million) incurred for the in-person Spanish national convention (it had been held virtually in the comparative period), €0.9

million for regulatory compliance activities and €1.3 million for higher staff costs (24 more average resources), with the remainder due to support for the growth in volumes.

GERMANY SEGMENT

€/000	30/06/2023	30/06/2022	Change	Chge (%)
Management fees	2,426	3,617	(1,190)	(32.9%)
Investment management fees	536	607	(71)	(11.7%)
Insurance management result	392	(144)	536	(372.4%)
Other fees	112	139	(27)	(19.4%)
Gross commission income	**3,466**	**4,219**	**(752)**	**(17.8%)**
Acquisition costs	(1,025)	(1,672)	647	(38.7%)
Other commission expenses	(327)	(445)	118	(26.5%)
Total commission expense	**(1,352)**	**(2,117)**	**765**	**(36.1%)**
Net commission income	**2,114**	**2,102**	**13**	**0.6%**
Net interest income	517	(6)	523	(8716.7%)
LLP (impairment on loans)	(22)	(42)	20	(47.6%)
Other revenues and expenses	149	107	42	39.3%
Level I contribution margin	**2,758**	**2,161**	**598**	**27.7%**
Allocated costs	(2,042)	(2,542)	500	(19.7%)
Regular contributions to banking industry	-	(7)	7	(100.0%)
Level II contribution margin	**716**	**(388)**	**1,105**	**(284.4%)**
Depreciation & amortisation/Provisions	**(96)**	**(100)**	**4**	**(4.0%)**
Depreciation & amortisation	(96)	(100)	4	(4.0%)
Operating margin	**620**	**(488)**	**1,109**	**(227.0%)**
Performance fees	2	9	(7)	(77.8%)
Net income on investments at fair value	(5)	-	(5)	n.a.
Market effects	**(3)**	**9**	**(12)**	**(133.3%)**
PROFIT BEFORE TAX	617	(479)	1,097	(228.8%)

The margin before tax of the Germany segment was €0.6 million, compared with the result for the comparative half-year of -€0.5 million.

PERFORMANCE OF THE COMPANIES

COMPANIES OPERATING IN THE BANKING AND FINANCIAL SECTOR

Banca Mediolanum S.p.A.

Banca Mediolanum ended the first half of 2023 with net income of €368.6 million, compared with €237.7 million in the comparative period.

Banca Mediolanum reported net inflows of €4,214 million, up from €3,720 million in the same period of the previous year. Specifically, net inflows from asset management products came in at €1,880 million, down compared with €2,733 million at 30 June 2022. Net inflows from asset administration products amounted to €2,333 million (€30/06/2022: €97 million). At the end of the reporting half-year, total customers assets administered and managed amounted to €102,113 million, compared with €94,411 million at 31 December 2022.

The sales network comprised 4,519 individuals (30/06/2022: 4,361 individuals).

Banco Mediolanum S.A. Group

The Spanish banking group ended the half-year with consolidated net profit of €20.2 million (€10.8 million for the period ended 30 June of the previous year).

Net inflows into asset management products amounted to €494.6 million, compared with €637.8 million in the first half of the previous year. Inflows into assets under administration came to €199.1 million during the half-year under review, compared with inflows of €235.7 million in the same period of the previous year.

Total customer assets administered and managed amounted to €9,858 million at 30 June 2023, compared with €8,872 million at 31 December 2022.

The sales network comprised 1,650 individuals (30/06/2023: 1,586 individuals).

Prexta S.p.A.

The Company's accounts at 30 June 2023 showed a positive result of €1,239.4 thousand compared with €1,148.0 thousand in the comparative period.

Loans to customers, representing total loan assets, came to €1,761.6 million, compared with €1,625.6 million at 31 December 2022 and €1,555.9 million at 30 June 2022.

In the period under review, net interest income recorded robust growth, rising to €18,800.2 thousand, compared with €14,826.3 thousand in the comparative period, primarily due to the continuing expansion of the credit portfolio (particularly to the personal loan product) and the trend in market rates.

Net commission income for the period under review was negative for €3,926.4 thousand, up compared with the comparative period (30/06/2022: -€3.377.8 thousand). The effect mainly attributable to the application of the all-"Tan" approach.

Administrative expenses amounted to €7,754.6 thousand, up compared with 30/06/2022 (-€6,280.7 thousand).

FloWe S.p.A. – S.B.

The result for the first half of 2023 was a net loss of €14,667.4 thousand, compared with a net loss of €13,211.0 thousand in the same period of the previous year.

Net commission expense improved on the comparative period, coming in at -€820.9 thousand (30/06/2022: €926.6 thousand).

Specifically, fee and services revenues increased compared with the same period of 2022, amounting to €244.2 thousand (30/06/2022: €171.9 thousand). This change was primarily due to the increase in account fees charged to customers (+€31.0 thousand) and higher commission income on purchases made with cards

(+€29.6 thousand). The positive effect of the presence of commission income for instant transfers, amounting to €21.1 thousand, was partly offset by the decrease in revenues from card issues (-€16.5 thousand).
Acquisition costs amounted to €1,065.6 thousand, essentially in line with the comparative period (30/06/2022: €1,098.6 thousand). Administrative expenses came to €13,353.1 thousand (30/06/2022: €12,382.7 thousand).
It should also be noted that in the first half of the year, a business refocusing project was launched that includes, among its strategic initiatives, the development of a B2B business line to add value to the technological asset and the IMEL licence, including through the purchase of an interest in a fintech company operating in this area.

COMPANIES OPERATING IN THE ASSET MANAGEMENT SECTOR

Mediolanum International Funds Ltd

The Irish fund company closed the half-year ended 30 June 2023 with net income of €232.6 million (30/06/2022: €220.2 million).
Net inflows to 30 June 2023 were €1,393.1 million (30/06/2022: €2,048.1 million).
Assets under management at period-end amounted to €51,117.4 million, compared with €47,305.1 million at 31 December 2022.

Mediolanum Gestione Fondi SGR p.A.

The financial statements for the period ended 30 June 2023 show net income of €13.5 million, down by €3.8 million compared with the same period a year earlier (30/06/2022: €17.3 million). The change was mainly due to the lower performance fees recorded in the period under review (-€4.8 million compared with 30 June 2022). A decrease in revenues of approximately €0.5 million was also recorded, mainly due to the lower average assets under management.
The net inflows of both the retail and institutional funds at 30 June 2023 were both negative, at -€150.6 million and -€7.6 million respectively (-€322 million in the retail segment and -€51.3 million in the institutional segment in the comparative period).
Total assets directly managed by the Company amounted to €7,489.2 million at 30 June 2023, up by €223.6 million from €7,265.6 million at 31 December 2022.

Mediolanum Fiduciaria S.p.A.

The financial statements at 30 June 2023 show a net loss of €416.5 thousand, in line with the loss recorded in the comparative period (30/06/2022: -€419.4 thousand).
Net commissions amounted to €224.2 thousand in the period under review, up slightly from €202.8 thousand in the same period of the previous year, mainly due to higher revenues from recurring fees.
Assets under administration amounted to €436,400 thousand, up by around 11% compared with the balance of €427,513.0 thousand at 31 December 2022.
Administrative expenses amounted to €777.7 thousand, up €35.9 thousand compared with the first half of 2022 (-€741.8 thousand).

COMPANIES OPERATING IN THE INSURANCE SECTOR

Mediolanum Vita S.p.A.

At 30 June 2023, the Company recorded net income of €64.7 million compared with €55.3 million for the same period of the previous year (recalculated for IFRS 17). As previously reported, the new IFRS 17 – Insurance Contracts came into effect on 1 January 2023, replacing the previous IFRS 4. For more information, please see the relevant section in the notes to the financial statements.

Net income for the period, determined according to Italian GAAP, was €68.7 million, compared with €22 million in the same period of the previous year.

In April 2023, the penalty of €1.5 million imposed on the Company following an inspection by the Supervisory Authority was paid.

Mediolanum International Life Dac

At the end of the first half of 2023, the Irish company recorded net income of €7.9 million (30/06/2022: +€5.4 million redetermined on the basis of IFRS 17).

As previously reported, on 1 January 2023 the Company applied the new IFRS 17. For more information, please see the relevant section in the notes to the financial statements.

Mediolanum Assicurazioni S.p.A.

The Company's accounting position at 30 June 2023 shows net income of €10.0 million, up by €0.8 million compared with the result of €9.2 million for the same period of the previous year (recalculated for IFRS 17).

As previously reported, the new IFRS 17 – Insurance Contracts came into effect on 1 January 2023, replacing the previous IFRS 4. For more information, please see the relevant section in the notes to the financial statements.

Meanwhile, the net income for the first half of 2023, calculated according to national GAAP, was €9 million, compared with €6.2 million for the same period of the previous year.

OTHER COMPANIES

August Lenz & Co. AG

The German company closed the first half of 2023 with a net loss of €2 million a net loss of €3.5 million in the first half of 2022). With regard to the German subsidiary, as reported in 2022, with effect from 7 November 2022, the company– which, on 12 October 2022, gave up its banking licences pursuant to Section 32 of the German Banking Act – was cancelled by the Mediolanum Banking Group.

At 30 June 2023, the disposal costs incurred by the company amounted to €0.7 million. These were absorbed by the provision for risk and charges, the remainder of which amounted to €12.6 million at 30 June 2023.

OTHER INFORMATION

SHAREHOLDERS' EQUITY OF THE PARENT COMPANY, TREASURY SHARES AND DIVIDENDS

At 30 June 2023, the share capital of Banca Mediolanum was €600,530,628.4, divided into 743,708,141 shares with no par value, including 2,941,254 treasury shares (with a value of €20.1 million).

Shareholders' equity amounted to €3,184.2 million at 30 June 2023, compared with €2,947.9 million at 31 December 2022.

With regard to the allocation of earnings for 2022, it should be noted that on 18 April, the Shareholders' Meeting approved the financial statements of Banca Mediolanum for the year ended 31 December 2022, which showed a net income of €516,777,062.44. The allocation of earnings was as follows:

> distribution to shareholders of a dividend of €0.50 for 2022, of which €0.24 was distributed as an interim dividend in November 2022 by Banca Mediolanum S.p.A., and of €0.26 per share to be distributed from the date of the Shareholders' Meeting;

> the remainder to the Extraordinary Reserve.

EPS (earnings per share) came to €0.491, compared with €0.327 in the first half of 2022 (recalculated according to the new IFRS 17).

CAPITAL ADEQUACY OF THE MEDIOLANUM FINANCIAL CONGLOMERATE*

The calculation of the capital adequacy of the Mediolanum Financial Conglomerate at 30 June 2023, in accordance with the additional supervisory provisions in force, showed that, with the capital requirements of the conglomerate of €2,659 million, the capital resources of the conglomerate to cover the required margin amounted to €3,308 million, with a surplus of €649 million:

€/m	30/06/2023	31/12/2022
Financial conglomerate primarily engaged in banking		
Capital	3,308	2,940
Banking capital requirements	1,480	1,383
Insurance capital requirements	1,179	955
Capital surplus (deficit)	**649**	**602**

* Capital adequacy at 30 June 2023 was calculated according to the capitalisation limits notified by the Supervisory Authority based on the Supervisory Review and Evaluation Process (SREP).
The insurance requirements relate to the latest quarterly report (31 March 2023) of the Mediolanum Insurance Group sent to the supervisory authority.

OWN FUNDS AND CAPITAL RATIOS FOR REGULATORY PURPOSES AT 30 JUNE 2023[7]

The Mediolanum Group calculated the consolidated own funds for supervisory purposes and the relative capital ratios in accordance with the regulations in force (Regulation (EU) no 575/2013 (Basel 3)).
For the purposes of supervisory reporting, at 30 June 2023, consolidated net income at 30 June 2023, amounting to €363.3 million, was included in the calculation of own funds, net of the pay-out determined according to the provisions of Decision EU 2015/656 of the European Central Bank of 4 February 2015 (€256.9 million); the calculated amount was €106.4 million. In light of the above, the Common Equity Tier 1 (CET1) Ratio was 21.5% at 30 June 2023.
The leverage ratio was 6.4% (31/12/2022: 6%).

TAX DISPUTE

With regard to the tax dispute involving Banca Mediolanum and Mediolanum Vita over the tax treatment of the fees paid by the Irish companies, there are no updates on the details provided in the 2022 financial statements. For more information, see the notes to the financial statements – Tax liabilities.

[7] It should be noted that these data may be updated during the supervisory authority reporting phase.

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

No events that could have a material effect on the Group's financial position and earnings results took place after 30 June 2023.

BUSINESS OUTLOOK

In announcing its "hawkish pause" as is customary at the March, June, September and December meetings, the Fed released "dot plots" (i.e. projections by FOMC members), which showed that the median terminal rate has increased from 5.1% to 5.6% compared with the March projections. This assumes a further 50bps increase by the end of the year. The markets, however, do not seem fully convinced by this revision. Apart from the distinction between core and non-core inflation, the picture as a whole tells us that the process of inflation descending from its highs has been going on for some time. Looking beyond President Christine Lagarde's statements and the heated debate within the ECB between hawks and doves, there is a sense that Frankfurt has also completed most of its hikes and that a pause may not be far off. The markets now seem to be embracing the expectations of an end to the hikes, against a backdrop of substantial economic stability.
The World Bank published a summer update of its Global Economic Prospects report, in which it raised its global growth forecast for 2023. Real world GDP is expected to increase by 2.1% this year, better than the 1.7% forecast in January. In January, the World Bank warned that global GDP was slowing to the brink of recession: since then, the strength of the US labour market and consumption has exceeded expectations, and China's recovery since the anti-Covid lockdowns has provided a boost, despite all the uncertainties we have seen. US growth for 2023 is now forecast at 1.1%, more than double the forecast of 0.5% in January, while China is expected to advance 5.6% from the 4.3% forecast in January. Euro area forecasts have also been revised upwards. The uncertainties that the World Bank is now emphasising relate to the delayed effects of monetary and credit tightening. Currently, on the macro data side, it is difficult to see why a "hard landing" or a "balance sheet recession" should occur. The impression is that the global economy is holding up better than expected, in the face of the most rapid and challenging interest rate increases in four decades, a banking crisis with hitherto limited reverberations and a geopolitical scenario that is struggling to stabilise. A soft (or near-soft) landing remains the most likely scenario for now, which could benefit both equities and bonds.

According to the World Population Review, China is currently the most populous country in the world, with more than 1.42 billion people as of September 2022. Only one other country in the world has a population of more than one billion: India, whose population is estimated at 1.41 billion and rising. While India's population is expected to continue growing until at least 2050, China's population is currently shrinking slightly. The combined effect of these two trends should lead India to replace China as the world's most populous country by 2030. In the projections in its economic outlook published in June, the OECD estimates that India will have higher real GDP growth than China in both 2023 and 2024. In June, US President Joe Biden and Indian Prime Minister Narendra Modi announced a series of trade and defence agreements aimed at strengthening military and economic ties between the two nations. The two leaders also put forward a series of agreements on semiconductors. On his US tour, Mr Modi also met with Elon Musk, who promised significant Tesla investments in India, with a possible new plant. In early 2023, Apple had already announced the production of the iPhone 14 in India. The scope of the project is much broader than this, with a target of manufacturing 25% of the devices outside China by 2025. Indeed, India is becoming the new benchmark for global production: the aim is to establish at least one production platform alongside China ("China Plus One"). Mark Mobius, the well-known emerging markets manager, said in an interview with Bloomberg on June 20 that he sees opportunities in India, where the population is larger and younger and the economy is growing faster than that of China. With EM representing a large and very diverse universe, ranging from China to Central and South America via Eastern Europe, and India being set to progressively take on an important role in the prolonged volatility in equities, returns are already diminishing, which is catalysing mainly to the safer fixed-income sectors and re-establishing at least some of the usual asset class decorrelations.

Therefore, given the risks typical of the sector to which it belongs and absent exceptional events beyond the control of the Directors and management (currently not foreseen), a positive operating performance is expected for 2023.

Basiglio, 01 August 2023

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

Condensed consolidated half-year financial statements at 30 June 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Asset items

€/000		30/06/2023	31/12/2022*
10.	Cash and cash equivalents	316,405	2,351,741
20.	Financial assets at fair value through profit or loss	34,928,533	32,003,209
	a) financial assets held for trading	1,612,767	1,148,437
	b) financial assets designated at fair value	33,117,973	30,667,223
	c) other financial assets mandatorily measured at fair value	197,793	187,549
30.	Financial assets measured at fair value through other comprehensive income	1,922,688	1,660,455
40.	Financial assets measured at amortised cost	36,695,190	35,524,867
	a) loans to banks	374,922	355,059
	b) loans to customers	36,320,268	35,169,808
50.	Hedging derivatives	193	430
80.	Insurance assets	71,102	69,107
	b) reinsurance cessions that are classified as assets	71,102	69,107
90.	Tangible assets	223,043	229,248
100.	Intangible assets	208,367	207,782
	of which:		
	- goodwill	125,625	125,625
110.	Tax assets	549,384	649,268
	a) current	407,085	496,940
	b) deferred	142,299	152,328
120.	Non-current assets and disposal groups	56	2,010
130.	Other assets	1,237,063	920,020
TOTAL ASSETS		**76,152,024**	**73,618,137**

* It should be noted that, following the application of the new IFRS 17 standard, the comparative data have been recalculated to take account of the effects of the retroactive application of the standard.

Liabilities and shareholders' equity

€/000			30/06/2023	31/12/2022*
10.	Financial liabilities measured at amortised cost		36,102,638	36,297,889
	a)	payables to banks	964,831	370,622
	b)	payables to customers	34,832,566	35,626,824
	c)	debt securities in issue	305,241	300,443
20.	Financial liabilities held for trading		12,517	11,952
30.	Financial liabilities designated at fair value		14,170,665	13,086,968
40.	Hedging derivatives		2,401	2,594
60.	Tax liabilities		195,910	180,748
	a)	current	128,847	115,327
	b)	deferred	67,063	65,421
80.	Other liabilities		927,425	887,937
90.	Employee severance benefits		11,420	11,657
100.	Provisions for risk and charges		302,170	313,202
	a)	commitments and guarantees given	885	658
	b)	pensions and similar obligations	465	499
	c)	other provisions for risk and charges	300,820	312,045
110.	Insurance liabilities		21,242,684	19,877,200
	a) insurance contracts written that are classified as liabilities		21,242,684	19,877,200
120.	Valuation reserves		27,050	(30,177)
150.	Reserves		2,206,828	2,075,868
155	of which interim dividends		-	(177,133)
160.	Issue premiums		6,527	5,297
170.	Capital		600,531	600,452
180.	Treasury shares (-)		(20,067)	(33,146)
200.	Net income for the period (+/-)		363,325	506,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**76,152,024**	**73,618,137**

* It should be noted that, following the application of the new IFRS 17 standard, the comparative data have been recalculated to take account of the effects of the retroactive application of the standard.

Basiglio, 01 August 2023

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

CONSOLIDATED INCOME STATEMENT

€/000		30/06/2023	30/06/2022*
10.	Interest income and similar income	584,059	226,915
	of which: interest income calculated using the effective interest method	539,488	202,586
20.	Interest expense and similar expenses	(198,383)	(25,015)
30.	**Net interest income**	385,676	**201,900**
40.	Commission income	836,701	796,464
50.	Commission expense	(353,509)	(339,326)
60.	**Net commission income**	483,192	**457,138**
70.	Dividends and similar income	1,356	1,362
80.	Net gains (losses) from trading	12,769	(20,924)
90.	Net gains (losses) from hedging	(257)	1,445
100.	Gains (losses) from disposal or repurchase of:	(46)	688
	a) financial assets measured at amortised cost	5	16
	b) financial assets measured at fair value through other comprehensive income	(51)	672
110.	Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	1,030,484	(2,502,937)
	a) financial assets and liabilities designated at fair value	1,029,359	(2,507,799)
	b) other financial assets mandatorily measured at fair value	1,125	4,862
120.	**Operating income**	**1,913,174**	**(1,861,328)**
130.	Credit-risk induced net value adjustments/write-backs relating to:	(17,366)	(8,817)
	a) financial assets measured at amortised cost	(17,627)	(9,233)
	b) financial assets measured at fair value through other comprehensive income	261	416
150.	**Net gain (loss) from financial operations**	**1,895,808**	**(1,870,145)**
160.	Result of insurance services	83,482	81,446
	a) insurance revenues deriving from insurance contracts written	187,912	173,123
	b) costs of insurance services deriving from insurance contracts written	(99,751)	(90,741)
	c) insurance revenues deriving from reinsurance cessions	14,773	9,708
	d) costs of insurance services deriving from reinsurance cessions	(19,452)	(10,644)
170.	Balance of revenues and financial costs relating to insurance management	(1,129,894)	2,429,174
	a) net financial costs/revenues relating to insurance contracts written	(1,130,029)	2,429,144
	b) net financial revenues/costs relating to reinsurance cessions	135	30
180.	**Net gain (loss) from financial and insurance operations**	**849,396**	**640,475**
190.	Administrative expenses:	(342,677)	(305,735)
	a) staff costs	(136,910)	(131,834)
	b) other administrative expenses	(205,767)	(173,901)
200.	Net provisions for risk and charges	(8,525)	(11,121)
	a) commitments and guarantees given	(213)	(31)
	b) other net provisions	(8,312)	(11,090)
210.	Net value adjustments/write-backs of tangible assets	(8,422)	(8,384)
220.	Net value adjustments/write-backs of intangible assets	(16,987)	(16,662)
230.	Other operating income/expenses	3,475	5,707
240.	**Operating costs**	**(373,136)**	**(336,195)**
280.	Gains (losses) on disposal of investments	769	481
290.	**Net income from continuing operations before tax**	**477,029**	**304,761**
300.	Taxes on income from continuing operations	(113,722)	(63,630)
310.	**Net income from continuing operations after tax**	**363,307**	**241,131**
320.	Profit (loss) on discontinued operations after tax	18	-
330.	**Net income for the period**	**363,325**	**241,131**
350.	**Net income for the period attributable to the Parent Company**	**363,325**	**241,131**

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

Basiglio, 01 August 2023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€/000		30/06/2023	30/06/2022*
10.	**Net income for the period**	**363,325**	**241,131**
	Other income net of taxes without reversal to the income statement	**55,285**	**(51,835)**
20.	Equity securities designated at fair value through other comprehensive income	55,191	(53,463)
70.	Defined benefit plans	94	1,628
90.	Share of valuation reserves of equity investments measured at equity		
100.	Financial revenues or costs relating to insurance contracts written		
	Other income net of taxes with reversal to the income statement	**1,942**	**(4,729)**
150.	- Financial assets (other than equity securities) measured at fair value through other comprehensive income	17,504	(65,455)
170.	Share of valuation reserves of equity investments measured at equity		
180.	Financial revenues or costs relating to insurance contracts written	(14,844)	60,920
190.	Financial revenues or costs relating to reinsurance cessions	(719)	(194)
170.	**Total other income net of taxes**	**57,227**	**(56,564)**
180.	**Comprehensive income (Item 10+170)**	**420,552**	**184,567**
190.	Consolidated comprehensive income attributable to minority interests		
200.	**Consolidated comprehensive income attributable to the Parent Company**	**420,552**	**184,567**

* It should be noted that, following the application of the new IFRS 17 standard, the comparative data have been recalculated to take account of the effects of the retroactive application of the standard.

