Basel III pillar 3
Disclosure to the public

Situation as at 30 June 2021

Some declarations contained in this document constitute estimates and forecasts of future events and are based on information available to the Bank at the reporting date. Such forecasts and estimates take into account all information other than *de facto* information, including, *inter alia*, the future financial position of the Bank, its operating results, the strategy, plans and targets. Forecasts and estimates are subject to risks, uncertainties and other events, including those not under the Bank's control, which may cause actual results to differ, even significantly, from related forecasts. In light of these risks and uncertainties, readers and users should not rely excessively on future results reflecting these forecasts and estimates. Save in accordance with the applicable regulatory framework, the Bank does not assume any obligation to update forecasts and estimates, when new and updated information, future events and other facts become available.

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Introduction

The regulations on banking supervision have been revised with the issue of Capital Requirements Directive IV and Capital Requirements Regulation (the "CRD IV/CRR/CRR2 Package") enacted in Italy under Bank of Italy circular no. 285 issued in 2013 as amended, to adapt the national Italian regulations to the changes to the European Union banking supervisory framework (including the Commission Delegated Regulation issued on 10 October 2014, to harmonize the diverging interpretations of means for calculating the Leverage Ratio). The body of regulations on prudential supervision and corporate governance for banks has incorporated the changes made by the Basel Committee in its "Global Regulatory Framework for More Resilient Banks and Banking Systems".

Further guidance in the area of Pillar III has been provided by the European Banking Authority (EBA) in several documents:

- Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No (EU) 575/2013 – (EBA GL/2016/11);
- Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013) – (EBA GL/2016/11), to improve and enhance the consistency and comparability of institutions' disclosures to be provided as part of Pillar III starting from 31 December 2017. These guidelines apply to institutions classifiable as G-SII (Globally Systemically Important Institutions) or O-SII (Other Systemically Important Institutions); the regulatory authority has not required them to be applied in full for other significant institutions (SI); however, this structure voluntarily conforms to part 8 of the CRR;
- "Guidelines On the information relating to the liquidity coverage ratio, to supplement the information on the management of liquidity risk pursuant to Article 435 of Regulation (EU) no. 575/2013" (EBA/GL/2017/01 – Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013);
- Guidelines on uniform information pursuant to Article 473 bis of Regulation (EU) no 575/2013 regarding transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds" (EBA/GL/2018/01 – Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds);
- EBA Guidelines (EBA/GL/2018/10) on disclosure of non-performing and forborne exposures, applied for the first time at 31/12/19;
- EBA Guidelines (EBA/GL/2020/07) on Covid-19 measures, reporting and disclosure following the outbreak of the Covid-19 pandemic, applied for the first time at 30/6/20. The objective of the

Guidelines is to ensure an appropriate understanding of institutions' risk profiles. The three templates instituted in these Guidelines have therefore been added to the Group's Disclosure to the Public in the section on "Credit Risk: credit quality".

With the publication of Regulation (EU) No. 876/2019 (CRR II), the EBA has introduced a series of significant changes to the regulatory framework, applicable from 28 June 2021. These changes, regarding part VIII of the CRR, have the objective of harmonizing the regular disclosure to be provided to the market. To this end, instructions have been provided to market operators in in Commission Implementing Regulation (EU) 2021/637 regarding the mapping between the information to be published starting from the reference date of 30 June 2021 and the information contained in the supervisory reporting.

According to the provisions of CRR II, banks are to publish the required information at least annually; the entities themselves are responsible for assessing whether or not the information requested needs to be published more often. The guidelines set out a minimum content consistent with the significance of the reporting entity, with reference in particular to the capital ratios, composition and adequacy of capital, leverage ratio, exposure to risks and the general characteristics of the systems adopted to identify, measure and manage the risks.

The prudential regulation continues to be structured according to three "pillars":

- "Pillar I" introduces a capital requirement to cover the risks which are typical of banking and financial activity, and provides for the use of alternative methodologies to calculate the capital required;
- "Pillar II" requires banks to put in place system and process for controlling capital adequacy (ICAAP) liquidity adequacy (ILAAP), both present and future;
- "Pillar III" introduces obligations in terms of disclosure to the public to allow market operators to make a more accurate assessment of banks' solidity and exposure to risks.

This document published by the Mediobanca Group (the "Group") has been drawn up by the parent company Mediobanca on a consolidated basis with reference to the prudential area of consolidation, including information regarding capital adequacy, exposure to risks and the general characteristics of the systems instituted in order to identify, measure and manage such risks. Disclosure of the Leverage ratio is also provided.

Much of the information in the document has been excerpted from the Group's consolidated financial statements for the twelve months ended 30 June 2021 (a document signed by the Head of Company Financial Reporting as required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 – the Italian Finance Act – and subject to external audit by PricewaterhouseCoopers S.p.A.) as well as the consolidated supervisory reporting. Also used in the preparation of this

document were items in common with the capital adequacy process (i.e. the ICAAP and ILAAP reports for FY 2019-20). The contents are also consistent with the "Annual Statement on Corporate Governance and Ownership Structure", and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

Figures are in €'000, unless otherwise specified.

The Group publishes an updated version of this document on its website at www.mediobanca.com.

References to regulatory disclosure requirements

The tables below provide an overview of where to find the information being disclosed to the market, as required by the EU regulations in force, in particular CRR II part VIII and Regulation (EU) No. 637/2021.

References to information required by CRR II

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 30/6/21
435 – Risk management policies and objectives	Section 1 - General disclosure requirement	Financial statements at 30/6/21: Notes to the accounts - section E: information on risks and related hedging policies
436 – Scope of application	Section 2 - Scope of application	Financial statements at 30/6/21: Notes to the accounts - section A: Accounting policies
437 – Own funds	Section 3 - Composition of regulatory capital	Financial statements at 30/6/21: Notes to the accounts - section F: Information on consolidated capital
438 – Capital requirements	Section 4 - Capital adequacy	Financial statements at 30/6/21: Notes to the accounts - section F: Information on consolidated capital
439 – Exposure to counterparty credit risk	Section 9.1 - Counterparty risk: Standard method Section 9.2 - Counterparty risk: AIRB method	Financial statements at 30/6/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
440 – Countercyclical capital buffers	Section 4 - Capital adequacy	N/A
441 – Indicators of global systemic importance	N/A	N/A
442 – Credit risk adjustments	Section 7.1 - Credit risk: General information	Financial statements at 30/6/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1: Credit risk)
443 – Encumbered assets	Section 8 – Encumbered assets	N/A

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 30/6/21
444 – Use of ECAIS	Section 7.2 - Credit risk: use of ECAIS	N/A
445 – Exposure to market risk	Section 15 - Market risk	Financial statements at 30/6/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
446 – Operational risk	Section 12 – Operational risk	Financial statements at 30/6/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.4: Operational risks)
447 – Exposures in equities not included in the trading book	Section 13 - Exposures to equities: information on banking book positions	N/A
448 – Exposure to interest rate risk on positions not included in the trading book	Section 14 - Interest rate risk on banking book positions	Financial statements at 30/6/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
449 – Exposure to securitization positions	Section 11 - Securitizations	Financial statements at 30/6/21: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1, Credit risk)
450 – Remuneration policy	Section 17 - Remunerations and incentivization systems and practices	Staff remuneration and incentivization systems and practices (annual disclosure disclosed in the website www.mediobanca.com, section “Governance: Remuneration”)
451- Financial leverage	Section 5 - Financial leverage	Financial statements at 30/6/21: Notes to the accounts - section F: Information on consolidated capital
452 – Use of the IRB method for credit risk	Section 7.3 Credit risk: AIRB methodology, risk assets	Financial statements at 30/6/21: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
453 – Use of credit risk mitigation techniques	Section 10 - Risk mitigation techniques	Financial statements at 30/6/21: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
454 – Use of the Advanced Measurement Approaches to operational risk	N/A	N/A

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 30/6/21
455 – Use of Internal Market Risk models	N/A	N/A
471 – Exemption from deduction of equity holdings in insurance companies from Common Equity Tier 1 items	Section 3 – Composition of regulatory capital	Financial statements at 30/6/21: Notes to the accounts - section F: Information on consolidated capital (Section 2: Own funds and supervisory capital requirements for banks)

References to EBA requisites

(Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12)

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		Pillar III as at 30/6/21	
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**	**Tables (additional quantitative disclosure)**
EU OVA * EU OVB* EU OVC*	Qualitative	Section 1 - General disclosure requirement	
EU LI1* EU LI2* EU LI3* EU LIA* EU LIB*	Qualitative/ quantitative	Section 2 - Scope of application	
EU CC1 EU CC2 EU CCA	Qualitative/ quantitative	Section 3 - Composition of regulatory capital	Table 3.1 Table 3.2 Table 3.3
EU KM1	Quantitative	Section 4 - Capital adequacy	
IFRS 9-FL	Qualitative/ quantitative		
EU OV1	Quantitative		
EU INS1* EU INS2* (N/A)	Quantitative		
EU CCyB1 EU CCyB2	Quantitative		
EU LR1 EU LR2 EU LR3 EU LRA*	Qualitative/ quantitative	Section 5 - Financial leverage	
EU LIQ1 EU LIQ2 EU LIQA* EU LIQB*	Qualitative/ quantitative	Section 6 – Liquidity risk	

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		Pillar III as at 30/6/21	
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**	**Tables (additional quantitative disclosure)**
EU CRA* EU CRB* EU CR1 EU CR1-A EU CR2 EU CR2a (N/A)** EU CQ1 EU CQ2 (N/A)** EU CQ3* EU CQ4 EU CQ5 EU CQ6 (N/A)** EU CQ7 EU CQ8 (N/A)** Table 1 Table 2 Table 3 EU CR10 (N/A)	Qualitative/ quantitative	Section 7.1 - Credit risk: General information and credit quality templates	
EU CR4 EU CR5	Quantitative	Section 7.2 - Credit risk: ECAIS	
EU CRC* EU CR6 EU CR6-A* EU CR7 EU CR7-A EU CR8 EU CR9-EU CR9.1* EU CRE*	Qualitative/ quantitative	Section 7.3 – Credit risk: disclosure on portfolios subject to AIRB method	Table 7.3.1
EU AE1* EU AE2* EU AE3* EU AE4*	Qualitative/ quantitative	Section 8 – Encumbered assets	
EU CCR1 EU CCR2 EU CCR3 EU CCR4 EU CCR5 EU CCR6 EU CCR7 (N/A) EU CCR8 EU CCRA*	Qualitative/ quantitative	Section 9 - Counterparty risk	
EU CR3 EU CRC*	Qualitative/ quantitative	Section 10 - Risk mitigation techniques	

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		Pillar III as at 30/6/21	
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**	**Tables (additional quantitative disclosure)**
EU-SEC1 EU-SEC2 EU-SEC3 EU-SEC4 EU-SEC5 (N/A) EU-SECA*	Qualitative/ quantitative	Section 11 - Securitizations	
EU-OR1	Quantitative	Section 12 - Operational risk	
		Section 13 - Exposures to equities: information on banking book positions	Table 13.1 Table 13.2
		Section 14 - Interest rate risk on banking book positions	Table 14.1
EU MR1 EU MRA* EU MRB (N/A) EU MR2-A (N/A) EU MR2-B (N/A) EU MR3 (N/A) EU MR4 (N/A) EU PV1	Qualitative/ quantitative	Section 15 - Market risk	Table 15.1 Table 15.2 Table 15.3
EU REMA* EU REM1* EU REM2* EU REM3* EU REM4* EU REM5*	Qualitative/ quantitative	Section 17 - Remunerations and incentivization systems and practices	

* Annual tables.
** Not applicable to the Mediobanca Group as at 30 June 2021 due to NPL ratio < 5%.

Section 1 – General disclosure requirement

Qualitative information

1.1 Description of risk governance organization

The Mediobanca Group has equipped itself with a risk governance and control system which is structured across a variety of organizational units involved in the process, with a view to ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guarantee that all forms of operations are consistent with their own risk appetite.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), the Internal Rating Systems (IRB) at the parent company level and the Roll-Out Scheme for gradually extending the IRB approach across the whole Group, business and financial plans, budgets, risk management and internal control policies, and the Recovery Plan drawn up in accordance with the provisions of the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction. The Risks Committee assists the Board of Directors in performing duties of monitoring and instruction in respect of the internal controls, risk management, and accounting and IT systems. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, responsible for issuing guidance in respect of credit, issuer, operational and conduct risk, and with powers of approval on market risks, including valuation risk for the trading book; the Lending and Underwriting Committee, for credit, issuer and conduct risk; Group ALM committee for monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate; the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models; the Operational risks committee, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions;

the Group Wealth Investments committee, for defining market views and monitoring their track record; the Private & Affluent Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments.

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements in force as well as the Bank's own operating choices identified in the RAF, monitoring risks, and ascertaining that the various limits established for the various business lines are complied with.

Risk Management is organized around local teams based at the various Group companies, in accordance with the principle of proportionality, under the co-ordination of the Risk Management unit at parent company Mediobanca S.p.A. (the "Group Risk Management Unit"), which also performs specific activities for the parent company scope of risk, in the same way that the local teams do for their own companies. The Group Risk Management Unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Group Enterprise Risk Management & Supervisory Relations, which manages the integrated Group processes (ICAAP, RAF, Recovery Plan, support in planning, etc.) and relations with the supervisory authorities, develops the quantitative methodologies for measuring and managing credit, market and counterparty risks, formulates the credit risk management policies, and carries out second-level controls on the risk parameters used to quantify impairment charges and calculate RWAs; ii) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator in the event of insolvency; iii) Market Risk Management and Risk Automation, which monitors market and counterparty risk and is responsible for developing, coordinating, rationalizing and ensuring the consistency of IT development activities within Risk Management; iv) Asset and Liability Risk Management, which monitors liquidity and interest rate risks on the banking book; v) Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks; vi) Group Internal Validation, which defines the methodologies, processes, instruments and reporting for use in internal validation activities, and is responsible for validating the Group's risk measurement systems; vii) Wealth Risk Management, which manages risks related to the investment products and services offered to clients by the Wealth Management division; and viii) Risk Management London Branch, which is responsible for controlling risks and coordinating operations between the London front office teams and the various risk management sub-units based at Mediobanca S.p.A.

Establishment of risk appetite and process for managing relevant risks

In the process of defining its Risk Appetite Framework ("RAF"), Mediobanca has established the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and identified the metrics to be monitored and the relevant tolerance thresholds and risk limits. The RAF is the framework which sets the risks due to the company strategy (translating mission and strategy into qualitative and quantitative risk variables) in relation with the risk objectives of its operations (translating risk objectives into limits and incentives for each area).

As required by the prudential regulations, the formalization of risk objectives, through definition of the RAF, which are consistent with the maximum risk that can be taken, the business model and strategic guidance is a key factor in establishing a risk governance policy and internal controls system with the objective of enhancing the Bank's capability in terms of governing its own company risks, and also ensuring sustainable growth over the medium and long term. In this connection, the Group has developed a Risk Appetite Framework governance model which identifies the roles and responsibilities of the corporate bodies and units involved, with co-ordination mechanisms instituted to ensure the risk appetite is suitably bedded into the management processes.

In the process of defining its risk appetite, the parent company:

- Identifies the risks which it is willing to assume;
- Defines, for each risk, the objectives and limits in normal and stressed conditions;
- Identifies the action necessary in operating terms to bring the risk back within the set objective.

To define the RAF, based on the strategic positioning and risk profile which the Group has set itself the objective of achieving, the risk appetite statement is structured into metrics and risk thresholds, which are identified with reference to the six framework risk pillars, in line with best international practice: capital adequacy; liquidity; profitability; external risk metrics; bank-specific factors; and non-financial risks. The Board of Directors has a proactive role in defining the RAF, guaranteeing that the expected risk profile is consistent with the strategic plan, budget, ICAAP and recovery plan, and structured into adequate and effective metrics and limits. For each pillar analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the Group's general attitude towards risk, as defined in accordance with the strategic planning, ICAAP and risk management processes.

In addition to identifying and setting risk appetite parameters, Mediobanca also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF,

in terms of updating/revising it, monitoring, and escalating reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Mediobanca Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Group prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Group's objective is to maintain a level of liquidity that enables it to meet the payment obligations, ordinary and extraordinary, which it has taken on while minimizing costs at the same time. The Group's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

Financial leverage risk

The leverage ratio, which is calculated as the ratio between an entity's CET1 equity and its aggregate borrowings, measures the extent to which capital is able to cover its total exposures (including cash exposures net of any deductions from CET equity and off-balance-sheet exposures). The objective of the indicator is to ensure that the level of indebtedness remains low compared to the amount of own funds available. The ratio measures the degree of leverage accurately by managing the risk of excessive financial leverage. The minimum regulatory limit introduced by CRR II (in line with the guidance previously issued by the Basel Committee) is 3%.

The ratio is monitored on a regular basis by the Group, as part of its quarterly reporting requirements, at both individual and consolidated level (COREP), and is one of the metrics which the Bank has identified in its Risk Appetite Framework, specifying warning and limit levels for different areas as part of its risk appetite quantification activity.

Further information on financial leverage risk is shown in Section 5.

Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its own ordinary and extraordinary payment obligations or incurring significantly higher costs in order to meet these commitments.

The internal liquidity adequacy assessment process (ILAAP) has been adopted in order to identify, measure and monitor liquidity risk, guaranteeing that the difference between inflows and outflows of cash is sustainable for the Group and sufficient to deal with any periods of stress, whether short- or medium-/long-term. The liquidity reserves are therefore to be seen as an instrument for managing and mitigating the risk associated with such differences.

The Group's liquidity governance process is centralized at Mediobanca S.p.A. The legal entities are involved in the liquidity management process via the local units which operate within the limits set by the guidelines issued at parent company level.

Further information on liquidity risk is shown in Section 6.

Credit risk

With reference to the authorization process to use AIRB models in order to calculate the regulatory capital requirements for credit risk, the Group has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for the Mediobanca and Mediobanca International corporate loan books and for the CheBanca! Italian mortgage loan book. As an integral part of this process, in accordance with the regulatory provisions in force on prudential requirements for credit institutions (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 – the "CRR"), the Group has compiled a roll-out plan for the gradual adoption of the internal models for the various credit exposures (the "Roll-Out Plan"). With regard to exposures for which the standardized methodology for calculating regulatory capital is still used, the Group has in any case instituted internal rating models for credit risk used for management purposes.

Further information on credit risk is shown in Section 7.

Asset Encumbrance

The asset encumbrance ratio is the ratio between the share of assets committed and/or used and those available, with the definition of assets including not only those on the balance sheet but also financial instruments received as collateral and eligible for reuse. The objective of the asset encumbrance ratio is to provide disclosure to the public and to creditors on the ranking of the assets committed by the Bank and therefore unavailable, and also to provide an indication of the Bank's future funding capacities in easy and convenient fashion through secured funding.

Further information on asset encumbrance is shown Section 8.

Counterparty risk

Counterparty risk generated by market transactions with clients or institutional counterparties is measured in terms of potential future exposure.

In order to determine the capital requirement for counterpart risk and the CVA, i.e. adjustment to the intermediate market value of the portfolio of operations with a given counterparty, in order to calculate the Exposure at Default for each individual counterparty, the Group has applied the new methodology introduced by CRR II , the "Standardized Approach for Counterparty Credit Risk" (SA - CCR), provided for in Articles 271ff of CRR II, which came into force on 30 June 2021, and at the same time have also applied the exemption from the obligation to calculate the CVA for exposures to corporate counterparties, in accordance with the provisions of Article 382 of the CRR, in order to mitigate the impact of the introduction of the new methodology.

To determine the capital requirement for trading in repos and securities financing transactions, the comprehensive method provided for in Article 401 of the CRR is used, with application of the regulatory haircuts.

For management purposes, as far as regards derivatives and short-term loan collateralization products (repos and securities lending), risk monitoring is based on determining the maximum potential exposure (assuming a 95% confidence level) for all the time steps up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the presence of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions. For these three types of operations there are different exposure limits split by counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

Further information on counterparty risk is shown in Section 9.

Operational risk

Operating risk is the risk of incurring losses as a result of the inadequacy or malfunctioning of procedures, staff and IT systems, human error or external events.

To manage operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to

the three-year average for the relevant indicator.

Operational risks are managed, in Mediobanca and the main Group companies, by a specific Operational risk management team within the Risk Management unit.

The processes of identifying, assessing, collecting and analysing loss data and mitigating operational risks are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies.

Further information on operational risk is shown in Section 12.

Interest rate risk on the banking book

This is defined as the risk deriving from potential changes to interest rates on the banking book.