Basiglio, 01 August 2023

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2022*

€/000	Balances at 31/12/2021	Change in opening balances	Balances at 01/01/2022	Allocation of previous year's result		Changes in the period								Shareholders' equity at 30/06/2022
							Transactions on shareholders' equity							
				Reserves	Dividends and other destinations	Changes in reserves	Issue of new shares	Share buybacks	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares	Comprehensive income at 30/06/2022	
Capital:														
a) ordinary shares	600,370		600,370				67							600,437
b) other shares	-													-
Issue premiums	4,364		4,364				765							5,129
Reserves:														-
a) earnings	1,703,804	16,653	1,720,457	285,630	-									2,006,087
b) other	54,635		54,635			185						4,995		59,815
Valuation reserves	14,612	(2,187)	12,425										(56,564)	(44,139)
Equity instruments	-													-
Interim dividends	(169,381)		(169,381)		169,381									-
Treasury shares	(38,644)		(38,644)				5,498							(33,146)
Net income for the period	713,055		713,055	(285,630)	(427,425)								241,131	241,131
Shareholders' equity attributable to the Group	**2,882,815**	**14,466**	**2,897,281**	**-**	**(258,044)**	**185**	**6,331**	**-**	**-**	**-**	**-**	**4,995**	**184,567**	**2,835,314**
Shareholders' equity attributable to minorities	**-**		**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* It should be noted that, following the application of the new IFRS 17 standard, the comparative data have been recalculated to take account of the effects of the retroactive application of the standard.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2023

€/000	Balances at 31/12/2022	Change in opening balances	Balances at 01/01/2023	Allocation of previous year's result		Changes in the period								Shareholders' equity at 30/06/2023
							Transactions on shareholders' equity							
				Reserves	Dividends and other destinations	Changes in reserves	Issue of new shares	Share buybacks	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares	Comprehensive income at 30/06/2023	
Capital:														
a) ordinary shares	600,452		600,452				79							600,531
b) other shares	-													-
Issue premiums	5,297		5,297				1,230							6,527
Reserves:														
a) earnings	1,989,434	16,653	2,006,087	137,284					-					2,143,371
b) other	69,781	-	69,781			(228)						(6,097)		63,456
Valuation reserves	(41,109)	10,932	(30,177)										57,227	27,050
Equity instruments	-		-											-
Interim dividends	(177,133)		(177,133)		177,133				-					-
Treasury shares	(33,146)		(33,146)				13,079	-						(20,067)
Net income for the period	521,803	(14,974)	506,829	(137,284)	(369,545)								363,325	363,325
Shareholders' equity attributable to the Group	**2,935,379**	**12,611**	**2,947,990**	**-**	**(192,412)**	**(228)**	**14,388**	**-**	**-**	**-**	**-**	**(6,097)**	**420,552**	**3,184,193**
Shareholders' equity attributable to minorities	**-**		**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Basiglio, 01 August 2023

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

STATEMENT OF CASH FLOWS (indirect method)

€/000	30/06/2023	30/06/2022*
A. OPERATING ACTIVITIES		
1. Management	**484,270**	**25,579**
- profit (loss) for the year (+/-)	363,325	241,131
- capital gains (losses) on financial assets held for trading and on other assets/liabilities at fair value through profit or loss (-/+)	(1,085,972)	2,275,900
- capital gains (losses) on hedging activities (-/+)	257	(1,445)
- credit-risk induced net value adjustments/write-backs (+/-)	17,366	8,817
- net value adjustments/write-backs of tangible and intangible assets (+/-)	25,409	25,046
- net provisions for risk and charges and other costs/revenues (+/-)	8,525	11,121
- net revenues and costs of insurance contracts written and reinsurance cessions (-/+)	1,046,412	(2,502,850)
- unpaid taxes, duties and tax credits (+/-)	115,046	(37,320)
- other adjustments (+/-)	(6,097)	5,179
2. Cash generated by/utilised for financial assets	**(2,858,413)**	**(1,776,743)**
- financial assets held for trading	(454,235)	(921,535)
- financial assets designated at fair value	(700,975)	(1,193,711)
- other assets mandatorily measured at fair value	(9,141)	1,658
- financial assets measured at fair value through other comprehensive income	(189,182)	350,575
- financial assets measured at amortised cost	(1,187,950)	(19,993)
- other assets	(316,930)	6,263
3. Cash generated by/utilised for financial liabilities	**213,811**	**1,635,535**
- financial liabilities measured at amortised cost	(195,251)	262,831
- financial liabilities held for trading	565	464,334
- financial liabilities designated at fair value	408,933	977,388
- other liabilities	19,501	(69,018)
4. Cash generated by/utilised for insurance contracts written and reinsurance cessions	**301,514**	375,576
- insurance contracts written that are classified as liabilities/assets (+/-)	308,772	377,954
- reinsurance cessions that are classified as assets/liabilities (+/-)	(7,258)	(2,378)
Net cash generated by/utilised for operating activities	**(1,838,880)**	**259,948**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**1,356**	**2,591**
- dividends received on equity investments	1,356	1,362
- sales of tangible assets		1,229
2. Cash utilised for	**(19,789)**	**(11,664)**
- purchases of tangible assets	(2,217)	(1,474)
- purchases of intangible assets	(17,572)	(10,190)
Net cash generated by/utilised for investment activities	**(18,433)**	**(9,073)**
C. FINANCING ACTIVITIES		

- issues/purchases of treasury shares	13,158	5,566
- issues/purchases of equity instruments	1,230	765
- dividend distribution and other purposes	(192,412)	(258,044)
Net cash generated by/utilised for financing activities	**(178,024)**	**(251,713)**
NET CASH GENERATED/UTILISED DURING THE YEAR	**(2,035,337)**	**(839)**

Key: (+) generated (-) utilised

RECONCILIATION

€/000	30/06/2023	30/06/2022
Line items		
Cash and cash equivalents at beginning of year	2,351,741	519,025
Total net cash generated/utilised during the year	(2,035,337)	(839)
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of year	316,405	518,186

* It should be noted that, following the application of the new IFRS 17 standard, the comparative data have been recalculated to take account of the effects of the retroactive application of the standard.

Notes

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

Part A – Accounting policies
Part B – Information on the consolidated statement of financial position
Part C – Information on the consolidated income statement
Part E – Information on risks and the related hedging policies
Part F – Information on consolidated capital
Part H – Related party transactions
Part L – Segment reporting

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Declaration of compliance with international accounting standards

The condensed consolidated half-year financial statements of the Mediolanum Group at 30 June 2023 have been prepared pursuant to Legislative Decree No. 38 of 28 February 2005, in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission, as established in Community Regulation No. 1606 of 19 July 2002, as amended.
In particular, the content of this document complies with the international accounting standard applicable to interim financial reporting, IAS 34 – Interim Financial Reporting.
The condensed consolidated half-year financial statements of the Mediolanum Group have also been prepared on the basis of the "Instructions for the preparation of the financial statements of banks and financial parent companies of banking groups" issued by the Bank of Italy, in the exercise of the powers established by Article 9 of Legislative Decree No. 38/2005 with Circular No. 262 of 22 December 2005, as subsequently updated, in particular the 8th update of the Bank of Italy circular introducing new schedules and additional disclosure in the consolidated financial statements to take account of the adoption of IFRS 17.
The Mediolanum Group, in accordance with the provisions of Legislative Decree No. 142 of 30 May 2005, is a financial conglomerate primarily engaged in banking.
The Directors of Banca Mediolanum S.p.A. believe that they may reasonably expect that the Group will continue to operate as a going concern for the foreseeable future, and therefore the condensed consolidated half-year financial statements have been prepared on a going concern basis, using functioning criteria. They also specify that they have not found any cause for doubt regarding the going concern principle in the Group's financial position or operating performance.

Section 2 – General basis of preparation

These condensed consolidated half-year financial statements consist of:

- ✓ a consolidated statement of financial position as at the end of the interim reporting period (30/06/2023) and a comparative statement of financial position as at the end of the previous year (31/12/2022);
- ✓ a consolidated income statement for the interim reporting period (30/06/2023) compared with the comparative income statement for the corresponding interim period of the previous year (30/06/2022);
- ✓ a consolidated statement of comprehensive income for the interim reporting period (30/06/2023) compared with the statement of comprehensive income for the corresponding interim period of the previous year (30/06/2022);
- ✓ a consolidated statement of changes in shareholders' equity for the period between the beginning of the year and the end of the half-year of reference, with a comparative statement for the corresponding period of the previous year;
- ✓ a consolidated statement of cash flows for the period between the beginning of the year and the end of the half-year of reference, with a comparative statement for the corresponding period of the previous year;
- ✓ consolidated notes containing references to the accounting standards used and other specific explanatory notes relating to transactions during the reporting period.

Taking into account the relevance for the Banca Mediolanum Group of IFRS 17 – Insurance Contracts, the new international accounting standard applicable from 1 January 2023, published by the IASB in May 2017 and subject to subsequent amendments and approved with EU Regulation 2036/2021 of 19 November 2021, it should be noted that:

- ✓ these condensed consolidated half-year financial statements at 30 June 2023 include a specific section containing information on the transition to the standard; please see this section for a complete description of the provisions of the new standard, the Group's choices and the effects of the adoption of IFRS 17;
- ✓ The accounting policies used to prepare these condensed consolidated half-year financial statements, with reference to the phases of classification, recognition, measurement and derecognition of assets and liabilities, as well as the methods of recognising revenues and costs and the consolidation criteria, are consistent with those used to prepare the consolidated financial statements at 31 December 2022 of the Banca Mediolanum Group, with the exception of those relating to the statement of financial position and income statement items concerned, which have been revised following the adoption, with effect from 1 January 2023, of international accounting standard "IFRS 17 – Insurance Contracts". See the section "A2 – Part relating to the main financial statement items" below for more details;
- ✓ the consolidated financial statements have been adapted in terms of their structure and updated to comply with the new regulatory provisions in accordance with the 8th update to Bank of Italy Circular No 262/2005, and present a comparison between the amended comparative periods following retrospective application of the new standard. Specifically, the statement of financial position balances are compared with the amended 31 December 2022, while the income statement balances are compared with the amended first half of 2022; accordingly, the comparative figures presented in the

tables detailing certain statement of financial position and income statement items presented in the explanatory notes have also been amended to take account of the application of the new standard.

Reasonable estimation processes were used to determine certain items, with the aim of ensuring the consistent application of the standard, which therefore did not affect the reliability of the interim reporting.
IAS 34 states that, in the interest of timeliness of information, less information may be provided in the interim financial statements ("condensed financial statements") than in the annual financial statements, essentially to provide an update on the last full annual financial statements; consequently, the condensed financial statements must be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2022.

First time adoption of "IFRS 17 – Insurance Contracts"

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

The new accounting standard, IFRS 17, published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020 and 9 December 2021, was approved by EU Regulation 2036/2021 of 19 November 2021 and mandatorily entered into force on 1 January 2023. The European approval regulation allows – on an optional basis – for the exemption of contracts characterised by intergenerational mutualisation and adequacy of financial flows from application of the requirement to group contracts into annual cohorts under IFRS 17. In addition, Regulation No 1491/2022 of 8 September 2022 introduced some limited amendments for the preparation of comparative information during first time adoption of IFRS 17 and IFRS 9.
With regard to accounting standard IFRS 9 – Financial Instruments, the Banca Mediolanum Group, as a financial conglomerate primarily engaged in banking, had not previously made use of the option to apply the temporary exemption (the "deferral approach"), according to which the financial assets and liabilities of the subsidiaries could have continued to be recognised pursuant to IAS 39 until the entry into force of the new accounting standard on insurance contracts (IFRS 17), i.e. 1 January 2023. Therefore, for the purposes of the consolidated financial statements, the financial assets and liabilities held by the Group's insurance companies, including before 1 January 2023, the date of first time adoption of IFRS 17, were classified and assessed in a manner consistent with the accounting standards applied by the other non-insurance entities of the Group. In this regard, it should be noted that on 1 January 2023, Mediolanum Vita carried out a reassessment of the designation of financial assets to service the portfolio of insurance contracts relating to the Medinvest separate management, in order to make the valuation criteria for these insurance contracts consistent with those of the related securities in order to eliminate accounting mismatches; this is in accordance with the provisions of IFRS 17, paragraph C29, according to which, if a company has applied IFRS 9 since its entry into force (1 January 2018), on the date of first time adoption of IFRS 17, that company may carry out a reassessment of the designation of the financial assets underlying insurance contracts.

QUALIFYING ASPECTS OF IFRS 17

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

Classification and measurement criteria

Initial recognition

Insurance liabilities are initially recognised when the contract is signed.

The Company enters into a liability, the amount of which is the algebraic sum of the present value of the contractual expected cash flows (present value of future cash flows – PVFCF), which include the contractual service margin (CSM), i.e. the present value of expected future profits and the risk adjustment (RA) to cover non-financial risks.

All contracts are grouped in order to identify "portfolios" that have similar risks and can be managed together. Each portfolio is then divided into profitable contract groups (which have a positive CSM) and onerous contract groups.

IFRS 17 provides for two measurement models:

- ✓ the General Model - applicable in principle to all contracts
- ✓ the Variable Fee Approach ("VFA"): applicable in particular to contracts with direct participation features.

There is also an optional simplified model (Premium Allocation Approach – PAA) for the valuation of the liability for remaining coverage (LRC) for contracts with a coverage period equal to or less than one year and for all contracts if the valuation is not materially different from that resulting from the application of the General Model.

Measurement

IFRS 17 provides for an update of the insurance liability during each reporting period to verify the consistency of estimates made with respect to market conditions.

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

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

The standard stipulates that the profits generated by the policies over their lifetime are represented in the income statement "by margin" and therefore does not require the recognition of revenues at the time of signing the contract. However, it should be noted that in the case of onerous contracts, the loss is recognised directly in profit or loss.

Transition

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

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

- the Modified Retrospective Approach (MRA), which approximates the results of the model described above through a retrospective approach, with some simplifications;

- the Fair Value Approach (FVA), according to which the contractual service margin is determined as the difference between the fair value of the group of contracts and the value of the fulfilment cash flows at the same date.

METHODOLOGICAL CHOICES OF THE MEDIOLANUM GROUP

Level of aggregation

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

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

The annual cohort requirement will be applied to all IFRS 17 portfolios, with the exception of contracts characterised by inter-generational mutuality, in application of the option introduced by Regulation (EU) 2021/2036.
In particular, contracts relating to the Medinvest separate management portfolio of the subsidiary Mediolanum Vita will represent a single group of contracts for the purposes of IFRS 17, without using the annual cohort as a significant value for the aggregation of contracts into groups.

Accounting models

The accounting model applied will be:

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

Therefore, in view of the products offered by the Companies, the main model used is the Variable Fee Approach.
The simplified accounting model (Premium Allocation Approach) is not applied.

Coverage Units

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

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

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

Financial margin

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

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

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

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

To minimise the effects of accounting mismatch, Mediolanum revised the designation of securities at amortised cost under separate management, according to the option granted by IFRS 17 (paragraph C29), classifying them with the FVOCI accounting destination. This different designation was retroactively represented from 1 January 2022.

Discount curve

Mediolanum identified a bottom-up approach for calculating the IFRS 17 discount curve, which requires the adjustment of the risk free curve for an illiquidity premium.
This adjustment was determined for separate management on the basis of the securities covering the reserves of Medinvest separate management and the market data relating to them. For the remaining business, reference was made to a European portfolio considered substantially representative.

Risk adjustment

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

Other aspects

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

With reference to points of contact with the prudential Solvency II regulations, it should be noted that the undiscounted cash flows used to estimate fulfilment cash flows do not differ significantly from those used to estimate best estimate liabilities according to the prudential framework.
It should be noted, in particular, that the main differences between the two frameworks for the measurement of insurance liabilities relate to:
- the identification of contract boundaries, i.e. the determination of whether a contractual option should be included in the projected cash flows from the issue of the contract or whether its exercise entails the generation of a new group of contracts;
- the determination of the discount curve;
- the determination of the risk margin under the Solvency regime and the risk adjustment in the IFRS 17 accounting standard.

Transition strategy

The definition of the transition strategy was guided, in the first instance, by the assessment of the possibility of applying a full retrospective approach. This approach requires the reconstruction of historical data for all contracts within the scope of IFRS 17 from the date of their signature.

Application of the full retrospective approach is not required if retroactive redetermination is impracticable. The portfolio analysis performed revealed the following limitations in relation to the possibility of applying a full retrospective approach:

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

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

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

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

IFRS 17: EFFECTS OF FIRST TIME ADOPTION

The international accounting standard provides for an obligation to present a comparative period. The transition date is therefore 1 January 2022, i.e. the start date of the financial year immediately preceding the date of initial application (1 January 2023 - First Time Adoption – FTA).

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

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

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

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

The reconciliation statements between the Group's consolidated accounting schedules as presented in the financial statements at 31 December 2022 and the accounting schedules introduced by the 8th update to Bank of Italy Circular No. 262, which take into account the entry into force of the new IFRS 17 international accounting standard, are set out below. In these schedules, the balances at 31 December 2022 (determined according to IFRS 4) presented according to the accounting schedule previously presented, are reconciled to the new items according to the classification criteria introduced by IFRS 17.
Data in €/000

Statement of financial position – Assets

Circolare 262/2005 7° aggiornamento

	ASSET ITEMS	31/12/2022	Circolare 262/2005 8° aggiornamento																			
			10. Cash and cash equivalents	20. Financial assets at fair value through profits or loss	a) financial assets held for trading	b) financial assets designated at fair value	c) other financial assets mandatorily meaured at fair value	30. Financial assets measured at fair value through other comprehensive income	40. Financial assets measured at amortised cost	a) loans to banks	b) loans to customers	50. Hedging derivatives	80. Insurance assets	b) insurance contracts written that are classified as assets	90. Tangible assets	100. Intangible assets	- goodwill	110. Tax assets	a) current	b) deferred	120. Non-current assets and disposal groups	130. Other assets
10.	Cash and cash equivalents	2.351.741	2.351.741																			
20.	Financial assets at fair value through profit or loss	32.003.209		32.003.209																		
	a) Financial assets held for trading	1.148.437			1.148.437																	
	b) Financial assets designated at fair value	30.667.223				30.667.223																
	c) Other financial assets mandatorily measured at fair value	187.549					187.549															
30.	Financial assets measaured at fair value through other comprehensive income	1.089.785						1.089.785														
40.	Financial assets measured at amortised cost	36.132.707							36.132.707													
	a) Loans to banks	455.358								455.358												
	b) Loans to customers	35.677.349									35.677.349											
50.	Hedging derivatives	430										430										
80.	Reinsurers' share of technical provisions	71.825											71.825	71.825								
90.	Tangible assets	229.248													229.248							
100.	Intangible assets	207.782														207.782						
	of which:																					
	- goodwill	125.625															125.625					
110.	Tax assets	589.083																589.083				
	a) current	496.940																	496.940			
	b) deferred	92.143																		92.143		
120.	Non-current assets and disposal groups	2.010																			2.010	
130.	Other assets	921.070																				921.070
	TOTAL ASSETS	**73.598.890**	**2.351.741**	**32.003.209**	**1.148.437**	**30.667.223**	**187.549**	**1.089.785**	**36.132.707**	**455.358**	**35.677.349**	**430**	**71.825**	**71.825**	**229.248**	**207.782**	**125.625**	**589.083**	**496.940**	**92.143**	**2.010**	**921.070**

With regard to assets, the reclassifications concerned:

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

Statement of financial position – Liabilities

				Circolare 262/2005 8° aggiornamento																		
		LIABILITIES	31/12/2022	10. Financial liabilities measured at amortised cost	a) Payables to banks	b) Payables to customers	c) Debt securities in issue	20. Financial liabilities hekd for trading	30. Financial liabilities measured at fair value	40. Hedging derivatives	60. Tax liabilities	a) current	b) deferred	80. Other liabilities	90. Employee severance benefits	100. Provisions for risk and charges	a) commitments and guarantees given	b) quiescence and other liabilities	c) other provisions for risk and charges	110. Insurance liabilities	a) insurance contracts written that are classified as liabilities	b) reinsurance cessions that are classified as liabilities
Circolare 262/2005 7° aggiornamento	10.	Financial liabilities measured at amortised cost	36.297.889	36.297.889																		
		a) Payables to banks	370.622		370.622																	
		b) Payables to customers	35.626.824			35.626.824																
		c) Debt securities in issue	300.443				300.443															
	20.	Financial liabilities held for trading	11.952					11.952														
	30.	Financial liabilities measured at fair value	13.086.968						13.086.968													
	40.	Hedging derivatives	2.594							2.594												
	60.	Tax liabilities	138.788								138.788											
		a) currents	115.327									115.327										
		b) deferred	23.461										23.461									
	80.	Other liabilities	830.636											830.636								
	90.	Employee severance benefits	11.657												11.657							
	100.	Provisions for risk and charges	313.202													313.202						
		a) commitments and guarantees given	658														658					
		b) quiescence and similar liabilities	499															499				
		c) other provisions for risk and charges	312.045																312.045			
		TOTAL LIABILITIES	**2.935.379**	**36.297.889**	**370.622**	**35.626.824**	**300.443**	**11.952**	**13.086.968**	**2.594**	**138.788**	**115.327**	**23.461**	**887.937**	**11.657**	**313.202**	**658**	**499**	**312.045**	**19.912.524**	**19.912.524**	**-**

With respect to liabilities, the reclassifications concerned:

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

Statement of financial position – Shareholders' equity

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

Income statement for the period ended 30 June 2022 (1/2)

7° Aggiornamento Circ. 262 Banca d'Italia			10. Interesti income and similar income	20. Interest expense and similar expenses	30. **Net interest income**	40. Commission income	50. Commission expense	60. **Net commissions income**	70. dividends and similar income	80. Net gains (losses) from trading	90. Net gains (losses) from hedging	100. Gains (losses) from disposal or repurchase of:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	110. Net gain (loss) from other financial assets and liabilities through profit or loss	a) financial assets and liabilities designated at fair value	b) other financial assets mandatorily measured at fair value	120. **Operating income**	130. Credit-risk induced net value adjustments/write-backs relating to:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	150. Net gain (loss) from financial operations
			8° aggiornamento Circ. 262 Banca d'Italia																			
10.	Interest income and similar income	226.915	226.915																			
20.	Interest expense and similar expenses	(26.107)		(26.107)																		
30.	**Net interest income**	**200.808**			200.808																	
40.	Commission income	921.607				921.607																
50.	Commission expense	(387.689)					(387.689)															
60.	**Net commissions income**	**533.918**						533.918														
70.	Dividends and similar income	1.362							1.362													
80.	Net gains (losses) from trading	(20.924)								(20.924)												
90.	Net gains (losses) from hedging	1.445									1.445											
100.	Gains (losses) from disposal or repurchase of:	688										688										
	a) financial assets measured at amortised cost	16											16									
	b) financial assets measured at fair value through other comprehensive income	672												672								
110.	Net gain (loss) from other financial assets and liabilities through profit or loss	(2.749.108)													(2.749.108)							
	a) financial assets and liabilities designated at fair value	(2.753.970)														(2.753.970)						
	b) other financial assets mandatorily measured at fair value	4.862															4.862					
120.	**Operating income**	**(2.031.811)**																(2.031.811)				
130.	Credit-risk induced net value adjustments/write-backs relating to:	(8.817)																	(8.817)			
	a) financial assets measured at amortised cost	(9.233)																		(9.233)		
	b) financial assets measured at fair value through other comprehensive income	416																			416	
150.	Net gain (loss) from financial operations	(2.040.628)																				(2.040.628)
	Net gain (loss) from financial operations	(2.040.628)	226.915	(26.107)	200.808	921.607	(387.689)	533.918	1.362	(20.924)	1.445	688	16	672	(2.749.108)	(2.753.970)	4.862	(2.031.811)	(8.817)	(9.233)	416	(2.040.628)

Income statement for the period ended 30 June 2022 (2/2)

7° Aggiornamento Circ. 262 Banca d'Italia			8° aggiornamento Circ. 262 Banca d'Italia																							
			160. Result of insurance services	a) insurance revenues deriving from insurance contracts written	b) costs of insurance services deriving from insurance contracts written	c) insurance revenues deriving from reinsurance cessions	d) costs of insurance services deriving from reinsurance cessions	170. Balance of revenues and financial costs relating to insurance management	a) net financial costs/revenues relating to insurance contracts written	b) net financial revenues/costs relating to reinsurance cessions	180. **Net gain (loss) from financial and insurance operations**	190. Administrative expenses	a) staff costs	b) other administrative expenses	200. Net provisions for risk and charges	a) commitments and guarantees given	b) other net provisions	210. Net value adjustments/write-backs of tangible assets	220. Net value adjustments/write-backs of intangible assets	230. Other operating income/expenses	240. **Operating costs**	280. Gains (losses) on disposal of investments	290. **Net income from continuing operations before tax**	300. Taxes and income from continuing operations	310. **Net income for continuing operations after tax**	330. Net income of the year	350. **Net income attributable to the Parent Company**
160.	Net Premiums	1.154.645	1.154.645	1.170.786			(16.141)																				
170.	Balance of other revenues/expenses from insurance operations	1.539.951						1.539.951	1.532.747	7.204																	
180.	**Net gain (loss) from financial and insurance operations**	**653.968**									653.968																
190.	Administrative expenses:	(321.154)										(321.154)															
	a) staff costs	(136.052)											(136.052)														
	b) other administrative expenses	(185.102)												(185.102)													
200.	Net provisions for risk and charges	(11.121)													(11.121)												
	a) commitments and guarantees given	(31)														(31)											
	b) other net provisions	(11.090)															(11.090)										
210.	Net value adjustments/write-backs of tangible assets	(8.384)																(8.384)									
220.	Net value adjustments/write-backs of intangible assets	(16.662)																	(16.662)								
230.	Other operating income/expenses	737																		737							
240.	**Operating costs**	**(356.584)**																			(356.584)						
280.	Gains (losses) on disposal of investments	481																				481					
290.	**Net income from continuing operations before tax**	**297.865**																					297.865				
300.	Taxes on income from continuing operations	(60.012)																						(60.012)			
310.	**Net income from continuing operations after tax**	**237.853**																							237.853		
330.	Net income for the year	237.853																								237.853	
350.	**Net income attributable to the Parent Company**	**237.853**																									237.853
	Total Income Statement	237.853	1.154.645	1.170.786	-	-	(16.141)	1.539.951	1.532.747	7.204	653.968	(321.154)	(136.052)	(185.102)	(11.121)	(31)	(11.090)	(8.384)	(16.662)	737	(356.584)	481	297.865	(60.012)	237.853	237.853	237.853

The reclassifications concerned:

- Item 160. Net premiums and Item 170. Other insurance operating income/expenses, which amounted to €1,154.6 million and €1,540 million respectively at 30 June 2022, allocated to the new items: 160. Result of insurance management and 170. Balance of revenues and financial costs relating to insurance management

Opening financial statements

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

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

In particular, the following are presented:

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

Assets

€/000		31/12/2022	Impacts 01/01/2022	Movements in FY 2022	01/01/2023
10.	Cash and cash equivalents	2,351,741			2,351,741
20.	Financial assets at fair value through profit or loss	32,003,209			32,003,209
	a) Financial assets held for trading	1,148,437			1,148,437
	b) Financial assets designated at fair value	30,667,223			30,667,223
	c) Other financial assets mandatorily measured at fair value	187,549			187,549
30.	Financial assets measured at fair value through other comprehensive income	1,089,785	444,098	126,572	1,660,455
40.	Financial assets measured at amortised cost	36,132,707	(375,851)	(231,989)	35,524,867
	a) Loans to banks	455,358	(71,157)	(29,142)	355,059
	b) Loans to customers	35,677,349	(304,694)	(202,847)	35,169,808
50.	Hedging derivatives	430			430
80.	Insurance assets	71,825	(2,434)	(284)	69,107
90.	Tangible assets	229,248			229,248
100.	Intangible assets	207,782			207,782
	of which:				
	- goodwill	125,625			125,625
110.	Tax assets	589,083	46,160	14,025	649,268
	a) current	496,940			496,940
	b) deferred	92,143	46,160	14,025	152,328
120.	Non-current assets and disposal groups	2,010			2,010
130.	Other assets	921,070		(1,050)	920,020
	TOTAL ASSETS	**73,598,890**	**111,973**	**(92,726)**	**73,618,137**

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

- a reclassification of approximately €444 million between the "Financial assets measured at amortised cost" section and the "Financial assets designated at fair value through other comprehensive income" section, including the effect of the change in the valuation criterion from amortised cost to fair value. The change between the two portfolios is due to the reassessment of the designation of the financial assets underlying certain insurance contracts previously mentioned. This reclassification also affected the change in the balances recorded in 2022;

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

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

Liabilities and shareholders' equity

€/000		31/12/2022	Impacts 01/01/2022	Movements in FY 2022	01/01/2023
10.	Financial liabilities measured at amortised cost	36,297,889			36,297,889
	a) Payables to banks	370,622			370,622
	b) Payables to customers	35,626,824			35,626,824
	c) Debt securities in issue	300,443			300,443
20.	Financial liabilities held for trading	11,952			11,952
30.	Financial liabilities designated at fair value	13,086,968			13,086,968
40.	Hedging derivatives	2,594			2,594
60.	Tax liabilities	138,788	25,944	16,016	180,748
	a) current	115,327			115,327
	b) deferred	23,461	25,944	16,016	65,421
80.	Other liabilities	887,937			887,937
90.	Employee severance benefits	11,657			11,657
100.	Provisions for risk and charges	313,202			313,202
	a) commitments and guarantees given	658			658
	b) pensions and similar obligations	499			499
	c) other provisions for risk and charges	312,045			312,045
110.	Insurance liabilities	19,912,524	71,563	(106,887)	19,877,200
	a) insurance contracts written that are classified as liabilities				19,877,200
120.	Valuation reserves	(41,109)	(2,187)	13,119	(30,177)
150.	Reserves	2,059,215	16,653		2,075,868
155	Interim dividends	(177,133)			(177,133)
160.	Issue premiums	5,297			5,297
170.	Capital	600,452			600,452
180.	Treasury shares (-)	(33,146)			(33,146)
200.	Net income for the year (+/-)	521,803		(14,974)	506,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**73,598,890**	**111,973**	**(92,726)**	**73,618,137**

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

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

Effects on shareholders' equity of the adoption of IFRS 17

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

Data in €/000

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

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

- €16.7 million relating to the impacts of the first time adoption of IFRS 17 at 1 January 2022;
- -€15.0 million relating to the change in the profit for 2022 of the three companies, Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life, compared with the amount determined in accordance with IFRS 4;
- +€10.9 million relating to the other comprehensive income (OCI) valuation reserve, influenced by both the reassessment of the business model mentioned above and the application of the "accounting option" ("OCI option") that allows for the recognition in other comprehensive income of:
    - any mismatches arising from the revaluation of assets and liabilities (IFRS 17, para. 89) – for products within the scope of the Variable Fee Approach;
    - changes in liabilities related to the updating of financial conditions over time (IFRS 17, para. 88) – for products within the scope of the General Model.

Reconciliation of the consolidated income statement for the period ended 30 June 2022 according to the new Circular No. 262 and the consolidated income statement for the period ended 30 June 2022 under IFRS 17

€/000		30/06/2022	Impact of IFRS 17	30/06/2022 RESTATED
10.	Interest income and similar income	226,915	-	226,915
20.	Interest expense and similar expenses	(26,107)	1,092	(25,015)
30.	**Net interest income**	**200,808**	**1,092**	**201,900**
40.	Commission income	921,607	(125,143)	796,464
50.	Commission expense	(387,689)	48,363	(339,326)
60.	**Net commission expense**	**533,918**	**(76,780)**	**457,138**
70.	Dividends and similar income	1,362	-	1,362
80.	Net gains (losses) from trading	(20,924)	-	(20,924)
90.	Net gains (losses) from hedging	1,445	-	1,445
100.	Gains (losses) from disposal or repurchase of:	688	-	688
	a) financial assets measured at amortised cost	16	-	16
	b) financial assets measured at fair value through other comprehensive income	672	-	672
110.	Net gain (loss) from other financial assets and liabilities at fair value through profit or loss	(2,749,108)	246,171	(2,502,937)
	a) financial assets and liabilities designated at fair value	(2,753,970)	246,171	(2,507,799)
	b) other financial assets mandatorily measured at fair value	4,862	-	4,862
120.	**Operating income**	**(2,031,811)**	**170,483**	**(1,861,328)**
130.	Credit-risk induced net value adjustments/write-backs relating to:	(8,817)	-	(8,817)
	a) financial assets measured at amortised cost	(9,233)	-	(9,233)
	b) financial assets measured at fair value through other comprehensive income	416	-	416
150.	**Net gain (loss) from financial operations**	**(2,040,628)**	**170,483**	**(1,870,145)**
160.	Result of insurance services	1,154,645	(1,073,199)	81,446
170.	Balance of revenues and financial costs relating to insurance management	**1,539,951**	889,223	2,429,174
180.	**Net gain (loss) from financial and insurance operations**	**653,968**	**(13,493)**	**640,475**
190.	Administrative expenses:	(321,154)	15,419	(305,735)
	a) staff costs	(136,052)	4,218	(131,834)
	b) other administrative expenses	(185,102)	11,201	(173,901)
200.	Net provisions for risk and charges	(11,121)	-	(11,121)
	a) commitments and guarantees given	(31)	-	(31)
	b) other net provisions	(11,090)	-	(11,090)
210.	Net value adjustments/write-backs of tangible assets	(8,384)	-	(8,384)
220.	Net value adjustments/write-backs of intangible assets	(16,662)	-	(16,662)
230.	Other operating income/expenses	737	4,970	5,707
240.	**Operating costs**	**(356,584)**	**20,389**	**(336,195)**
280.	Gains (losses) on disposal of investments	481	-	481
290.	**Net income from continuing operations before tax**	**297,865**	**6,896**	**304,761**
300.	Taxes on income from continuing operations	(60,012)	(3,618)	(63,630)
310.	**Net income from continuing operations after tax**	**237,853**	**3,278**	**241,131**
330.	**Net income for the period**	**237,853**	**3,278**	**241,131**
350.	**Net income for the period attributable to the Parent Company**	**237,853**	**3,278**	**241,131**

Section 3 – Scope and methods of consolidation

The condensed consolidated interim financial statements include Banca Mediolanum S.p.A. and its direct and indirect subsidiaries.

The following table shows the equity investments included in the scope of full consolidation following the adoption of the international accounting standards.

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

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

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

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

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

(*) Type of relationship: 1 = majority of voting rights at the ordinary shareholders' meeting
2 = dominant influence at the ordinary shareholders' meeting
3 = agreements with other shareholders
4 = other forms of control
5 = single management pursuant to Article 26(1) of "Legislative Decree 87/92"
6 = single management pursuant to Article 26(2) of "Legislative Decree 87/92"

Consolidation methods

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

Line-by-line consolidation

The subsidiaries are consolidated as of the date on which control is acquired, according to the purchase method, and cease to be consolidated when the situation of control no longer exists.
Full consolidation is the line-by-line acquisition of the aggregates of the subsidiaries' statements of financial position and income statements.
Following the allocation to minority shareholders of their interests, where present, in a specific item, in equity and in the result for the year, the value of the equity investment is eliminated against the residual value of the subsidiary's equity.
Any resulting difference, if positive – after allocation to the assets or liabilities of the subsidiary, where applicable – is recognised as goodwill under Intangible assets or fair value differences on assets and liabilities still carried on the date of initial consolidation and under Other reserves thereafter. Negative differences on the date of initial consolidation are taken to the income statement.
Assets, liabilities, income and expenses between consolidated companies are fully eliminated.

Significant valuations and assumptions for determining the scope of consolidation

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

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

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

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

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

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

Section 4 – Events after the half-year reporting date

No events that could have a material effect on the Group's financial position and earnings results took place after 30 June 2023.

Section 5 – Other aspects

Use of estimates

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

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

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

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

Accounting standards

The accounting policies used to prepare these condensed consolidated half-year financial statements, with reference to the phases of classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the methods of recognising revenues and costs and the consolidation criteria, are consistent with those used to prepare the 2022 consolidated financial statements of the Banca Mediolanum Group, with the exception of those relating to the insurance items in the statement of financial position and income statement that have been revised following the mandatory adoption, with effect from 1 January 2023, of the international accounting standard "IFRS 17 – Insurance Contracts" which replaced IFRS 4 with regard to the rules governing the classification and measurement of insurance contracts.
In light of the above, for a detailed explanation of the accounting standards applied in preparing these condensed consolidated half-year financial statements, please see section "A2 – Part relating to the main financial statement items" of the consolidated financial statements at 31 December 2022, with the exception of section "15 – Insurance assets and liabilities", which is replaced as follows.

15 - Insurance assets and liabilities

Classification criteria

This category includes insurance assets and liabilities falling within the scope of IFRS 17 – Insurance Contracts.
Specifically, the *insurance liabilities* item comprises liabilities for which the insurance risk is assessed as material, including term life policies, certain types of unit-linked policies and non-life policies, as well as reinsurance components. Also included are liabilities recognised for investment products with discretionary participation features (separate management) as well as Class V capitalisation policies.
Classification depends on the net balance of the portfolio to which the contracts belong. Insurance contracts with a positive balance are classified as insurance liabilities, while reinsurance cession contracts have a positive balance and are therefore classified as insurance assets.

Recognition criteria

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

Measurement criteria

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

Specifically, the Mediolanum Group uses two models:

- a general accounting model (General Model) for life contracts that do not provide for contractual links between assets and liabilities and for long-term non-life contracts;
- a Variable Fee Approach model, which must be used to measure certain specific types of liabilities (e.g. contracts linked to separate management);

General Model

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

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

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

After the update, the contractual service margin is released into profit according to the service provided over the term of the contract (coverage unit).

Variable Fee Approach

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

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

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

Amendment and cancellation criteria

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

A.4 – FAIR VALUE REPORTING

QUALITATIVE INFORMATION

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, under current conditions in the main or most advantageous market at the measurement date (exit price). Underlying the measurement of fair value is the presumption that the entity is a going concern. IFRS 13 establishes a fair value hierarchy according to the degree of observability of the inputs and parameters applied to the measurements. Three levels are envisaged:

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

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

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

> securities traded on Italian and foreign regulated markets (e.g. MTS (electronic government securities market) and MOT (electronic bond and government securities market);
> securities traded on organised exchange systems authorised or recognised by Consob (multilateral trading facilities) for which the materiality of the price has been determined by the procedure described below;
> securities for which an executable list price is available that meets the following criteria:

the reference time series is complete;
the bid-ask price tolerance thresholds differ according to the financial instrument;
significant variability in the daily price in the reference month;
maximum monthly price variation limit;
maximum limit of the price deviation from a benchmark quotation.

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

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

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

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

The Group's Level 2 instruments comprise bonds of third-party issuers and some derivative instruments. Securities in this category are valued on the basis of directly or indirectly observable market data.
The fair value of the bonds is calculated as the sum of the present values at the end of the financial year of the cash flows deriving from them. The discount rate is determined as the sum of two components: the risk-free rate and the credit spread.
The risk-free rate is inferred from the implicit value in IRS (interest rate swap) contracts, while the credit spread is inferred from the price of bonds of the same issuer with a fixed coupon and maturity comparable to the security being valued. Where no securities of the same issuer were present, and for own bonds, a credit spread was used, inferred from a weighted average of the observed values of bonds of the main Italian banks listed on the institutional markets.
If the expected values of the flows are not determined, but depend on market variables, they are identified on the basis of:

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

Expected flows are determined based on implied volatilities (where relevant) using the Black-Scholes model.
The fair value of Level 2 financial derivatives (consisting of amortising interest rate swaps) is determined taking into account their level of collateralisation: in particular, the value of the contracts is calculated by discounting the flows generated by them at rates inferred from the implicit values in OIS (overnight interest swap) contracts and in the relevant basis swap contracts.
Level 3 assets consist of:

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

The starting point for determining the units of real estate funds is the analysis of the underlying properties, and in particular the rents (contractually established) that the tenant of the property undertakes to pay the property owner for an agreed number of years. These rents are discounted and capitalised appropriately, using both the initial value of the collected rent and the discount rates of the collected rent, as well as the final net income capitalisation rate after implementation.

Equities measured at fair value level 3 include the indirect investee company VISA Europe Limited. When determining fair value, the Mediolanum Group considered the cash value and the value of the preferred instruments to which a liquidity discount was applied according to valuation clauses, and it decided to assign a value of zero to the price adjustment clause due to the uncertainty associated with this component.

For some more significant equity securities, the Bank has determined the fair value of these instruments on the basis of established academic valuation methods (DCF).

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

Index-linked policy assets – the volumes of which are residual as a percentage of total assets held by the Irish life insurance company – consist of bonds and derivative contracts traded outside regulated markets and characterised by low liquidity and complex financial structures. They are measured on the basis of appropriately validated assessments of their counterparties or internal stochastic models.

For unlisted bonds, the valuation method in the financial statements is similar to that used for Level 2 assets, with the difference that the input data used for pricing are not directly derived from the market and other parameters, such as the liquidity premium and complexity, but are calibrated in such a way as to take account of the characteristics of the instrument in question.

For closed-end UCI units, however, the value is measured at the NAV communicated by the manager and duly verified and validated.

The carrying amount of properties is determined through an independent expert's appraisal. The report is updated periodically or at the time of significant events that result in the revaluation of these carrying amounts.

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

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

A.4.2 Valuation processes and sensitivity

This section includes disclosure on fair value as required by IFRS 13. Fair value is defined as the consideration that could be received to sell an asset or paid to transfer a liability, in an ordinary transaction between counterparties on the reference market on the measurement date. A financial instrument is considered quoted on an active market if the quoted prices are readily and regularly available on the regulated market (understood as a trading platform, dealer or broker) and such prices represent actual market transactions that take place regularly in normal trading. Alternative valuation models (mark to model) are used if market prices or other observable inputs are not available.

The Group uses valuation methods in line with methods generally accepted and used by the market. The valuation models include techniques based on discounting future cash flows (and estimated volatility) and are reviewed periodically to ensure full consistency with the valuation objectives.

A.4.3 Fair value hierarchy

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

Description of migrations between asset valuation levels

The Mediolanum Group has a policy in place for the recognition of the fair value level of individual positions. The policy establishes the rules applied by the individual Company for both the definition of an “active market” and the consequent operating procedure for valuing portfolios in order to avoid any discretion in the identification of levels. In the first six months of 2023, following the monthly controls carried out by the Risk Management Function in accordance with internal policies, there were no changes in the fair value level for any of the securities in the portfolios of the Group Companies.

A.4.4 Other information

There are no situations in which financial assets and liabilities managed on a net basis relating to market risks or credit risk are measured at fair value on the basis of the price that could be received from the sale of a net long position or the transfer of a net short position.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

€/000	30/06/2023			31/12/2022		
Financial assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets at fair value through profit or loss	34,546,005	155,657	226,871	31,584,845	196,523	221,841
a) Financial assets held for trading	1,605,404	746	6,617	1,142,015	473	5,949
b) Financial assets designated at fair value	32,913,529	154,911	49,533	30,414,016	196,050	57,157
c) Other financial assets mandatorily measured at fair value	27,072	-	170,721	28,814	-	158,735
2. Financial assets measured at fair value through other comprehensive income	1,866,025	5,143	51,520	1,606,121	3,827	50,507
3. Hedging derivatives	-	193	-	-	430	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	**36,412,030**	**160,993**	**278,391**	**33,190,966**	**200,780**	**272,348**
1. Financial liabilities held for trading	-	12,517	-	-	11,952	-
2. Financial liabilities designated at fair value	14,167,473	3,192	-	13,086,968	-	-
3. Hedging derivatives	-	2,401	-	-	2,594	-
TOTAL	**14,167,473**	**18,110**	**-**	**13,086,968**	**14,546**	**-**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.4.5.2 Changes during the year in assets measured at fair value on a recurring basis (Level 3)

€/000	Financial assets at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	**221,841**	**5,949**	**57,157**	**158,735**	**50,507**	-	-	-
2. Increases	21,725	779	3,672	17,274	1,042	-	-	-
2.1. Purchases	14,944	12	3,672	11,260	1,000	-	-	-
2.2. Profits booked to:	2,925	677	-	2,248	42	-	-	-
2.2.1. Income statement	2,925	677	-	2,248	-	-	-	-
- of which, capital gains	2,865	617	-	2,248	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	42	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	3,856	90	-	3,766	-	-	-	-
3. Decreases	(16,695)	(111)	(11,296)	(5,288)	(29)	-	-	-
3.1. Sales	(725)	-	-	(725)	-	-	-	-
3.2. Redemptions	(1,488)	(67)	-	(1,421)	-	-	-	-
3.3. Losses charged to:	(12,983)	(44)	(11,296)	(1,643)	-	-	-	-
3.3.1. Income statement	(12,983)	(44)	(11,296)	(1,643)	-	-	-	-
- of which, capital losses	(1,686)	(43)	-	(1,643)	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(1,499)	-	-	(1,499)	(29)	-	-	-
4. Closing balances	**226,871**	**6,617**	**49,533**	**170,721**	**51,520**	-	-	-

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

€/000	30/06/2023				31/12/2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	36,695,190	18,379,491	-	20,908,786	35,524,867	17,872,902	5,081	18,234,552
2. Tangible assets held for investment purposes	60,877	-	-	67,210	61,267	-	-	67,210
3. Non-current assets and disposal groups	56	-	-	56	2,010	-	-	2,787
TOTAL	**36,756,123**	**18,379,491**	**-**	**20,976,052**	**35,588,144**	**17,872,902**	**5,081**	**18,304,549**
1. Financial liabilities measured at amortised cost	36,102,638	309,040	-	35,797,397	35,997,446	300,699	-	35,996,950
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	**36,102,638**	**309,040**	**-**	**35,797,397**	**36,297,889**	**300,699**	**-**	**35,996,950**

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

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

Euro	Total 30/06/2023	Total 31/12/2022
a) Cash	28,655	2,999
b) Current accounts and demand deposits with central banks	210,878	2,197,150
c) Current accounts and demand deposits with banks	76,872	151,592
Total	**316,405**	**2,351,741**

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

2.1 Financial assets held for trading: breakdown by type

€/000	30/06/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	1,550,929	-	71	1,086,109	-	110
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	1,550,929	-	71	1,086,109	-	110
2. Equity securities	54,475	-	6,546	55,869	-	5,839
3. Units in investment funds (UCIs)	-	-	-	37	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	**1,605,404**	**-**	**6,617**	**1,142,015**	**-**	**5,949**
B. Derivative instruments						
1. Financial derivatives	-	746	-	-	473	-
1.1 for trading	-	746	-	-	473	-
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL (B)	**-**	**746**	**-**	**-**	**473**	**-**
TOTAL (A+B)	**1,605,404**	**746**	**6,617**	**1,142,015**	**473**	**5,949**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

2.3 Financial assets designated at fair value: breakdown by type

€/000	30/06/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	1,350,080	-	49,533	1,377,041	42,591	57,157
2. Loans	31,563,449	154,911	-	29,036,975	153,459	-
TOTAL	**32,913,529**	**154,911**	**49,533**	**30,414,016**	**196,050**	**57,157**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

€/000	30/06/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. Units in investment funds (UCIs)	27,072	-	170,721	28,814	-	158,735
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	**27,072**	**-**	**170,721**	**28,814**	**-**	**158,735**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

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

€/000	30/06/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,547,109**	**5,143**	**43,900**	**1,344,689**	**3,827**	**43,859**
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	1,547,109	5,143	43,900	1,344,689	3,827	43,859
2. Equity securities	**318,916**	**-**	**7,620**	**261,432**	**-**	**6,648**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**1,866,025**	**5,143**	**51,520**	**1,606,121**	**3,827**	**50,507**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

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

€/000	Total					
	30/06/2023					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	**274,537**	**-**	**-**	**-**	**-**	**274,537**
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	274,537	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	**100,385**	**-**	**-**	**14,682**	**-**	**84,811**
1. Loans	84,811	-	-	-	-	84,811
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	63,273	-	-	X	X	X
1.3. - Other loans:	21,538	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	21,538	-	-	X	X	X
2. Debt securities	15,574	-	-	14,682	-	-
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	15,574	-	-	14,682	-	-
Total	**374,922**	**-**	**-**	**14,682**	**-**	**359,348**

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

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

€/000	Total					
	31/12/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
A. Loans to central banks	**265,793**	**-**	**-**	**-**	**-**	**265,793**
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	265,793	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Loans to banks	**89,266**	**-**	**-**	**15,372**	**5,081**	**69,028**
1. Loans	69,028	-	-	-	-	69,028
1.1 Current accounts	-	-	-	X	X	X
1.2. Deposits at notice	51,143	-	-	X	X	X
1.3. - Other loans:	17,885	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	17,885	-	-	X	X	X
2. Debt securities	20,238	-	-	15,372	5,081	-
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	20,238	-	-	15,372	5,081	-
Total	**355,059**	**-**	**-**	**15,372**	**5,081**	**313,157**

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

€/000	Total					
	30/06/2023					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**17,546,927**	**126,823**	**2,509**	**-**	**-**	**20,584,393**
1.1. Current accounts	442,092	7,140	30	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X
1.3. Mortgages	11,921,634	69,744	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	2,995,945	28,943	2,383	X	X	X
1.5 Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	2,187,256	20,996	96	X	X	X
2. Debt securities	**18,644,009**	**-**	**-**	**18,364,809**	**-**	**50**
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	18,644,009	-	-	18,364,809	-	50
Total	**36,190,936**	**126,823**	**2,509**	**18,364,809**	**-**	**20,584,443**

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

€/000	Total					
	31/12/2022					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated impaired	L1	L2	L3
1. Loans	**17,232,669**	**116,314**	**2,472**	**-**	**-**	**17,882,136**
1.1. Current accounts	429,579	4,821	26	X	X	X
1.2. Reverse repurchase agreements	32,212	-	-	X	X	X
1.3. Mortgages	11,510,203	69,752	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	2,980,510	27,288	2,296	X	X	X
1.5 Leasing loans	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	2,280,165	14,453	150	X	X	X
2. Debt securities	**17,818,353**	**-**	**-**	**17,349,989**	**-**	**39,259**
2.1. Structured notes	-	-	-	-	-	-
2.2. Other debt securities	17,818,353	-	-	17,349,989	-	39,259
Total	**35,051,022**	**116,314**	**2,472**	**17,349,989**	**-**	**17,921,395**

SECTION 8 – INSURANCE ASSETS

As defined in IFRS 17, paragraphs 98, 99, 101, 104 and 105, the information shown below is separated by aggregation bases. Specifically, Base 1 refers to the life business, while Base 2 refers to the non-life business.