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value carried out on a monthly basis. The former quantifies the impact of parallel and simultaneous shocks in the interest rate curve on current earnings. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst case scenario of those contemplated in the Basel Committee guidelines (BCBS) and the EBA Guidelines (EBA/GL/2018/02).

All the scenarios present a floor set by the Basel Committee guidelines (BCBS) at minus 1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

For both sensitivities, the balance-sheet items have been treated based on their contractual profile, apart from current account deposits for retail clients, which have been treated on the basis of proprietary behavioural models, and consumer credit items and mortgages which reflect the possibility of early repayment). The average behavioural life of the deposits held on retail customers' current accounts is estimated at around 1.8 years, with a repayment schedule that amortizes completely over a time horizon of ten years.

To determine the value of the discounted cash flows, various benchmark curves have been used in order to discount and then determine the future interest rates, based on the value date on which the balance-sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

Interest rate risk management is organized centrally at Mediobanca S.p.A., which defines the Group's strategy and the guidelines with which the Group's legal entities must comply. The

objective is to manage the Group's interest rate risk centrally, with a view to optimizing the balance sheet's risk/return profile through on-balance sheet (business policy) and off-balance-sheet (derivatives) transactions through the following:

— Transfer of risks to the ALM governance centre by the individual Group companies and the various business units of Mediobanca S.p.A;

— Risk hedging strategies using financial instruments;

— Risk hedging strategies by closing mismatches between asset and liability items (natural hedges).

Further information on interest rate risk is shown in Section 14.

Market risks

In order to calculate the capital requirement for market risk on the trading book, the Group applies the standard methodology provided by Articles 102-4 of the CRR.

This methodology entails the use of a "building block" approach, and the aggregate capital requirement is equal to the sum of the capital requirements of each of the individual risk factors to which the portfolio is exposed, each of which is calculated using specific methodologies provided for by the prudential regulations. The risk factors contemplated are equity risk (divided into a general component for adverse market trends and specific risk component for each individual issuer), credit risk in relation to debt instruments, interest rate risk, gamma risk (curvature) and vega risk (volatility) to capture the price risk in trading in options, the risk for trading in UCITS and exchange rate risk.

Regarding investments in securities deriving from securitizations, the requirement is determined on the basis of the same regulations as for the banking book.

As stated previously, in calculating the interest rate risk on the trading book, the Group applies the "duration based approach", introduced as from this year in order to be aligned to the most recent regulatory initiatives for calculating market risk (CRR II, Basel III and FRTB). This approach enables the risk generated by changes in interest rates to the trading book, as the methodology is more dependent on sensitivity measures. The regulatory requirements are specified in Article 340 of the CRR in particular.

The operating exposure to market risks generated by the positions held as part of the trading book is measured and monitored, and the earnings results from trading are calculated, on a daily basis principally through use of the following indicators:

- Sensitivity – mainly Delta and Vega – to small changes in the principal risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends, correlations, etc.); sensitivity analysis shows the increase or decrease in the value of financial assets and derivatives to local changes in these risk factors, providing a static representation of the market risk of the trading portfolios;
- Value-at-risk calculated using a weighted historical simulation method with scenarios updated daily, assuming a liquidation horizon of one business day and a confidence level of 99%.

Trading exposures are monitored daily through VaR and sensitivity, to ensure that the operating limits approved to reflect the risk appetite established by the Bank for its trading book, are complied with. In the case of VaR they also serve to assess the model's resilience through back-testing. The expected shortfall on the set of positions subject to VaR calculation is also calculated, by means of historical simulation; this represents the average potential losses over and beyond the level of confidence for the VaR. Stress tests are also carried out daily (on specific positions) and monthly (on the rest of the trading book) on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of extreme changes in market variables.

Other complementary and more specific risk metrics are also calculated, in addition to VaR and sensitivity, in order to capture risks not fully measured by these indicators more effectively. The weight of products which require such metrics to be used is in any case extremely limited compared to the overall size of Mediobanca's trading book.

Further information on market risk is shown in Section15.

Concentration risk

Concentration risk is defined as the risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk). In particular, with reference to concentration risk versus individual counterparties or groups of related counterparties, CRR II, which came into force on 30 June 2021, has reduced the limit to 25% of CET1 capital (rather than eligible capital, which for the Mediobanca Group was equivalent to total capital). Even this new limit, however, is comfortably respected, having regard *inter alia* also to future estimates of the exposure and net of the investment in Assicurazioni Generali, which is deducted for the share exceeding this limit. As with capital adequacy, compliance with the concentration limit is also monitored at all times, both at Group level and individually for the separate Group legal entities. In particular, when

new transactions are approved, the attention of the approving body is always brought to the impact of the proposed deal on the aggregate regulatory exposure to the group to which the client belongs, ensuring that the concentration limit is met at all times.

Other risks

As part of the process of assessing the current and future capital required for the company to perform regular banking activity (ICAAP), the Group has identified, in addition to the ones described previously (credit and counterparty risk, market risk, interest rate risk, liquidity and operational risk), the following main types of risk as relevant:

- Strategic risk, i.e. exposure to current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- Risk from equity investments held as part of the "Hold to collect and sell" banking book ("HTC&S"), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTCS portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);
- Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;
- Compliance risk, attributable to the possibility of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- Reputational risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and Group audit units) and by specific management committees.

1.2 Adequacy of risk management metrics and overall risk profile associated

In accordance with the provisions of Article 435, Section 1, letters e) and f) of Regulation (EU) no. 575/2013 ("CRR/CRR II"), a summary is provided below of the considerations regarding the adequacy of the risk management measures adopted and consistency between the Group's overall risk profile and its strategies.

Risk management objectives and policies

In accordance with the provisions of Article 435, Section 1, letter e) and Article 435, Section 1, letter f), of Regulation (EU) no. 575/2013, on 16 September 2020, the Board of Directors of Mediobanca, having reviewed the Risks Committees' report and taken due account of the reports prepared by the control units, found that the structure of the internal controls and risk management system was adequate and in line with the Group's profile and strategy.

On 24 June 2021, the BoD approved the revised version of the Group Policy on RAF Risk Appetite Framework) definition, which defines its general principles, organizational model and structuring process. In the Framework, in view of the Strategic Plan and the maximum risk capacity, the Group indicates the level and types of risk which the Bank intends to assume, defining objectives, tolerance thresholds and operating limits in normal operating and stressed conditions. The Group has identified the following general principles as key elements in defining the RAF:

- Maintaining a high standing on markets, guaranteeing capitalization, solvency and liquidity conditions;
- Sustainable risk, profitability and business development objectives;
- Full knowledge of risks assumed and to be assumed;
- Understanding of risk measures adopted, so as to promote application and efficient management of them, by embedding a "culture of risk" at all company levels;
- Compliance with external regulations.

The following guidelines in particular have been defined:

- Maintain a solid capital base with a strong CET1 component;
- Maintain a strong liquidity profile, ensuring that potential cash inflows and outflows are appropriately balanced in both the short- and medium-/long term, even in stressed conditions;

- Preserve long-term profitability consistent with the Group's business profile, by limiting portfolio concentration, maintaining high asset quality, gradually reducing the equity component, and limiting changes to capital due to changes in interest rates in stressed situations;
- Safeguard the Group's reputational capital by minimizing risks of inadequate business conduct.

The general principles which go to make up the RAF are then translated into appropriate quantitative and/or qualitative indicators that are able to represent the Group's target risk profile more specifically. This is done by defining thresholds representing the risk level considered to be acceptable and consistent with the objectives in terms of earnings.

Thresholds are established for the risk profiles purely for purposes of reporting to the Board of Directors (known as "early warning" indicators), and also in order to identify excess limits relative to the objectives set ("risk appetite limits"). In general, the process of fine-tuning the metrics is driven by stress analysis conducted to ensure that the Group's operations remain within the maximum risk capacity set even in particularly adverse conditions and scenarios.

Quarterly monitoring of indicators shows that all risk appetite limits defined in the Group framework for FY 2020-21 have been met.

For FY 2021-22, the definition of these limits was approved by the Board of Directors at a meeting held on 24 June 2021.

The specific set of parameters monitored includes the following:

- With reference to capital adequacy, the CET1 Ratio (minimum limit of 9.5%, compared with a ratio at end-June 2021 of 16.3%) and the regulatory Leverage (minimum limit of 4% compared with a ratio at end-June 2021 of 9.1%);

- In terms of liquidity, a short-term Liquidity Coverage Ratio (LCR) with a minimum limit of 115%, compared with a ratio at end-June 2021 of 158%), and a Net Stable Funding Ratio (NSFR) with a minimum regulatory limit of 100%, compared with a ratio at end-June 2021 of 116%;

- With reference to Bank-specific factors, the VaR on positions held in the trading book, non-performing assets held by the Group, the cost of risk for the main client segments, concentration versus the leading client groups, the amount of the expected loss on leveraged lending, exposure to equities of corporate clients and to government securities held in the banking book, plus to assets classified as illiquid;

— In the areas of conduct and operational risks, the overall number of serious issues noted by the Compliance unit for each business line, and the ratio between operating losses and total income. With reference to Wealth Management business in particular, apart from the operating losses indicator, specific early warning triggers are also established in terms of the number of complaints relative to the number of clients.

1.3 Main changes in risk measurement adopted by the Bank during the financial year

Changes made during the twelve months under review include the application of the amendments made to the regulations introduced by CRR II, plus certain efficiency measures regarding the market and counterparty risk requirements in particular.

With reference to the changes introduced by CRR II, those with the most significant impact on the Group are as follows:

— Intangible assets in the form of software[1] being weighted at 100% in cases where the amortization period is no longer than three years, rather than being deducted directly from CET1 capital as was previously the case;

— Introduction of a stricter concentration limit, i.e. 25% of CET1 rather than eligible capital as previously, which for the Mediobanca Group is the same as total capital; the relevant issue for the Group here is not only determining the deductions for the Assicurazioni Generali investment (for the share exceeding the limit), but also the positions versus other counterparties to which the Group has significant exposures (but not above the new limit);

— The transition to stricter prudential treatment for exposures to Undertakings in Collective Investments in Transferable Securities (UCITS, i.e. funds and SICAVs) based on the actual risk of the underlying investments (the "look-through" approach), in accordance with the provisions of Articles 132ff of CRR II;

— The introduction of new rules for calculating the Exposure at default (EAD) for counterparty risk and the Credit Value Adjustment (CVA) in derivative financial instruments; the methodology applied by the Group, in accordance with Articles 271ff of the CRR II, is the Standardized Approach for Counterparty Credit Risk (SA – CCR) as opposed to the Current Exposure Method (CEM) previously used;

[1] Prudential treatment in accordance with the provisions of Commission Delegated Regulation (EU) 2020/2176, published in the Official Journal of the European Union on 22 December 2020, which comes into force from the reporting for reference date 31 December 2020 (the new treatment had already been introduced in 2019 with the approval of CRR II, and was later also included in the "quick-fix" package adopted in response to the current market scenario).

— The temporary provision introduced to address Covid-19,[2] which introduced a lower weighting for exposures in calculating the prudent valuation, has ceased to apply since March 2021;
— Since 31 December 2020, the transition period whereby the countries that go to make up the United Kingdom affected by Brexit were treated as equivalent to EU Member States, with the respective benefits in terms of the prudential treatment of exposures to financial counterparties in the United Kingdom. At present a final decision from the European Commission is still pending. The transition has not led to an excessive burden in terms of the capital absorbed considering the limited lending exposure to such counterparties, except for trading in derivatives and securities financing transactions with financial counterparties of high credit standing under netting arrangements which are validated and collateralized on a daily basis.

The efficiency measures introduced during the twelve months regard, as mentioned previously, the calculation of the capital requirement for market and counterparty risk, as follows:

— For market risk, until last year Mediobanca had calculated the own funds requirements for market risk in accordance with 325ff of the CRR, by following the so-called “Standard Method” for calculating market risk. In line with the changes in global regulatory initiatives in connection with market risk (Basel III and FRTB, CRR II), which entail a new standardized approach (“Sensitivity-Based Method” – “SBA”), more dependent on sensitivity measures, a project was launched in 2019 (the “RMK duration” project) to discontinue using the Standard Method for calculating interest rate risk and apply, in line with the provisions of the CRR, the “duration-based approach” (DBA) provided for in Article 340 of the CRR. This methodology, which replaces the “maturity-based approach (Article 339 of the CRR), allows entities to use the concentration of “duration” in order to capture more effectively the market risk generated by fluctuations in interest rates on the trading book and to allocate capital to the various business more correctly and efficiently. Mediobanca adopted the new approach as from December 2020, leading to a saving in terms of RWAs of approx. €500m compared to the methodology previously used;
— To compensate for the extra burden of the new method of calculating counterparty risk and the Credit Value Adjustment (CVA), the exemption from calculating the capital requirement for the Credit Value Adjustment (CVA) for exposures to corporate counterparties was applied, pursuant to Article 382 of the CRR.

[2] On 28 May 2020, the European Commission amended Commission Delegated Resolution (EU) no. 101/2016, setting aggregation factor “a” at 66%, applicable until 31 December 2020.

Section 2 – Scope of application

Qualitative information

The disclosure obligations in connection with this document are the responsibility of Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, registered as a banking group, to which the data contained in this document refer.

Based on the combined provisions of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", and IFRS 12 "Disclosure of interests in other entities", the Group has consolidated its subsidiaries using the line-by-line method, while its associates and other companies subject to joint arrangements are consolidated using the equity method.

The line-by-line method by which subsidiaries are consolidated means that the carrying amount of the parent's investment and its share of the subsidiary's equity after minorities are eliminated against the addition of that company's assets and liabilities, income and expenses to the parent company's totals. Any surplus arising following allocation of asset and liability items to the subsidiary is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

For equity-accounted companies, any differences in the carrying amount of the investment and the investee company's net equity are reflected in the book value of the investment, the fairness of which is reviewed when the financial statements are prepared, or if aspects reflecting possible reductions of value emerge. The profit made or loss incurred by the investee company is recorded under a specific heading in the profit and loss account.

For purposes of supervisory reporting, equity investments consolidated line-by-line which are not included in the prudential scope of reporting are deducted from regulatory capital; as for the Group's investment in Assicurazioni Generali, which is equity-accounted, following authorization by the ECB, the temporary regime introduced by Article 471 of Regulation (EU) no. 575/2013 as amended ("CRR II", the effectiveness of which has recently been extended until 31 December 2024)[3] is applied, which allows own funds instruments issued by insurance companies to be weighted at 370%, rather than deducted from CET equity, while complying with the concentration limit set (otherwise known as the "Danish Compromise").

[3] Application of Article 471 is limited to the book value recorded in December 2012 and compliance with the concentration limit towards the insurance group. The most recent update to Bank of Italy circular no. 285 has amended the national regulations on the assumption of risks versus related parties. As a result, exposures to insurance companies held in accordance with the provisions of Article 471 of the CRR (the "Danish Compromise") are excluded from calculation of the exposure limits. In the light of this change and until June 2021 (when CRR II comes into force), the Group's investment in Assicurazioni Generali group is deducted from regulatory capital in order to respect the general concentration limit of 25% of eligible capital (CRR large exposures), rather than the narrower limit of 20% for related parties.

Template EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (1/2)

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the Securitization framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets							
10. Cash and cash equivalents	1,969,488	1,969,487	1,969,487	—	—	—	—
20. Financial assets at fair value through profit or loss	12,649,596	12,649,596	1,347,943	4,004,282	1,321	7,268,133	27,916
30. Financial assets at fair value through other comprehensive income	4,567,371	4,567,371	4,567,371	—	—	—	—
40. Financial assets at amortised cost	56,599,625	56,318,274	51,695,336	4,264,978	357,960	—	—
50. Hedging derivatives	308,370	308,370	—	308,370	—	—	—
60. Change in value of macro-hedged financial assets	—	—	—	—	—	—	—
70. Equity investments	3,702,925	3,887,030	1,973,932	—	—	—	1,913,098
80. Reinsurers' share of technical reserves	—	—	—	—	—	—	—
90. Property, plant and equipment	510,209	509,479	509,479	—	—	—	—
100. Intangible assets	744,139	744,116	39,998	—	—	—	704,118
of which:							
goodwill	602,363	602,363	—	—	—	—	602,363
110. Tax assets	792,265	791,853	791,853	—	—	—	—
120. Non-current assets and disposal groups classified as held for sale	4,178	4,178	4,178	—	—	—	—
130. Other assets	750,534	731,177	731,177	—	—	—	—
Total assets	**82,598,700**	**82,480,931**	**63,630,754**	**8,577,630**	**359,281**	**7,268,133**	**2,645,133**

Template EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (2/2)

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the Securitization framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Liabilities							
10. Financial liabilities at amortised cost	58,475,015	58,527,145	—	—	—	—	—
20. Financial liabilities held for trading	10,063,629	10,063,629	—	—	—	—	—
30. Financial liabilities designated at fair value	833,048	833,048	—	—	—	—	—
40. Hedging derivatives	375,413	375,413	—	—	—	—	—
50. Change in value of macro-hedged financial liabilities	—	—	—	—	—	—	—
60. Tax liabilities	549,604	512,284	—	—	—	—	—
70. Liabilities included in disposal groups classified as held for sale	381	381	—	—	—	—	—
80. Other liabilities	898,035	896,810	—	—	—	—	—
90. Provision for employee severance pay	26,886	26,882	—	—	—	—	—
100. Provisions for risks and charges	144,209	144,209	—	—	—	—	—
110. Technical reserves	131,350	—	—	—	—	—	—
120. Valuation reserves	931,230	931,230	—	—	—	—	—
130. Redeemable shares	—	—	—	—	—	—	—
140. Equity	—	—	—	—	—	—	—
150. Reserves	6,851,502	6,851,502	—	—	—	—	—
160.Share premium accounts	2,195,606	2,195,606	—	—	—	—	—
170. Share capital	443,640	443,640	—	—	—	—	—
180. Treasury shares (-)	(216,736)	(216,736)	—	—	—	—	—
190. Minority shareholders' equity (+/-)	88,312	88,312	—	—	—	—	—
200. Profit (Loss) for the period	807,576	807,576	—	—	—	—	—
Total liabilities and shareholders' equity	**82,598,700**	**82,480,931**	**—**	**—**	**—**	**—**	**—**

Table EU LI1 shows, for reporting date 30 June 2021, the reconciliation of the accounting consolidated balance-sheet data[4] (published financial statements) and the regulatory balance-sheet data with a breakdown of the balance-sheet items between different categories of regulatory risk.

The differences between the accounting and regulatory scope of consolidation are due to the deconsolidation of the companies no longer forming part of the Banking Group and their being equity-consolidated in the prudential scope. Companies Compass RE, Ricerche e Studi (in liquidation), Compass Link and MB Contact Solutions are excluded from the scope of prudential consolidation.

[4] Balance sheet structure as per Bank of Italy circular no. 262/05 as amended.

Template EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitization framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**79,835,798**	**63,630,754**	**359,281**	**8,577,630**	**7,268,133**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**10,439,042**	**—**	**—**	**6,376,751**	**4,062,291**
3	**Total net amount under the regulatory scope of consolidation**	**71,400,851**	**63,630,754**	**359,281**	**4,236,225**	**3,174,591**
4	**Off-balance-sheet amounts**	**19,092,327**	**14,213,679**	**—**	**4,878,648**	
5	*Differences in valuations*	325,896	(35,227)	(110,235)	471,359	
6	*Differences due to different netting rules, other than those already included in row 2*	2,969,702	—	—	2,969,702	
7	*Differences due to consideration of provisions*	276,871	276,871	—	—	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(13,234,314)	(5,632,752)	—	(7,601,561)	
9	*Differences due to credit conversion factors*	(5,728,784)	(5,728,784)	—	—	
10	*Differences due to securitization with risk transfer*	—	—	—	—	
11	*Other differences*	(21,845)	(22,316)	—	471	
12	**Exposure amounts considered for regulatory purposes**	**71,906,115**	**66,702,225**	**249,046**	**4,954,844**	**—**

Table EU LI2 shows the reconciliation of the total amount based on the regulatory scope of consolidation (balance-sheet values) and the value of the exposure subject to capital requirements, for each type of risk.

The main differences in the carrying values determined based on the regulatory scope of consolidation and the amounts of the exposures determined for regulatory purposes, for credit risk in particular, are attributable to the following causes:

- Differences due to different methodology used to calculate the provisions (scaling factor);
- Differences due to the use of eligible risk mitigation techniques according to the CRR;
- Differences due to application of the Credit Conversion Factor (CCF) on off-balance-sheet positions.

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The differences for counterparty risk which explain the differences between the balance-sheet values and the regulatory values (EAD) are mainly attributable to the use of PFE (Potential Future Exposure) for derivative financial instruments, to application of regulatory haircuts to the market value of securities used or received as collateral in Securities Finance Transactions, to use of eligible risk mitigation techniques permitted by the CRR, and to use of cash posted or received under netting arrangements in determining the EAD for counterparty risk in derivatives according to the SA-CCR rules.

At present the Group does not apply the regulatory netting rules for Securities Finance Transactions.

Template EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity) (1/3)

	a	b	c	d	e	f	g	h
			Method of regulatory consolidation					
ID	Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Credit institution
1	*MEDIOBANCA - Banca di Credito Finanziario S.p.A.*	*Parent Company*						*Credit institution*
2	*SPAFID S.P.A*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
3	*SPAFID CONNECT S.P.A.*	*Full consolidation*	*x*					*Non-financial corporations*
4	*MEDIOBANCA INNOVATION SERVICES - S.C.P.A.*	*Full consolidation*	*x*					*Non-financial corporations*
5	*CMB MONACO S.A.M.*	*Full consolidation*	*x*					*Credit institution*
6	*C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
7	*CMB ASSET MANAGEMENT S.A.M.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
8	*MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.*	*Full consolidation*	*x*					*Credit institution*
9	*COMPASS BANCA S.P.A.*	*Full consolidation*	*x*					*Credit institution*
10	*CHEBANCA! S.P.A.*	*Full consolidation*	*x*					*Credit institution*
11	*MBCREDIT SOLUTIONS S.P.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
12	*SELMABIPIEMME LEASING S.P.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
13	*MB FUNDING LUXEMBOURG S.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
14	*RICERCHE E STUDI S.P.A. - in liquidation*	*Full consolidation*			*x*			*Non-financial corporations*
15	*MEDIOBANCA SECURITIES USA LLC*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
16	*MB FACTA S.P.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*

Template EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity) (2/3)

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
17	QUARZO S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
18	QUARZO CQS S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
19	MEDIOBANCA COVERED BOND S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
20	COMPASS RE (LUXEMBOURG) S.A.	*Full consolidation*			x			*Financial corporations other than credit institutions*
21	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
22	CAIRN CAPITAL GROUP LIMITED	*Full consolidation*	x					*Financial corporations other than credit institutions*
23	CAIRN CAPITAL LIMITED	*Full consolidation*	x					*Financial corporations other than credit institutions*
24	CAIRN CAPITAL NORTH AMERICA INC. (not operational)	*Full consolidation*	x					*Financial corporations other than credit institutions*
25	CAIRN CAPITAL GUARANTEE LIMITED (not operational)	*Full consolidation*	x					*Financial corporations other than credit institutions*
26	CAIRN CAPITAL INVESTMENTS LIMITED (not operational)	*Full consolidation*	x					*Financial corporations other than credit institutions*
27	CAIRN INVESTMENT MANAGERS LIMITED (not operational)	*Full consolidation*	x					*Financial corporations other than credit institutions*
28	AMPLUS FINANCE LIMITED (not operational)	*Full consolidation*	x					*Financial corporations other than credit institutions*
29	SPAFID FAMILY OFFICE SIM	*Full consolidation*	x					*Financial corporations other than credit institutions*

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Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) (3/3)

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
30	*SPAFID TRUST S.R.L.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
31	*MEDIOBANCA MANAGEMENT COMPANY S.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
32	*MEDIOBANCA SGR S.P.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
33	*RAM ACTIVE INVESTMENTS S.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
34	*RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
35	*MESSIER ET ASSOCIES S.C.A.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
36	*MESSIER ET ASSOCIES L.L.C.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
37	*MBCONTACT SOLUTIONS S.R.L.*	*Full consolidation*			*x*			*Non-financial corporations*
38	*COMPASS RENT S.R.L.*	*Full consolidation*			*x*			*Non-financial corporations*
39	*COMPASS LINK S.R.L.*	*Full consolidation*	*x*					*Financial corporations other than credit institutions*

Section 3 – Composition of regulatory capital

Qualitative information

Mediobanca is required to maintain a CET1 ratio on a consolidated basis of 7.94%,[5] including the 2.50% capital conservation buffer and an additional Pillar 2 ("P2R") requirement of 0.9375%, i.e. 75% of the 1.25% required by the Overall Capital Requirement (OCR) which is equal to 11.75%. These requirements are unchanged from last year; in general terms, in view of the pandemic situation, the ECB has chosen to confine itself to qualitative considerations regarding current and future risk profiles, without intervening on the quantitative side.

Based on the new regulatory framework of supervisory and corporate governance rules for banks which consists of Capital Requirements Directive IV (CRD IV), Capital Requirements Regulation (CRR/CRR II) issued by the European Parliament starting from 2013 and enacted in Italy in Bank of Italy circular no. 285 as amended, the Group:

— Has been authorized by the ECB to apply the phase-in regime for its investment in Assicurazioni Generali, under Article 471 of the CRR, as described in the previous section;

— Has chosen to apply the static approach in order to mitigate the effect of first-time adoption of IFRS 9 over the 2019-24 five-year period.[6]

Conversely, the Group has chosen not to avail itself of the new Covid-19 measures extending the phase-in regime for higher IFRS-9 related adjustments, namely neutralization of the valuation reserves for sovereign debt securities, and exclusion of certain exposures to central banks for purposes of calculating the leverage ratio.

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up and reserves, including the profit for the year (€807.6m) net of the proposed dividend (€569.2m). The FVOCI financial assets reserve totalled €1,181.9m, €1,006.2m of which deriving from Assicurazioni Generali being equity-accounted, and €27m in government securities. The Board of Directors will submit a proposal to the approval of shareholders at the Annual General Meeting to pay a dividend of €0.66 per share, corresponding to a payout ratio of 70%, which, however, must still be approved by the ECB in view of the recommendations issued on 23 July 2021.

The deductions regard:

[5] The calculation does not include the countercyclical capital buffer and the P2 Guidance. Furthermore, as the Group has not issued any additional Tier 1 instruments, the 1.5% Additional Tier 1 minimum requisite, as well as the additional P2R requisite of 0.1875% must also be met from higher quality capital (i.e. CET1).

[6] As provided by Regulation (EU) 2017/2395, "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds", which incorporates a new version of Article 473-*bis* of the CRR, "Introduction of IFRS 9".

— Treasury shares as to €267.1m, or 2.8% of the Bank's share capital, bearing in mind that 1.7 million shares have been used in connection with the allocation of performance shares;

— Intangible assets as to €141m, slightly lower than last year's deductions (€152.4m) due to the new method of accounting for software;

— Goodwill as to €602.4m, lower than last year (€666.5m) due to adjustments to goodwill, in particular regarding Messier et Associés and RAM;

— Prudential changes to the valuation of financial instruments (AVA and DVA) amounting to €80.3m On-Site Inspection on Valuation Risk conducted by the ECB (revision of the calculation methodologies used for the Prudent Value Adjustments for Market Price Uncertainty and Close-Out Costs for exposures to equity volatility, and definition of a new calculation methodology for the Prudent Value Adjustments for exposures to dividends and variance swaps, and long-term bond forwards);

Significant investments in financial companies (banking and insurance firms) as to €2,056.3m, €1,787.7m of which for the investment in Assicurazioni Generali and €124.1m for subsidiary Compass RE; the deductions were higher than last year (€990.8m) due to the stricter No Additional Tier 1 (AT1) instruments have been issued.

— Tier 2 capital includes subordinated liabilities, down in the twelve months from €1,225.1m to €1,167.3m, due to amortization for the period (€299.2m) mostly offset by the new issue (€250m).[7] No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Tier 2 also includes the buffer which results from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models. The surplus here was €106.8m; but the value included in the calculation, €66.7m, is virtually in line with last year (€71m), being able to fully include the amount corresponding to the regulatory limit which is 0.6% of the amounts of the risk-weighted exposures calculated using advanced models; cf. Article 159 of the CRR).

[7] Mediobanca issued its inaugural Tier 2 bond in November 2020. The €250m issue, reserved for institutional investors, has a ten-year maturity with call option after five years. The bond was priced at Euribor 3M not floored + 288 bps (fixed coupon 2.3%). The deal was oversubscribed, with demand 10x the amount issued, and over 70% distributed to non-Italian investors.

Quantitative information

Template EU CC1 - Composition of regulatory own funds (1/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	2,639,246	160.Share premium accounts 170. Share capital	2,639,223	160.Share premium accounts 170. Share capital
	of which: ordinary shares	2,639,246		2,639,223	
2	Retained earnings	6,901,877	150. Reserves	6,301,438	150. Reserves
3	Accumulated other comprehensive income (and other reserves)	931,230	120. Valuation reserves	374,651	120. Valuation reserves
EU-3a	Funds for general banking risk	—		—	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—		—	
5	Minority interests (amount allowed in consolidated CET1)	35,433	190. Minority shareholders' equity (+/-)	42,369	190. Minority shareholders' equity (+/-)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	240,035	200. Profit (Loss) for the period	601,429	200. Profit (Loss) for the period
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**10,747,822**		**9,959,110**	

Template EU CC1 - Composition of regulatory own funds (2/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(60,372)		(33,760)	
8	Intangible assets (net of related tax liability) (negative amount)	(743,320)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)	(818,929)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	110. Tax assets	(110)	110. Tax assets
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	32,346		45,756	
12	Negative amounts resulting from the calculation of expected loss amounts	—		—	
13	Any increase in equity that results from securitised assets (negative amount)	—		—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—		—	
15	Defined-benefit pension fund assets (negative amount)	—		—	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(267,111)	180. Treasury shares (-)	(267,111)	180. Treasury shares (-)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	

Template EU CC1 - Composition of regulatory own funds (3/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: regulatory adjustments					
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(3,089,354)	70. Equity investments	(2,633,724)	70. Equity investments
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—		—	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	—		—	
EU-20c	of which: Securitization positions (negative amount)	—		—	
EU-20d	of which: free deliveries (negative amount)	—		—	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	110. Tax assets	—	110. Tax assets
22	Amount exceeding the 17,65% threshold (negative amount)	(102,415)		(70,940)	
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	(92,122)	70. Equity investments	(63,179)	70. Equity investments
25	*of which: deferred tax assets arising from temporary differences*	(10,293)	110. Tax assets	(7,761)	110. Tax assets
EU-25a	Losses for the current financial year (negative amount)	—	200. Profit (Loss) for the period	—	200. Profit (Loss) for the period
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—		—	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—		—	
27a	Other regulatory adjustments	1,171,804		1,564,694	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(3,058,422)**		**(2,226,410)**	
29	**Common Equity Tier 1 (CET1) capital**	**7,689,399**		**7,744,985**	

Template EU CC1 - Composition of regulatory own funds (4/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	—		—	
31	*of which: classified as equity under applicable accounting standards*	—		—	
32	*of which: classified as liabilities under applicable accounting standards*	—		—	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	—		—	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	—		—	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	—		—	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
35	*of which: instruments issued by subsidiaries subject to phase out*	—		—	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**—**		**—**	
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—		—	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—		—	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—		—	
42a	Other regulatory adjustments to AT1 capital	—		—	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—		—	
44	**Additional Tier 1 (AT1) capital**	**—**		**—**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,689,399**		**7,744,985**	

Template EU CC1 - Composition of regulatory own funds (5/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	1,167,258	10. Financial liabilities at amortised cost	1,225,145	10. Financial liabilities at amortised cost
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	—		—	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—		—	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—		—	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
49	*of which: instruments issued by subsidiaries subject to phase out*	—		—	
50	Credit risk adjustments	66,688		71,002	
51	Tier 2 (T2) capital before regulatory adjustments	1,233,946		1,296,147	
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—		—	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(4,167)		(22)	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—		—	
EU-56b	Other regulatory adjustments to T2 capital	—		—	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(4,167)**		**(22)**	
58	**Tier 2 (T2) capital**	**1,229,779**		**1,296,125**	
59	**Total capital (TC = T1 + T2)**	**8,919,178**		**9,041,110**	
60	**Total risk exposure amount**	**47,159,255**		**48,030,489**	

Template EU CC1 - Composition of regulatory own funds (6/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.3052%		16.1250%	
62	Tier 1 (as a percentage of total risk exposure amount)	16.3052%		16.1250%	
63	Total capital (as a percentage of total risk exposure amount)	18.9129%		18.8240%	
64	Institution CET1 overall capital requirements	7.9479%		7.9450%	
65	*of which: capital conservation buffer requirement*	*2.5000%*		*2.5000%*	
66	*of which: countercyclical buffer requirement*	*0.0104%*		*0.0070%*	
67	*of which: systemic risk buffer requirement*	—		—	
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	—		—	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	*0.9375%*		*0.9380%*	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	**8.5916%**		**N/A**	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	655,231		692,900	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	(156,183)		2,083,301	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	108,261		109,002	

Template EU CC1 - Composition of regulatory own funds (7/7)

		30/6/21		30/6/20	
		a)	b)		
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	475,994		409,107	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	368,696		361,373	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	106,770		71,002	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	66,688		71,002	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	—		—	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—		—	
82	Current cap on AT1 instruments subject to phase out arrangements	—		—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—		—	
84	Current cap on T2 instruments subject to phase out arrangements	—		—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—		—	

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (1/2)

	30/6/21		
	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
10. Cash and cash equivalents	1,969,488	1,969,487	
20. Financial assets at fair value through profit or loss	12,649,596	12,649,596	
30. Financial assets at fair value through other comprehensive income	4,567,371	4,567,371	
40. Financial assets at amortised cost	56,599,625	56,318,274	
50. Hedging derivatives	308,370	308,370	
60. Change in value of macro-hedged financial assets	—	—	
70. Equity investments	3,702,925	3,887,030	19, 23
80. Reinsurers' share of technical reserves	—	—	
90. Property, plant and equipment	510,209	509,479	
100. Intangible assets	744,139	744,116	8
of which: goodwill	602,363	602,363	
110. Tax assets	792,265	791,853	10, 21, 25
120. Non-current assets and disposal groups classified as held for sale	4,178	4,178	
130. Other assets	750,534	731,177	
Total assets	**82,598,700**	**82,480,931**	

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (2/2)

	30/6/21		
	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
10. Financial liabilities at amortised cost	58,475,015	58,527,145	46
20. Financial liabilities held for trading	10,063,629	10,063,629	
30. Financial liabilities designated at fair value	833,048	833,048	
40. Hedging derivatives	375,413	375,413	
50. Change in value of macro-hedged financial liabilities	—	—	
60. Tax liabilities	549,604	512,284	8
70. Liabilities included in disposal groups classified as held for sale	381	381	
80. Other liabilities	898,035	896,810	
90. Provision for employee severance pay	26,886	26,882	
100. Provisions for risks and charges	144,209	144,209	
110. Technical reserves	131,350	—	
120. Valuation reserves	931,230	931,230	3
130. Redeemable shares	—	—	
140. Equity	—	—	
150. Reserves	6,851,502	6,851,502	2
160.Share premium accounts	2,195,606	2,195,606	1
170. Share capital	443,640	443,640	1
180. Treasury shares (-)	(216,736)	(216,736)	16
190. Minority shareholders' equity (+/-)	88,312	88,312	5,34,48
200. Profit (Loss) for the period	807,576	807,576	5a,25a
Total liabilities and shareholders' equity	**82,598,700**	**82,480,931**	

Table 3.1 Prudential treatment of investments in insurance companies

The table below shows the prudential treatment of the Assicurazioni Generali investment based on Article 471 of the CRR, which allows investments in insurance companies that do not exceed 15% of the investee company's share capital to be weighted at 370% (rather than deducted from CET1), provided there are adequate risk controls. The authorization received from the ECB to apply Article 471 is subject to compliance with the concentration limit,[8] i.e. the 370% weighting applies only to that share of the investment which, when added to the rest of the exposure to the insurance group, does not exceed the concentration limit set by the authority. The remainder of the investment is deducted from regulatory capital as required by Articles 36 and 48 of the CRR, with the share falling below the threshold exemptions provided by Article 48 weighted at 250%.

	30/6/21		30/6/20	
	Exposure	RWA	Exposure	RWA
Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment	3,663,067		3,163,436	
of which deducted from own funds	1,787,700		990,760	
of which not deducted from own funds	1,875,367	—	2,172,676	—
of which 370%	1,033,007	3,822,125	1,437,690	5,319,453
of which 250%	842,360	2,105,900	734,986	1,837,466

The reduction in the concentration limit thus resulted in an increase in the share deducted, equal to approx. €800m, with an equivalent reduction in related RWAs of approx. €1.2bn.

[8] CRR II has introduced a stricter limit as of 30 June 2021, equal to 25% of CET1 capital rather than eligible capital, which for the Mediobanca Group was the same as total capital.

Table 3.2 – List of subordinated issues included in the Regulatory Capital

Security issued	ISIN	Currency	30/6/21		30/6/20	
			Nominal value	Calculated value	Nominal value	Calculated value
MB Subordinato Mar 29	XS1579416741	EUR	50,000	48,502	50,000	48,502
Mediobanca Mc Nv30 Sub Tier 2 Call Eur	XS2262077675	EUR	249,250	241,327	—	—
MB OPERA 3.75 2026	IT0005188351	EUR	299,031	289,440	299,577	291,632
MB 2°ATTO 5% SUB	IT0004645542	EUR	—	—	615,308	45,194
MB 4°ATTO MINMAX2021	IT0004720436	EUR	—	—	394,970	73,713
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	EUR	499,271	411,280	500,000	490,129
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	EUR	499,909	176,708	499,177	275,975
Total subordinated debt securities			**1,597,461**	**1,167,258**	**2,359,032**	**1,225,145**

Table 3.3 – Description of equity instruments (1/2)

		Common Equity Tier 1 instruments	Tier 2 capital instruments	
			IT0004917842	IT0005127508
1	Issuer	Mediobanca S.p.A.	Mediobanca S.p.A.	Mediobanca S.p.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000062957	IT0004917842	IT0005127508
3	Governing law(s) of the instrument	Whole instrument - Italian law	Whole instrument - Italian law	Whole instrument - Italian law
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	CET1	Tier 2	Tier 2
5	Post-transitional CRR rules	CET1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art.28 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	443,617	176,708 Purchases and depreciation	411,280 Purchases and depreciation
9	Nominal amount of instrument	N/A	500,000	500,000
9a	Issue price	N/A	100,000	100,000
9b	Redemption price	N/A	100,000	100,000
10	Accounting classification	Equity	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	N/A	04/18/2013	09/10/2015
12	Perpetual or dated	N/A	Dated	Dated
13	Original maturity date	N/A	04/18/2023	09/10/2025
14	Issuer call subject to prior supervisory approval	N/A	NO	NO
15	Optional call date, contingent call dates and redemption amount	N/A	—	—
16	Subsequent call dates, if applicable	N/A	—	—
	Coupons / dividends	N/A	—	—
17	Fixed or floating dividend/coupon	N/A	Fixed	Floating
18	Coupon rate and any related index	N/A	5.75% yearly	3% yearly
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	NO	NO
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
30	Write-down features	N/A	Senior	Senior
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	NO	NO
36	Non-compliant transitioned features	N/A	Non-cumulative	Non-cumulative

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Table 3.3 – Description of the equity instruments (2/2)

		Tier 2 capital instruments		
		XS1579416741	IT0005188351	XS2262077675
1	Issuer	Mediobanca S.p.A.	Mediobanca S.p.A.	Mediobanca S.p.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1579416741	IT0005188351	XS2262077675
3	Governing law(s) of the instrument	Whole instrument - English law	Whole instrument - Italian law	Whole instrument - Italian law
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	48,502	289,440 Purchases and depreciation	241,327 Purchases and depreciation
9	Nominal amount of instrument	50,000	300,000	250,000
9a	Issue price	100,000	99,000	100,000
9b	Redemption price	100,000	99,000	100,000
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	03/22/2017	06/16/2016	11/23/2020
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	03/22/2029	06/16/2026	11/23/2030
14	Issuer call subject to prior supervisory approval	NO	NO	NO
15	Optional call date, contingent call dates and redemption amount	—	—	—
16	Subsequent call dates, if applicable	—	—	—
	Coupons / dividends	—	—	—
17	Fixed or floating dividend/coupon	Floating and then Fixed	Fixed	Fixed till reset, then Floating
18	Coupon rate and any related index	Y1, Y2, Y3: fixed rate 3.5%; then: Euribor 6M + 235 bps floored @ zero	3.75% p.a.	2.3% then Mid Swap + 280bps
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NO	NO	NO
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	NO	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior
36	Non-compliant transitioned features	NO	NO	NO

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Section 4 – Capital adequacy

Qualitative information

The Group pays particular attention to monitoring its own capital adequacy ratios, to ensure that its capital is commensurate with its risk propensity as well as with regulatory requirements.