Changes in the carrying amount of reinsurance cessions for elements underlying measurement

€/000	BASE 1			
	Present value of cash flows 30/06/2023	Adjustment for non-financial risks 30/06/2023	Contractual service margin 30/06/2023	Total 30/06/2023
A. Initial carrying amount				
1. Reinsurance cessions that are classified as assets	14,647	5,161	29,903	49,711
2. Reinsurance cessions that are classified as liabilities	-	-	-	-
3. Net carrying amount at 1 January	**14,647**	**5,161**	**29,903**	**49,711**
B. Changes related to current services	-	-	-	-
1. Contractual service margin recorded in profit or loss	-	-	(497)	(497)
2. Change due to overdue non-financial risks	-	(172)	-	(172)
3. Experience-related changes	(4,519)	-	91	(4,427)
4. Total	**(4,519)**	**(172)**	**(405)**	**(5,096)**
C. Changes related to future services	-	-	-	-
1. Changes in estimates adjusting the contractual service margin	5,689	1,892	(7,581)	-
2. Effects of contracts entered into during the year	-	-	-	-
3. Adjustment of contractual service margin linked to recoveries related to the initial recognition of onerous underlying insurance contracts	-	-	-	-
4. Releases of the loss recovery component other than changes in the cash flows of reinsurance contracts	-	-	-	-
5. Changes in cash flows of reinsurance cessions deriving from onerous underlying insurance contracts	-	-	-	-
6. Total	**5,689**	**1,892**	**(7,581)**	**-**
D. Changes related to past services	**1,961**	**-**	**-**	**1,961**
1. adjustments to the asset for incurred claims	1,961	-	-	1,961
E. Effects of changes in the default risk	**-**	**-**	**-**	**-**
F. Result of insurance services (B+C+D+E)	**3,131**	**1,720**	**(7,986)**	**3**
G. Financial revenues/costs	**0**	**-**	**(0)**	-
1. Relating to reinsurance cessions	(1)	-	0	-
1.1 Recognised in profit or loss	125	-	(15)	-
1.2. Recognised in other comprehensive income	1,333	-	-	-
2. Effects related to exchange rate fluctuations	-	-	-	-
3. Total	**(0)**	**-**	**0**	-
H. Total amount recognised in profit or loss and in OCI (F+G)	**(3)**	**(2)**	**8**	-
I. Other changes	**(0)**	**-**	**-**	-
Increases	**-**	**-**	**-**	-
Decreases	**0**	**-**	**-**	-
L. Cash movements	**-**	**-**	**-**	-
1. Premiums paid net of amounts not related to claims recovered from reinsurers	8,099	-	-	8,099
2. Amounts recovered from reinsurers	(6,046)	-	-	(6,046)
3. Total	**2,053**	**-**	**-**	**2,053**
M. Net carrying amount (A.3+H+I+L.3)	**21,289**	**6,881**	**21,902**	**50,072**
N. Closing carrying amount	**-**	**-**	**-**	**-**
1. Reinsurance cessions that are classified as assets	21,289	6,881	21,902	50,072
2. Reinsurance cessions that are classified as liabilities	-	-	-	-
3. Net carrying amount	**21,289**	**6,881**	**21,902**	**50,072**

Changes in the carrying amount of reinsurance cessions for elements underlying measurement

€/000	Base 2			
	Present value of cash flows 30/06/2023	Adjustment for non-financial risks 30/06/2023	Contractual service margin 30/06/2023	Total 30/06/2023
A. Initial carrying amount				
1. Reinsurance cessions that are classified as assets	4,416	824	14,158	19,397
2. Reinsurance cessions that are classified as liabilities	-	-	-	-
3. Net carrying amount at 1 January	**4,416**	**824**	**14,158**	**19,397**
B. Changes related to current services	-	-	-	-
1. Contractual service margin recorded in profit or loss	-	-	(3,799)	(3,799)
2. Change due to overdue non-financial risks	-	(107)	-	(107)
3. Experience-related changes	1,059	-	2,459	3,518
4. Total	**1,059**	**(107)**	**(1,340)**	**(388)**
C. Changes related to future services	-	-	-	-
1. Changes in estimates adjusting the contractual service margin	7,688	(580)	(7,108)	-
2. Effects of contracts entered into during the year	(9,070)	225	8,844	-
3. Adjustment of contractual service margin linked to recoveries related to the initial recognition of onerous underlying insurance contracts	-	-	-	-
4. Releases of the loss recovery component other than changes in the cash flows of reinsurance contracts	-	-	-	-
5. Changes in cash flows of reinsurance cessions deriving from onerous underlying insurance contracts	-	-	-	-
6. Total	**(1,382)**	**(355)**	**1,736**	**(0)**
D. Changes related to past services	**(1,186)**	**0**	**-**	**(1,185)**
1. adjustments to the asset for incurred claims	(1,186)	0	-	(1,185)
E. Effects of changes in the default risk	**-**	**-**	**-**	**-**
F. Result of insurance services (B+C+D+E)	**(1,508)**	**(462)**	**396**	**(1,573)**
G. Financial revenues/costs	**(0)**	**-**	**0**	**0**
1. Relating to reinsurance cessions	0	-	(0)	(0)
1.1 Recognised in profit or loss	11	-	14	(0)
1.2. Recognised in other comprehensive income	(173)	-	-	0
2. Effects related to exchange rate fluctuations	-	-	-	-
3. Total	**(0)**	**-**	**0**	**0**
H. Total amount recognised in profit or loss and in OCI (F+G)	**2**	**0**	**(0)**	**(0)**
I. Other changes	**-**	**-**	**-**	**-**
Increases	**-**	**-**	**-**	**-**
Decreases	**0**	**-**	**-**	**0**
L. Cash movements	**-**	**-**	**-**	**-**
1. Premiums paid net of amounts not related to claims recovered from reinsurers	10,349	-	-	10,349
2. Amounts recovered from reinsurers	(7,000)	-	-	(7,000)
3. Total	**3,348**	**-**	**-**	**3,348**
M. Net carrying amount (A.3+H+I+L.3)	**6,094**	**362**	**14,568**	**21,025**
N. Closing carrying amount	**-**	**-**	**-**	**-**
1. Reinsurance cessions that are classified as assets	6,094	362	14,568	21,025
2. Reinsurance cess. that are classified as liabilities	-	-	-	-
3. Net carrying amount	**6,094**	**362**	**14,568**	**21,025**

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 Intangible assets: breakdown by type of asset

€/000	Total 30/06/2023		Total 31/12/2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	**125,625**	X	**125,625**
A.1.1 attributable to the group	X	125,625	X	125,625
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	**82,742**	**-**	**82,157**	**-**
of which: software	77,892	-	60,090	-
A.2.1 Assets measured at cost:	82,742	-	82,157	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	82,742	-	82,157	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**82,742**	**125,625**	**82,157**	**125,625**

The goodwill item, amounting to €125.6 million, includes the goodwill of €102.8 million allocated to the Spain CGU and €22.7 million allocated to the Italy CGU.

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

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown of payables to banks by type

€/000	30/06/2023				31/12/2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	-	X	X	X	-	X	X	X
2. Payables to banks	**964,831**	X	X	X	**370,622**	X	X	X
2.1 Current accounts and demand deposits	95,801	X	X	X	291	X	X	X
2.2 Deposits at notice	5,072	X	X	X	-	X	X	X
2.3 Loans	861,486	X	X	X	368,012	X	X	X
2.3.1 Repurchase agreements	861,486	X	X	X	368,012	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,035	X	X	X	1,154	X	X	X
2.6 Other payables	1,437	X	X	X	1,165	X	X	X
TOTAL	**964,831**	**-**	**-**	**964,831**	**370,622**	**-**	**-**	**370,622**

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

€/000	30/06/2023				31/12/2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	24,902,056	X	X	X	26,067,828	X	X	X
2. Deposits at notice	2,315,235	X	X	X	202,230	X	X	X
3. Loans	7,268,691	X	X	X	8,964,353	X	X	X
3.1 Repurchase agreements	7,265,193	X	X	X	8,962,553	X	X	X
3.2 Other	3,498	X	X	X	1,800	X	X	X
4. Payables for commitments to repurchase own shares	-	X	X	X	-	X	X	X
5. Lease liabilities	63,871	X	X	X	68,832	X	X	X
6. Other payables	282,713	X	X	X	323,581	X	X	X
TOTAL	**34,832,566**	**-**	**-**	**34,832,566**	**35,626,824**	**-**	**-**	**35,626,328**

Key:

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

€/000	30/06/2023				31/12/2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3	0	L1	L2	L3
A. Securities								
1. Bonds	305,241	309,040	-	-	300,443	300,699	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	305,241	309,040	-	-	300,443	300,699	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**305,241**	**309,040**	**-**	**-**	**300,443**	**300,699**	**-**	**-**

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

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

€/000	30/06/2023					31/12/2022				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	0	-	-	-	-	-
3.1 Bonds	-	-	-	-	0	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	0	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	-	-	12,517	-	0	-	-	11,952	-	-
1.1 For trading	X	-	12,517	-	X	X	-	11,952	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	0	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL (B)	**X**	**-**	**12,517**	**-**	**X**	**X**	**-**	**11,952**	**-**	**X**
TOTAL (A+B)	**X**	**-**	**12,517**	**-**	**X**	**X**	**-**	**11,952**	**-**	**X**

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

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

3.1 Financial liabilities designated at fair value: breakdown by type

€/000	30/06/2023					31/12/2022				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Payables to customers	**14,170,665**	**14,166,224**	**3,192**	**-**	**14,170,665**	**13,086,968**	**13,086,968**	**-**	**-**	**13,086,968**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	14,170,665	14,166,224	3,192	-	X	13,086,968	13,086,968	-	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	**-**	**1,249**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	1,249	-	-	X	-	-	-	-	X
TOTAL	**14,170,665**	**14,167,473**	**3,192**	**-**	**14,170,665**	**13,086,968**	**13,086,968**	**-**	**-**	**13,086,968**

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

Section 6 - Tax liabilities - Item 60

Banca Mediolanum

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

As reported in the financial statements, on 24 April 2020 the Major Taxpayers Office of the Regional Tax Department for Lombardy served Banca Mediolanum with assessment notices for IRES (corporate income tax) and IRAP (regional production tax) purposes concerning transfer prices for 2015. These assessment notices – which present identical charges to those of previous years – claim total additional taxable income of €94.6 million, including €23.5 million due to a recalculation from 57.43% to 64.25% of the retrocession of the management fees of the mutual funds promoted by the subsidiary Mediolanum International Funds and placed in Italy by the bank, as well as additional taxable income of €70.3 million deriving from the allocation to the bank of 23.83% of the performance fees. In total, additional taxes of €31.2 million were charged (including IRES of €26.0 million and IRAP of €5.3 million), along with interest of €3.3 million.

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

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

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

Arbitration proceedings

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

With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy. For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 24 December 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate. Banca Mediolanum has therefore set aside a provision of €41.8 million, and the charge for the period in question amounts to €2.6 million.

Mediolanum Vita

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

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for the initiation of the Mutual Agreement Procedure ("MAP") provided for by the European Arbitration Convention No 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.

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

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

As in the preceding year, the Company continued to make provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income. Finally, it should be recalled that Mediolanum Vita and its Parent Company, Banca Mediolanum, were the subject of a previous inspection procedure relating to the matter in question and concerning the years from 2005 to 2014, which was settled in December 2015 by paying a total of €120.2 million in taxes. Mediolanum International Funds has applied to the Irish tax authority – thus far to no avail – for a refund of taxes paid corresponding to the higher taxable amounts assessed in Italy, for a maximum value of approximately €41 million.

The Company has therefore set aside a provision of €13.4 million, and the charge for the period in question amounts to €0.5 million.

Therefore, the Mediolanum Group has set aside a provision of €55.2 million for the tax dispute described and incurred a charge for the period under review of €3.1 million.

SECTION 10 – PROVISIONS FOR RISK AND CHARGES – ITEM 100

10.1 Provisions for risk and charges: breakdown

€/000	30/06/2023	31/12/2022
1. Provisions for credit risk relating to commitments and financial guarantees given	165	74
2. Provisions on other commitments and guarantees given	720	584
3. Company pension funds	465	499
4. Other provisions for risk and charges	300,820	312,045
4.1 legal and tax disputes	13,500	14,266
4.2 staff costs	-	-
4.3 other	287,320	297,779
TOTAL	**302,170**	**313,202**

Provisions for risk and charges include (in the "Other" item), *inter alia*, the additional customer allowance, which includes the provision for fees accrued to financial advisors, the managers' allowance for agents who perform assistance and coordination activities and whose remuneration is based on specific business parameters and is paid upon qualifying for an old-age pension, the portfolio and structure allowance, and relating to the role assumed by the Bank at the time of transfer of the customer portfolio or the agent structure managed by a financial advisor, and the provision for lawsuits, mainly linked to legal liabilities (litigation and pre-litigation) and also including the related legal expenses.

SECTION 11 – INSURANCE LIABILITIES – ITEM 110

This item includes "Insurance liabilities" determined on the basis of the new IFRS 17 standard and amounts to €21,243 million. In particular, it includes the "Liability for remaining coverage - LRC" line, which breaks down as follows:

- ✓ cash flows relating to future services (Fulfilment Cash Flows – FCF), i.e. all expected future cash flows associated with discounted insurance contracts adjusted for time value and risk;
- ✓ the contractual service margin (CSM), which represents the expected profit of the group of contracts released over the life of the contracts;
- ✓ the risk adjustment to take account of "non-financial" risks.

The change in the contractual services margin (CSM) in the first half of 2023 is show below.

€/m

Initial CSM 01/01/2023	**1,906**
Movements	207
Release	(81)
Final CSM 30/06/2023	**2,032**

The information provided below, in accordance with IFRS 17, paragraphs 98, 99, 101, 104 and 105, is provided by aggregation base. In particular, Aggregation Base 1 shows the information relating to insurance contracts written with direct participation features in the Life segment and, as permitted by current legislation, also the information relating to insurance contracts written without direct participation features in the Life segment. Aggregation Base 4 provides details of insurance contracts written without direct participation features in the Non-Motor Non-Life segment.

Elements underlying the measurement of the carrying amount of insurance contracts written

€/000	Base 1			Total
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	
	30/06/2023	30/06/2023	30/06/2023	30/06/2023
A. Initial carrying amount				
1. Insurance contracts written that are classified as liabilities				-
2. Insurance contracts written that are classified as assets				-
3. Net carrying amount at 1 January	**17,891,969**	**61,200**	**1,632,125**	**19,585,294**
B. Changes related to current services	-	-	-	-
1. Contractual service margin recorded in profit or loss	-	-	(53,525)	(53,525)
2. Change due to overdue non-fin. risks	-	(1,706)	-	(1,706)
3. Experience-related changes	(583,640)	-	514,008	(69,632)
4. Total	**(583,640)**	**(1,706)**	**460,483**	**(124,863)**
C. Changes related to future services	-	-	-	-
1. Changes in the contractual service margin	531,021	3,867	(534,889)	(0)
2. Losses on onerous contract groups and related recoveries	-	-	(20)	(20)
3. Effects of contracts initially recognised in the reporting year	(58,114)	996	57,117	-
4. Total	**472,908**	**4,864**	**(477,791)**	**(20)**
D. Changes related to past services	-	-	-	-
1. Adjustments to the liability for incurred claims	63,344	-	-	63,344
2. Experience-related changes	-	-	-	-
3. Total	**63,344**	**-**	**-**	**63,344**
E. Result of insurance services (B+C+D)	**(47,388)**	**3,158**	**(17,308)**	**(61,539)**
F. Financial costs/revenues	-	-	-	-
1. Related to insurance contracts written	1,036,748	-	116,044	1,152,791
1.1 Recognised in profit or loss	1,036,748	-	92,751	1,129,499
1.2 Recognised in OCI	-	-	23,292	23,292
2. Effects related to exchange rate fluctuations	-	-	-	-
3. Total	**1,036,748**	**-**	**116,044**	**1,152,791**
G. Total amount of changes recognised in profit or loss and in OCI (E+F)	**989,360**	**3,158**	**98,735**	**1,091,252**
H. Other changes	**-**	**-**	**-**	**-**
Increases	**-**	**-**	**-**	**-**
Decreases	**-**	**-**	**-**	**-**
I. Cash movements	-	-	-	-
1. Premiums received	971,028	-	-	971,028
2. Payments related to the costs of acquiring contracts		-	-	(17,588)
3. Claims paid and other cash outflows	(696,809)	-	-	(696,809)
4. Total	**256,631**	**-**	**-**	**256,631**
L. Net carrying amount at 31 December (A.3+G+H+I.4)	**19,137,960**	**64,358**	**1,730,860**	**20,933,178**
M. Closing carrying amount	-	-	-	-
1. Insurance contracts written that are classified as liabilities	19,137,960	64,358	1,730,860	20,933,178
2. Insurance contracts written that are classified as assets	-	-	-	-
3. Net value	**19,137,960**	**64,358**	**1,730,860**	**20,933,178**

€/000	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
	BASE 2			
	30/06/2023	30/06/2023	30/06/2023	30/06/2023
A. Initial carrying amount	-	-	-	-
1. Insurance contracts written that are classified as liabilities	(60,449)	7,451	154,965	101,967
2. Insurance contracts written that are classified as assets	-	-	-	-
3. Net carrying amount at 1 January	**(60,449)**	**7,451**	**154,965**	**101,967**
B. Changes related to current services	-	-	-	-
1. Contractual service margin recorded in profit or loss	-	-	(7,162)	(7,162)
2. Change due to overdue non-financial risks	-	(298)	-	(298)
3. Experience-related changes	(5,228)	-	2,462	(2,766)
4. Total	**(5,228)**	**(298)**	**(4,700)**	**(10,226)**
C. Changes related to future services	-	-	-	-
1. Changes in the contractual service margin	(13,055)	184	12,871	-
2. Losses on onerous contract groups and related recoveries	-	-	-	-
3. Effects of contracts initially recognised in the reporting year	(15,940)	745	15,195	-
4. Total	**(28,995)**	**929**	**28,066**	**-**
D. Changes related to past services	-	-	-	-
1. Adjustments to the liability for incurred claims	1,593	-	-	1,593
2. Experience-related changes	-	-	-	-
3. Total	**1,593**	**-**	**-**	**1,593**
E. Result of insurance services (B+C+D)	**(32,631)**	**631**	**23,366**	**(8,634)**
F. Financial costs/revenues	-	-	-	-
1. Related to insurance contracts written	1,201	-	28	1,228
1.1 Recognised in profit or loss	(63)	-	28	(36)
1.2 Recognised in other comprehensive income	1,264	-	-	1,264
2. Effects related to exchange rate fluctuations	-	-	-	-
3. Total	**1,201**	**-**	**28**	**1,228**
G. Total amount of changes recognised in profit or loss and in OCI (E+F)	**(31,430)**	**631**	**23,394**	**(7,405)**
H. Other changes	**-**	**-**	**-**	**-**
Increases	**-**	**-**	**-**	**-**
Decreases	**-**	**-**	**-**	**-**
I. Cash movements	-	-	-	-
1. Premiums received	23,784	-	-	23,784
2. Payments related to the costs of acquiring contracts	(3,118)	-	-	(3,118)
3. Claims paid and other cash outflows	(5,154)	-	-	(5,154)
4. Total	**15,512**	**-**	**-**	**15,512**
L. Net carrying amount (A.3+G+H+I.4)	**(76,367)**	**8,082**	**178,358**	**110,073**
M. Closing carrying amount	-	-	-	-
1. Insurance contracts written that are classified as liabilities	(76,367)	8,082	178,358	110,073
2. Insurance contracts written that are classified as assets	-	-	-	-
3. Net value	**(76,367)**	**8,082**	**178,358**	**110,073**

Base 4

€/000	Elements underlying the measurement of the carrying amount of insurance contracts written Present value of cash flows 30/06/2023	Adjustment for non-financial risks 30/06/2023	Contractual service margin 30/06/2023	Total 30/06/2023
A. Initial carrying amount				
1. Insurance contracts written that are classified as liabilities	65,209	6,025	118,705	189,939
2. Insurance contracts written that are classified as assets	-	-	-	-
3. Net carrying amount at 1 January	**65,209**	**6,025**	**118,705**	**189,939**
B. Changes related to current services	-	-	-	-
1. Contractual service margin recorded in profit or loss	-	-	(20,429)	(20,429)
2. Change due to overdue non-financial risks	-	(1,402)	-	(1,402)
3. Experience-related changes	4,162	-	(926)	3,236
4. Total	**4,162**	**(1,402)**	**(21,356)**	**(18,596)**
C. Changes related to future services	-	-	-	-
1. Changes in the contractual service margin	10,087	(505)	(9,581)	-
2. Losses on onerous contract groups and related recoveries	-	-	-	-
3. Effects of contracts initially recognised in the reporting year	(35,870)	2,155	33,715	-
4. Total	**(25,783)**	**1,649**	**24,134**	**-**
D. Changes related to past services	-	-	-	-
1. Adjustments to the liability for incurred claims	743	(136)	-	607
2. Experience-related changes	-	-	-	-
3. Total	**743**	**(136)**	**-**	**607**
E. Result of insurance services (B+C+D)	**(20,878)**	**112**	**2,778**	**(17,989)**
F. Financial costs/revenues	-	-	-	-
1. Related to insurance contracts written	309	-	209	518
1.1 Recognised in profit or loss	(165)	-	209	45
1.2 Recognised in other comprehensive income	474	-	-	474
2. Effects related to exchange rate fluctuations	-	-	-	-
3. Total	**309**	**-**	**209**	**518**
G. Total amount of changes recognised in profit or loss and in OCI (E+F)	**(20,569)**	**112**	**2,987**	**(17,470)**
H. Other changes	**-**	**-**	**-**	**-**
Increases	**-**	**-**	**-**	**-**
Decreases	**-**	**-**	**-**	**-**
I. Cash movements	-	-	-	-
1. Premiums received	58,378	-	-	58,378
2. Payments related to the costs of acquiring contracts	(10,395)	-	-	(10,395)
3. Claims paid and other cash outflows	(21,184)	-	-	(21,184)
4. Total	**26,798**	**-**	**-**	**26,798**
L. Net carrying amount at 31 December (A.3+G+H+I.4)	**71,438**	**6,137**	**121,692**	**199,266**
M. Closing carrying amount	-	-	-	-
1. Insurance contracts written that are classified as liabilities	71,438	6,137	121,692	199,266
2. Insurance contracts written that are classified as assets	-	-	-	-
3. Net value	**71,438**	**6,137**	**121,692**	**199,266**

Key:
Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment, investment contracts issued with discretionary participation features - Life segment
Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment
Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment

It should be noted that at 1 January 2023, the value of the contractual service margin (totalling €1,903 million) attributable to contracts measured at the transition date using the fair value method was €1,102 million, for contracts for which the Mediolanum Group adopts the carve-out it was €286.8 million and for contracts measured using the modified retrospective method it was €121.6 million. The remainder relates to new business contracts for which the full retrospective method has been adopted.