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analyses or stress tests are also carried out to assess the impact of particularly adverse economic conditions on the Group's capital requirements deriving from its exposure to the principal risks (stress testing), in order to appraise its capital resources even in extreme conditions.[9]

This capital adequacy assessment takes the form of the ICAAP report which is produced annually and sent to the European Central Bank, along with the resolutions and reports in which the governing bodies express their opinions on related matters according to their respective roles and responsibilities.

Capital adequacy in respect of pillar 1 risks is also monitored Accounting and financial reporting unit through checking the capital ratios according to the rules established by the Capital Requirements Regulation (CRR/CRR2) - Circular 285.

[9] The most recent stress testing exercise confirmed the Group's solidity, with an adverse impact on CET1 fully loaded of just 182 bps, one of the lowest levels among EU banks.

Quantitative information

Template EU KM1 - Key metrics template (1/2)

		a	b
		30/6/21	31/3/21
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	7,689,399	7,670,192
2	Tier 1 capital	7,689,399	7,670,192
3	Total capital	8,919,178	8,967,934
	Risk-weighted exposure (amounts)		
4	Total risk-weighted exposure amount	47,159,255	47,610,717
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	16.3052%	16.1102%
6	Tier 1 ratio (%)	16.3052%	16.1102%
7	Total capital ratio (%)	18.9129%	18.8360%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.2500%	1.2500%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.9375%	0.9375%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.9375%	0.9375%
EU 7d	Total SREP own funds requirements (%)	9.2500%	9.2500%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—
9	Institution specific countercyclical capital buffer (%)	0.0104%	0.0148%
EU 9a	Systemic risk buffer (%)	—	—
10	Global Systemically Important Institution buffer (%)	—	—
EU 10a	Other Systemically Important Institution buffer	—	—
11	Combined buffer requirement (%)	2.5104%	2.5148%
EU 11a	Overall capital requirements (%)	11.7604%	11.7648%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.5916%	n.a
	Leverage ratio		
13	Leverage ratio total exposure measure	84,821,871	85,438,406
14	Leverage ratio	9.0654%	8.9775%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	—	N/A
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	N/A
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	N/A
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	—	N/A
EU 14e	Overall leverage ratio requirement (%)	3.0000%	N/A
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,947,418	7,874,861
EU 16a	Cash outflows - Total weighted value	7,622,987	7,424,823
EU 16b	Cash inflows - Total weighted value	2,609,975	2,466,104
16	Total net cash outflows (adjusted value)	5,013,012	4,958,719
17	Liquidity coverage ratio (%)	158.6875%	158.8105%
	Net Stable Funding Ratio		
18	Total available stable funding	61,490,296	N/A
19	Total required stable funding	52,893,174	N/A
20	NSFR ratio (%)	116.2537%	N/A

Template EU KM1 - Key metrics template (2/2)

		c	d	e
		31/12/20	30/9/20	30/6/20
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,872,306	7,630,821	7,744,985
2	Tier 1 capital	7,872,306	7,630,821	7,744,985
3	Total capital	9,240,813	8,843,794	9,041,110
	Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	48,693,936	47,519,031	48,030,489
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	16.1669%	16.0585%	16.1251%
6	Tier 1 ratio (%)	16.1669%	16.0585%	16.1251%
7	Total capital ratio (%)	18.9773%	18.6111%	18.8237%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.2500%	1.2500%	1.2500%
EU 7b	of which: to be made up of CET1 capital (percentage	0.9375%	0.9375%	0.9380%
EU 7c	of which: to be made up of Tier 1 capital (percentage	0.9375%	0.9375%	0.9380%
EU 7d	Total SREP own funds requirements (%)	9.2500%	9.2500%	9.2500%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—	—
9	Institution specific countercyclical capital buffer (%)	0.0070%	0.0069%	0.0070%
EU 9a	Systemic risk buffer (%)	—	—	—
10	Global Systemically Important Institution buffer (%)	—	—	—
EU 10a	Other Systemically Important Institution buffer	—	—	—
11	Combined buffer requirement (%)	2.5070%	2.5069%	2.5070%
EU 11a	Overall capital requirements (%)	11.7570%	11.7572%	11.7570%
12	CET1 available after meeting the total SREP own funds requirements (%)	N/A	N/A	N/A
	Leverage ratio			
13	Leverage ratio total exposure measure	83,580,264	83,179,286	79,852,223
14	Leverage ratio	9.4189%	9.1739%	9.6990%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	N/A	N/A	N/A
EU 14b	of which: to be made up of CET1 capital (percentage points)	N/A	N/A	N/A
EU 14c	Total SREP leverage ratio requirements (%)	N/A	N/A	N/A
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	N/A	N/A	N/A
EU 14e	Overall leverage ratio requirement (%)	N/A	N/A	N/A
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,169,410	6,576,358	6,075,837
EU 16a	Cash outflows - Total weighted value	7,462,606	7,701,857	7,785,091
EU 16b	Cash inflows - Total weighted value	2,937,923	3,577,851	3,948,284
16	Total net cash outflows (adjusted value)	4,524,682	4,124,007	3,836,807
17	Liquidity coverage ratio (%)	158.6595%	160.2874%	159.4139%
	Net Stable Funding Ratio			
18	Total available stable funding	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A
20	NSFR ratio (%)	N/A	N/A	N/A

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Temp. EU IFRS9 – FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (1/2)

		30/6/21	31/3/21	31/12/20	30/9/20	30/6/20
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,689,399	7,670,192	7,872,306	7,630,821	7,744,985
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,613,541	7,594,284	7,796,308	7,554,803	7,652,268
2a	CET1 capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	7,689,399	7,670,192	7,872,306	7,630,821	7,744,985
3	Tier 1 capital	7,689,399	7,670,192	7,872,306	7,630,821	7,744,985
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,613,541	7,594,284	7,796,308	7,554,803	7,652,268
4a	Tier 1 capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,689,399	7,670,192	7,872,306	7,630,821	7,744,985
5	Total capital	8,919,178	8,967,934	9,240,813	8,843,794	9,041,110
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,843,320	8,892,027	9,164,815	8,767,776	8,948,392
6a	Total capital as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,919,178	8,967,934	9,240,813	8,843,794	9,041,110
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	47,159,255	47,610,717	48,693,936	47,519,031	48,030,489
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,086,846	47,538,123	48,621,009	47,446,030	47,940,328
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.3052%	16.1102%	16.1669%	16.0585%	16.1251%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.1691%	15.9751%	16.0349%	15.9229%	15.9621%

Temp. EU IFRS9 – FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (2/2)

		30/6/21	31/3/21	31/12/20	30/9/20	30/6/20
	Capital ratios					
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16.3052%	16.1102%	16.1669%	16.0585%	16.1251%
11	Tier 1 (as a percentage of risk exposure amount)	16.3052%	16.1102%	16.1669%	16.0585%	16.1251%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.1691%	15.9751%	16.0349%	15.9229%	15.9621%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16.3052%	16.1102%	16.1669%	16.0585%	16.1251%
13	Total capital (as a percentage of risk exposure amount)	18.9129%	18.8360%	18.9773%	18.6111%	18.8237%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.7809%	18.7050%	18.8495%	18.4795%	18.6657%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.9129%	18.8360%	18.9773%	18.6111%	18.8237%
	Leverage ratio					
15	Leverage ratio total exposure measure	84,821,871	85,438,406	83,580,264	83,179,286	79,852,223
16	Leverage ratio	9.0654%	8.9775%	9.4189%	9.1739%	9.6990%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.9759%	8.8886%	9.3279%	9.0826%	9.5830%
17a	Leverage ratio as if the temporary treatment of unrealized gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9.0654%	8.9775%	9.4189%	9.1739%	9.6990%

As at 30 June 2021 il Common Equity Ratio – the Group's Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 16.31%, higher than last year (16.13%) due to retained earnings (adding 50 bps), lower deductions for goodwill (adding 15 bps), and higher valuation reserves for proprietary securities (adding 20 bps), only in part offset by the higher deductions for Assicurazioni Generali (accounting for 30 bps, net of the effects on RWAs) and organic growth in RWAs (accounting for 30 bps).

The total capital ratio rose from 18.8% to 18,9%, the lower increase compared to the CET1 ratio being due to prudential amortization of the Tier 2 instruments.

The ratios fully loaded without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €1,115.9m, including the indirect effects) with full application of the IFRS 9 effect (accounting for €72.4m), were 15.08% (CET1 ratio) and 17.94% (total capital ratio), up 14.50% and 17.55% respectively, the latter being higher as it is unaffected by the change in the concentration limit.

Template EU OV1 - Overview on risk-weighted exposures (RWA)

		RWA		Capital requirements
		a	b	c
		30/6/21	31/3/21	30/6/21
1	Credit risk (excluding CCR)	38,781,074	39,204,692	3,102,486
2	of which the standardized approach	28,013,634	28,192,671	2,241,091
3	of which the foundation IRB (FIRB) approach	—	—	—
4	of which: slotting approach	—	—	—
EU 4a	of which: equities under the simple risk-weighted approach	—	—	—
5	of which the advanced IRB (AIRB) approach	10,767,439	11,012,020	861,395
6	Counterparty credit risk - CCR	2,070,838	2,120,110	165,667
7	of which the standardized approach	360,067	—	56,589
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	4,759	—	381
EU 8b	of which credit valuation adjustment - CVA	236,733	548,698	18,939
9	of which other CCR	1,469,279	1,571,411	89,759
15	Settlement risk	—	—	—
16	Securitization exposures in the non-trading book (after the cap)	113,153	123,034	9,052
17	of which SEC-IRBA approach	—	—	—
18	of which SEC-ERBA (including IAA)	27,376	46,706	2,190
19	of which SEC-SA approach	85,777	76,328	6,862
EU 19a	of which 1250%/ deduction	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,071,236	2,125,442	165,699
21	of which the standardized approach	2,071,236	2,125,442	165,699
22	of which IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	4,122,956	4,037,439	329,836
EU 23a	of which basic indicator approach	4,122,956	4,037,439	329,836
EU 23b	of which standardized approach	—	—	—
EU 23c	of which advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2,693,017	2,661,157	215,441
29	**Total**	**47,159,255**	**47,610,717**	**3,772,740**

Template EU INS1 – Insurance participations

		30/6/21	
		a	b
		Exposure value	Risk-weighted exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	1,875,366	5,928,024

Template EU INS2 – Financial conglomerates information on own funds and capital adequacy ratio

The Mediobanca Group has nothing to report for template EU INS2.

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Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (1/2)

	a	B	c	d	e	f
	Exposures in the banking book		Exposures in the trading book		Exposures in Securitization	Total exposure value
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions	Exposure value under internal models		
Italy	22,891,899	19,410,959	347,054	—	196,948	42,846,860
United Arab Emirates	9,491	—	—	—	—	9,491
Australia	8,012	—	—	—	—	8,012
Austria	6,300	51,181	—	—	—	57,481
Belgium	31,778	42,994	70,712	—	—	145,484
Bulgaria	69	—	—	—	—	69
Canada	16,791	66,311	—	—	—	83,101
China	2,000	—	—	—	—	2,000
Denmark	147	11,381	79	—	—	11,608
Ethiopia	92	—	—	—	—	92
Finland	558	28,907	49	—	—	29,514
France	602,000	1,926,486	458,906	—	—	2,987,391
Germany	423,561	647,186	381,044	—	—	1,451,791
Japan	626	—	—	—	—	626
Greece	60	—	—	—	—	60
Hong Kong	3,961	50,973	—	—	—	54,934
Ireland	262,583	175,300	331,372	—	—	769,256
Czech Republic	3,926	29,073	—	—	—	32,999
Slovakia	4,105	—	—	—	—	4,105
Cayman Islands	999	168,839	8,459	—	—	178,297
Virgin islands, British	52,909	63,121	—	—	—	116,031
Liechtenstein	10,247	136,504	—	—	—	146,751
Luxembourg	290,027	948,798	200,404	—	—	1,439,228
Mexico	43,816	26,835	6,129	—	—	76,780
Monaco	665,513	73,701	11	—	—	739,226
Norway	57	—	—	—	—	57
Netherlands	12,678	952,756	76,540	—	—	1,041,973
Portugal	2,991	185,183	—	—	—	188,175
United kingdom	2,945,903	818,052	118,111	—	—	3,882,066
Romania	21,654	—	—	—	—	21,654
Russian federation	39,928	—	—	—	—	39,928
Singapore	1	13,906	—	—	—	13,907
Spain	315,198	1,085,795	324,620	—	—	1,725,612
Sweden	3,974	35,000	—	—	—	38,974
Switzerland	73,277	94,880	209,275	—	—	377,431
Turkey	40,441	8,954	—	—	—	49,394
United States	277,594	1,085,341	424,987	—	—	1,787,922
Other countries	232,726	164,932	4,340	—	—	401,998
Total	**29,297,890**	**28,303,348**	**2,962,092**	**—**	**196,948**	**60,760,278**

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Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (2/2)

	a	h	i	j	k	l	m
	Own funds requirement						
	of which: generic credit exposures	of which: credit exposures of the trading book	of which: Securitization positions in the banking book	Total	Risk-weighted exposure amounts	Weighting factors of own fund requirement	Countercyclical coefficient
Italy	2,314,553	46,356	9,052	2,369,961	29,624,516	71.8494%	—
United Arab Emirates	759	—	—	759	9,491	0.0230%	—
Australia	507	—	—	507	6,338	0.0154%	—
Austria	905	—	—	905	11,317	0.0274%	—
Belgium	3,927	5,657	—	9,584	119,795	0.2905%	—
Bulgaria	7	—	—	7	86	0.0002%	0.5000%
Canada	5,209	—	—	5,209	65,107	0.1579%	—
China	160	—	—	160	2,000	0.0048%	—
Denmark	352	6	—	358	4,476	0.0109%	—
Ethiopia	6	—	—	6	69	0.0002%	—
Finland	1,071	4	—	1,075	13,434	0.0326%	—
France	117,280	9,148	—	126,428	1,580,352	3.8329%	—
Germany	60,539	19,130	—	79,670	995,870	2.4153%	—
Japan	50	—	—	50	625	0.0015%	—
Greece	4	—	—	4	45	0.0001%	—
Hong Kong	900	—	—	900	11,256	0.0273%	1.0000%
Ireland	29,678	25,527	—	55,205	690,057	1.6736%	—
Czech Republic	1,195	—	—	1,195	14,942	0.0362%	0.5000%
Slovakia	189	—	—	189	2,362	0.0057%	1.0000%
Cayman Islands	10,839	677	—	11,515	143,941	0.3491%	—
Virgin islands, British	5,017	—	—	5,017	62,719	0.1521%	—
Liechtenstein	3,228	—	—	3,228	40,349	0.0979%	—
Luxembourg	64,848	16,065	—	80,914	1,011,421	2.4530%	0.5000%
Mexico	3,412	98	—	3,510	43,878	0.1064%	—
Monaco	33,782	1	—	33,783	422,292	1.0242%	—
Norway	306	—	—	306	3,821	0.0093%	1.0000%
Netherlands	45,420	5,477	—	50,896	636,205	1.5430%	—
Portugal	9,165	—	—	9,165	114,562	0.2779%	—
United kingdom	230,140	6,370	—	236,510	2,956,370	7.1702%	—
Romania	1,730	—	—	1,730	21,630	0.0525%	—
Russian federation	2,803	—	—	2,803	35,040	0.0850%	—
Singapore	300	—	—	300	3,746	0.0091%	—
Spain	62,051	974	—	63,024	787,803	1.9107%	—
Sweden	1,587	—	—	1,587	19,833	0.0481%	—
Switzerland	7,027	16,395	—	23,422	292,773	0.7101%	—
Turkey	3,806	—	—	3,806	47,569	0.1154%	—
United States	87,575	2,329	—	89,904	1,123,794	2.7256%	—
Other countries	24,573	347	—	24,920	311,506	0.7552%	—
Total	**3,134,898**	**154,561**	**9,052**	**3,298,511**	**41,231,388**	**100.0000%**	

Template EU CCyB2 – Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount (RWA)	47,159,255
2	Specific countercyclical coefficient of the institution	0.0104%
3	**Specific countercyclical capital buffer requirement of the institution**	**4,921**

Section 5 – Financial leverage

Qualitative information

In January 2015, the Basel Committee introduced the leverage ratio as an indicator to keep down borrowings and reduce excessive recourse financial leverage in the banking sector. The indicator is calculated from the ratio between regulatory Tier 1 capital and the Group's overall aggregate exposure, which includes assets net of any deductions from Tier 1, the off-balance-sheet exposures, and specific treatment for counterparty risk for operations in derivatives and securities finance transactions which entail netting against the liability where eligible as part of Credit Risk Mitigation for CRM operations in derivatives and securities finance transactions, plus a specific regulatory add-on for the potential future exposures. As the European Banking Authority (EBA) has held that a financial leverage ratio calibrated at 3% represents a credible mechanism for any type of credit institution, as from 30 June 2021, with the introduction of CRR II, this ratio has become a binding minimum limit.

The ratio is calculated on a quarterly basis, point-in-time at the end of the three months, on an individual and consolidated basis, and is subject to monitoring having been identified as one of the reference metrics in the Risk Appetite Framework for managing risks and preserving the Group's capital adequacy. Purely for information purposes, with CRR II coming into force, disclosure must also be made of the average values of exposures in Secured Financial Transactions, as part of prudential reporting, without impacting on the ratio which continues to be calculated as a point-in-time reading.

In particular, CRR/CRR II defines the means by which the ratio is to be calculated, stipulating in particular that:

- Exposures to transactions in derivative contracts must be valued using the Standardized Approach for measuring Counterparty Credit Risk exposures (SA-CCR), obtained from the sum between net market value, if positive, and potential future exposure, with the possibility if certain conditions are met of deducting the margin of change in cash from the value of the exposure; for credit derivatives sold, the ratio can be measured on the basis of the gross notional amount rather than at fair value, with the possibility of deducting the changes in fair value recorded through the profit and loss account from the notional amount (as negative components); protection sold can also be offset by protection acquired if given criteria are respected;
- In secured financing transactions real guarantees received cannot be used to reduce the value of the exposure for such transactions, whereas cash receivables and payables deriving from such transactions can be netted if certain very strict criteria are met, and providing the

transaction are with the same counterparty and make reference to the same netting agreement;

— The other off-balance-sheet exposures reflect the credit conversion factors;

— The other exposures are recognized at the book value remaining following application of the specific loan loss provisions, supplementary value adjustments and other reductions to own funds in respect of the asset item.

At present, in view of the abundant surplus compared to the regulatory minimum of 3%, the Group has decided not to avail itself of the Covid-related filter introduced by the regulator, which allows certain exposures to central banks to be excluded from the calculation of the ratio.

Quantitative information

The tables below show the readings for the Mediobanca Group leverage ratio as at 30 June 2021, stated in accordance with the principles set forth in CRR/CRR II.[10]

[10] Given that the changes introduced to the regulations since the previous reporting period mean that like-for-like comparison of the data is not possible, for the EU LR1, EU LR2 and EU LR3 tables, no comparative data with the previous quarter has been provided as provided by the Guidelines.