At 30 June 2023, the value of the CSM attributable to contracts measured at the transition date using the fair value method was €1,135 million, for contracts for which the Mediolanum Group adopts the carve-out it was €248.6 million and for contracts measured using the modified retrospective method it was €125 million. The remainder relates to new business contracts for which the full retrospective method has been adopted.

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

€/000	30/06/2023	31/12/2022
Capital	600,531	600,452
Issue premiums	6,527	5,297
Reserves	2,206,828	2,075,868
Interim dividends	-	(177,133)
Treasury shares (-)	(20,067)	(33,146)
Valuation reserves	27,050	(30,177)
Net income for the period (+/-)	363,325	506,829
TOTAL	**3,184,194**	**2,947,990**

The share capital of Banca Mediolanum is €600.5 million, divided into 743,708,141 shares with no par value. The Company holds 2,941,254 treasury shares with a value of €20.1 million. No own shares were purchased during the period under review. With regard to the allocation of earnings for 2022, it should be recalled that the Shareholders' Meeting of 18 April 2023 resolved to distribute a dividend of €0.50, of which €0.24 had already been distributed as an interim dividend in November 2022. On 26 April 2023, the balance of €0.26 per eligible ordinary share was therefore distributed.
For the impact on shareholders' equity of first time adoption of IFRS 17, please see
the relevant section of the notes to the financial statements.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 and 20

1.1 Interest income and similar income: breakdown

€/000	Debt securities	Loans	Other transactions	Total	Total
				30/06/2023	30/06/2022
1. Financial assets at fair value through profit or loss:	**29,243**	**-**	**-**	**29,243**	**22,366**
1.1 Financial assets held for trading	4,680	-	-	4,680	4
1.2 Financial assets designated at fair value	24,563	-	-	24,563	22,362
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**21,332**	**-**	**X**	**21,332**	**7,396**
3. Financial assets measured at amortised cost:	**218,796**	**299,148**	**-**	**517,944**	**170,602**
3.1 Loans to banks	198	11,647	X	11,845	2,467
3.2 Loans to customers	218,598	287,501	X	506,099	168,135
4. Hedging derivatives	**X**	**X**	**909**	**909**	**-**
5. Other assets	**X**	**X**	**14,421**	**14,421**	**1,936**
6. Financial liabilities	**X**	**X**	**X**	**210**	**24,615**
Total	**269,371**	**299,148**	**15,330**	**584,059**	**226,915**
of which: interest income on impaired financial assets	-	796	-	796	1,911
of which: interest income on finance leases	X	-	X	-	-

1.3 Interest expense and similar expenses: breakdown

€/000	Payables	Securities	Other transactions	Total	Total
				30/06/2023	30/06/2022
1. Financial liabilities measured at amortised cost	-189,087	-7,592	X	-196,679	-19,369
1.1 Payables to central banks	-	X	X	-	-
1.2 Payables to banks	-4,649	X	X	-4,649	-426
1.3 Payables to customers	-184,438	X	X	-184,438	-18,943
1.4 Debt securities in issue	X	-7,592	X	-7,592	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-298	-298	-1,309
5. Hedging derivatives	X	X	-1,222	-1,222	-1,605
6. Financial assets	X	X	X	-184	-2,732
Total	**-189,087**	**-7,592**	**-1,520**	**-198,383**	**-25,015**
of which: interest expense relating to lease liabilities	-670	X	X	-670	-674

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 Commission income:

€/000	30/06/2023	30/06/2022
a) Financial instruments	45,086	52,533
1. Placement of securities	30,991	39,937
1.1 With an underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	30,991	39,937
2. Receipt and transmission of orders and execution of orders on behalf of clients	5,955	6,343
2.1 Receipt and transmission of orders for one or more financial instruments	589	479
2.2 Execution of orders on behalf of clients	5,366	5,864
3. Other fees for activities associated with financial instruments	8,140	6,253
of which: own-account trading	-	-
of which: management of individual portfolios	8,140	6,253
b) Corporate finance	-	
1. Merger and acquisition advisory	-	
2. Treasury services	-	
3. Other fees related to corporate finance services	-	
c) Investment advisory activities	328	918
d) Clearing and settlement	-	-
e) Collective portfolio management	661,445	628,471
f) Custody and administration	2,377	2,455
1. Custodian bank	-	-
2. Other custody and administration fees	2,377	2,455
g) Central administrative services for collective portfolio management	-	-
h) Trust activity	228	214
i) Payment services	36,141	24,165
1. Current accounts	14,125	12,896
2. Credit cards	12,548	3,026
3. Debit and other payment cards	6,177	5,131
4. Wire transfers and other payment orders	1,571	1,008
5. Other payment service fees	1,720	2,104
j) Distribution of third-party services	28,956	31,593
1. Collective portfolio management	25,462	28,142
2. Insurance products	645	520
3. Other products	2,849	2,931
of which: management of individual portfolios	-	-
k) Structured finance	-	
l) Servicing of securitisation operations	-	
m) Commitments to disburse funds	-	
n) Financial guarantees given	363	334
of which: derivatives on receivables	-	-
o) Financing transactions	10,756	10,461
of which: for factoring transactions	-	-
p) Foreign exchange trading	4	3
q) Goods	-	
r) Other commission income	51,017	114,568
of which: for management of multilateral trading facilities	-	-
of which: management of organised trading systems	69	10,205
Total	**836,701**	**796,464**

2.2 Commission expense: breakdown

€/000	30/06/2023	30/06/2022
a) Financial instruments	(628)	(676)
of which: trading of financial instruments	(628)	(676)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Collective portfolio management	(35,232)	(32,089)
1. Own	(33,369)	(30,014)
2. Delegated to third parties	(1,863)	(2,075)
d) Custody and administration	(998)	(1,056)
e) Collection and payment services	(30,982)	(16,210)
of which: credit cards, debit cards and other payment cards	(19,207)	(6,212)
f) Securitisation servicing services	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: derivatives on receivables	-	-
i) Financial solicitation	(245,749)	(254,216)
j) Foreign exchange trading	-	-
k) Other commission expenses	(39,920)	(35,079)
Total	**(353,509)**	**(339,326)**

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

€/000	30/06/2023		30/06/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	22	-	23	-
B. Other financial assets mandatorily measured at fair value	-	1,334	-	1,339
C. Financial assets at fair value through other comprehensive income	-	-	23	-
D. Equity investments	-	-	-	-
TOTAL	**22**	**1,334**	23	1,339

SECTION 4 – NET GAINS (LOSSES) FROM TRADING – ITEM 80

4.1 Net gains (losses) from trading: breakdown

€/000	Capital gains (A)	Gains from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**13,688**	**2,170**	**(2,949)**	**(457)**	**12,452**
1.1 Debt securities	12,891	2,168	(1,515)	(453)	13,091
1.2 Equity securities	797	2	(1,397)	(4)	(602)
1.3 Units in investment funds (UCIs)	-	-	(37)	-	(37)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**2**	**-**	**(5)**	**(3)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	2	-	(5)	(3)
Financial assets and liabilities: foreign exchange gains and losses	**X**	**X**	**X**	**X**	**(105)**
3. Derivative instruments	**1**	**3,448**	**(645)**	**(4,790)**	**425**
3.1 Financial derivatives:	1	3,448	(645)	(4,790)	425
- On debt securities and interest rates	1	3,448	(645)	(4,790)	(1,986)
- On equity instruments and equity indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	2,411
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	**13,689**	**5,620**	**(3,594)**	**(5,252)**	**12,769**

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

5.1 Net gains (losses) from hedging: breakdown

€/000	30/06/2023	30/06/2022
A. Income relating to:		
A.1 Fair value hedging derivatives	318	12,328
A.2 Hedged financial assets (fair value)	105	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging cash flows	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging (A)	**423**	**12,328**
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(467)	(14)
B.2 Hedged financial assets (fair value)	(213)	(10,869)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging cash flows	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	**(680)**	**(10,883)**
C. Net gains (losses) from hedging (A - B)	**(257)**	**1,445**
of which: result of hedges on net positions	-	-

SECTION 7 – NET GAIN (LOSS) FROM OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.1 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

€/000	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**1,911,634**	**142,649**	**(162,096)**	**(188,064)**	**1,704,123**
1.1 Debt securities	35,558	80,837	(39,088)	(55,390)	21,917
1.2 Loans	1,876,076	61,812	(123,008)	(132,674)	1,682,206
2. Financial liabilities	**-**	**-**	**(674,764)**	**-**	**(674,764)**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-
2.3 Payables to customers	-	-	(674,764)	-	(674,764)
3. Foreign-currency financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	-
TOTAL	**1,911,634**	**142,649**	**(836,860)**	**(188,064)**	**1,029,359**

The table shows changes in the fair value of the assets underlying the insurance contracts and the related portion paid to policyholders only with reference to insurance products classified as financial under the accounting standards.

7.2 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

€/000	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**3,901**	**22**	**(2,798)**	**-**	**1,125**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	3,901	22	(2,793)	-	1,130
1.4 Loans	-	-	(5)	-	(5)
2. Financial assets: foreign exchange gains and losses	**X**	**X**	**X**	**X**	**-**
TOTAL	**3,901**	**22**	**(2,798)**	**-**	**1,125**

SECTION 8 – CREDIT-RISK INDUCED NET VALUE ADJUSTMENTS/WRITE-BACKS – ITEM 130

8.1 Credit-risk induced net value adjustments relating to financial assets measured at amortised cost: breakdown

€/000	Value adjustments (1)						Write-backs (2)				Total	Total
	Stage 1	Stage 2	Stage 3		Purchased or originated impaired		Stage 1	Stage 2	Stage 3	Purchased or originated impaired	30/06/2023	30/06/2022
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	(11)	-	-	-	-	-	11	-	-	-	-	31
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	(11)	-	-	-	-	-	11	-	-	-	-	31
B. Loans to customers	(3,661)	(6,048)	(635)	(17,527)	-	(10)	686	673	8,895	-	(17,627)	(9,264)
- Loans	(3,614)	(6,048)	(635)	(17,527)	-	(10)	245	673	8,895	-	(18,021)	(8,007)
- Debt securities	(47)	-	-	-	-	-	441	-	-	-	394	(1,257)
Total	**(3,672)**	**(6,048)**	**(635)**	**(17,527)**	**-**	**(10)**	**697**	**673**	**8,895**	**-**	**(17,627)**	**(9,233)**

8.2 Credit risk-induced net value adjustments relating to financial assets at fair

€/000	**Value adjustments (1)**						**Write-backs (2)**				**Total**	**Total**
			Stage 3		**Purchased or originated**							
	Stage 1	**Stage 2**	**Write-offs**	**Other**	**Write-offs**	**Other**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated impaired**	**30/06/2023**	**30/06/2022**
A. Debt securities	(217)	-	-	-	-	-	478	-	-	-	261	416
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(217)**	**-**	**-**	**-**	**-**	**-**	**478**	**-**	**-**	**-**	**261**	**416**

Section 10 - Result of insurance services - Item 160 a) and b)

Insurance revenues and costs deriving from insurance contracts written – Breakdown

This disclosure complies with IFRS 17, paragraphs 94, 98 and 106, and is broken down according to the aggregation bases of insurance contracts written.

€/000	Base A1 30/06/2023	Base A2 30/06/2023	Base A4 30/06/2023	Base A5 30/06/2023	Total 30/06/2023
A. Insurance revenues deriving from insurance contracts written measured according to GMM and VFA	-	-	-	-	-
A.1 Amounts related to changes in LRC	**119,496**	**15,381**	**39,780**	**-**	**174,656**
1. Incurred claims and other expected costs of insurance services	64,264	7,921	17,948	-	90,133
2. Changes in the adjustment for non-financial risks	1,706	298	1,402	-	3,406
3. Contractual service margin recorded in profit or loss for services provided	53,525	7,162	20,429	-	81,116
4. Other amounts	-	-	-	-	-
A.2 Costs of acquiring recovered insurance contracts	**5,602**	**273**	**7,381**	**-**	**13,257**
A.3 Total insurance revenues deriving from insurance contracts written measured according to GMM or VFA	**125,098**	**15,654**	**47,161**	**-**	**187,913**
A.4 Total insurance revenues deriving from insurance contracts written measured according to PAA	**-**	**-**	**-**	**-**	**-**
- Life segment	-	-	-	-	-
- Non-Life segment – Motor	-	-	-	-	-
- Non-Life segment – Non-Motor	-	-	-	-	-
A.5 Total insurance revenues deriving from insurance contracts written	**125,098**	**15,654**	**47,161**	**-**	**187,913**
B. Costs of insurance services deriving from insurance contracts written – GMM or VFA	-	-	-	-	-
1. Incurred claims and other directly attributable costs	(44,975)	(4,630)	(20,347)	-	(69,952)
2. Changes in liabilities for incurred claims	(356)	(1,593)	(743)	-	(2,692)
3. Losses on onerous contracts and recovery of these losses	19	-	-	-	19
4. Amortisation of costs of acquiring insurance contracts	(5,602)	(273)	(7,363)	-	(13,238)
5. Other amounts	(12,644)	(525)	(720)	-	(13,889)
B.6 Total costs of insurance services deriving from insurance contracts written – GMM or VFA	**(63,559)**	**(7,021)**	**(29,172)**	**-**	**(99,752)**
B.7 Total costs of insurance services deriving from insurance contracts written measured according to PAA	**-**	**-**	**-**	**-**	**-**
- Life segment	-	-	-	-	-
- Non-Life segment – Motor	-	-	-	-	-
- Non-Life segment – Non-Motor	-	-	-	-	-
C. Total net costs/revenues deriving from insurance contracts written (A.5+B.6+B.7)	**61,539**	**8,634**	**17,989**	**-**	**88,161**

Key:
Aggregation Base 1 = Insurance contracts written with direct participation features - Life segment
Aggregation Base 2 = Insurance contracts written without direct participation features - Life segment
Aggregation Base 4 = Insurance contracts written without direct participation features - Non-Motor Non-Life segment
Aggregation Base 5 = Investment contracts written without discretionary participation features - Life segment

At 30 June 2023, the insurance revenues of contracts measured at the transition date using the fair value method was €104 million, for contracts for which the Mediolanum Group adopts the carve-out it was €20 million and for contracts measured using the modified retrospective method it was €12.6 million. The remainder relates to revenues deriving from new business contracts for which the full retrospective method has been adopted.

At 30 June 2023, the release of the CSM relating to contracts measured at the transition date using the fair value method was €43 million, for contracts for which the Mediolanum Group adopts the carve-out it was €8 million and for contracts measured using the modified retrospective method it was €5.6 million. The remainder relates to the release of the CSM deriving from new business contracts for which the full retrospective method has been adopted.

Section 10 - Result of insurance services - Item 160 c) and d)

Insurance costs and revenues deriving from reinsurance cessions – Breakdown

The following table sets out the details of the sub-items "160.c - Insurance revenues deriving from reinsurance cessions" and "160.d - costs of insurance services deriving from reinsurance cessions".

€/000	Aggregation Base 1 30/06/2023	Aggregation Base 2 30/06/2023	Total 30/06/2023
A. Allocation of premiums paid relating to reinsurance cessions measured according to GMM			
A.1 Amounts related to changes in ARC	-	-	-
1. Amount of expected claims and other recoverable costs	(10,473)	(3,482)	(13,956)
2. Changes in adjustment for non-financial risks	(172)	(107)	(279)
3. Contractual service margin recorded in profit or loss for services received	(497)	(3,878)	(4,375)
4. Other amounts	(8,392)	-	(839)
5. Total	**(11,981)**	**(7,468)**	**(19,449)**
A.2 Other costs directly attributable to reinsurance cessions	-	-	-
A.3 Allocation of premiums relating to reinsurance cessions measured according to PAA	-	-	-
B. Total costs deriving from reinsurance cessions	**(11,981)**	**(7,468)**	**(19,449)**
C. Effects of changes in the risk of default on the part of reinsurers	-	-	-
D. Amount of claims and other expenses recovered	**6,885**	**7,000**	**13,885**
E. Changes in the asset for incurred claims	**1,961**	**(1,186)**	**775**
F. Other recoveries	-	**109**	**109**
G. Total net costs/revenues deriving from reinsurance cessions (B+C+D+E+F)	**(3,135)**	**(1,543)**	**(4,679)**

Key:
Base A1 = Life segment
Base A2 = Non-Life segment

Breakdown of costs of insurance services and other services

This table sets out the costs of insurance services and other services recorded in profit or loss during the reporting period.

€/000	Base A1 - with DPF 30/06/2023	Base A2 - without DPF 30/06/2023	Base A1 + Base A2 30/06/2023	Base A4 30/06/2023	Base A3 + Base A4 30/06/2023
Costs attributed to the acquisition of insurance contracts	(5,602)	(273)	(5,876)	(7,363)	(7,363)
Other directly attributable costs	(44,506)	(6,150)	(50,656)	(20,434)	(20,434)
Investment management expenses	-	-	(879)	-	-
Other costs	-	-	(13,169)	-	(1,376)
Total	-	-	**(70,580)**	-	**(29,172)**

Key:
Base A1 – with DPF = Insurance contracts written with direct participation features – Life segment
Base A2 – without DPF = Insurance contracts written without direct participation features – Life segment Base A + Base A2 = Life segment
Base A4 = Insurance contracts written without direct participation features – Non-Life segment – Non-Motor Base A3 + Base A4 = Non-Life segment

Section 11 - Balance of financial revenues and costs relating to insurance management - Item 170

Net financial costs and revenues relating to insurance contracts written

€/000	Base A1 30/06/2023	Base A2 30/06/2023	Base A3 30/06/2023	Total 30/06/2023
1. Accrued interest	-	36	(565)	**(529)**
2. Effects of interest rate changes and other financial assumptions	-	-	-	**-**
3. Changes in the fair value of the assets underlying contracts measured according to VFA	(1,129,499)	-	-	**(1,129,499)**
4. Effects of exchange rate fluctuations	-	-	-	**-**
5. Other	-	-	-	**-**
Total net financial revenues/costs relating to insurance contracts written recognised in profit or loss	**(1,129,499)**	**36**	**(565)**	**(1,130,028)**

Key:
Base A1 = Insurance contracts written with direct participation features - Life segment
Base A2 = Insurance contracts written without direct participation features - Life segment
Base A3 = Insurance contracts written without direct participation features - Non-life segment

The balance of revenues and financial costs relating to insurance management amounted to €1,130 million at 30 June 2023 (30/06/2022: +€2,429 million) and mainly includes the financial effects of insurance contracts.

Net financial revenues and costs relating to reinsurance cessions

€/000	Base A1 30/06/2023	Base A2 30/06/2023	Total 30/06/2023
1. Accrued interest	110	25	135
2. Effects of interest rate changes and other financial assumptions	-	-	-
3. Effects of exchange rate fluctuations	-	-	-
4. Other	-	-	-
Total net financial revenues/costs of reinsurance cessions	**110**	**25**	**135**

Key:
Base A1 = Life segment
Base A2 = Non-Life segment

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Staff costs: breakdown

€/000	30/06/2023	30/06/2022
1) Employees	(126,246)	(122,086)
a) wages and salaries	(88,329)	(85,740)
b) social security contributions	(23,411)	(22,272)
c) severance benefits	(45)	-
d) social security costs	-	-
e) provision for employee severance benefits	(4,043)	(3,655)
f) provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(1,792)	(1,620)
- defined contribution	(1,627)	(1,484)
- defined benefit	(165)	(136)
h) costs arising from share-based payment agreements	(2,329)	(2,707)
i) other employee benefits	(6,297)	(6,092)
2) Other staff in service	(7,263)	(6,330)
3) Directors and statutory auditors	(3,401)	(3,418)
4) Retired staff	-	-
TOTAL	**(136,910)**	**(131,834)**

12.2 Average number of employees by category

Units	30/06/2023	30/06/2022
1) Employees	**3,214**	**3,097**
a) executives	117	115
b) management	592	566
c) other employees	2,505	2,416
2) Other staff	**303**	**313**
TOTAL	**3,517**	**3,410**

12.5 Other administrative expenses: breakdown

€/000	30/06/2023	30/06/2022
Information systems services	(62,688)	(57,821)
Infoprovider services	(9,481)	(8,406)
Financial services fees and charges	(619)	(744)
Other sundry services	(23,883)	(21,493)
Taxes and duties	(1,439)	(1,029)
Television and internet communications services	(1,584)	(1,443)
Measures in support of the banking system	(10,266)	(10,261)
Network consultancy and collaborations	(2,866)	(2,517)
Rentals, hiring, leases	(12,446)	(8,167)
Maintenance and repairs	(2,051)	(1,700)
Telephone and postal expenses	(6,721)	(6,335)
Other consultancy and collaborations	(15,685)	(12,787)
Contributions to "Family Banker Offices"	(519)	(654)
Consumables	(1,697)	(2,336)
Insurance	(1,704)	(1,654)
Membership contributions	(3,587)	(1,878)
Advertising and promotional expenses	(22,385)	(17,006)
Organisation of conventions	(12,249)	(5,434)
Sales network consulting, education and training	(1,564)	(1,169)
Energy utilities	(1,766)	(1,516)
Entertainment, gifts and donations	(4,529)	(3,976)
Market research	(418)	(300)
Search and selection of employees	(593)	(569)
Travel expenses	(407)	(215)
Fuel costs	(208)	(169)
Search and selection of financial advisors	(36)	(63)
Other administrative expenses	(4,376)	(4,259)
TOTAL	**(205,767)**	**(173,901)**

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

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

€/000	30/06/2023	30/06/2022
Net provisions for risk and charges		
a) commitments and guarantees given	(213)	(31)
TOTAL	**(213)**	**(31)**

13.3 Other net provisions for risk and charges: breakdown

€/000	30/06/2023	30/06/2022
Portfolio and structure allowance	(2,663)	(616)
Additional customer allowance	49	(3,831)
Risk of misconduct by financial advisors	1,414	440
Legal disputes	(983)	(895)
Managers' allowance	(4,040)	(4,716)
Other provisions for risk and charges	(2,089)	(1,472)
TOTAL	**(8,312)**	**(11,090)**

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of ordinary shares (fully diluted)

	30/06/2023	30/06/2022
Net income (€/000)	363,325	241,131
Weighted average number of shares outstanding (units)	739,414,794	737,178,808
Weighted average number of shares outstanding for diluted EPS purposes	743,839,580	744,144,489
Diluted earnings per share (€)	**0.488**	**0.324**
Basic earnings per share (€)	**0.491**	**0.327**

PART E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Introduction

In economic disciplines, the importance of the concept of risk has grown significantly in recent decades due to the operating environments of many companies. Their assets, whether financial or non-financial, always carry a certain margin of risk, which derives from uncertainty over the achievement of corporate objectives and is therefore ultimately associated with changes in the company's future economic value. Until recently, risk was seen only in its negative sense, and the aim of corporate management was to protect the business by minimising or eliminating risks at all costs. Because risk is inherent to a company's business, it must be regarded as an integral part of generating value for shareholders. A risk management system is therefore required to ensure that risk is controlled and regulated. Risk management identifies a process through which the organisation manages its business, taking into account the costs and benefits associated with each action that it undertakes. The main purpose of the risk management function, when it appears in the organisational chart, is to enable the company to obtain lasting benefits from all the activities it performs, thereby helping to create value for the company and its stakeholders. Managing risk continuously and steadily becomes part of each company's strategic management. It lessens uncertainty over the achievement of the company's objectives, thereby reducing the probability of failure and increasing the probability of success.