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		30/6/21
		a
		Applicable amount
1	Total assets as per published financial statements	82,598,698
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(117,772)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—
7	Adjustment for eligible cash pooling transactions	—
8	Adjustments for derivative financial instruments	(2,466,952)
9	Adjustment for securities financing transactions (SFTs)	1,176,408
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,657,866
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	—
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	—
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	(1,370)
12	Other adjustments	(2,025,007)
13	**Total exposure measure**	**84,821,871**

Template EU LR2 - LRCom: Leverage ratio common disclosure (1/3)

		CRR leverage ratio exposures
		30/6/21
		a
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	72,723,059
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	—
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(600)
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	—
5	(General credit risk adjustments to on-balance sheet items)	—
6	(Asset amounts deducted in determining Tier 1 capital)	—
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**72,722,459**
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	907,979
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardized approach	—
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	977,287
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardized approach	3,830
EU-9b	Exposure determined under Original Exposure Method	471
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	—
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)	—
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	—
11	Adjusted effective notional amount of written credit derivatives	2,014,321
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(2,014,321)
13	**Total derivatives exposures**	**1,889,567**

Template EU LR2 - LRCom: Leverage ratio common disclosure (2/3)

		CRR leverage ratio exposures
		30/6/21
		a
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	3,406,921
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,458,457)
16	Counterparty credit risk exposure for SFT assets	2,634,865
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	—
17	Agent transaction exposures	—
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	—
18	**Total securities financing transaction exposures**	**4,583,329**
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	10,979,581
20	(Adjustments for conversion to credit equivalent amounts)	(5,321,715)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	—
22	**Off-balance sheet exposures**	**5,657,866**
	Excluded exposures	
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	—
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	(1,370)
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	—
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(29,979)
EU-22g	(Excluded excess collateral deposited at triparty agents)	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	—
EU-22k	**(Total exempted exposures)**	**(31,349)**

Template EU LR2 - LRCom: Leverage ratio common disclosure (3/3)

		CRR leverage ratio exposures
		30/6/21
		a
Capital and total exposure measure		
23	**Tier 1 capital**	**7,689,399**
24	**Total exposure measure**	**84,821,871**
Leverage ratio		
25	Leverage ratio	9.0653%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.0653%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.0653%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	—
EU-26b	of which: to be made up of CET1 capital	—
27	Leverage ratio buffer requirement (%)	—
EU-27a	Overall leverage ratio requirement (%)	3.0000%
Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional arrangements
Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	2,195,212
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,948,464
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	85,068,619
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	85,068,619
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.04%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.04%

The leverage ratio as at 30 June 2021, calculated in accordance with the provisions of Commission Delegated Regulation 62/2015, and those for defining the measurement of capital (Tier 1 capital with Danish Compromise), was 9.1%. The slight reduction compared to 30 June 2020 (9.7%) is due to the increase in exposures, in secured financing transactions in particular.

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Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		30/6/21
		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**70,866,775**
EU-2	Trading book exposures	7,261,606
EU-3	Banking book exposures, of which:	63,605,169
EU-4	Covered bonds	75,723
EU-5	Exposures treated as sovereigns	7,979,667
EU-6	Exposures to regional governments, MDB, international organizations and PSE **not** treated as sovereigns	159,067
EU-7	Institutions	2,861,606
EU-8	Secured by mortgages of immovable properties	11,931,889
EU-9	Retail exposures	13,975,575
EU-10	Corporates	20,452,654
EU-11	Exposures in default	968,315
EU-12	Other exposures (e.g. equity, Securitizations, and other non-credit obligation assets)	5,200,672

Section 6 – Liquidity risk

Qualitative information

Liquidity risk is defined by distinguishing between short-term risks ("liquidity risk") and long-term risks ("funding risks"), as follows:

— The current or potential risk of the entity not being able to manage its own liquidity needs effectively in the short term ("liquidity risk");

— The risk of the Bank not having stable sources of financing in the medium or long term, meaning it is unable to meet its financial requirements without incurring an excessive increase in the cost of financing ("funding risk").

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Mediobanca Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. The liquidity and funding risk management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position in the short and long term which is adequate to cope with a period of prolonged stress (combining Bank-specific and systemic stress factors). In accordance with this objective, the Group Liquidity Risk Management Policy (the "Policy") approved by the Board of Directors of Mediobanca S.p.A. defines the target in terms of the level of highly liquid assets to be maintained in order to cover the cash flows anticipated in the short and medium/long term.

The general principles, on which the internal liquidity risk governance and management system defined by the Policy, to which all Group companies are required to adhere, are listed below:

— The strategic guidelines and governance policies for liquidity and funding risk are defined and approved by the Board of Directors of Mediobanca S.p.A., and constitute the reference framework for operations by the units responsible for liquidity and funding risks;

— The policies are revised on the basis of developments in the company's activity and risk profile, as well as the external scenario, and are clearly documented and shared within the Group as a whole;

— All roles and responsibilities for the units and areas involved in the liquidity management and governance process are defined and documented clearly;

— Risk management is carried out from both current and future perspectives, and entails the application of different scenarios, including stressed;

- The Bank is require to maintain a sufficient amount of liquid instruments over time, in accordance with the liquidity risk tolerance threshold set at Group level, which will always be above the minimum regulatory level;
- A contingency funding plan is defined clearly and accurately, outlining the strategies for intervening in order to raise sources of finance in the event of liquidity tensions;
- Commercial, credit and financial policies are co-ordinated in order to maintain a balanced structural liquidity profile at Group level, taking multiple risk elements into account;
- The funds transfer pricing system is established by a unit which is separate from the business teams, and reflects the cost/benefit of liquidity via a consolidated framework.

To ensure that liquidity risk is integrated and consistent at Group level, strategic decisions on liquidity risk are taken by the parent company's Board of Directors, to which the Policy assigns several important duties:

- Definition and approval of the guidelines and strategic direction;
- Responsibility for ensuring that the risk governance system is fully reliable;
- Monitoring the trends in liquidity and funding risk and the Group's Risk Appetite Framework over time.

The Group ALM Committee also discusses the issues most relevant to liquidity risk, defining the asset and liability structure and related risk of mismatch between them taken on, directing operations in line with the commercial and financial objectives set in the budget and the Group's Risk Appetite Framework.

The parent company units responsible for ensuring that the Policy is applied accurately are:

- Group Treasury, which is responsible at Group level for managing liquidity, funding, collateral and the funds transfer pricing system;
- Business & Capital Planning, which supports Risk Management and Group Treasury in drawing up the Group Funding Plan which is consistent with the budget objectives;
- Risk Management which, in accordance with the principles of separation and independence, is responsible for the Group's second-level integrated control for current and future risks, in accordance with the Group's regulations and governance strategies.

The Group Audit Unit is responsible for appraising the functioning and reliability of the controls system for liquidity risk management and for reviewing adequacy and compliance with the requisites established by the regulations. The results of the checks carried out are submitted to the governing bodies once a year.

The liquidity governance model adopted by the Group is centralized at parent company level which, via the Group Treasury, Risk Management and Business & Capital Planning units previously referred to, is responsible for:

- Governing liquidity, in constant dialogue with the local treasuries;
- Defining, managing and revising the funding plan;
- Monitoring liquidity risk at centralized or local level, including over intra-day time horizons and with high frequencies.

In order to maximize the advantages deriving from synergistic co-operation between the three parent company units referred to above and the local teams, common monitoring and simulation systems for monitoring simulating the main liquidity governance indicators are being adopted.

The Group's objective is twofold: on the one hand, to meet the supervisory authority's requirements by maintaining a satisfactory level of liquidity to meet its ordinary and extraordinary payment obligations; and on the other, to maximize operating results while at the same time minimizing costs by not incurring losses.

The Mediobanca Group's short-term liquidity policy is intended ensure that the mismatch between cash inflows and outflows, expected and not expected, remains sustainable in the short term, even over an intra-day time horizon. The liquidity reserves are therefore to be understood as an instrument for mitigating risk and managing any such mismatches.

The Group manages its liquidity position actively, through Group Treasury, with the objective of meeting its payment obligations by the time requested.

Intraday liquidity risk is the risk of a mismatch in terms of timing within a single day between payments made by the Group and those received from other market counterparties. Management of this risk requires careful and ongoing monitoring of cash flows exchanged, and, more importantly, adequate liquidity reserves. To mitigate this risk, the Group has implemented a system of indicators and monitoring to check the availability of reserves at the start of the day and their capacity to meet possible situations of stress that could involve other market counterparties or the value of the assets used in the risk mitigation.

The metric adopted for monitoring over time horizons longer than intra-day is the net liquidity position, obtained from the sum of the counterbalancing capacity (defined as the cash, securities and receivables eligible for refinancing with the ECB) and cumulative net cash flows.

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months and in a combined stress scenario at 45 days, which functions as an early warning system in cases where the limit is approached in normal conditions. The short-term liquidity

monitoring is supplemented by stress testing which assumes three different scenarios ("Italy's Downgrade", "Name Crisis", "Combined") defined in the Policy.

Stress testing is intended to anticipate possible crises that could potentially have repercussions on the Group's liquidity position. Reference is made to Part E of the Notes to the Accounts for details on stress testing and its uses.

Quantitative information

The European Central Bank, as a result of the Covid-19 pandemic, since March 2020 has adopted temporary measures to expand banks' liquidity reserves to ensure they are able to address the crisis period. These measures are still in place (ECB monetary policy decisions, 10 December 2020) in order to mitigate possible deteriorations in liquidity conditions. These mitigation measures have strengthened the liquidity profile since 1Q 2020, the point at which risk profile measurement and monitoring became more frequent.

At 30 June 2021 eligible reserves held at the European Central Bank totalled €11.25bn, €9bn of which in securities exchangeable for cash by the ECB; the balance of the collateral established at the European Central Bank amounted to approx. €11.6bn, €4.1bn available in cash but not used. The reduction in available cash and liquid assets compared to last year has been due primarily to the increasing recourse to refinancing at the Central Bank level (with resulting commitment of collateral established), to the issue of a covered bond, using mortgage receivables as collateral already set aside for such purposes but unused, and the amortization and expiry of auto-retained ABS securities (the latter offset by new, un-securitized consumer credit receivables established at the monetary policy authority.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	30/6/21	30/6/20
TOTAL GROUP LIQUIDITY RESERVES	**11,246**	**13,324**
Total high-quality liquid assets (HQLA)	**6,767**	**7,513**
Cash and deposits held with central banks (HQLA)	2,247	3,809
Highly liquid securities (HQLA)	4,520	3,704
of which:		
Level 1	*4,515*	*3,656*
Level 2	*5*	*48*
Other eligible reserves	**4,479**	**5,811**

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term as well. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that on average the cumulative inflows cover the cumulative outflows over a time horizon of 1, 3 and 5 years.

Throughout the financial year under review, both indicators, short- and long-term, have shown that the Group has maintained an adequate level of liquidity at all times.

First of all, the European Union introduced a minimum short-term coverage requirement, the Liquidity Coverage Ratio (the "LCR"), under Commission Delegated Regulation (EU) No. 2015/61. Then, from June 2021, under Article 428(b) of Regulation (EU) No. 2019/876 a minimum requirement of 100% for the Net Stable Funding Ratio (NSFR) was also introduced. In accordance with the Policy, the Group calculates and monitors the LCR (Liquidity Coverage Ratio), ALMM (Additional Liquidity Monitoring Metrics) and NSFR (Net Stable Funding Ratio) regulatory indicators. Throughout the twelve months both the LCR and the NSFR, which form part of the Group's Risk Appetite Framework, at all times remained above the regulatory limits set. As at 30 June 2021, the LCR was 158%, while the NSFR was 116% (in both cases the regulatory minimum is 100%). The above NSFR reading is the first time this indicator has been recorded.

The LCR has remained stable at an average value of 159% in the past twelve months, varying up to 6% versus this level. The annual average result is in line with the target internal value and risk appetite expressed by the governing bodies. This stability has been achieved through careful management by Group Treasury. Group Treasury manages a substantial and well-diversified portfolio of HQLAs consisting of reserves held with the ECB and high-quality debt securities and equities (the "Liquidity Buffer"). The division, as mentioned previously, carries out active and centralized management of these portfolios, directed by internal estimate tools. From a forward-

looking perspective, an estimate is defined of the capital required to cover the liquidity, and, using primarily securities financing transactions to use or gather high-quality assets, the estimated value is brought back towards the internal target. Although the portfolio of highly liquid assets is the main instrument used to control and stabilize the ratio, Group Treasury also has other tools which it uses for this purposes. Group Treasury is responsible for managing funding raised both externally to the Group and internally, and for governing the Funds Transfer Pricing (FTP) system.

The factors driving the LCR trend may be split into the following categories: drivers with significant influence on the amount of HQLAs, cash outflows and cash inflows. The trend in HQLAs is impacted by the amount of Level 1 assets (Article 10 of Commission Delegated Regulation (EU) No. 2015/61), which, as described in the previous section, are used by Group Treasury as its principal risk control and mitigation instrument. For the same reason, for both inflows and outflows, the cash movements linked to secured operations always have a significant and variable impact over time. The stress scenarios contemplated by Commission Delegated Regulation (EU) No. 2015/61 and the Group's business model, which also takes great care to diversify the forms of funding equally between retail and institutional, reflect a higher impact on outflows from wholesale funding, which is considered to be less stable than retail funding in this operating scenario. Also significant in this respect is the outflow from credit lines, this too a result of the Group's business model.

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Template EU LIQ1 – Liquidity Coverage Ratio (1/2)

	Currency and units (XXX million)	a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	30/6/21	31/3/21	31/12/20	30/9/20
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**				
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	18,966	18,562	18,036	17,603
3	*Stable deposits*	11,824	11,598	11,339	11,117
4	*Less stable deposits*	7,107	6,932	6,670	6,469
5	Unsecured wholesale funding	5,394	5,225	5,175	5,028
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	5,050	4,869	4,737	4,641
8	Unsecured debt	344	357	438	387
9	Secured wholesale funding				
10	Additional requirements	7,604	7,089	6,834	6,684
11	Outflows related to derivative exposures and other collateral requirements	397	404	414	400
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	7,207	6,685	6,420	6,284
14	Other contractual funding	1,983	1,772	1,759	1,911
15	Other contingent funding obligations	3,486	3,205	2,972	2,812
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	2,928	2,720	2,842	3,481
18	Inflows from fully performing exposures	1,586	1,563	1,543	1,518
19	Other cash inflows	1,392	1,359	1,715	2,075
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related Specialized credit institution)				
20	**TOTAL CASH INFLOWS**	**5,906**	**5,642**	**6,100**	**7,074**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*5,887*	*5,562*	*6,019*	*6,872*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

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Template EU LIQ1 – Liquidity Coverage Ratio (2/2)

Currency and units (XXX million)		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	30/6/21	31/3/21	31/12/20	30/9/20
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**	**7,947**	**7,875**	**7,169**	**6,576**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,504	1,468	1,420	1,385
3	*Stable deposits*	591	580	567	556
4	*Less stable deposits*	913	888	853	829
5	Unsecured wholesale funding	3,112	3,057	3,100	3,059
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	2,768	2,700	2,662	2,673
8	Unsecured debt	344	357	438	387
9	Secured wholesale funding	476	455	546	846
10	Additional requirements	1,884	1,775	1,703	1,643
11	Outflows related to derivative exposures and other collateral requirements	314	320	327	315
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	1,570	1,455	1,376	1,329
14	Other contractual funding	272	337	393	506
15	Other contingent funding obligations	375	332	301	263
16	**TOTAL CASH OUTFLOWS**	**7,623**	**7,425**	**7,463**	**7,702**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	807	676	789	1,078
18	Inflows from fully performing exposures	1,185	1,178	1,158	1,126
19	Other cash inflows	617	612	992	1,374
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—
EU-19b	(Excess inflows from a related Specialized credit institution)	—	—	—	—
20	**TOTAL CASH INFLOWS**	**2,610**	**2,466**	**2,938**	**3,578**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	2,610	2,466	2,938	3,578
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	7,947	7,875	7,169	6,576
22	TOTAL NET CASH OUTFLOWS	5,013	4,959	4,525	4,124
23	LIQUIDITY COVERAGE RATIO (%)	158.6875%	158.8105%	158.6595%	160.2874%

The table above[11] shows the quantitative information for the Group's Liquidity Coverage Ratio (LCR), measured in accordance with the EU regulations (in particular the CRR and CRD IV) reported monthly to the competent national supervisory authority (the indicator includes the prudential estimate of "additional liquidity outflows for other products and services" in compliance with Article 23 of Commission Delegated Regulation (EU) No. 2015/61). The data shown have been calculated as the simple average of month-end readings recorded in the twelve months prior to the end of each quarter. The average figure has been stable over time, and the ratio itself is at or around 159%, perfectly in line with the regulatory limits.

Template EU LIQ2: Net Stable Funding Ratio (1/2)

	(in currency amount)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	10,445,277	—	—	1,597,460	12,042,737
2	*Own funds*	10,445,277	—	—	1,233,946	11,679,223
3	*Other capital instruments*		—	—	363,514	363,514
4	Retail deposits		19,651,338	158,398	372,889	18,812,164
5	*Stable deposits*		12,208,281	1,975	595	11,600,338
6	*Less stable deposits*		7,443,057	156,423	372,294	7,211,826
7	Wholesale funding:		8,761,977	4,053,753	23,467,164	27,719,639
8	*Operational deposits*		—	—	—	—
9	*Other wholesale funding*		8,761,977	4,053,753	23,467,164	27,719,639
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	1,701,530	4,157,238	—	2,915,756	2,915,756
12	*NSFR derivative liabilities*	1,701,530				
13	*All other liabilities and capital instruments not included in the above categories*		4,157,238	—	2,915,756	2,915,756
14	**Total available stable funding (ASF)**					**61,490,296**

[11] The representation methodology has been revised, hence there may be differences compared to previous tables.

Template EU LIQ2: Net Stable Funding Ratio (2/2)

	(in currency amount)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					636,950
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,341,275	4,540,084
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		11,271,752	4,012,939	38,767,552	40,361,230
18	*Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut*		2,186,695	77,793	523,296	632,513
19	*Performing securities financing transactions with financial customer Collateralized by other assets and loans and advances to financial institutions*		3,216,462	270,634	3,905,075	4,363,588
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		3,807,985	2,820,429	22,107,163	28,711,255
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		2	2	10	5,009,804
22	*Performing residential mortgages, of which:*		343,048	287,408	5,334,681	—
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		343,048	287,408	5,334,681	—
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1,717,562	556,676	6,897,337	6,653,875
25	Interdependent assets		—	—	—	—
26	Other assets:		4,623,719	80,305	5,222,766	6,933,331
27	*Physical traded commodities*				—	—
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		576,414	—	171,353	635,602
29	*NSFR derivative assets*		—			—
30	*NSFR derivative liabilities before deduction of variation margin posted*		2,630,992			131,550
31	*All other assets not included in the above categories*		1,416,313	80,305	5,051,413	6,166,179
32	Off-balance sheet items		1,014,515	168,778	7,075,270	421,579
33	**Total RSF**					**52,893,174**
34	**Net Stable Funding Ratio (%)**					**116.2537%**

Table EU LIQ2 shows the quantitative information regarding the Group's Net Stable Funding Ratio (NSFR). The ratio is 116%, i.e. above the regulatory limit of 100%.

Other information on the LCR and NSFR

Although the indicator shows a sufficiently substantial level of highly liquid assets, it remains concentrated in Level 1 assets issued by sovereign entities. To mitigate this concentration level, the Mediobanca Group has added diversification at the level of issuer, holding securities issued by the Italian government, but also a large component of securities issued by the governments of other EU Member States.

As the LCR and NSFR indicators are included in Group Risk Appetite Framework, their sustainability is also analysed in preparing the Group Funding Plan, through future analysis over at least a three-year time horizon, with monitoring and half-yearly updates. In the same context, a multi-risk stress testing exercise is conducted, based on scenario analysis. A stress scenario is defined in which the Group could be involved, and its simultaneous impacts are assessed, taking account of the interrelations between risks and the Group's capability to adapt the business strategies defined in the budgeting process to the new reference situation.

In addition to ensuring a balanced funding structure in view of the planned fund applications, the Group Funding Plan serves to assess the capacity for accessing capital markets and to define a strategy for optimizing the cost of funding and diversifying it by product, duration and currency.

Contingency Funding Plan

Alongside the processes described above, a crisis event governance model has also been instituted, known as the Contingency Funding Plan (described in the Policy) which is approved by the Board of Directors.

The objective of the Contingency Funding Plan is to ensure prompt implementation of effective action to tackle a liquidity crisis, through precise identification of stakeholders, powers, responsibilities, communication procedures and reporting criteria, in order to increase the likelihood of coming through the state of emergency successfully. This objective is achieved primarily by activating an extraordinary operational and liquidity governance model, supported by consistent internal and external reporting and a series of specific indicators.

In order to identify a "contingency" state in timely manner, a system of early warning indicators (EWIs) has been prepared, to monitor situations that could lead to deterioration in the Group's liquidity position deriving from external factors and/or from situations which are specific to the Banking Group itself. The EWI system allows the reference operating scenario to be identified based on the type of crisis and its materiality, distinguishing between:

- State of normal operations;
- State of stress;

— State of crisis.

Each state has its own monitoring and internal communication processes to manage and resolve it. These processes are consistent with those provided for in the Recovery Plan and the Resolution Plan. The Contingency Plan identifies the actions to be taken to ensure the continuity of the Bank and to restore the liquidity position to within internal limits. Group Treasury identifies the most effective measures to be implemented based on the operating scenario, via qualitative and quantitative criteria, the latter in order to measure the effect of the risk mitigation which the action itself can generate over a given time horizon for each state.

Action may also be taken with the European Central Bank, such as increasing the collateral established for loans and/or cash withdrawals from deposits held with the ECB or actions to generate liquidity by acting on the Bank's assets.

Risk mitigation and management policies and ILAAP process

The liquidity risk mitigation factors adopted by the Mediobanca Group are as follow:

— An adequate level of high-quality, highly liquid assets to offset any mismatches, extended or otherwise;

— Precise short-term and long-term liquidity planning, alongside careful estimating and monitoring activity;

— A robust stress testing framework which is updated regularly;

— An efficient contingency funding plan to identify crisis states and the actions to be taken in such circumstances, *inter alia* through a reliable pre-alarm indicator system.

In application of Article 86 of Directive 2013/36/EU, the Mediobanca Group identifies, measures, manages and monitors liquidity risk as part of the internal liquidity adequacy assessment process (ILAAP). In this process, which constitutes an integral part of the supervisory authority's activities (Supervisory Review and Evaluation Process, or SREP), the Mediobanca Group carries out a self-assessment of its liquidity risk management and measurement from both a qualitative and quantitative perspective, identifying indicators capable of expressing clearly and effectively the Group's degree of solvency.[12] During 2020, the governing bodies of the Mediobanca Group approved the Liquidity Adequacy Statement (LAS), as part of the ILAAP, stating the adequacy of its liquidity risk management and liquidity position. It also highlighted the resilience of both the rules governing liquidity risk and the procedures that can be activated in the event of adverse stress scenarios actually materializing. Based on qualitative and quantitative analysis, the competent authority has been informed that the current and future liquidity position is consistent with the strategies and risk tolerance established by the governing bodies.

[12] In the next Liquidity Adequacy Statement (LAS), the set of indicators will be enriched in order to include the additional requirements made in Regulation (EU) No. 2021/637.

Misalignment of currencies in calculating the Liquidity Coverage Ratio

To manage and monitor the misalignment of currencies, the Group carries out regular checks to ascertain if the liabilities held in a given currency are equal to or higher than 5% of its total liabilities. If this limit, set by Regulation (EU) 575/2013, is breached for a given currency, it means that the currency concerned qualifies as "significant" and that the LCR must be calculated in that currency. As at 30 June 2021, the Mediobanca Group had two such "significant" currencies at consolidated level, namely the Euro (EUR) and the US Dollar (USD). Monitoring of possible currency misalignments between liquid assets and net cash outflows shows that the Group is easily capable of managing any such imbalances, partly through holding HQLA in USD, and in part as a result of its ability to tap the FX market easily in order to transform excess liquidity in EURO into USD.

Exposures in derivatives and potential requests for collateral

The Mediobanca Group executes derivative contracts (both with central counterparties and OTC) sensitive to different risk factors. Changes in market conditions, influencing potential future exposures to such derivative contracts, could introduce commitments in terms of liquidity which would require collateral to be paid in cash or other financial instruments in the event of adverse market movements occurring. The Historical Look Back Approach is adopted in order to quantify any increases in the collateral required. The amounts thus determined are included in the additional outflows for the LCR indicator, and so also in the minimum Liquidity Buffer. The risk of incurring such outflows is thus mitigated by holding highly liquid assets to cover them.

Concentration of liquidity and funding sources

The adequacy of the structure and cost of funding is assured through ongoing diversification. The Group's main sources of funding are: (i) deposits from the domestic retail market; (ii) funding from institutional clients, split between collateralized (secured financing transactions, covered bonds and ABS) and non-collateralized (debt securities, CD/CP, and deposits from institutional clients); and (iii) refinancing operations with the Eurosystem.

Description of liquidity reserves

Liquidity reserves are the most effective mitigation instrument against the negative effects of liquidity risk, which is precisely why the Group monitors its available liquidity reserves on an ongoing basis.

The Group uses various metrics to identify and calculate the liquidity reserves:

- LCR Liquidity Buffer: this is the reserve for the Liquidity Coverage Ratio, calculated as the sum of the market value/nominal value of the Bank's come High Quality Liquid Assets (HQLA);

— ECB eligible assets: these are assets accepted by the ECB in market refinancing operations;
— Other liquid assets: assets which the Group identifies as liquid and available to cover net outflows in the short/medium term, both in the normal course of business and in stress situations.

Section 7 – Credit risk

7.1 General information

Qualitative information

The Banking Group[13] (or, the "Group") is distinguished by its prudent approach to risk, which is reflected in the fact that its NPL levels are among the lowest seen in the Italian national and European panorama.[14] Its management of non-performing loans also helps to keep the level of them on the books low, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement activity, and negotiating restructuring agreements.

The Group uses a single definition for all the following instances: "default" as defined by the regulations on regulatory capital requisites; "non-performing", used for the supervisory reporting statistics; and Stage 3, or "credit-impaired", assets as defined by the accounting standards in force. In so doing, account has been taken of the provisions contained in the following documents: EBA Guidelines on the application of the definition of default (EBA/GL/2016/07), Commission Delegated Regulation (EU) 2018/171 of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018. In line with these principles, instances of assets which qualify as "non-performing" include:

- Exposures identified using the 90 days past due principle, based on which the regulations referred to above have standardized the calculation criteria in use at EU level (in particular with reference to the applicable materiality thresholds, and the irrelevance of which instalment in particular is established as being past due for purposes of the calculation);
- Cases in which the credit obligation has been sold, leading to material losses in relation to the credit risk;
- Distressed restructuring, i.e. restructuring the debt of a borrower who is in or is about to encounter difficulties in meeting their own financial obligations, that imply a significantly reduced financial obligation;

[13] The following subsidiaries of Group companies are excluded from the prudential scope of application: Compass RE (reinsurance business), Ricerche e Studi, Compass Rent and MB Contact Solutions (other companies).
[14] As at 30 June 2021 the Mediobanca Group had a Finrep Gross NPL ratio of 3.4%, well below the critical level of 5%, and a clear improvement on end-June 2020 (4%), confirming the Group's position as one of the best players on the Italian and European market (sources: EBA Transparency Exercise, June 2020, EBA Risk Dashboard 1Q 2021 (AQT_3.2)).

- Cases of bankruptcy or other systems of protection covering all creditors or all unsecured creditors, the terms and conditions of which have been approved by a judge in a court of law or another competent institution;
- Instances identified through other indicators of a borrower being unlikely to pay, such as the enforcement of guarantees, exceeding of given financial leverage ratios, negative evidence in information systems such as central credit databases, or the borrower's sources of income suddenly becoming unavailable.

The regulations referred to above have been applied on a voluntary basis by the Group since the reports issued on 30 September 2019, after authorization was received from the ECB for the AIRB segments.

Also of relevance in this connection are the recent guidelines issued by the regulatory and supervisory authorities in relation to the Covid-19 emergency.[15] This approach is structured according to the individual Group companies which, depending on the specific monitoring processes adopted, may choose to deploy methods for recording non-performing positions that have not yet reached 90 days overdue, or based on automatic algorithms. Equally, the accounting treatment used for non-performing loans depends on the specific characteristics of the individual companies' businesses, based on individual analysis or identification of clusters of similar positions.

At the monitoring stage the possibility of writeoffs is also considered in cases where part or all of the credit cannot be recovered. Such positions are written off even before legal action to recover the financial asset has been completed, and does not necessarily entail waiving legal entitlement to recover the credit.

Financial assets may be subject to contractual amendments based primarily on two different needs: to maintain a mutually satisfactory commercial relationship with clients, or to re-establish/improve the credit standing of a customer in financial difficulty, or about to become so, to help them meet the commitments they have entered into.

The former case, defined here as a commercial renegotiation, recurs at the point where the client might look to end the relationship, as a result of its own high credit standing and of favourable market conditions. In a situation such as this, changes can be made at the client's initiative or on a preventative basis with a view to maintaining the relationship with the client by improving the commercial terms offered, without having to forfeit a satisfactory return on the risk

[15] In particular the EBA Recommendations of 25 March 2020, "Public statement on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of Covid-19 measures", which require detailed reappraisal of the counterparty concerned before reclassifying moratoria (if a high number of moratoria have been granted with similar characteristics, automatic reclassification mechanisms should be avoided, and reclassifications made only on the basis of detailed analysis of the borrower's financial situation). The EBA also subsequently released "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" (subsequently amended on 2 December 2020), which outline the reasons why moratoria do not constitute forbearance measures or "distressed restructuring" to be categorized as default. Also significant is the ECB's position as stated on 20 March 2020 ("FAQs on ECB supervisory measures in reaction to the coronavirus"), according to which the use of a public guarantee in relation to the Covid-19 emergency is an indicator of default to be assessed with utmost flexibility.

taken and in compliance with the general strategic objectives set (e.g. in terms of target customers).

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client. In line with the EBA and ECB statements following the Covid-19 crisis, no automatic reclassification mechanisms have been applied following contractual amendments made under the terms of the immediate support programmes provided by law, category association arrangements, or equivalent initiatives offered independently by the Group itself.

For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of difficulty which can be traced to the accumulation, actual or potential (in the latter case if the concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, whereas certain predefined conditions apply in the case of consumer credit activities (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

7.1.1 Description of methodologies used to calculate loan loss provisions

Under IFRS 9 "Financial Instruments", assets which are recognized in the financial statements at (i.e. loans, debt securities and off-balance-sheet exposures) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for establishing the risk parameters to be used in calculating expected losses, subject to the regulatory indicators in particular being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g. in some cases reconverting the data to reflect a point-in-time approach). Under IFRS 9, expected losses are calculated from the product of the PD, LGD and EAD metrics. The calculation is based on the outstanding duration of the instruments for which there has been a significant increase in credit risk ("Stage 2") or which show objective signs of impairment ("Stage 3"), and on a time horizon of twelve months for the instruments not included in the previous two categories ("Stage 1"). For off-balance-sheet exposures, credit conversion factors are used to calculate the expected losses, derived from application of the internal models; if there are no specific models, the factors associated with the standard EAD calculation are used.

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate. As required by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for identifying positions to be classified as Stage 2. The Group has verified that twelve-month PD is a reasonable proxy of increases in risk on a lifetime basis, and monitors the validity of this assumption over time. The change in PD selected to determine reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

In line with the guidance issued by EBA, ECB, ESMA and IASB issued following the outbreak of the Covid-19 pandemic, automatic reclassification mechanisms have not been applied for contractual changes made in connection with the various support programmes made available by the law, category association measures or independent initiatives offered to clients by the Group itself.[16]

Both non-performing exposures and exposures for which the difficulties recorded are still compatible with their being treated as performing may be classified as forborne. However, as described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage 1. For this reason, the minimum periods of time that an exposure can be assigned "forborne" status stipulated in the regulations in force on supervisory statistical reporting are reflected in the prudent transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of exposures at Stage 2, the exposures in question cannot return to Stage 1 in less than two years, in line with the minimum duration of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot be returned to Stage 1 in less than three years, in line with the requirement for "non-performing forborne exposure" to retain this status for at least one year, followed (unless the non-performing status requires to be prolonged) by the minimum duration of two years for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply.

[16] See the following in particular:
-ESMA: Public Statement of 25 March 2020, "Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
-EBA: Public Statement of 25 March 2020, "Statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures";
-ECB: Letter from the Chair of the Supervisory Board to all Significant Institutions of 1 April 2020, "IFRS 9 in the context of the coronavirus (COVID-19) pandemic";
-IASB: Statement of 27 March 2020, "IFRS 9 and Covid-19: Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic".

Accordingly, the monitoring to detect any new needs for exposures to transition back to Stages 2 or 3 is no different from the monitoring reserved to exposures which have not moved from Stage 1. Nonetheless, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, for which, if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure concerned returns immediately to Stage 3 on prudential grounds.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months, or until the contractual expiry date of the relevant exposure, depending on which Stage it is classified in), discounted at the effective interest rate. The expected loss is the result of the combined valuation of three scenarios (baseline, mild-positive and mild-negative), weighted according to their likelihood of occurring (50%, 25% and 25% respectively). The scenarios, determined at Group level, are revised at least once every six months. In particular, the Group sets the estimates for the baseline scenario, compiling the economic variables using an external macroeconomic model which factors in the internal expectations for interest rates. Levels of deviation from the baseline scenario are established in order to determine the mild-negative and mild-positive scenarios; these deviations are obtained from historical analysis of trends in the macroeconomic parameters used in the risk parameter conditioning models, and the levels of variation compared to the base scenario are established using a 25% confidence level. In view of the economic recovery starting in 3Q 2020, after the recession peaked in the quarter before that, it was decided from as early as end-December 2020 to limit the use of the "spline" technique, applied at the balance-sheet date at end-June 2020, to the estimates provided by the models used in the IFRS 9 methodological framework (the so-called "satellite models"). In particular, the spline has been abandoned for the PD satellite model for the Wholesale portfolio, but has been maintained for the LGD satellite models for both the Banking and CheBanca! mortgage segments, the projections for which would otherwise have been unduly affected by excessive volatility; compared to the PD model, the LDG model is more sensitive to changes in the macroeconomic indicators, and so tends to be overly reactive in a scenario like the current one when, following an economic shock, a sudden return to the pre-crisis situation is likely.

As far as regards calculation of the ECL, sensitivity analysis has been carried out on performing exposures (Stage1 and Stage 2) in view of possible alternative macroeconomic scenarios, in order to assess how forward-looking factors might influence expected losses in different scenarios based on estimates consistent with the expected trends in macroeconomic factors. The number of possible interrelations between the individual macroeconomic factors is so high that sensitivity analysis of expected losses based on one of them is practically meaningless.

In particular, the impact of applying the risk indicators obtained as a result of applying the mild-negative and mild-positive scenarios on ECL has been estimated. The analysis covered the performing exposures in the Group's largest portfolios: the Wholesale loan book of Mediobanca S.p.A. and Mediobanca International, the CheBanca! loan book, consumer credit in Compass, factoring for MBFACTA, and leasing for SelmaBipiemme, for a total exposure of approximately 92% of the Group's total performing loans.[17] The impact deriving from the adoption of the mild-negative scenario (probability of occurrence 100%) results in an €22m increase in ECL (5% pre-overlay and 3% post-overlay). By contrast, adoption of the mild-positive scenario (probability of occurrence 100%) results in a reduction in ECL basically equivalent to the increase recorded in the unfavourable scenario. In terms of macroeconomic indicators, in the mild-negative and mild-positive scenarios the Italian GDP growth rate is 1.1% lower and 0.9% higher respectively (on average over the years of the projection) than the figures used in the baseline scenario. As far as regards the Italian unemployment rate, the figure used in the mild-negative scenario is (on average) some 0.5% higher than the one used in the baseline scenario, while it is approximately 0.4% lower in the mild-positive scenario. The analysis shows that the use of overlays adequately neutralizes the effects of possible volatility in the macroeconomic scenario.

7.1.2 Details by business segment

Corporate lending

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. At the analysis stage, all relevant documentation is obtained in order to appraise the borrower's credit standing and define the appropriate remuneration for the risk being assumed. The analysis also includes an assessment of the duration and amount of the loans being applied for, the provision of appropriate guarantees, and the use of covenants in order to prevent deteriorations in the counterparty's credit rating.

With reference to the correct application of Credit Risk Mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the collateral and financial guarantees have the maximum mitigating effects on the exposures.

[17] The analysis does not include the Private Banking segment (MBPB and CMB Monaco) or the MBCredit Solutions portfolio which, in terms of ECL, represent 0.6% of the Group's total performing loans.

For the assumption of credit risk, all counterparties are analysed and assigned an internal rating, assigned by the Risk Management unit on the basis of internal models which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned. Proposed transactions are also subject to the application of LGD models where appropriate.

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated and the policy for managing most significant transactions, through the different operating levels.

The Credit Risk Management unit also carries out a review of the ratings assigned to the counterparties at least once a year. Approved limits must also be confirmed by the approving body with the same frequency.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning methodology to identify a list of counterparties (known as the "watchlist") requiring in depth analysis on account of their potential or manifest weaknesses. The exposures identified are then classified by level of alert (amber or red for performing accounts, black for non-performing items) and are reviewed regularly to identify the most appropriate mitigation actions to be taken. The watchlist is also used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as "amber" or "red" for watchlist purposes. All forborne positions are also subject to specific monitoring.

Provisions are calculated individually for non-performing items and based on PD and LGD indicators for the performing portfolio. For individual provisioning, valuations based on discounted cash flows and balance-sheet multiples are applied to businesses which constitute going concerns, while asset valuations are used for companies in liquidation. For provisioning in respect of performing loans, the PD parameters are obtained starting from through-the-cycle matrices used to develop the internal rating model, which are then converted to point-in-time versions. The LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The forward-looking component of the models is factored in by applying the macroeconomic scenarios defined internally to the risk indicators. The criteria for classification to Stage 2 include the quantitative criterion of deterioration in the PD beyond a certain level, plus the requirement of a minimum number of notches downgrade[18] between the date on which the asset was originated and the reporting date. Revisions to the classification of single names are also possible, based on internal decisions supported by individual analysis.

18 One notch if the rating at the reference date is lower than or equal to BB-, two notches if higher (investment grade ratings are always classified as Stage 1 for Low Credit Risk Exemption).

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of company).

The activities of analysis, disbursement, monitoring, and credit risk control are significantly supported by the company's information system; the asset being leased is also subject to a technical assessment.

With a view to aligning risk management with the current complex financial and market scenario, the approval rights have also been revised and the measurement and control processes enhanced through the institution of regular valuations of performing loans, including from an early warning (i.e. watch list) perspective. Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned.

The quantification of provisions for non-performing accounts requires individual analysis to establish the estimated loss, taking into account inter alia the value of the assets resulting from regularly updated expert valuations, revised downwards on a prudential basis, and/or any other form of collateral. Scenarios for sales strategies are also factored in. The portfolio of performing accounts is measured on the basis of internal PD and LGD parameters. To define the PD parameters, through-the-cycle transition matrices for the management models based on internal data are used, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally. The LGD estimates for the exposures differ according to type of product (vehicle leasing, core goods, yachts and property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

In terms of criteria for reclassification of leases to Stage 2, in addition to the positions identified using the quantitative criterion of an increase in the PD, the evidence obtained from the Parent Company's watchlist for corporate clients is used as qualitative information. Contracts which were already showing signs of weakness when the moratoria were granted are also classified as Stage 2; such signs include amounts overdue by more than the regulatory threshold, having been past due for 30 consecutive days in the previous twelve months, having already been classified as Stage 2 or Stage 3, and/or having been included in the watchlist (classified as Red or Amber), at the end of each quarter of the financial year, and all moratoria granted by law for which an extension until 31

December 2021 has been granted under the terms of the "*Sostegni-bis*" decree that would otherwise have been classified as Stage 1.

Consumer credit

Consumer credit operations are performed primarily by Compass Banca, where applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit bureaux. Points of sale are linked electronically to the company's headquarters, to ensure that applications and credit scoring results are processed and transmitted swiftly. Under the system of powers for approval assigned by the company's Board of Directors, for increasing combinations of amount and expected loss, approval is required by the relevant bodies at headquarters, in accordance with the authorization levels established by the Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action. After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been established, accounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of PD, LGD and CCF metrics which are estimated using internal models. To estimate the PD parameters, the through-the-cycle transition matrices based on management models are used. The matrices have been calculated separately by product type, according to the specific internal management process involved (e.g. credit cards, special purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed finance to public entities, private individuals or pensioners). The forward-looking component is factored in using a specific macroeconomic model based on scenarios internal to the Group. The LGD parameters are defined based on the internal models estimated on the basis of internal rates of recovery experienced.

In consumer credit, in addition to the quantitative criterion based on changes in the PD, specific quality indicators are used to classify exposures as Stage 2, such as the existence of suspension measures, the existence of other non-performing accounts for the same borrower, and evidence of irregularities in payment in the recent past.

Positions for which moratoria have been granted in connection with Covid-19 form an exception to the general rule whereby the existence of suspension measures would automatically lead to a position being classified as Stage 2. For such positions, a quantitative criterion has been introduced instead, namely a change in the PD (SICR), applied to all exposures that have undergone a change in their rating compared to origination; such SICR criterion is no different to the one applied to any performing exposure, and the Compass rating models being so reactive to instances of non-payment (due either to non-performance or suspension) leads naturally to an increase in the PD and a significant migration of positions which have had Covid-related suspensions in the past twelve months to Stage 2.

Factoring

Factoring, a business in which MBFACTA specializes, includes both traditional factoring (i.e. acquisition of short-term trade receivables, often backed by insurance cover) and instalment factoring (acquiring loans from the selling counterparty, to be repaid via monthly instalments by the borrowers whose accounts have been sold, which in virtually all cases is a retail customer).