In the banking field, according to the Basel Committee, the risk management function of a credit institution must be able to identify material risks at both an individual and aggregate level, as well as identifying, assessing and measuring the bank's exposure to emerging risks.

The world of risks changes continuously, including as a result of international geo-political events that effectively trigger direct and indirect effects on a range of variables including inflation, interest rates and hacker attacks, and referring to "classic risks" alone for the representation of the risk level of a financial institution implies a necessarily partial vision. A risk-based business approach therefore requires a risk management function that is flexible and oriented towards change, not only of the economic and financial environment. This change relates to the skills and professionalism required to perform the role of the future risk manager, who must include, among the risks that may occur, new cyber/IT risks and the environmental, social and corporate governance risks that could put the various business lines and the ordinary management of the undertaking at risk. The regulator's vision also includes stepping up efforts to achieve medium-term strategic objectives while refocusing attention on emerging new challenges. The supervised entities are required to strengthen their capacity to withstand immediate macro-financial and geopolitical shocks, address the challenges posed by digitalisation, strengthen the guidance capacity of their management bodies and, lastly, to devote more effort to tackling climate change.

Risk control organisational structure

The control environment is the element of corporate culture that determines the level of management sensitivity to control needs and the achievement of economic and/or growth targets. It forms the basis for all other components of the Internal Control System. The Internal Control System (hereinafter also referred to as the "ICS") is defined as a set of rules, procedures and organisational structures designed to enable the Company to be managed soundly and correctly and in line with pre-established objectives through an adequate process of identifying, measuring, managing and monitoring key risks. The factors that influence the control environment are: integrity, ethical values and the competence of staff, management philosophy and style, the ways in which responsibilities are delegated, organisation and professional development and the commitment and leadership of the Board of Directors. A fundamental role is played by the Parent Company's Risk Committee, whose periodic meetings are a time for comparison and analysis, in order to develop an overview of the various risks associated with the various types of business, and for sharing the actions taken to manage the risks identified. Within the Banking Group, the various companies undertake to implement a complex and efficient Internal Control System within their operating structures, taking account, in accordance with the guidelines received from the Parent Company and in proportion to their size, of the various sets of regulations applicable to different areas of the business. In order to promote the dissemination of values guided by professional propriety and compliance with laws and regulations, Banca Mediolanum also has a Code of Ethics, which outlines the conduct to be observed and is distributed for adoption by the subsidiaries.

Principles underlying the risk control and management model

The Internal Control System is strategically important for the Banking Group, as it has a high ranking on the scale of company values, relating not only to the corporate control functions but also involving the entire corporate organisation in the development and application of logical and systemic methods for identifying, measuring, communicating and managing risks.
The definition of the risk governance system must take into account the following general principles:

- completeness of the types and location of the risks to be governed in accordance with legislative and regulatory provisions;
- adequacy of the control system, which is coherent and structured in proportion to the characteristics of the Group and/or the companies concerned;
- system functionality, as the application and suitability of the controls enable the Group to pursue its overall sound and prudent management;
- reliability, i.e. the control system must be effective on an ongoing basis;
- incorporation, by means of an ongoing search, of co-ordination mechanisms to provide the governing bodies with full, comprehensible and integrated information;
- dissemination of control activities to each operating and hierarchical segment;
- development, by means of an ongoing search, of mechanisms designed to ensure the continuous improvement of the structure of the system and its effectiveness and efficiency;
- timeliness, through the timely and prompt knowledge and communication of the appropriate levels of the company capable of implementing appropriate corrective measures;
- independence of second-level control functions from the line organisational units, safeguarding the proportionality principle for the subsidiaries and thus ensuring a gradual implementation approach for smaller entities;

- sharing and consistency between all the organisational units and/or companies in the same Group in relation to the use of uniform models and methodologies for the collection of data and information and for the analysis and measurement of risks, as applicable;
- transparency and dissemination of the models, methodologies and assessment criteria used to facilitate the process of cultural dissemination and understanding of the underlying rationales of the choices made;
- assignment of accountability and delegation by the Board of Directors to the organisational units in the direct management of the risks to which the corporate processes are exposed.

The Mediolanum Banking Group has defined, in the context of the processes of the various business activities, its Risk Appetite Framework ("RAF"), i.e. the overall level of risk and type of risk, which it intends to assume in order to achieve its strategic objectives, identifying the metrics to be monitored, the relative tolerance thresholds and the different risk limits.
In order to ensure compliance with the principles described above, the Mediolanum Banking Group has adopted a system of internal policies that define the general reference framework for risk management and control. The main objectives of these policies are:

- to ensure that the Internal Control System is able to promptly identify significant anomalies and prepare the appropriate corrective and/or mitigation measures;
- to ensure the sharing and homogeneity of the essential risk management rules and principles within the Group;
- to disseminate the risk management culture within the Group as part of a structured process and promote conscious and consistent behaviours and operational choices, with a particular awareness of ESG issues.

Section 1 – Risks of accounting consolidation

QUALITATIVE INFORMATION

Conglomerate risk management

The Mediolanum Group incorporates banking and/or securities activities (investment services) and insurance activities. The Banking Group specifically consists of banks (Banca Mediolanum and Banco Mediolanum) and management companies (e.g. Mediolanum Gestione Fondi and Mediolanum International Funds), while the insurance business is carried out by subsidiaries of Banca Mediolanum which produce financial insurance products in the Life class (Mediolanum Vita and Mediolanum International Life) and insurance products in the Non-Life class (Mediolanum Assicurazioni).
Traditional regulation has an essentially sectoral approach (banking, securities, insurance) and consequently the regulatory and supervisory provisions on the capital adequacy of financial intermediaries take into account the risk profiles of the individual banking and insurance components of the Mediolanum Group and establish capital requirements for the typical risks (also considered individually) of each of them. Therefore, without prejudice to the risk control and management procedures in the Solvency area for insurance and ICAAP/ILAAP for banking, a management methodology for monitoring and analysing risk concentration is used at the Conglomerate level. This control is implemented by aggregating the exposures of all the companies in the Conglomerate to the same counterparty, both public and private, in all forms of financial commitment and investment. Periodically, therefore, each exposure is added together for all companies in the same group,

analysing whether it could entail a potential loss of capacity that could compromise the solvency or the general financial position of all the companies in the Mediolanum Conglomerate. On a quarterly basis, the Parent Company's Risk Management Function reports to the Strategic Supervisory Body (Board of Directors) on the performance of the Group's various business lines, representing all the relevant risk indicators by type of business, activity provided for by sector regulations or internal management and mitigation policies.
With regard to strategic, operational, non-compliance and reputational risks, a single Group framework has been adopted, also in view of the pervasiveness of these risks, without prejudice to the application of this framework according to a criterion of proportionality that takes due account of the specific business and sectoral regulatory aspects of the various companies, also considering the legislation of the country in which they operate.
Consequently, the figures on financial and credit risks are presented separately below, maintaining the distinction between the banking and insurance sectors, while the figures on strategic, operational, non-compliance and reputational risks are presented on a comprehensive basis.

Reporting of financial risks pursuant to international accounting standard IFRS 7

IFRS 7, which is addressed in this section, mainly concerns the reporting to be provided on the nature of the risks arising from the financial instruments held and the related exposure that the company has to the risks identified. The exposure to the risk associated with the possession of financial instruments, as defined in IFRS 7, includes information on credit risk, liquidity risk and market risk. In this context, the qualitative information describes "the purposes, policies and processes assumed by management for managing related risks", while the quantitative information describes the extent of the risk exposure, separately examining credit, liquidity and market risk reporting. This section therefore describes the characteristics of the risk control model according to the requirements of IFRS 7 that are relevant for the Mediolanum Group, classifying them in relation to their significance in terms of the business segments of the Group companies: banking, asset management and insurance. Under IFRS 7, the risks on which the analysis is conducted are liquidity risks, credit risk and market risks with their various forms and characteristics. A brief summary is also provided of the risk management techniques and policies adopted by the control functions for purposes beyond the scope of IFRS 7. It should also be noted that with the introduction of IFRS 13, several amendments were made to various standards. In particular, all the disclosures associated with the Fair Value Hierarchy (FVH) are no longer governed by IFRS 7 but by IFRS 13. IFRS 13 establishes a single accounting standard for measuring fair value and provides complete instructions on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 proposes a new definition of fair value, to be interpreted as "the price that should be received to sell an asset or that should be paid to settle a liability in a normal transaction between market participants at the measurement date". The fair value is therefore determined on the basis of market values. The topics relating to the reporting of the various fair value levels of the accounting items subject to the relevant measurement, as required by IFRS 13, have been adequately covered in Part A of this note.
As already mentioned in the annual report, with regard to developments in the geopolitical context and the ongoing conflict between Russia and Ukraine, the Group periodically carries out an analysis of its portfolio of financial instruments in order to verify any impacts, including on half-year performance. In this regard, it should be noted that the Group does not hold debt or equity instruments issued by counterparties resident in Russia or Belarus, nor does it have relationships with financial institutions resident there: the financial instruments of parties resident in areas of conflict within asset management products were not significant and had no impact on the process of valuing the NAV of the funds.

Methodology and classification principles for financial instruments

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

- **Credit risk**. Refers to the risk of suffering losses as a result of a deterioration in creditworthiness to default of both retail/corporate customers and institutional counterparties of which the Bank is a creditor in its investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.
- **Market risk**. Defined as the risk of suffering significant losses due to the unfavourable performance of market variables sensitive to the value of the investment activities of companies of the Mediolanum Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.
- **Liquidity risk**. Liquidity risk generally takes the form of limits on the liquidation of assets. More precisely, it is the risk that a financial instrument cannot be bought or sold without a sharp reduction/increase in the price (bid-ask spread) due to the potential inability of the market to settle the transaction partially or completely. Liquidity risk is also defined as the risk associated with access to funding. Under Pillar II of Basel 2 as it applies to the Banking Group, the regulator requires banks to implement policies, management procedures and methods for measuring liquidity risk (e.g. the ILAAP).

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

€/000	Non-performing loans	Unlikely to pay	Non-performing past due exposures	Other performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost	16,951	83,573	27,524	109,311	36,457,831	36,695,190
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,596,152	1,596,152
3. Financial assets designated at fair value	-	-	-	-	33,117,973	33,117,973
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
TOTAL 30/06/2023	16,951	83,573	27,524	109,311	71,171,956	71,409,315
TOTAL 31/12/2022	16,120	76,119	25,367	75,893	67.428135	67,621,635

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

€/000		Non-performing				Performing			TOTAL (net exposure)
		Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost		237,755	(109,693)	128,062	(182)	36,631,591	(64,463)	36,567,128	36,695,190
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	1,596,249	(97)	1,596,152	1,596,152
3. Financial assets designated at fair value		-	-	-	-	X	X	33,117,973	33,117,973
4. Other financial assets mandatorily measured at fair value		-	-	-	-	X	X	-	-
5. Financial assets held for sale		-	-	-	-	-	-	-	-
TOTAL	**30/06/2023**	**237,755**	**(109,693)**	**128,062**	**(182)**	**38,227,840**	**(64,560)**	**71,281,253**	**71,409,315**
TOTAL	**31/12/2022**	**220,793**	**(103,187)**	**117,606**	**-**	**34,339,131**	**(55,192)**	**67,504,026**	**67,621,635**

€/000		Assets clearly of poor credit quality		Other assets
		Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	1,551,745
2. Hedging derivatives		-	-	193
TOTAL	**30/06/2023**	**-**	**-**	**1,551,938**
TOTAL	**31/12/2022**	**-**	**-**	**1,009,518**

Section 2 – Risks of prudential consolidation

THE PRUDENTIAL CONTROL PROCESS

Since 2014, the Supervisory Review and Evaluation Process (SREP) has undergone a profound transformation through the establishment of the Single Supervisory Mechanism (SSM), which includes the European Central Bank (ECB) and the competent national authorities of the EU Member States. This body is responsible for the prudential supervision of all credit institutions in the Member States and ensures that EU policy on prudential supervision of banks is implemented consistently and effectively in all EU countries. Therefore, the new rules introduced require that supervision of the intermediaries defined as significant be carried out by the ECB in close collaboration with the national Supervisory Authorities, as Banca Mediolanum, having received the status of "Significant Bank", was directly supervised by the ECB for the entire Mediolanum Banking Group.
The supervision of the other banks will remain the responsibility of the authorities in each country and will be carried out according to uniform criteria. In accordance with the proportionality principle, which takes into account the size and risk profile of the intermediary and its level of interconnection with the rest of the financial system, these banks are subject to more and more intense direct supervision by their national supervisory bodies and indirect supervision by the ECB.
Banking supervision is divided into two distinct phases: the first is the internal ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), in which the banks make an independent assessment of their current and prospective capital and liquidity adequacy in respect of the risks assumed and company strategies. ICAAP/ILAAP must be documented, known and shared by the corporate structures and subject to internal review. The prudential control process complies with the proportionality principle, whereby:

> the corporate governance systems, risk management processes and mechanisms for internal control and capital determination considered adequate to cover risks must be commensurate with the characteristics, size and complexity of the bank's business;

> the frequency and intensity of the SREP take into account the systemic relevance, characteristics, size and complexity of banks.

The second consists of the Supervisory Review and Evaluation Process (SREP) and is the responsibility of the Supervisory Authority, which, as well as reviewing the ICAAP/ILAAP, also formulates an overall opinion of the bank and takes corrective measures, where necessary.
In order to express their opinion, the European Banking Supervisory experts, using their own methodology and a series of instruments that allow for the consistent assessment of all supervised banks, proceed to examine:

- The business model, looking at the strategy and sustainability of the business strategy;
- Internal governance, considering the capacity of the governance bodies and the risk management framework;
- Considering whether the capital reserves are sufficient to absorb any losses;
- Considering, among the liquidity aspects, whether the bank is financing itself sustainably, in addition to meeting its short-term liquidity needs;

These activities are part of the annual SREP cycle, at the end of which the European Supervisory Authorities will communicate the SREP decision to individual institutions, which summarises the result of a given year and assigning the "tasks" to be performed for the following year in order to make banks always solid and safe. To this end, the ECB monitors the implementation and performance of the “tasks” assigned to an individual institution.

The SREP is based on a continuous dialogue between the Supervisory Authority and the banks. This allows the European Central Bank (or, alternatively, the Bank of Italy) to gain a more in-depth understanding of ICAAP/ILAAP and the underlying methodology assumptions, and allows the banks to explain the reasoning supporting their assessments. The banks, including after receiving recommendations from the ECB, define strategies and establish instruments and procedures for determining the capital that they consider adequate – in terms of amount and composition – to permanently cover all the risks to which they are or could be exposed, including risks other than those for which they have to comply with capital requirements. Through the ICAAP/ILAAP, based on appropriate company risk management systems, adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal control system are presupposed, in line with the ongoing expectations and recommendations received from the Supervisory Bodies. The corporate bodies are responsible for this process, independently determining its design and organisation in accordance with their respective competences and prerogatives. They implement and instigate updates to ICAAP/ILAAP to ensure that it is always consistent with the Bank’s operational characteristics and strategic context.

THE BANKING GROUP: RISK APPETITE FRAMEWORK AND MAPPING OF MATERIAL RISKS

The Risk Appetite Framework (RAF), approved by the Strategic Supervisory Body of the Parent Company, i.e. the Board of Directors, is the reference framework that expresses the risk appetite that the Bank intends to assume, with respect to all the risks considered relevant that may characterise the business conducted. This overall approach includes the policies, processes, controls and methodologies through which the aforementioned risk appetite of the bank is defined, communicated, managed and reassessed, in accordance with the maximum risk that may be assumed, the business model and the strategic plan. Risk governance policy is therefore a strategic component of the RAF, enabling it to be aligned with the overall economic and financial plan and thus enabling the achievement of a sustainable growth objective. For this reason, the RAF is the result of a structured process involving various company organisational structures, specifically Risk Management and Planning and Control, each in its own areas of competence. The Group's risk appetite is reviewed annually to take account of the ongoing changes in the internal and external context, as well as changes in the expectations of the various stakeholders. The economic and financial figures estimated when the economic and financial plan was drawn up are reconciled with the risk appetite limits and incorporated as part of the RAF updating process, resulting in the revision and adjustment of the thresholds and limits established during the previous year, where applicable.

The RAF indicators defined by the Parent Company are characterised by the following key elements, in accordance with regulatory indications:

- the risk capacity, the maximum risk that can be assumed, i.e. what the bank or the Group can risk without breaching constraints - imposed by the shareholders or by the supervisory authority - and regulatory requirements;
- the risk appetite, i.e. the propensity to risk, which considers what the bank or the Group wishes to risk in order to achieve a goal;

- the risk tolerance, which refers to the risk tolerance threshold and defines an additional risk margin to that defined by the risk appetite within which threats are in any case kept under control even if under "stress" conditions;
- the risk profile, which measures the risk actually assumed at a specific time during the ordinary management of the Group's or the bank's business;
- the risk limit, which expresses risk objectives as operating limits, defining them, in line with the principle of proportionality, on the basis of the types of risk, business units and/or lines, product lines and types of client.

The RAF document approved by the Parent Company is sent to all Group companies to facilitate the preparation of individual RAF documents that some Group companies (Banco Mediolanum and Prexta) produce for their respective businesses and to enable all companies belonging to the Group to achieve their objectives in accordance with the risk appetite established.

The RAF indicators defined by the Group are grouped into macro families to ensure that they are easily understood and represented, including, for example, capital adequacy indicators (e.g. CET I Ratio, Capital Ratio), credit risk indicators (e.g. NPL, Coverage Ratio) and liquidity risk indicators (e.g. LCR, NSFR), and the other indicators of market risk, interest rate risk, operational risk, technology risk, strategic risk and anti-money laundering risk are then rolled out. During the annual review of the document, the Banca Mediolanum Group carries out a critical review of the indicators by assessing the relative usefulness from time to time of those use, supplementing them, where appropriate, with new calculation methodologies or the introduction of new, more representative risk indicators.

As part of the ongoing process of including sustainability factors within the Bank's strategies, activities and processes, it should be noted that Banca Mediolanum, as the Parent Company, has included ESG indicators in its RAF. In particular, there are two indicators that monitor the maximum exposures to corporate counterparties deemed virtuous, which are assigned a benchmark ESG rating, and the Group's risk appetite for the distribution of managed products with an ESG rating of a level deemed appropriate for the common sustainability objectives.

The RAF, as a tool capable of focusing attention on the Banking Group's risk profile through an integrated view of risks, has significant connections to and synergies with ICAAP/ILAAP, and is ideally positioned "upstream" of this process.

ICAAP/ILAAP

The risk profile is assessed and the periodic review carried out continuously, and reported at least once a year through the ICAAP (Internal Capital Adequacy Assessment Process)/ILAAP (Internal Liquidity Adequacy Assessment Process) report, which describes the internal capital adequacy assessment and the liquidity risk management and governance system, in accordance with the Group's internal rules. The "Pillar II" regulations (Title III, Chapter I, Bank of Italy Circular No. 285/2013) require banks to have processes and instruments in place to determine the level of internal capital and liquidity management that is adequate to cover all types of risks, including risks other than those covered by the overall capital requirement ("Pillar I"), as part of an assessment of current and prospective exposure that takes account of strategies and the evolution of the relevant context. The regulations identify the phases and periodicity of the process and the main risks to be assessed, in some cases providing information on the methodologies to be used. In accordance with the proportionality principle, banks are divided into different classes which generally contain intermediaries of

different sizes and operational complexity. The Parent Company's corporate governance bodies are responsible for the ICAAP/ILAAP process.
The Banca Mediolanum Group has always had capital and the liquidity resources above the average for the sector in which it operates. This is what emerges both from the self-critical self-assessment process that the Parent Company illustrates in the ICAAP/ILAAP report, and from the annual dialogue with the Supervisory Authorities when communicating the minimum requirements indicated by assessment of the report sent each year within the deadlines indicated by the regulations.

MAPPING OF MATERIAL RISKS

The set of risks to which a company may be exposed consists of multiple elements that may be classified according to the scope in which they arise (internally or externally to the company), the context to which they refer (financial, operational, strategic or external) or other standard classifications as required.
The process of identifying material risks for the Mediolanum Group, in accordance with Circular 285 of December 2013, as subsequently updated, starts with an analysis of the scope of operations of the Bank and the Group in the regulatory lines of business and the activities carried out in these lines. The starting point of the risk mapping is therefore an awareness of the macro lines of business that make up the Banking Group's typical activity. The following main business segments can be identified within the Mediolanum Banking Group:

- Retail and Commercial Banking
- Trading and Sales
- Asset Management
- Brokerage and distribution activity (retail brokerage) Based on the risk assessment, a significance threshold is set for both risks with a capital requirement and those that do not absorb any capital but that must nevertheless be analysed and monitored.

In the context of the materiality of risks, in line with the guidelines of the European governance and supervisory authorities, ESG risks are increasingly important, with particular attention paid to climate risk, a risk factor that generates a range of impacts in terms of type and severity that should be taken into serious consideration in all economic sectors, including banking.

PILLAR I RISKS

Credit risk (including counterparty risk)

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

Market risk

Market risk is defined for banks using the standardised approach as the sum of capital requirements calculated for position risk, settlement risk, concentration risk and commodity position risk.

Operational risk

Banca Mediolanum, like the Parent Company, defines operational risk as “the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts”.

PILLAR II RISKS AND OTHER RISKS

Concentration risk

Risk arising from exposure to counterparties, groups of related counterparties and counterparties in the same economic sector or that conduct the same business or are located in the same geographical area.

Rate risk

Interest rate risk arising from activities other than trading: risk arising from potential changes in interest rates.

Liquidity risk

Liquidity risk generally takes the form of limits on the liquidation of assets. More precisely, it is the risk that a financial instrument cannot be bought or sold without a sharp reduction/increase in the price (bid-ask spread) due to the potential inability of the market to settle the transaction partially or completely. Liquidity risk is also defined as the risk associated with access to funding.

Residual risk

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

Leverage risk

The risk that a particularly high level of debt to equity could make the bank vulnerable, requiring corrective changes to its business plan, including the sale of assets entailing the recognition of losses that could also result in the impairment of the remaining assets.

Strategic risk

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

Compliance risk (or risk of non-compliance)

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

Reputational risk

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

ICT and security risk

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

Conduct risk

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

Money-laundering risk

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

Climate and environmental risks

Climate risks can be understood as the financial and/or economic risks arising from exposure of institutions to counterparties that may potentially contribute to or be affected by climate change.
Environmental risks, on the other hand, are defined as the risks of a negative financial and/or economic impact on institutions deriving from the current or prospective effect of environmental factors on the counterparties or assets invested.
Banca Mediolanum has adopted a dedicated policy containing the rules and methodologies for determining the materiality of climate risks on Banca Mediolanum's portfolios and a description of the roles and responsibilities for managing these risks, as well as the process of monitoring and reporting them. This policy effectively entailed a "reconsideration" of the first and second pillar risks, through an assessment of the materiality of climate and environmental risks identified in the two physical and transition risk approaches, for which specific indicators are monitored.

Environmental, Social and Governance (ESG) risks

ESG risk factors are now an inherent part of the governance of risk control in the banking industry, as they influence financial and non-financial risks and have both an impact on the banking organisation itself and a potential impact on all of its stakeholders. As a result, risk management methods and processes have been modified to take into account complex cause-and-effect relationships between the types of risk assumed or to which there is exposure, and the concept of sustainability has to become part and parcel of the activities and processes carried out by credit institutions.
This has been described by many as a "green" economic transition, and gives banks a great responsibility, because they are not only required to incorporate ESG criteria into their own business management and development, but they will also be able to guide financed companies towards a more resilient and sustainable system by adopting new criteria designed to mitigate risks. These sustainability objectives require a constant process of identifying and adopting the best possible solutions to safeguard land resources and protect our ecosystem. Currently, the entire ESG regulatory framework sets out the behavioural guidelines that credit institutions need to adopt in order to improve transparency, making it easier to identify all those actions that form the bedrock of environmentally sustainable activities. A series of general guidelines and recommendations has been drawn up in order to redirect capital towards sustainable investments, managing the financial risks

induced by climate change and other environmental and social problems, and effectively promoting not only operational transparency, but also a long-term view of the financial and economic activities of the credit institution.
An informed focus on environmental issues initiated by Banca Mediolanum a few years ago is also evolving through the careful and targeted identification, management and mitigation of the risks that characterise part of the scope of ESG issues, which is gradually leading to a definition of this type of risk, including in the context of the new RAF indicators.

1.1 Credit risk

QUALITATIVE INFORMATION

The credit policy of the Mediolanum Banking Group is essentially designed to meet the financial needs of customers who hold assets invested in the financial and insurance products distributed by the Group companies. Therefore, within the context of the Banking Group's strategies, lending is complementary to the provision of financial/insurance products and investment services to customers, and includes credit facilities designed to meet customers' short/medium-term needs (ordinary loans) and loans for the purchase, exchange, completion and, in general, execution of real estate transactions (special loans). With regard to the granting of credit facilities in the form of salary/pension-backed loans, delegation of payment and "with recourse" assignment of credit for end-of-service benefits (TFS), these products are offered by the subsidiary Prexta, which also operates in the market for unsecured personal loans repayable by instalments, enriching the catalogue of consumer credit products offered to its customers, even when no assets are invested in the Group's financial and insurance products.
Credit risk mainly relates to retail credit, corporate and treasury activities. In the context of retail credit and corporate activity, at the level of the Banking Group, credit risk is identified as the possibility that a counterparty, to which there is a credit exposure, will not fulfil in whole or in part the obligations assumed, thereby causing impairment of the exposure.
With regard to treasury activity, credit risk is defined as the risk of suffering losses as a result of a deterioration in creditworthiness to default of institutional counterparties of which Banca Mediolanum and the other Group companies are creditors in their investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.
The amounts disbursed were essentially in line with budget forecasts, in accordance with the Group's vocation of providing credit mainly to retail customers, and also met the borrowing requirements of corporate counterparties which turned to our Group in the period in question.
The prevalence of loans to retail customers also means that the value of large exposures is significantly below the regulatory requirements. An institution's exposure to a customer or group of connected customers is considered large when its value is equal to or greater than 10% of the institution's eligible capital. Taking into account the effect of exemptions and the mitigation of credit risk, large exposures must in any case comply with the limit of 25% of the entity's eligible capital.
Counterparties that fall within the scope of this type of reporting are primarily Italian and European banks operating with their respective group treasury units.

The control measures in place in the various Group companies highlight potential critical situations concerning loans disbursed, allowing the triggering of timely targeted interventions to resolve such situations by means of

all the available risk mitigation tools that each individual Group company may adopt. With regard to the first- and second-level performance monitoring controls, no particular alert situations were identified: all indicators were stable in accordance with the business model implemented by the Group and characterised by a low risk profile.
No significant changes to the Risk Appetite Framework indicators emerged, and these remained constantly below the appetite and tolerance limits. The performing portfolio also did not show any abnormal percentages of SICR criteria with respect to the staging allocation process analysis.
Finally, there were no significant changes in the non-performing portfolio either, in accordance with the forecasts made during strategic planning.
The cost of credit risk remained at the limited levels recorded in previous years. Credit risk management therefore continued in accordance with the current policies, credit policies and procedures.

1.2 Market risks

1.2.1 Interest rate risk and price risk - regulatory trading book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

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

Mediolanum Banking Group total securities portfolio - RATING COMPOSITION (S&P Equivalent)

Period-end data (June 2023 vs December 2022)

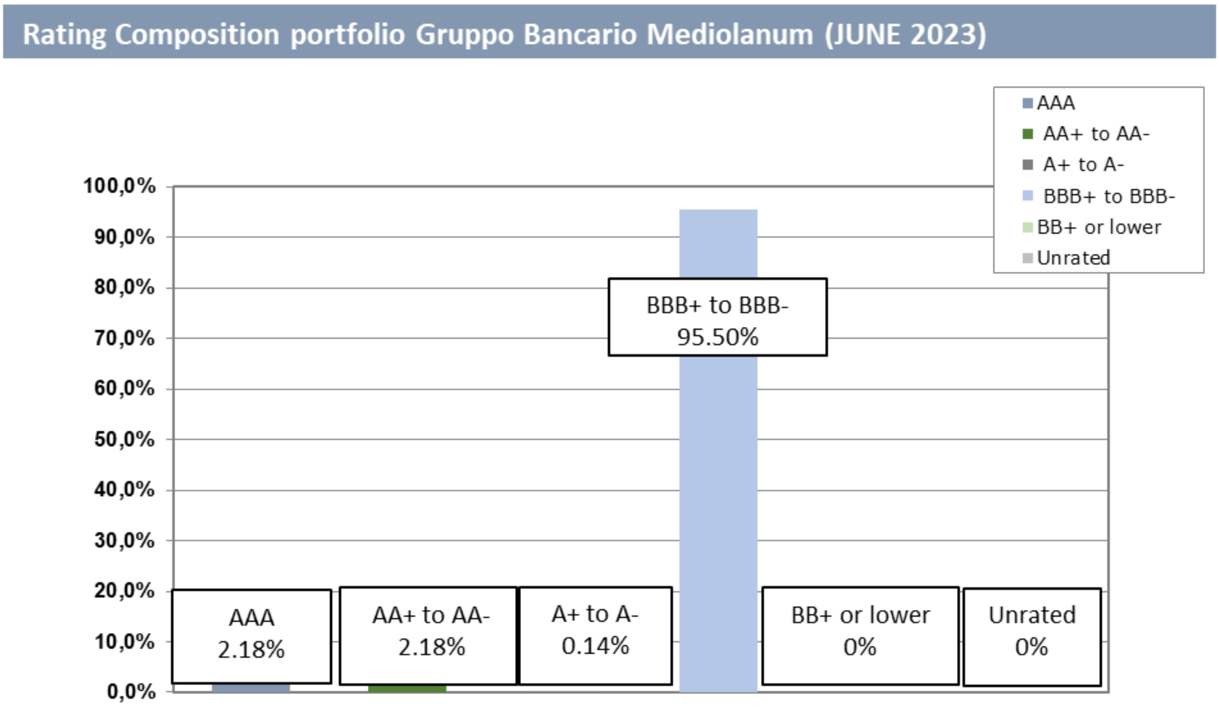
Rating Class	Jun-23		Dec-22		
(S&P Equivalent)	€/000	%	€/000	%	Variation (%)
Total Portfolio	18.987.393	100,0%	17.640.902	100%	8%
AAA	413.968	2,18%	26.601	0,2%	0%
AA+ to AA-	413.598	2,18%	45.028	0,3%	819%
A+ to A-	26.617	0,14%	46.346	0,3%	(43%)
BBB+ to BBB-	18.133.211	95,50%	17.522.927	99,3%	3%
BB+ or lower	-	0,00%	-	0,0%	0%
Unrated	-	0,0%	-	0,0%	0%

The value of the Security Portfolio does not consider the marginal share of Shares, Rights and Funds
For the current year the issuer's rating was shown

For the current year the issuer's rating is shown. The negative securities are the short positions in the trading of German government securities in the individual portfolio of Banca Mediolanum S.p.A. and shown in the statement of financial position under financial liabilities held for trading.

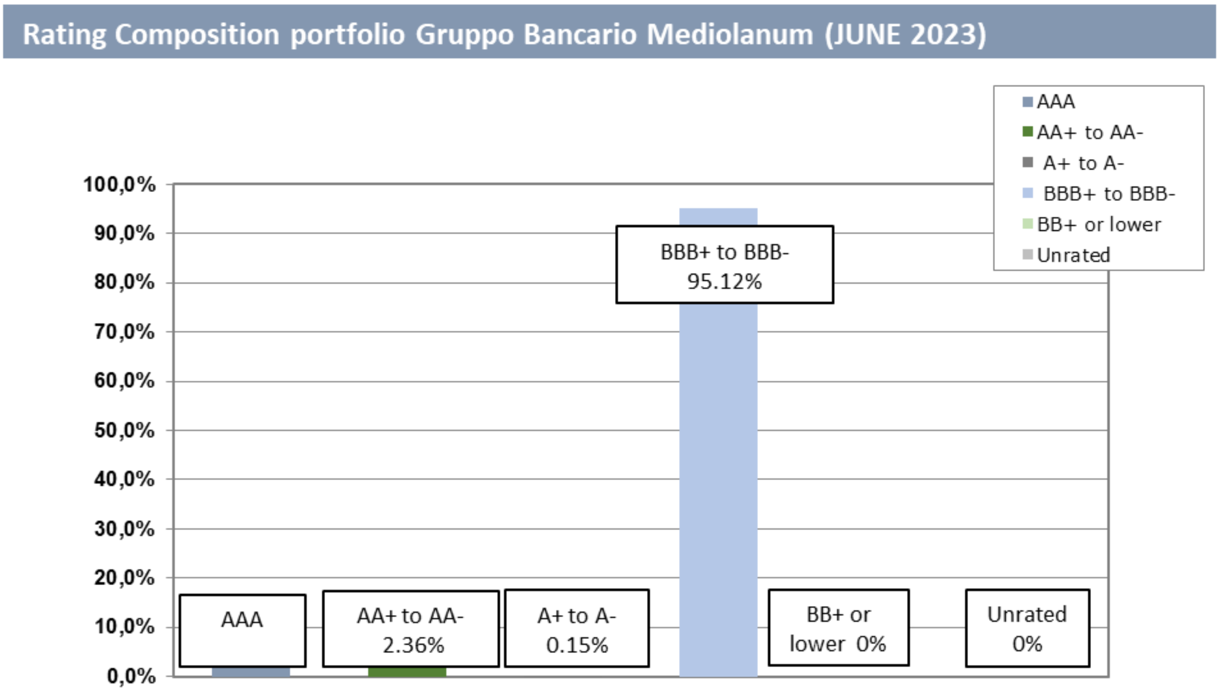
Ratings breakdown for Mediolanum Banking Group portfolio
(June 2023)

Portfolio value €18,987,393/000



Ratings breakdown for HTC&S and HTC Mediolanum Banking Group portfolios **(June 2023)**

Portfolio value €17,512,333/000



The financial markets performed well in the first half of 2023, particularly in the equities asset class, with the technology sectors being particularly positive.
Inflation slowed in Europe compared with 2022, while remaining high compared with the central bank's target. The conflict between Russia and Ukraine, as well as tensions between the US and China, affected the global macroeconomic environment.
The central banks also continued to raise interest rates as planned in the first half of 2023, resulting in marked movements in the bond market, with yields on the government bonds of the biggest advanced economies rising further than in 2022.
Against this background, the bank's portfolio was expanded, with the emphasis on held-to-collect, as this reduces the effect of market movements due to measurement at amortised cost with no effect on the assets or income recognised in the financial statements.
In addition, the short-term time horizon (between two and three years) of the fixed-rate investments made in the first half of the year was an additional prudential feature to protect against movements in the yield curve.
The monitoring of the RAF indicators carried out in the first half of the year confirmed that the strategies adopted and the positions in the Group's portfolios are in line with the risk appetite defined by the Strategic Supervisory Body at the beginning of the year.
The monitoring measures adopted by all Group Companies, on the basis of the Parent Company's guidelines on market risks, have detected no significant evidence of impacts arising either from the geo-political and economic situation caused by the conflict between Russia and Ukraine on the value of the accounting portfolios held by the Group.

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

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

Trading securities portfolio – VAR tables – MARKET RISK

Period-end data (June 2023 vs December 2022)

€/m	Jun-23	Dec-22	Variation (%)
Nominal	1.500.027	1.040.028	44%
Market value	1.475.060	1.008.616	46%
Duration	0,54	0,99	(45%)
VaR 99% - 1 g	938	1.967	(52%)

The trading portfolio of Banca Mediolanum at 30 June 2023 had a higher nominal and market value than at the end of 2022. However, the risk profile remained limited, in line with the treasury management strategy, as indicated by both the portfolio duration figure and the market risk indicator (value at risk).
The minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in the first half of 2023, compared with the December 2022 period-end values, are shown below.

€/m	Jun-23	Dec-22	Variation (%)
Minimum Value	938	0,02	n.s.
Average Value	1.899	2.247	(16%)
Maximum Value	2.783	2.953	(6%)

1.2.2 Interest rate risk and price risk - banking book

QUALITATIVE INFORMATION

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

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

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

1.2.3 Currency risk

QUALITATIVE INFORMATION

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

The following risk profile includes all assets and liabilities (on- and off-balance sheet) in foreign currencies, including transactions in euro pegged to foreign currency exchange rates. In these cases, limits on exposure to currency risk are established in terms of the equivalent value of the net position of the main trading currencies.

1.3 Derivative instruments and hedging policies

1.3.2 Accounting hedges

QUALITATIVE INFORMATION

A. Fair value hedging

Fair value hedges aim to neutralise adverse changes in the price of assets and liabilities recognised in the financial statements or of irrevocable commitments that, without a hedge, could affect financial performance for the year. As established by the Parent Company, the Banking Group has adopted hedging policies through derivative instruments, exceptionally solely for exposures in its fixed-rate loan portfolio.

D. HEDGED INSTRUMENTS

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

E. Hedged items

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

- Prospective test: this test justifies the application of hedge accounting, demonstrating the expected effectiveness of the hedge during its life, and enables the justification and continuation of the hedging relationship. This test must also be carried out on the date of commencement of the hedge in order to start applying hedge accounting: in practice, it is a question of determining whether the hedging relationship would be maintained in the event of potential more or less extreme scenarios.

> Retrospective test: this test reveals the degree of effectiveness of the hedge achieved in the period to which the test refers; in other words, it measures how far the actual results diverged from the perfect hedge. If the results fall within a defined range, hedge accounting may continue to be applied: otherwise, it must be discontinued.

1.4 Liquidity risk

QUALITATIVE INFORMATION

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

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

1.5 Operational risks

QUALITATIVE INFORMATION

The Mediolanum Banking Group defines operational risks as "the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts".
In line with industry regulations, Banca Mediolanum S.p.A. has adopted and regularly updates an operational risk management and control framework.
The Risk Management Function is responsible for monitoring operational risk and collaborates with the Internal Audit Function to control and manage the operational risks arising from the operations of the sales network of Banca Mediolanum S.p.A.

It also coordinates with the Administration, Accounting and Financial Reporting section in controlling capital adequacy in respect of the requirements for own funds for operational risks of Banca Mediolanum S.p.A. and the Banking Group. The organisational positioning of the Risk Management Function is based on the principles of "separation" and "independence" with respect to the operational lines, with it reporting directly to the corporate bodies of the Parent Company. Specific Risk Management functions are also present at the main companies of the Banking Group, in order to be closer to the business, while maintaining a guiding and coordination role at the Parent Company. The reference framework for the management and control of operational risks adopted by the Mediolanum Banking Group consists of the following four sequential phases:

1. "Identification";
2. "Measurement";
3. "Monitoring, Control and Reporting";
4. "Management".

Each of the above phases is characterised by specific objectives, models, methods and instruments and is implemented by the Group companies, according to the complexity of the activities performed, exposure to operational risks and specific normative and regulatory instructions, in line with the proportionality principle.
Identification is the activity of identifying and collecting information on operational risks through the consistent and coordinated processing of all relevant sources of information. The aim is to establish a complete information base.
Identification takes place through the definition and classification of the information necessary for integrated operational risk management. The information necessary for this purpose is:

- the qualitative and quantitative assessment of the risk exposure of the main corporate processes, as part of the annual risk self-assessment process;
- internal loss data, accompanied by all the relevant information for the purposes of measuring and managing risks (including insurance and direct recoveries), collected through the loss data collection process;
- preliminary analysis of the risk exposure arising from entry into new businesses or the signing of new contracts/commercial agreements, as well as following organisational/regulatory changes;
- performance indicators representative of operations and risks, internally known as "key risk indicators", which form the basis of management analyses and part of the control model; these indicators may include "monitoring indicators" to monitor any phenomena considered relevant in terms of the type of risk, its frequency of occurrence and/or its economic impact.

Measurement is the activity of analysing and assessing risk. The aim of this activity is to gain comprehensive knowledge of the overall risk profile of the enterprise, resulting in the quantification of:

- regulatory capital: the capital requirement defined on the basis of regulatory provisions (Regulation (EU) 575/2013). In order to measure regulatory capital for operational risk, all companies in the Mediolanum Banking Group use the "standardised" method to calculate the regulatory capital requirement;
- economic capital: measurement of risks for internal purposes, using an integrated approach that reflects both actual losses from operational risks and potential losses, measured net of the effectiveness of the controls put in place to mitigate those risks. This measurement activity is therefore based on the results of the risk identification process, applying an actuarial statistical model, and constitutes a tool for controlling the adequacy of regulatory capital for operational risks.

Monitoring, Control and Reporting is a direct consequence of the preliminary phases of identification and measurement. It enables the analysis of the overall exposure to operational risks of the various business units and the prompt reporting of any critical issues encountered. The main tool used to carry out this process is periodic reporting to the business functions concerned, to senior management and to the Board of Directors.

Finally, the aim of the Management phase is to periodically assess "strategies for control and reduction of risk", deciding, according to the nature and size of the risk, whether to assume it, implement mitigation policies or transfer it to third parties, according to the risk appetite expressed by senior management.

During the first half of 2023, the processes governed by the framework described in the previous paragraphs proceeded normally and there are no critical issues to report.

SECTION 3 - RISKS OF INSURANCE COMPANIES

Risks of the Mediolanum Insurance Group

The Mediolanum Insurance Group has prepared and adopted an internal risk management framework that enables risks to be identified, assessed, monitored, managed and reported on an ongoing basis, taking due account of changes in the nature and size of the business and in the market environment. The Risk Management System not only involves technical aspects but also a cultural, organisational, functional and process element.
The Risk Management System consists of strategic processes functional to the definition of the reference framework, which includes the operating processes.

Specifically, the strategic processes include:
> formulating the Risk Appetite Framework (RAF): this is the process whereby the GAM and the companies of which it is composed define the risk they intend to assume (risk appetite) in achieving their corporate objectives and within which strategic activities (business model, business unit, planning) are analysed according to risk-based criteria and approaches. For this reason, the RAF must be consistent with the other processes at the strategic level.
> conducting the Own Risk and Solvency Assessment (ORSA) involves a forward-looking assessment of the risk level of the company and the Mediolanum Insurance Group over the time horizon of the corporate strategic plan. This activity is closely interconnected with both the RAF and the overall governance of the risk management process.
> formulating contingency plans: in accordance with Article 83 of IVASS Regulation No. 38/2018, for financial stability purposes the Mediolanum Insurance Group has prepared an Enhanced Contingency Plan to identify and assess the actions that could be taken to restore its position following crisis situations related to the major sources of risk identified.

The operating processes include the following activities:
> identifying risk categories: this consists of the definition of principles, tools and methodologies for adequate risk identification, description, classification, estimation and assessment and the identification of preference for each risk.
> risk management procedures: The risk management process takes place through all activities that result in the acceptance, transfer/mitigation or elimination of risks, with regard to risks arising from existing activities and risks arising from new business and activities. Each year, the Board of Directors approves policies for the management of individual risks, ensuring that it is consistent with the directions in the Risk Appetite Framework, with the evolutionary guidelines defined in the Strategic Plan and with the current and forward-looking assessments of risks and solvency.

- risk assessment: the methods for measuring the risks to which the companies that are part of the GAM are exposed are defined. This activity enables the economic and/or financial effects of quantifiable risks to be determined and the significance of non-quantifiable risks to be assessed. The solvency assessment of the risks of the Mediolanum Insurance Group and of the individual companies that make it up is currently carried out using the Solvency II standard formula.
- stress testing: this consists of periodic stress tests using a range of scenarios considered both individually and in combination to identify the causes of possible tensions on the aggregates and risks subject to stress and to simultaneously analyse the tolerance limit and sustainability that such extreme events impact in operational and financial management.
- risk monitoring: the risk monitoring process aims to monitor the performance of Mediolanum Vita S.p.A. and the other GAM companies in relation to what has been defined, as part of the Business Plan and corporate objectives, in the context of the Risk Appetite Framework and the Own Risk and Solvency Assessment (ORSA); it also supports the decision-making process, ensuring compliance on the one hand with what is defined within the Risk Policies and on the other with the legal and regulatory requirements.
- defining escalation actions: the escalation process ensures that reports of dangerous situations and breaches of limits to all interested parties are promptly communicated to the competent corporate bodies in order to allow for the development and implementation of remedial measures. Specifically, GAM and its individual companies define escalation measures within the Risk Appetite Framework and where limits are defined the breaching of which requires specific measures.
- risk reporting: Mediolanum Vita S.p.A. and the GAM companies are constantly reviewing their risk management system and regularly produce appropriate reporting to support and feed into the discussion with the competent bodies, as well as the decision-making process of GAM and its individual companies.

The risk management system has therefore been designed in order to provide a shared, consistent approach to risk management at all corporate levels and in all the companies that make up the Mediolanum Insurance Group and has the objective of supporting and facilitating the processes of identification, reduction, transfer or elimination, to the extent that the residual risk is acceptable, of the impact that the risks have on the ability of the Mediolanum Insurance Group and of the individual companies to achieve their business objectives.

3.1 Insurance risks

A. LIFE INSURANCE

QUALITATIVE INFORMATION

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

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

Mortality risk

Mortality risk is associated with (re)insurance obligations (e.g. death insurance or mixed policies) whereby the (re)insurer guarantees a series of individual or recurring payments in the event of the death of the policyholder during the life of the policy.

It applies to (re)insurance obligations that depend on the mortality risk, for example those for which the amount to be paid in the event of death exceeds the technical provisions: consequently, an increase in mortality rates results in an increase in technical provisions.

Longevity risk

Longevity risk is associated with (re)insurance obligations (e.g. annuities) that provide for the (re)insurer guaranteeing a series of payments until the policyholder dies, and for which a decrease in mortality rates results in an increase in technical provisions, or (re)insurance obligations (e.g. mixed policies) whereby the (re)insurer guarantees a single payment if the policyholder survives for the duration of the policy.

It applies to (re)insurance obligations that depend on the risk of longevity, i.e. where there is no benefit in the event of death or the amount to be paid in the event of death is less than the technical provisions: consequently, a decrease in mortality rates results in an increase in technical provisions.

With regard to longevity risk, Mediolanum Vita periodically analyses the adequacy of the technical bases of portfolios of annuities in the course of payment.

For cover that provides for an accumulation phase and a future option to convert capital to an annuity, no guarantee is normally granted on the technical bases for determining the annuity that can be disbursed. The level of appetite for annuities is also monitored so that the demographic bases can be adjusted.

Lapse risk

Lapse risk is the risk of the loss of, or changes in, liabilities due to a change in the rate at which options are exercised by policy holders.

All options for policy holders, whether legal or contractual, which can significantly change the value of future cash flows must be taken into account.

Expense risk

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

Catastrophe risk

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

Monitoring

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

B. NON-LIFE INSURANCE

With regard to the non-life class, technical risk is the risk of loss or unfavourable change in the value of insurance liabilities due to inadequate assumptions relating to the determination of policy premiums and the creation of reserves.

In particular, technical risk includes the following:

Pricing risk

This is the risk arising from fluctuations that may arise in the time of occurrence, frequency and severity of insured events. Pricing risk relates to policies underwritten during the year, including renewals, and risks arising from contracts still outstanding at the end of the year in question. It cannot be ruled out that the actual claims for compensation will be significantly higher in the future, in terms of number and amount, than the provisions used to calculate the price of the products, with possible adverse effects on the operating results, financial position and/or cash flows of Mediolanum Assicurazioni and, consequently, the Mediolanum Group. Furthermore, it is possible that inadequate data and pricing methodologies, with resulting compensation claims that are much higher than projected, could also result in a pricing level that is inappropriate with respect to the size of the actual risks, with consequent adverse effects on the operating results and the company's economic performance, financial position and/or cash flows.

Reserve risk

It expresses the variability between the best estimate of the claims reserve at a given date and its actual development over time (the relevant future payment flows) which, in accordance with Solvency II, is defined on an annual basis, where the variability of the reserve is not properly estimated, despite the safeguards adopted by Mediolanum Assicurazioni. Any policyholder requirements with respect to Mediolanum Assicurazioni that exceed expectations could have adverse effects on the economic performance, financial position and cash flows of the Insurance Group and thus of the Mediolanum Conglomerate.