For traditional factoring, the internal units appraise the solvency of the sellers and the original borrowers via individual analysis using methodologies similar to those adopted for corporate lending, whereas for instalment factoring the acquisition price is calculated following due statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, costs and margins.

Non-performing exposures to corporate counterparties are quantified analytically, while non-performing exposures to retail counterparties are based on the identification of clusters of exposures with similar characteristics. The portfolio of performing assets is valued on the basis of PD and LGD parameters. PD parameters are defined by using the revised parameters supplied by external providers or internal estimates based on the retail portfolio. For transactions valued by Mediobanca S.p.A. as part of its corporate business, the parameters set in the parent company's process apply. The evidence obtained from the parent company's watchlist for corporate clients is also used as qualitative information for allocation to Stage 2, which includes counterparties classified as "amber" or "red".

NPL business

This business is performed by MBCredit Solutions, which operates on the NPLs market, acquiring non-performing loans on a no recourse basis at a price well below the nominal value. Credit risk is

managed by a series of consolidated regulations, structures and instruments in line with the Group policies. The company pursues the objective of splitting up the client portfolio according to selective criteria which are consistent with the objectives in terms of capital and risk/return indicated to it by Mediobanca S.p.A.

The purchase price for the non-performing loans is determined by following well-established procedures which include appropriate sample-based or statistical analysis of the positions being sold, and take due account of projections of expected amounts recovered, expenses and margins. At each annual or interim reporting date the amounts expected to be collected for each individual position are compared systematically with the amounts actually collected. If losses are anticipated at the operating stages, the collection is adjusted downwards on an individual basis. If there is objective evidence of possible losses of value due to the future cash flows being overestimated, the flows are recalculated and adjustments charged as difference between the scheduled value at the valuation date (amortized cost) and the discounted value of the cash flows expected, which are calculated by applying the original effective interest rate. The estimated cash flows take account of the expected collection times, the assumed realizable value of any guarantees, and the costs which it is considered will have to be incurred in order to recover the credit exposure.

Private Banking

Private banking operations include granting loans as a complementary activity in serving affluent, high net worth and institutional clients, with the aim of providing them with wealth management and asset management services. Exposure to credit risk versus clients takes various forms, such as cash loans (by granting credit on current account or through short-, medium- or long-term loans), authorizing overdrafts on current account, endorsements, mortgages and credit limits on credit cards.

Loans themselves are normally backed by collateral or guarantees (pledges over the client's financial instruments, assets under management or administration, mortgages over properties or guarantees issued by other credit institutions).

Lending activity is governed through operating powers which require the proposed loan to be assessed at various levels of the organization, with approval by the appointed bodies according to the level of risk being assumed based on the size of the loan, guarantees/collateral and the type of finance involved. Such loans are reviewed on a regular basis.

Provisioning for all non-performing contracts is made on an individual basis, and takes into account the value of the collateral. Provisions set aside in respect of the performing loan book are

based on the estimated PD and LGD values supplied by external providers, distinguished by counterparty and whether or not there are guarantees. The LGD values used differ according on the type of collateral and guarantees involved. The evidence obtained from the parent company's watchlist for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "amber" or "red".

Mortgage lending

Mortgage lending is provided primarily by CheBanca!, and processing and approval exposures in this area are performed centrally at head office. The applications are approved, using an internal rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly assessed.

Properties established as collateral are subject to a statistical revaluation process which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert. A new valuation is generally requested for properties established as collateral for positions which have become non-performing.

Accounts, both regular and irregular, are monitored through a reporting system which allows operators to monitor the trend in the asset quality and, with the help of the appropriate indicators, to enter positions at risk, to ensure that the necessary corrective action can be taken versus the credit policies.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. In cases where a borrower becomes insolvent (or in fundamentally similar situations), the property enforcement procedures are initiated through external lawyers. Internal procedures requires that cases with four or more unpaid instalments (not necessarily consecutive), cases with persistent irregularities, concessions generating a reduction of more than 1% in the financial obligation, and cases which, based on internal or external information (e.g. central databases, public and/or private), the unit responsible assesses should be classified as unlikely to pay. Exposures are classified as bad loans once the ineffectiveness of the recovery actions has been ascertained.

Exposures for which concessions have been granted are defined as forborne exposures, i.e. exposures subject to tolerance measures, performing or non-performing for which CheBanca! grants amendments to the original terms and conditions of the contract in the event of the

borrower finding itself in a state (proven or assumed) of financial difficulty, by virtue of which it is considered to be unlikely to be able to meet its borrowing obligations fully or regularly.

The use of moratoria granted by public institutions or at the individual bank's own initiative due to external causes of illiquidity, potential or actual, such as the Covid-19 emergency, is considered to be an indicator of temporary economic difficulty. This kind of support does not qualify as a forbearance measure; however, if there is information on the borrower, or their employer, which provides a more accurate picture of the borrower's financial difficulties, the moratorium may be treated as a forbearance measure. Specific monitoring has been instituted for such positions, which is performed by the Monitoring and Credit Recovery division, to assess whether the position concerned should be reclassified as forborne and/or unlikely to pay, plus the use of specific criteria (such as nine months' suspension).

Provisioning is determined analytically for bad loans and based on clusters of similar positions for unlikely to pay, other overdue and performing accounts. The analytical provision for bad loans takes account of expert valuations of the assets (deflated on a prudential basis) as well as the timing and costs of the recovery process. The PD parameters are obtained starting from through-the-cycle matrices used to develop the internal model, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally to the PD estimates. The LGD parameters are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The inclusion of forward-looking elements in this case is based on satellite models applied to the macroeconomic scenarios defined internally.

For performing loans which still have active moratoria, a specific PD multiple has also been introduced, in view of the increased risk expected for this segment. It should also be noted that a qualitative identification factor is also used for mortgage loans to be classified as Stage 2, namely if the loan in question has been assigned worst internal rating class prior to default.

7.1.3 Exposure to sovereign credit risk

The banking book securities portfolio is worth a total of €5.4bn and chiefly consists of financial instruments with Italy country risk (65%, or €3.5bn); the remainder is invested in German government securities (17%) plus a further 7% in bonds issued by the Spanish and US governments. The average duration outstanding on the portfolio is three years.

The trading book consists of securities involved in short selling (that is to say, the sale of a security without owing the asset), conventionally indicated with the minus sign. These include exposures to German and French debt as part of secured funding transactions, i.e. funding raised by the entity from the spot sale of another entity's instrument via an unsecured securities stock lending transaction.

Quantitative information

Template EU CR1 - Performing and non-performing exposures and related provisions (1/3)

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			of which stage 1	of which stage 2		of which stage 2	of which stage 3
005	**Cash balances at central banks and other demand deposits**	3,389,955	3,389,955	—	—	—	—
010	**Loans and advances**	52,647,301	48,242,377	3,764,357	1,981,250	—	1,590,512
020	*Central banks*	—	—	—	—	—	—
030	*General governments*	409,455	401,381	8,074	2,601	—	2,601
040	*Credit institutions*	3,371,335	3,371,335	—	—	—	—
050	*Other financial corporations*	6,547,357	5,851,880	65,658	12,971	—	5,919
060	*Non-financial corporations*	16,296,284	15,340,327	945,209	410,406	—	357,232
070	*of which SMEs*	1,121,141	903,312	217,829	151,025	—	99,117
080	*Households*	26,022,870	23,277,454	2,745,416	1,555,272	—	1,224,760
090	**Debt securities**	6,922,273	6,829,443	13,092	—	—	—
100	*Central banks*	—	—	—	—	—	—
110	*General governments*	5,381,378	5,381,090	—	—	—	—
120	*Credit institutions*	559,568	559,568	—	—	—	—
130	*Other financial corporations*	680,730	588,188	13,092	—	—	—
140	*Non-financial corporations*	300,597	300,597	—	—	—	—
150	**Off-balance-sheet exposures**	14,928,880	14,501,769	275,648	2,851	—	2,851
160	*Central banks*	—	—	—	—	—	—
170	*General governments*	3,191,105	3,191,105	—	—	—	—
180	*Credit institutions*	9,789	9,784	—	—	—	—
190	*Other financial corporations*	1,832,669	1,677,081	82,852	—	—	—
200	*Non-financial corporations*	7,466,297	7,293,012	163,214	1,081	—	1,081
210	*Households*	2,429,020	2,330,787	29,582	1,770	—	1,770
220	**Total as at 30 June 2021**	**77,888,409**	**72,963,544**	**4,053,097**	**1,984,101**	**—**	**1,593,363**

Template EU CR1 - Performing and non-performing exposures and related provisions (2/3)

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which stage 1	of which stage 2		of which stage 2	of which stage 3
005	**Cash balances at central banks and other demand deposits**	(436)	(436)	—	—	—	—
010	**Loans and advances**	(656,614)	(290,394)	(366,220)	(1,037,330)	—	(1,030,330)
020	*Central banks*	—	—	—	—	—	—
030	*General governments*	(5,549)	(951)	(4,598)	(733)	—	(733)
040	*Credit institutions*	(1,332)	(1,332)	—	—	—	—
050	*Other financial corporations*	(19,572)	(17,241)	(2,331)	(10,001)	—	(3,365)
060	*Non-financial corporations*	(104,360)	(66,619)	(37,741)	(154,341)	—	(154,091)
070	*of which SMEs*	(12,160)	(4,000)	(8,160)	(40,393)	—	(40,143)
080	*Households*	(525,801)	(204,251)	(321,550)	(872,255)	—	(872,141)
090	**Debt securities**	(15,742)	(15,278)	(464)	—	—	—
100	*Central banks*	—	—	—	—	—	—
110	*General governments*	(5,956)	(5,956)	—	—	—	—
120	*Credit institutions*	(4,540)	(4,540)	—	—	—	—
130	*Other financial corporations*	(3,169)	(2,705)	(464)	—	—	—
140	*Non-financial corporations*	(2,077)	(2,077)	—	—	—	—
150	**Off-balance-sheet exposures**	(26,971)	(21,793)	(4,881)	(184)	—	(184)
160	*Central banks*	—	—	—	—	—	—
170	*General governments*	(98)	(98)	—	—	—	—
180	*Credit institutions*	—	—	—	—	—	—
190	*Other financial corporations*	(3,763)	(2,250)	(1,513)	—	—	—
200	*Non-financial corporations*	(15,055)	(12,369)	(2,686)	(34)	—	(34)
210	*Households*	(8,055)	(7,076)	(682)	(150)	—	(150)
220	**Total as at 30 June 2021**	**(699,763)**	**(327,901)**	**(371,565)**	**(1,037,514)**	**—**	**(1,030,514)**

MEDIOBANCA

Template EU CR1 - Performing and non-performing exposures and related provisions (3/3)

		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
005	**Cash balances at central banks and other demand deposits**	—	—	—
010	**Loans and advances**	(5,681)	24,174,870	290,916
020	*Central banks*	—	—	—
030	*General governments*	—	395	5
040	*Credit institutions*	—	2,624,021	—
050	*Other financial corporations*	—	3,963,135	2,470
060	*Non-financial corporations*	(5,646)	4,995,901	169,091
070	*of which SMEs*	(1,345)	944,886	61,385
080	*Households*	(35)	12,591,418	119,350
090	**Debt securities**	—	—	—
100	*Central banks*	—	—	—
110	*General governments*	—	—	—
120	*Credit institutions*	—	—	—
130	*Other financial corporations*	—	—	—
140	*Non-financial corporations*	—	—	—
150	**Off-balance-sheet exposures**		2,340,993	57
160	*Central banks*		—	—
170	*General governments*		—	—
180	*Credit institutions*		—	—
190	*Other financial corporations*		470,345	—
200	*Non-financial corporations*		1,240,541	—
210	*Households*		630,107	57
220	**Total as at 30 June 2021**	**(5,681)**	**26,515,863**	**290,973**

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	2,825,704	9,911,631	21,745,312	18,451,823	137	52,934,607
2	Debt securities	—	1,402,908	4,190,283	1,298,491	14,849	6,906,531
3	**Total as at 30 June 2021**	**2,825,704**	**11,314,539**	**25,935,595**	**19,750,314**	**14,986**	**59,841,138**

Template EU CR2 - Changes in the stock of non-performing loans and advances

		30/6/21
		a
		Gross carrying amount
1	**Initial stock of non-performing loans and advances**	**2,312,982**
2	Inflows to non-performing portfolios	584,664
3	Outflows from non-performing portfolios	(916,396)
4	Outflow due to write-off	(101,528)
5	Outflow due to other situations	(814,868)
6	**Final stock of non-performing loans and advances**	**1,981,250**

It should be noted that the above table has been obtained from Finrep Tables F18.00 Performing and non-performing exposures and F18.1 Inflows and outflows of non-performing exposures – loans and advances by counterparty sector. The table refers exclusively to loans and advances and does not include assets being sold or debt securities.

Template EU CR2a - Changes in the stock of non-performing loans and advances and related net accumulated recoveries

Table not applicable for Mediobanca as the NPL ratio < 5%.

MEDIOBANCA

Template EU CQ1 - Credit quality of forborne exposures (1/2)

		A	B	c	d
		Gross carrying amount/nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		
				of which defaulted	of which impaired
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	803,794	669,898	669,898	663,262
020	*Central banks*	—	—	—	—
030	*General governments*	—	—	—	—
040	*Credit institutions*	—	—	—	—
050	*Other financial corporations*	18,240	6,976	6,976	340
060	*Non-financial corporations*	212,512	248,072	248,072	248,072
070	*Households*	573,042	414,850	414,850	414,850
080	Debt securities	—	—	—	—
090	Loan commitments given	17,067	—	—	—
100	**Total as at 30 June 2021**	**820,861**	**669,898**	**669,898**	**663,262**

Template EU CQ1 - Credit quality of forborne exposures (2/2)

		e	F	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	(63,616)	(382,353)	700,487	158,027
020	*Central banks*	—	—	—	—
030	*General governments*	—	—	—	—
040	*Credit institutions*	—	—	—	—
050	*Other financial corporations*	(858)	(6,826)	17,408	150
060	*Non-financial corporations*	(7,657)	(103,605)	256,533	109,503
070	*Households*	(55,101)	(271,922)	426,546	48,374
080	Debt securities	—	—	—	—
090	Loan commitments given	(264)	—	14,061	—
100	**Total as at 30 June 2021**	**(63,880)**	**(382,353)**	**714,548**	**158,027**

Template EU CQ2 - Quality of forbearance

Table not applicable for Mediobanca as NPL ratio < 5%.

MEDIOBANCA

Template EU CQ3 - Credit quality of performing and non performing exposures by past due days (1/2)

		a	b	c
		Gross carrying amount/nominal amount		
		Performing exposures		
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
005	Cash balances at central banks and other demand deposits	3,389,955	3,389,955	—
010	Loans and advances	52,647,301	52,531,791	115,510
020	*Central banks*	—	—	—
030	*General governments*	409,455	401,998	7,457
040	*Credit institutions*	3,371,335	3,371,335	—
050	*Other financial corporations*	6,547,357	6,544,494	2,863
060	*Non-financial corporations*	16,296,284	16,257,011	39,273
070	*of which SMEs*	1,121,141	1,108,222	12,919
080	*Households*	26,022,870	25,956,953	65,917
090	Debt securities	6,922,273	6,922,273	—
100	*Central banks*	—	—	—
110	*General governments*	5,381,378	5,381,378	—
120	*Credit institutions*	559,568	559,568	—
130	*Other financial corporations*	680,730	680,730	—
140	*Non-financial corporations*	300,597	300,597	—
150	Off-balance-sheet exposures	14,928,880		
160	*Central banks*	—		
170	*General governments*	3,191,105		
180	*Credit institutions*	9,789		
190	*Other financial corporations*	1,832,669		
200	*Non-financial corporations*	7,466,297		
210	*Households*	2,429,020		
220	**Total as at 30 June 2021**	**77,888,409**	**62,844,019**	**115,510**

Template EU CQ3 - Credit Quality of performing and non-performing exposures by past due days (2/2)

		d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount								
		Non-performing exposures								
			Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—	—
010	Loans and advances	1,981,250	565,820	116,649	214,258	287,536	646,613	63,651	86,723	1,981,250
020	*Central banks*	—	—	—	—	—	—	—	—	—
030	*General governments*	2,601	1,107	116	216	457	413	16	276	2,601
040	*Credit institutions*	—	—	—	—	—	—	—	—	—
050	*Other financial corporations*	12,971	227	22	8	102	10,446	7	2,159	12,971
060	*Non-financial corporations*	410,406	214,164	15,310	54,920	12,390	77,516	5,987	30,119	410,406
070	*of which SMEs*	151,025	44,669	13,043	2,418	6,747	59,274	3,201	21,673	151,025
080	*Households*	1,555,272	350,322	101,201	159,114	274,587	558,238	57,641	54,169	1,555,272
090	Debt securities	—	—	—	—	—	—	—	—	—
100	*Central banks*	—	—	—	—	—	—	—	—	—
110	*General governments*	—	—	—	—	—	—	—	—	—
120	*Credit institutions*	—	—	—	—	—	—	—	—	—
130	*Other financial corporations*	—	—	—	—	—	—	—	—	—
140	*Non-financial corporations*	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	2,851								2,851
160	*Central banks*	—								—
170	*General governments*	—								—
180	*Credit institutions*	—								—
190	*Other financial corporations*	—								—
200	*Non-financial corporations*	1,081								1,081
210	*Households*	1,770								1,770
220	**Total as at 30 June 2021**	**1,984,101**	**565,820**	**116,649**	**214,258**	**287,536**	**646,613**	**63,651**	**86,723**	**1,984,101**

Template EU CQ4 - Quality of non-performing exposures by geography (1/2)

		a	b	c	d
		Gross carrying/nominal amount			Accumulated impairment
			of which: non-performing		
				of which: defaulted	
010	**On-balance-sheet exposures**	**61,550,823**	**1,981,250**	**1,981,250**	**60,823,883**
020	Italy	45,998,287	1,866,924	1,866,924	45,357,791
030	France	3,292,774	56,549	56,549	3,285,222
040	UK	1,956,420	6,451	6,451	1,929,011
050	Germany	1,787,933	605	605	1,787,933
060	United States of America	1,522,704	628	628	1,522,704
070	Monaco	1,375,527	451	451	1,375,527
	Other countries	5,617,178	49,642	49,642	5,565,695
080	**Off-balance-sheet exposures**	**14,931,731**	**2,851**	**2,851**	
090	Italy	7,982,335	2,170	2,170	
100	France	1,502,942	—	—	
110	UK	431,858	—	—	
120	Germany	392,538	—	—	
130	United States of America	702,857	—	—	
140	Monaco	305,886	—	—	
	Other countries	3,613,315	681	681	
150	**Total as at 30 June 2021**	**76,482,554**	**1,984,101**	**1,984,101**	**60,823,883**

Template EU CQ4 - Quality of non-performing exposures by geography (2/2)

		e	f	g
		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
010	**On-balance-sheet exposures**	**(1,703,050)**		**(6,636)**
020	Italy	(1,599,432)		(6,636)
030	France	(26,366)		—
040	UK	(12,326)		—
050	Germany	(4,339)		—
060	United States of America	(16,520)		—
070	Monaco	(1,357)		—
	Other countries	(42,710)		—
080	**Off-balance-sheet exposures**		**(27,155)**	
090	Italy		(15,066)	
100	France		(1,713)	
110	UK		(2,087)	
120	Germany		(1,474)	
130	United States of America		(1,085)	
140	Monaco		(88)	
	Other countries		(5,642)	
150	**Total as at 30 June 2021**	**(1,703,050)**	**(27,155)**	**(6,636)**

Template EU CQ5 - Credit quality of loans and advances by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	29,155	1,122	1,122	29,155	(871)	—
020	Mining and quarrying	17,877	82	82	17,877	(130)	—
030	Manufacturing	4,317,908	130,239	130,239	4,317,909	(100,730)	—
040	Electricity, gas, steam and air conditioning supply	789,404	141	141	786,209	(2,983)	—
050	Water supply	93,236	2,016	2,016	93,236	(1,561)	—
060	Construction	576,514	27,519	27,519	576,514	(13,312)	—
070	Wholesale and retail trade	1,581,839	80,027	80,027	1,581,839	(39,390)	—
080	Transport and storage	950,090	7,471	7,471	950,090	(7,834)	—
090	Accommodation and food service activities	273,668	7,568	7,568	273,668	(6,198)	—
100	Information and communication	1,330,890	11,789	11,789	1,330,890	(9,534)	—
110	Financial and insurance activities	1,294,580	4,433	4,433	1,294,580	(9,967)	—
120	Real estate activities	1,564,570	94,978	94,978	1,564,571	(37,738)	—
130	Professional, scientific and technical activities	2,418,891	3,934	3,934	2,411,338	(16,154)	—
140	Administrative and support service activities	1,130,418	7,957	7,957	1,130,418	(7,988)	—
150	Public administration and defence, compulsory social security	—	—	—	—	—	—
160	Education	3,326	161	161	3,326	(115)	—
170	Human health services and social work activities	141,523	694	694	141,523	(1,453)	—
180	Arts, entertainment and recreation	43,655	2,152	2,152	43,655	(600)	—
190	Other services	149,145	28,123	28,123	149,143	(2,143)	—
200	**Total as at 30 June 2021**	**16,706,689**	**410,406**	**410,406**	**16,695,941**	**(258,701)**	**—**

Template EU CQ6 - Collateral valuation – loans and advances

Table not applicable for Mediobanca as NPL ratio < 5%.