Lapse risk

The Solvency II standard formula is used to estimate a potential early lapse rate for certain types of product, calculating the impact of this risk in terms of loss of regulatory capital. Despite the estimates made by Mediolanum Assicurazioni, there is a possibility that an increase in lapsed policies could have negative effects on the company's financial and economic situation.

Catastrophe risk (cat risk)

Catastrophe risk consists of the risk of a loss or unfavourable change in the value of insurance liabilities due to significant uncertainty regarding the assumptions used to determine premiums and create reserves in relation to extreme or exceptional events. This risk arises from events which are not adequately captured by the capital requirement for pricing and reserve risk. Mediolanum Assicurazioni limits the economic impact of catastrophic events through reinsurance, allocating the risk between reinsurers selected for their reliability and financial soundness. Therefore, the occurrence of one or more catastrophic events such as earthquakes, storms, explosions, floods, fires or acts of terrorism, resulting in damage exceeding the limit of Mediolanum Assicurazioni's reinsurance cover, could have adverse effects on the economic performance, financial position and/or cash flows of the Mediolanum Insurance Group and Conglomerate.

Reinsurance counterparty default risk

Reinsurance counterparty default risk is the risk of a possible default by a counterparty that has outward portfolio reinsurance dealings with the Company. In accordance with its corporate policies, Mediolanum Assicurazioni may enter into contracts with reinsurers with the following characteristics:

- A minimum BBB rating;
- Belonging to groups or conglomerates with a minimum BBB rating;
- A maximum commitment limit for reinsurers with a BBB rating of 30%;
- A maximum commitment limit for reinsurers with a rating higher than BBB of 60%; the commitment limits are to be regarded as the maximum degree of risk concentration on a group basis;
- The minimum rating limits apply to both short- and long-tail risks;
- Reinsurers from large European groups are preferred;
- In the case of products covering specific catastrophe risks, the commitment limit per reinsurer may be waived, but in any case must not exceed 95%;
- The above cession limits may be waived under special conditions, such as in the case of new lines of business or specific risks for the Company, subject to assessment by the Company's Risk Management.

For the cession of ancillary cover, if no assessment is available from external rating companies, other assessments may be used to define an equivalent rating, following validation by the Risk Management Function.

3.2 Financial risks

Financial risks include:

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

QUALITATIVE INFORMATION

Market risks

- > Article 13, point 31) of Directive 2009/138/EC defines market risk as the risk of loss or unfavourable change in the financial situation arising, directly or indirectly, from fluctuations in the level and volatility of the market prices of assets, liabilities and financial instruments.
- > The three companies of the Mediolanum Insurance Group have adopted this definition, identifying and classifying the following risks within this category:
- > Interest rate risk
- > Equity risk
- > Currency risk
- > Property risk
- > Spread risk
- > Market concentration risk

Interest rate risk

Interest rate risk exists for all assets and liabilities whose value is "sensitive" to changes in the term structure of interest rates or interest rate volatility. This applies to both real and nominal term structures. Assets sensitive to interest rate movements include fixed-income investments, financing instruments (e.g. loans), surcharges on policies, interest rate derivatives and any insurance assets.

Equity risk

Equity risk arises from the level or volatility of the market prices of equity securities. Exposure to equity risk relates to all assets and liabilities whose value is sensitive to changes in equity prices. This risk is the main contributor to the risk profile of the Mediolanum Insurance Group given the high exposure to the equity market of assets to cover unit-linked products.

Currency risk

Currency risk arises from changes in the level or volatility of exchange rates. Undertakings may be exposed to currency risk from various sources, including their investment portfolios, assets and liabilities and investments in associates.

For the Mediolanum Insurance Group, exposure to currency risk has been shown to be high, due to the marked diversity of the currencies of the financial instruments underlying the unit-linked policies in the portfolio.

Property risk

Property risks arise due to the sensitivity of financial assets, liabilities and investments to the level or volatility of the market prices of real estate.

The following investments are treated as real estate investments and their risks are considered in accordance with the property risk sub-module:

- ✓ land, buildings and property rights;
- ✓ direct or indirect equity investments in real estate companies that produce periodic income, or that are otherwise aimed at investing;
- ✓ property investments for use by the insurance company.

The properties owned by the Insurance Group are appraised annually.

Spread

Spread risk is the part of risk that reflects changes in the value of financial assets, liabilities and instruments due to a change in the level or volatility of credit spreads with respect to the risk-free interest rate term structure. Spread risk applies to at least the following financial asset classes: High credit quality (investment grade) corporate bonds and high yield corporate bonds.

Spread risk also applies to all types of asset-backed securities, as well as to all segments of structured credit products such as covered bonds. Spread risk covers instruments including but not limited to credit derivatives, credit default swaps, total return swaps and credit linked notes that are not held as part of a recognised risk mitigation policy. Spread risk also includes the credit risk of other high-risk investments, including in particular: equity investments; debt securities issued by and to associates and companies in which the insurance company has a participating interest; debt securities and other fixed-income securities; and mutual fund investments. However, it should be stressed that the Solvency II credit risk requirement does not include credit risk arising from exposures to government securities.

Market concentration risk

Market concentration risk relating to financial investments arises from the accumulation of exposures with the same counterparty. Concentration risk extends to assets affected by equity risk, interest rate risk, spread risk and ownership risk and excludes assets covered by the counterparty default risk module. It does not include other types of concentration (e.g. by geographical area, industry, etc.).

Monitoring

Within Solvency II, market risks are monitored by controlling compliance with the risk limits defined in the Risk Appetite Framework (RAF).

The Insurance Group has decided to analyse and monitor only those market risks that are material in terms of their quantitative impact on the calculation of the regulatory capital requirement.

As described in the RAF, to which reference should be made for further details, the market risk classes being monitored are:

- Equity
- Currency
- Interest rate
- Spread

The monthly monitoring is intended to ensure constant monitoring of risk exposures and compliance with tolerance levels. This reporting provides a range for the solvency ratio, rather than a precise figure.

For the portfolio of traditional life reserves, the risk of mismatching between liabilities and assets is also periodically assessed using an asset liability management model. The tool enables monitoring of the long-term effects of possible asset management choices on the degree of profitability and solvency of Mediolanum Vita by means of "ad hoc" reporting.

With regard to Mediolanum International Life, it should be noted that fixed-rate securities constitute almost all of the relevant portfolio.

Credit risk

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

Reinsurance counterparty default risk

Given that, with regard to commercial premiums reinsurance, Mediolanum Vita's technical provisions are deposited with the Company itself (rendering the risk of default almost nil), the reinsurance policy of the same requires the reinsurer to have a rating of BBB before a treaty is entered into.

3.3 Other risks

Liquidity risk

Liquidity risk is defined as the risk that the company may incur when it is faced with cash commitments (expected or unexpected) and the available cash is not sufficient.
The causes of a possible temporary shortage of liquidity include:

- an amount of cash outflows exceeding the amount of cash inflows;
- low liquidity of investments;
- potential cash flow mismatches.

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

Strategic risk

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

- > erroneous "strategic" decisions;
- > inadequate implementation of established strategic decisions;
- > a lack of responsiveness to changes in the competitive and market environment.

The Mediolanum Insurance Group and the individual companies that comprise it adopt the Risk Appetite Framework, which defines the risk appetite targets, risk tolerance thresholds and risk capacity limits in line with the individual strategic plans. These enable the corporate governance bodies to continuously and effectively monitor the actual versus the expected risk profile.

Compliance risk

The Mediolanum Insurance Group, through the Compliance Function, has identified and assessed the risks of non-compliance with the rules as the risk of incurring legal or administrative penalties or suffering losses or reputational harm as a result of non-compliance with directly applicable European laws, regulations and rules, or the provisions of Supervisory Authorities or self-regulations such as bylaws, codes of conduct or self-governance codes; it is the risk arising from unfavourable changes in the regulatory framework or case law guidelines.

Compliance risk is monitored, using a risk-based approach, by the Compliance Function in accordance with the compliance model described in the internal reference regulations, which is periodically reviewed and updated.

Operational risk

On the basis of the Solvency II regulations, the Group has defined operational risk as: "the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts".

In this definition, it is important to emphasise the inclusion of legal risk, but not of strategic or reputation risk.

Operational risk is also managed by a complex process that aims to identify vulnerabilities in the IT system, possible threats and the associated probability of occurrence, and to estimate the potential harm caused by the emergence of homogeneous groups of threats, known as "scenarios".

Operational risk takes into account the annual expenses incurred in relation to the insurance risks/obligations assumed by the individual companies.

An operational loss is defined as a group of negative economic effects, net of recoveries and exceeding specifically selected minimum thresholds, arising from the occurrence of an operational event. Material losses for legislative purposes are only those actual losses, both direct and indirect, whose amount is certain as they have been transferred to the income statement.

Conduct risk, as a sub-category of operational risk, can generally be defined as "the current or potential risk of incurring economic losses generated by the inadequate provision of financial services, including instances of wilful misconduct or negligence". The approach to conduct risk provides for a clear interrelation between the business strategies and the conduct of the financial institution and the Family Bankers, taking into account the corporate values and mission.

Operational risk also includes **information risk**, which is defined as "the risk of incurring economic losses or loss of reputation and market share due to the use of information and communication technology".

Reputation risk

With regard to the provisions of Article 19, letter h) of Ivass Regulation No. 38, the Mediolanum Insurance Group and the individual companies that comprise it recognise that reputation is an indispensable value that forms the basis of the relationship of trust with customers and credibility with the market. Reputational risk is controlled through:

the identification and expression of the values to which the entire organisation should aspire;

the promotion of a corporate culture based on ethical principles of honesty, fairness and compliance with rules at all levels of the organisation;

the adoption of a reputation risk governance and control model.

Reputation risk may in fact derive from a variety of factors, including events relating to operational risk, violations of internal and external rules, the quality of internal and external communications, including through new media, and/or other digital communication tools, as well as other circumstances that could undermine the reputation of the Group as a whole and of the individual companies within it.

Contagion risk

Contagion risk is defined as the risk deriving from situations of difficulty arising in a Banca Mediolanum S.p.A. Group entity that may spread, with negative effects on the Insurance Group's financial position, results or cash flows.

The Parent Company, Mediolanum Vita, has identified the reduction/loss of the sales network as its main contagion risk.

It should be noted, in fact, that the insurance products of Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life Branch Italia are distributed by the sales network of Banca Mediolanum, while for the Spanish branch, the products are distributed by the sales network of Banco Mediolanum S.A.

Contagion risk is assessed for ORSA purposes, assuming an impact of the network risk factor on both new business volumes and the "in force" portfolio.

PART F – INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – Consolidated capital

Own funds for supervisory purposes of the Mediolanum Banking Group at 30 June 2023

The Mediolanum Banking Group prioritises capital monitoring. The Mediolanum Banking Group adopts appropriate measures in order to comply with the regulatory requirements of the supranational and national supervisory bodies.

Monitoring of the Group's capital helps to prevent potential situations of tension from arising. This activity is entrusted to the strategic supervisory body (the Board of Directors), which is responsible for the Group's management functions, and is tasked with defining the guidelines for the various operational functions, including the relevant acceptable risk profiles (formalised in the Risk Appetite Framework (RAF) document). The RAF, which is reviewed periodically, is the frame of reference that determines the risk appetite, tolerance thresholds, risk limits, risk governance policies and the reference processes for defining and implementing such policies, in accordance with the risk capacity.

At 30 June 2023, the ratios of the Mediolanum Banking Group were well above the regulatory thresholds.

SECTION 2 – Own funds and regulatory banking ratios

The Mediolanum Banking Group's own funds amounted to €2,717 million at 30 June 2023 (31/12/2022: €2,556 million) and break down as follows:

- Common Equity Tier 1 (CET1) capital of €2,717 million (31/12/2022: €2,556 million);
- Additional Tier 1 (AT1) capital of zero (31/12/2022: zero);
- Tier 2 (T2) capital of zero (31/12/2022: zero).

Risk-weighted assets (RWAs) amounted to €12,608 million (31/12/2022: €12,406 million).

Capital adequacy of the Banca Mediolanum financial conglomerate as at 30 June 2023[8]

At 30 June 2023, the capital adequacy of the Mediolanum financial conglomerate was determined in accordance with the regulatory provisions of reference for financial conglomerates primarily engaged in banking. In particular, in respect of the conglomerate's capital requirements of €3,308 million, the conglomerate's capital resources covering the required margin amounted to €2,659 million, with a surplus of €649 million.

€/m	30/06/2023	31/12/2022
Financial conglomerate primarily engaged in banking		
Capital	3,308	2,940
Banking capital requirements	1,480	1,383
Insurance capital requirements	1,179	955
Capital surplus (deficit)	**649**	**602**

[8] The values set out in this report may be updated during the Supervisory Authority reporting phase. Capital adequacy at 30 June 2023 was calculated according to the capitalisation limits notified by the Bank of Italy based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2023) of the Mediolanum Insurance Group sent to the supervisory authority.

PART H – RELATED PARTY TRANSACTIONS

The Board of Directors of Banca Mediolanum has adopted a Single Group Regulation to manage transactions with related parties and affiliated persons in compliance with the procedures laid down by law. This document takes into account both Consob Resolution 17221/2010 as subsequently updated and the supervisory provisions concerning transactions with "Affiliated Persons".

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

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

At 30 June 2023, the Mediolanum Group had undertaken transactions with related parties. These transactions are part of the normal operations of the companies belonging to the Mediolanum Group and are regulated under market conditions.
In accordance with IAS 24, the related parties of the Mediolanum Group are:

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

For the purposes of defining and managing related party transactions, reference is made to the rules defined in Consob Regulation 17221/2010, as subsequently updated, and Bank of Italy Circular 285. Taking into account that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions cited above,
it was considered, for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years, even if at present the connection for the purposes of inclusion in the IAS 28 scope of consolidation has ceased.

1. Information concerning the remuneration of key management personnel

€/000	Directors, executives, deputy general managers and statutory auditors	Other key management personnel
Emoluments and social security contributions	(5,107)	(1,767)
Other remuneration	(158)	(7)

2. Information on related party transactions

The following table shows the credit and debit balances outstanding at 30 June 2023 in respect of related parties other than intercompany parties. The scope of related parties considered for the purposes of the tables in this section has been extended, on the basis of IAS 24.

€/000	30/06/2023
Asset items	
Financial assets at fair value through other comprehensive income	321,786
Loans to banks	1,250
Loans to customers	47,636
Other assets	71
Liability items	
Payables to banks	281
Payables to customers	480,255
Financial liabilities held for trading	12,351
Other liabilities	6,148
Guarantees issued and commitments given	194

€/000	30/06/2023
Income statement items	
Interest income and similar income	731
Interest expense and similar expenses	-4,319
Net interest	**-3,587**
Commission income	9,366
Commission expense	-2,316
Net commission expense	**7,050**
Net gains (losses) from trading	-99
Result of insurance services	1,863
Administrative expenses	-4,112
Other operating revenues and expenses	114

PART L – SEGMENT REPORTING

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

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

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

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

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

SEGMENT BY MARKET SECTOR JUNE 2023

Data in €/000	BANKING	ASSET MANAGEMENT	INSURANCE	OTHER	ITALY	SPAIN	GERMANY	TOTAL
Entry fees		13,321			13,321	5,140		18,461
Management fees		302,170	189,156		491,326	46,220	2,426	539,973
Investment management fees		60,922	36,222		97,144	8,142	536	105,822
Insurance management result			83,313		83,313	4,363	392	88,068
Banking service fees	70,546				70,546	4,241		74,787
Other fees	1,290	11,614	5,658	424	18,987	1,542	112	20,641
Gross commission income	71,836	388,028	314,349	424	774,637	69,648	3,466	847,751
Acquisition costs	(49,794)	(127,555)	(83,377)	736	(259,991)	(24,726)	(1,025)	(285,742)
Other commission expenses	(16,500)	(16,439)	(13,115)		(46,054)	(6,054)	(327)	(52,435)
Total commission expense	(66,295)	(143,994)	(96,492)	736	(306,045)	(30,780)	(1,352)	(338,177)
Net commission income	5,542	244,034	217,856	1,160	468,592	38,868	2,114	509,574
Net interest income	301,355	(9,376)	17,462	46	309,487	37,336	517	347,340
Net income on other investments	411	(1)	(265)	251	395	17		412
LLP (impairment on loans)	(17,323)				(17,323)	(443)	(22)	(17,788)
Other revenues and expenses	(3,160)	269	(237)	1,923	(1,205)	813	149	(243)
Level I contribution margin	286,824	234,926	234,816	3,380	759,946	76,591	2,758	839,295
Allocated costs	(115,311)	(48,465)	(49,644)	(2,630)	(216,050)	(32,342)	(2,042)	(250,434)
Regular contributions to banking industry	(9,324)				(9,324)	(942)		(10,266)
Level II contribution margin	162,189	186,461	185,173	750	534,572	43,307	716	578,595
Unallocated costs					(85,668)			(85,668)
Depreciation & amortisation					(16,838)	(3,385)	(96)	(20,319)
Provisions					(7,759)	(876)		(8,635)
OPERATING MARGIN	162,189	186,461	185,173	750	424,307	39,046	620	463,973
Performance fees		176	242		418	25	2	445
Net income on investments at fair value	12,578	49	(83)		12,544	90	(5)	12,629
MARKET EFFECTS	12,578	225	159		12,962	115	(3)	13,074
Extraordinary contributions and guarantee funds								
Other extraordinary items								
EXTRAORDINARY ITEMS								
PROFIT BEFORE TAX	174,767	186,686	185,332	750	437,269	39,161	617	477,047
Income tax					(105,376)	(8,100)	(245)	(113,722)
NET INCOME	174,767	186,686	185,332	750	331,892	31,060	372	363,325

SEGMENT BY MARKET SECTOR JUNE 2022

Data in €/000	BANKING	ASSET MANAGEMENT	INSURANCE	OTHER	ITALY	SPAIN	GERMANY	TOTAL
Entry fees		16,337			16,337	7,798		24,135
Management fees		292,239	177,341		469,579	41,233	3,617	514,429
Investment management fees		52,668	37,138		89,806	7,238	607	97,651
Insurance management result			77,292		77,292	6,346	(144)	83,494
Banking service fees	80,080				80,080	4,161		84,241
Other fees	1,794	11,766	5,619	1,111	20,289	1,239	139	21,667
Gross commission income	81,874	373,010	297,389	1,111	753,383	68,015	4,219	825,617
Acquisition costs	(50,424)	(122,347)	(78,381)	(251)	(251,404)	(26,025)	(1,672)	(279,101)
Other commission expenses	(15,338)	(14,796)	(11,630)		(41,763)	(5,585)	(445)	(47,793)
Total commission expense	(65,762)	(137,143)	(90,011)	(251)	(293,167)	(31,610)	(2,117)	(326,894)
Net commission income	16,112	235,867	207,378	859	460,216	36,405	2,102	498,723
Net interest income	155,593	(7,456)	6,348		154,484	13,013	(6)	167,491
Net income on other investments	(1,967)	65	270	75	(1,557)	30		(1,527)
LLP (impairment on loans)	(7,390)				(7,390)	(423)	(42)	(7,855)
Other revenues and expenses	(2,345)	292	137	1,924	8	150	107	265
Level I contribution margin	160,002	228,768	214,133	2,858	605,761	49,175	2,161	657,097
Allocated costs	(106,560)	(41,960)	(43,178)	(2,530)	(194,228)	(25,972)	(2,542)	(222,742)
Regular contributions to banking industry	(9,346)				(9,346)	(915)	(7)	(10,268)
Level II contribution margin	44,097	186,809	170,955	328	402,188	22,288	(388)	424,087
Unallocated costs					(75,027)			(75,027)
Depreciation & amortisation					(17,243)	(2,954)	(100)	(20,297)
Provisions					(12,580)	(1,447)		(14,027)
OPERATING MARGIN	44,097	186,809	170,955	328	297,337	17,887	(488)	314,736
Performance fees		5,097	1,421		6,518	108	9	6,635
Net income on investments at fair value	(14,187)	12	(1,663)		(15,838)	(271)		(16,109)
MARKET EFFECTS	(14,187)	5,109	(242)		(9,320)	(163)	9	(9,474)
Extraordinary contributions and guarantee funds	(411)				(411)			(411)
Other extraordinary items								
EXTRAORDINARY ITEMS	(411)				(411)			(411)
PROFIT BEFORE TAX	29,498	191,918	170,713	328	287,606	17,724	(479)	304,851
Income tax					(60,387)	(3,099)	(234)	(63,720)
NET INCOME	29,498	191,918	170,713	328	227,219	14,625	(714)	241,131

Declaration of the Financial Reporting Officer

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

1. The undersigned, Massimo Antonio Doris, as the Chief Executive Officer, and Angelo Lietti, as the Financial Reporting Officer of Banca Mediolanum S.p.A., hereby certify, also taking account of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

   > the appropriateness in relation to the characteristics of the company and

   > the effective application of the administrative and accounting procedures for the preparation of the consolidated half-year financial report during the first half of 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the half-year financial report at 30 June 2023 was based on a process defined by Banca Mediolanum S.p.A. consistent with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally accepted international framework.

3. It is further certified that:

   3.1 the half-year financial report:

   > has been drawn up in accordance with the international accounting standards recognised in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   > correspond to the figures in the accounting books and records;

   > is suitable to provide a true and correct representation of the financial position and economic performance of the issuer and of all of the companies within the scope of consolidation.

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

Basiglio, 01 August 2023

The Chief Executive Officer — The Financial Reporting Officer

(Massimo Antonio Doris) — **(Angelo Lietti)**

Glossary

Assets Under Management

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

Building Blocks Approach (BBA)

The standard method for measuring insurance contracts in accordance with IFRS 17.

Common Equity Tier 1 or CET 1

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

Common Equity Tier 1 Ratio or CET 1 Ratio

The solvency ratio expressed by the relationship between Common Equity Tier I and risk weighted assets (RWAs, as defined below) calculated on the basis of Basel III regulations in application of the provisions of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 and of Directive 2013/36/EU (CRD IV) as subsequently updated.

Contractual service margin (CSM)

Unrealised profit defined in accordance with IFRS 17, which the entity will recognise in the future when the insurance services are provided.

Family Bankers

The figurative wordmark used to describe the financial advisors of Banca Mediolanum.

Own funds

Own funds are made up of a series of items (net of negative items to be deducted) classified on the basis of capital quality and the ability to absorb losses determined pursuant to Part Two of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 as amended. Own funds consist of Tier I and Tier 2 capital.

Liability for incurred claims (LIC)

The entity's obligation to ascertain and pay valid claims for insured events that have already occurred and other insurance costs incurred and the amounts of insurance services that have already been provided; any investment components or other amounts not related to the provision of provision of insurance services not included in the liability for remaining coverage.

Liability for remaining coverage (LRC)

The entity's obligation to assess and pay valid claims under insurance contracts in force for insured events that have not already occurred and the amounts relating to insurance services not yet provided or any investment components or other amounts not related to the provision of insurance services and that have not been transferred to liabilities for incurred claims.

Net inflows

Amount of subscriptions net of divestments.

RWAs or risk-weighted assets

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

Variable Fee Approach (VFA)

A model provided for under IFRS 17 for contracts that, on the basis of an underlying participation feature, provide a significant additional benefit when the insured event occurs.

Total Capital Ratio

Solvency ratio expressed by the relationship between Total Capital and RWAs calculated on the basis of the Basel 2 regulation.

Consolidated basic earnings per share (EPS)

Ratio of consolidated net income to the weighted average number of ordinary shares outstanding.

Consolidated diluted earnings per share (EPS)

Diluted earnings per share are determined by dividing net income by the weighted average number of shares outstanding in the period, excluding treasury shares, plus the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares under remuneration plans.

Review report on condensed consolidated half-year financial statements

To the shareholders of
Banca Mediolanum SpA

Foreword

We have reviewed the accompanying condensed consolidated half-year financial statements of Banca Mediolanum SpA and its subsidiaries (Mediolanum Group) as of 30 June 2023, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Banca Mediolanum SpA are responsible for the preparation of the condensed consolidated half-year financial statements in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year financial statements of Mediolanum Group as of 30 June 2023 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 8 August 2023

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

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