Template EU CQ7- Collateral obtained by taking possession and execution processes

		30/6/21	
		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	76	(3)
020	Other than PP&E	65,854	(19,235)
030	*Residential immovable property*	—	—
040	*Commercial Immovable property*	65,854	(19,235)
050	*Movable property (auto, shipping, etc.)*	—	—
060	*Equity and debt instruments*	—	—
070	*Other*	—	—
080	**Total**	**65,930**	**(19,238)**

Template EU CQ8 - Collateral obtained by taking possession and execution processes - vintage breakdown

Table not applicable for Mediobanca as NPL ratio < 5%.

Exposures for which moratoria have been granted

The EBA Guidelines (EBA/GL/2020/07) came into force in June 2020 to provide consistent monitoring at EU level of the moratoria granted by financial institutions to support clients in response to the crisis unleashed by the Covid-19 pandemic. To this end, the guidelines require institutions to publish reporting once every six months (starting from 30 June 2020) on the following:

1) Loans subject to legislative and non-legislative moratoria on loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);

2) Loans subject to forbearance measures applied as a result of the Covid-19 crisis;

3) New loans guaranteed by the state or another public entity.

The three new tables based on the models provided in Annex 3 of the EBA Guidelines (EBA 2020/07) are shown below.

The EBA Guidelines set out the criteria according to which moratoria are classified as "general payment moratoria" and the correct prudential treatment for the exposures covered by such moratoria, both legislative and non-legislative. They clarify in particular that the granting of a moratorium does not automatically trigger reclassification of an exposure as forborne (whether

performing or non-performing), unless the exposure was already classified as such before the moratorium was granted.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria (1/2)

The table below shows an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/07, EBA/GL/2020/02). They include only exposures for which moratoria have been granted that have not yet empire, i.e. they do not include those that have already been paid off, for which the payment relief period has now ended.

		a	b	c	d	e	f	g
		Gross carrying amount						
			Performing			Non-performing		
				of which: exposures with forbearance measures	of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		of which: exposures with forbearance measures	of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	Loans and advances subject to moratorium	84,748	81,623	64,798	71,790	3,125	3,061	2,649
2	of which: Households	84,729	81,604	64,778	71,771	3,125	3,061	2,649
3	of which: Collateralized by residential immovable property	77,307	74,394	63,829	66,192	2,913	2,869	2,437
4	of which: Non-financial corporations	—	—	—	—	—	—	—
5	of which: Small and Medium-sized Enterprises	—	—	—	—	—	—	—
6	of which: Collateralized by commercial immovable property	—	—	—	—	—	—	—

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria (2/2)

		h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non-performing			
				of which: exposures with forbearance measures	of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		of which: exposures with forbearance measures	of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	(4,073)	(3,030)	(2,032)	(2,923)	(1,043)	(1,027)	(898)	75
2	of which: Households	(4,068)	(3,025)	(2,027)	(2,919)	(1,043)	(1,027)	(898)	75
3	of which: Collateralized by residential immovable property	(2,910)	(1,990)	(1,836)	(1,983)	(920)	(912)	(775)	46
4	of which: Non-financial corporations	—	—	—	—	—	—	—	—
5	of which: Small and Medium-sized Enterprises	—	—	—	—	—	—	—	—
6	of which: Collateralized by commercial immovable property	—	—	—	—	—	—	—	—

Moratoria outstanding at 30 June 2021 qualifying as "EBA compliant"[19] represent total loans of €84.8m, and in the majority of cases involve payments of both principal amount and interest. Two-thirds of the moratoria still outstanding expire by or on 31 December 2021. The majority of the moratoria granted to households involve CheBanca! mortgage loans.

The amounts stated in the table are well below the total recorded at end-December 2020 (€929m) due to the effect of the agreed suspension periods naturally expiring and because of certain positions ceasing to meet the requirements in order to quality as "EBA-compliant" (primarily

[19] Since the original version of the EBA Guidelines was issued on 2 April 2020, the changes made to the prudential framework on 2 December 2020 extended the period within which "EBA-compliant" moratoria could be originated until 31 March 2021, but also introduced the restriction whereby clients which had benefited from a total of nine months or more suspension of their repayments were excluded.

the limitation within nine months of the overall suspension period agreed), which mainly regards the moratoria granted under Article 56 of the "Cura Italia" Decree.

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (1/2)

The table below shows a breakdown of the exposures subject to moratoria granted in accordance with the EBA Guidelines (EBA/GL/2020/02). It therefore includes also exposures for which the suspension period has ended or which over time have ceased to qualify as EBA-compliant.

		a	b	c	D
		Number of obligors	Gross carrying amount		
				of which: legislative moratoria	of which: expired
1	Loans and advances for which moratorium was offered	91,088	2,105,383		
2	Loans and advances subject to moratorium (granted)	81,329	1,964,977	1,069,332	1,880,229
3	of which: Households		1,371,481	491,311	1,286,752
4	of which: Collateralized by residential immovable property		598,141	446,441	520,834
5	of which: Non-financial corporations		590,787	575,471	590,787
6	of which: Small and Medium-sized Enterprises		405,747	399,167	405,747
7	of which: Collateralized by commercial immovable property		369,576	355,745	369,576

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (2/2)

		e	f	g	h	I
		Gross carrying amount				
		Residual maturity of moratoria				
		<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered					
2	Loans and advances subject to moratorium (granted)	39,885	16,503	27,856	504	—
3	of which: Households	39,885	16,484	27,856	504	—
4	of which: Collateralized by residential immovable property	32,837	16,299	27,667	504	—
5	of which: Non-financial corporations	—	—	—	—	—
6	of which: Small and Medium-sized Enterprises	—	—	—	—	—
7	of which: Collateralized by commercial immovable property	—	—	—	—	—

Since the start of the Covid-19 emergency, the Mediobanca Group has granted moratoria qualifying as "EBA compliant" in connection with the legal and/or sector initiatives on loans worth a total amount of €1,965m. At end-June 2021, the majority of the exposures concerned (€1,880.2m, shown in the column headed "Expired") is no longer subject to any form of suspension that meets the EBA requirements (as in the case of the moratoria granted under Article 56 of the "Cura Italia" Decree referred to above) or alternatively has reached the end of the payment suspension period.

At end-June 2021 loans for which suspensions were still applicable, including also those for which the moratoria reached their term on 30 June 2021 but for which payment will recommence in the subsequent months based on their repayment schedules, amount to €721.4m[20], €568.8m governed by the "Cura Italia" Decree as amended. Of the combined €721.4m in moratoria still outstanding at 30 June 2021 only €84.8m qualify officially as EBA-compliant, while the others are excluded from the prudential definition; of these (€636.6m):

— 51% involve suspensions granted under legal initiatives introduced by Article 56 (42%) and Article 54 (9%) with durations of over nine months or granted since 31 March 2021;

— 33% involve suspensions granted under Article 54 and Article 56, with ABI/Assofin moratoria excluded due to the use of a different convention to define "expired" (the definition used by

[20] The figure of €721.4m has been calculated including positions for which suspensions had been granted that have reached the expiry date of 30 June but for which the repayment schedule provides for payments to resume in the months after that date, as well as those granted under legal or category association initiative (i.e. regardless of whether or not they qualify as "EBA-compliant").

the Mediobanca Group is more conservative than the EBA convention, as the moratoria are considered to have expired only once the repayment schedule has been resumed);

— 16% refer to support programmes for customers launched as private initiatives by CheBanca![21] , SelmaBipiemme[22] and Compass[23] which do not meet the requisites set by the legislative decree ("Cura Italia" Decree, Articles 54 and 56) or the category association initiatives (ABI/Assofin).

[21] Moratoria granted to clients who for objective or subjective reasons are unable to access the Consap moratoria (e.g. amounts of above €400,000, or mortgages not for first houses) or the "Families - 21/04/2020" initiative promoted by ABI (e.g. because they have taken out insurance for the loan).
[22] Moratoria granted to companies that do not qualify to access the measures provided by Italian Decree Law no. 18 of 17 March 2020 or the ABI "Business in Recovery 2.0" initiative but which have been impacted by the Covid-19 pandemic emergency.
[23] Under the Assofin Covid-19 moratoria, instalments can be suspended for up to six months, but shorter durations may be provided in agreement with the client. The suspension may involve the whole instalment or only the principal amount, at the lender's discretion.

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The table below shows an overview of the stock of newly-originated loans supported by government-issued guarantees introduced to help companies address the crisis situation generated by the Covid-19 pandemic.

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	236,664	—	197,182	30
2	of which: Households	17,982			30
3	of which: Collateralized by residential immovable property	—			—
4	of which: Non-financial corporations	218,678	—	179,233	—
5	of which: Small and Medium-sized Enterprises	13,031			—
6	of which: Collateralized by commercial immovable property	—			—

As at end-June 2021, new loans granted via the public guarantee mechanisms introduced amounted to €236.7m, and mainly refer to the Parent Company's operations (seven loans disbursed with SACE backing under the terms of the "Liquidity" decree, worth €202.7m). Other deals supported by guarantees involve CheBanca! as to €28.5m (granted to Italian businesses and self-employed/freelance professionals under the terms of the "Liquidity" Decree), CMB Monaco as to €2m (which has received government support for a total of nine corporate clients), and SelmaBipiemme as to €3.5m (granted to SMEs under the "Liquidity" Decree). Virtually all the government-backed guarantees are included in the "Over 2 years" category, and chiefly regard firms operating in the hotel/catering and manufacturing sectors.

Template EU CR10 – Specialized lending and equity exposures under the simple risk-weighted approach

Tables EU CR10.1, EU CR10.2, EU CR10.3, EU CR10.4 and EU CR10.5 are not stated as the Mediobanca Group at 30 June 2021 had no such exposures on its books.

7.2 ECAIS

Qualitative information

Mediobanca uses the following ECAIs in order to determine risk weightings in connection with the standardized method [24]):

— Moody's Investors Service;

— Standard & Poor's Rating Services;

— Fitch Ratings.

he books for which Mediobanca uses official ratings are listed below, along with the agencies which issue the ratings and the rating's characteristics:

Book	ECAIS	Rating characteristics (*)
Exposures to central administrations and central banks	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	*Solicited/Unsolicited*
Exposures to international organizations	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	*Solicited/Unsolicited*
Exposures to multilateral development banks	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	*Solicited/Unsolicited*
Exposures to companies and other entities	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	*Solicited/Unsolicited*
Exposures to undertakings for collective investments in transferable securities (UCITS)	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	*Solicited/Unsolicited*
Positions in securitizations with short-term ratings	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	
Positions in securitizations other than those with short-term ratings	*Moody's Investors Service* *Standard & Poor's Rating Services* *Fitch Ratings*	

* "Solicited ratings" are ratings issued following a request by the entity being rated and in return for a fee.

[24] External Credit Assessment Institution.

Quantitative information

Template EU CR4 - Standardized approach - Credit Risk Exposure and CRM effects

	Exposures class	Exposures before CCF and CRM		Exposures before CCF and CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	7,896,675	39,886	8,438,600	50,973	43,244	0.5094%
2	Regional governments or local authorities	1,905	—	1,905	—	381	20.0000%
3	Public sector entities	157,162	2	157,162	—	41,354	26.3130%
4	Multilateral development banks	—	—	—	—	—	—
5	International organizations	82,993	—	82,993	—	—	—
6	Institutions	2,861,606	2,777,582	2,093,205	460,972	941,996	36.8806%
7	Corporates	8,076,387	1,964,271	6,040,038	610,363	6,116,440	91.9710%
8	Retail	13,975,575	2,113,871	13,674,018	274,970	9,712,804	69.6309%
9	Secured by mortgages on immovable property	1,147,005	28,823	1,135,136	14,397	428,564	37.2815%
10	Exposures in default	782,658	1,949	778,553	745	1,016,277	130.4093%
11	Higher-risk categories	2,971	109,716	2,971	109,716	169,031	150.0000%
12	Covered bonds	75,723	—	75,723	—	7,572	10.0000%
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	collective investments undertakings	604,770	988	604,770	988	1,297,669	214.2222%
15	Equity	2,398,417	—	2,398,417	—	6,640,963	276.8894%
16	Other items	1,823,002	46	1,823,002	9	1,597,338	87.6209%
17	**Total as at 30 June 2021**	**39,886,847**	**7,037,135**	**37,306,491**	**1,523,134**	**28,013,632**	**72.1450%**
	Total as at 30 June 2020	**40,019,281**	**4,777,525**	**38,373,802**	**742,002**	**28,276,926**	**72.2903%**

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Template EU CR5 - Standardized Approach (1/3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	8,352,600	—	—	—	84,161	—
2	Regional governments or local authorities	—	—	—	—	1,905	—
3	Public sector entities	—	—	—	—	144,760	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organizations	82,993	—	—	—	—	—
6	Institutions	—	105,679	—	—	1,438,204	—
7	Corporates	—	—	—	—	166,655	—
8	Retail	—	—	—	—	—	1,566,878
9	Secured by mortgages on immovable property	—	—	—	—	—	742,698
10	Exposures in default	—	—	—	—	—	—
11	Higher-risk categories	—	—	—	—	—	—
12	Covered bonds	—	—	—	75,723	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	44,892	—	—	—	31,026	—
15	Equity	—	—	—	—	—	—
16	Other items	216,101	—	—	—	140,326	—
17	**Total as at 30 June 2021**	**8,696,586**	**105,679**	**—**	**75,723**	**2,007,037**	**2,309,576**
	Total as at 30 June 2020	**9,502,264**	**15,806**	**—**	**222,049**	**2,117,606**	**2,137,921**

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Template EU CR5 - Standardized Approach (2/3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)					
		50%	70%	75%	100%	150%	250%
		g	h	i	j	k	l
1	Central governments or central banks	52,800	—	—	12	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	—	12,402	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organizations	—	—	—	—	—	—
6	Institutions	790,272	—	—	145,849	74,172	—
7	Corporates	595,855	—	—	5,874,350	13,540	—
8	Retail	—	—	12,382,110	—	—	—
9	Secured by mortgages on immovable property	406,835	—	—	—	—	—
10	Exposures in default	—	—	—	305,340	473,958	—
11	Higher-risk categories	—	—	—	—	112,687	—
12	Covered bonds	—	—	—	—	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	6,406	—	—	231,098	223,995	—
15	Equity	—	—	—	396,458	—	968,952
16	Other items	—	—	—	1,398,125	—	68,459
17	**Total as at 30 June 2021**	**1,852,169**	**—**	**12,382,110**	**8,363,634**	**898,352**	**1,037,411**
	Total as at 30 June 2020	**2,058,782**	**—**	**12,175,971**	**7,699,359**	**757,624**	**961,817**

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Template EU CR5 - Standardized Approach (3/3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)			Total	Without rating
		370%	1250%	Others		
		m	n	o	p	q
1	Central governments or central banks	—	—	—	8,489,573	2,488,607
2	Regional governments or local authorities	—	—	—	1,905	1,898
3	Public sector entities	—	—	—	157,162	26,508
4	Multilateral development banks	—	—	—	—	—
5	International organizations	—	—	—	82,993	—
6	Institutions	—	—	—	2,554,177	445,716
7	Corporates	—	—	—	6,650,401	4,886,500
8	Retail	—	—	—	13,948,988	13,951,117
9	Secured by mortgages on immovable property	—	—	—	1,149,533	1,149,533
10	Exposures in default	—	—	—	779,298	779,298
11	Higher-risk categories	—	—	—	112,687	112,687
12	Covered bonds	—	—	—	75,723	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—
14	Collective investment undertakings	—	49,048	19,293	605,758	93,164
15	Equity	1,033,007	—	—	2,398,417	313,527
16	Other items	—	—	—	1,823,011	1,434,944
17	**Total as at 30 June 2021**	**1,033,007**	**49,048**	**19,293**	**38,829,625**	**25,683,498**
	Total as at 30 June 2020	**1,437,690**	**28,916**	**—**	**39,115,804**	**26,940,797**

7.3 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

As part of the process of progressively extending the use of AIRB models in order to calculate the regulatory capital requirements for credit risk (the "Roll Out Plan"), The Group has been authorized to use internal models for reporting purposes for the Mediobanca and Mediobanca International corporate lending portfolios and for the CheBanca! Italian loan book.

The process of aligning the models to the new ECB guidelines, in which an application to the supervisory authority for a material amendment had been scheduled for the first half of 2020, has slowed this year as a result of the Covid-19 emergency situation. The amendments, which have not yet been reviewed by the authority, have therefore yet to be adopted in the calculation of the capital requisites.

Activities have continued in connection with revising the internal models used for consumer credit and credit card operations by Compass. Validation for purposes of receiving IRB authorization will be applied for early in 2022, in accordance with the Group's AIRB Roll-Out plan.

7.3.1 Scope of application for the IRB model

As at 30 June 2021, the following companies are using internal models:

- Mediobanca and Mediobanca International for the Wholesale Banking division's corporate loan book only. The internal models also cover extraordinary financing transactions, but are not applied to the specialized lending and real estate sub-portfolios which, in view of their non-material nature, have been authorized to receive standard treatment on a permanent basis;
- CheBanca!, for the Italian mortgage loan book.

7.3.2 Corporate rating system structure

The Corporate PD model has been developed based on a shadow rating approach, using external ratings assigned by ratings agencies (ECAIs) as the target variable. The approach is in line with the internal practices historically adopted by the Bank's credit analysts.

The model consists of:

- A quantitative module, which provides a score obtained on the basis of the individual borrower's balance-sheet data;

— A qualitative module which provides a score obtained on the basis of qualitative information resulting from structured and indepth analysis performed by the credit analysts.

Both modules are based on a statistical approach, and the two returned scores are then combined in a way such that the resulting single synthetic risk indicator optimizes the model's ranking capability. The final rating is the result of a calibration phase where the alignment between the external ratings and the ratings returned by the model is maximized.

At the application phase, a rating is assigned at counterparty level, taking into account Group dynamics whereby the parent company could influence the counterparty's own final rating.

The credit analyst can override the rating returned by the model, taking into account all information available resulting *inter alia* from the analysts themselves liaising directly with the management of the borrower counterparties. This override process is governed by a set of internal rules, including a notch-limit to rating upgrade.

The model's masterscale replicates the agencies' rating scales; the PD values assigned to each class are obtained by estimating the average default rates provided by the agencies over a long-term time horizon according to a through-the-cycle approach.

The LGD model is different for the performing portfolio and for defaulted assets.

For performing exposures, the model returns different Loss Given Default values according to type of transaction involved (i.e. different values are assigned to bonds and loans), taking into account the level of seniority of the debt and the possible existence of real or financial guarantees (alternatively, in cases where financial guarantees are involved, the substitution method is used instead) and the counterparty's industrial sector.

For non-performing exposures, there is a dedicated model in which the LGD is calculated as an uncertain value with respect to the expected loss. This parameter depends on the position concerned retaining non-performing status (vintage).

7.3.3 Structure of the mortgage rating system

The CheBanca! mortgage rating system is applied to exposures to individuals secured by property. In particular, the AIRB scope includes exposures to private customers secured by residential and non-residential real estate guarantees eligible for Credit Risk Mitigation purposes. The AIRB scope of application does not include exposures to French customers, a portfolio currently in run-off and with non-material size (these are exposures were originated before 2009 by the

CheBanca! French branches, which ceased operations in 2009). Accordingly, for this portfolio, permanent exemption from application of the AIRB method has been applied for and obtained.

The CheBanca! internal rating is applied at the transaction level, and consists of the three following models:

— Acceptance PD model for exposures with a seniority of less than 6 months;

— Behavioural PD model for exposures with a seniority over 6 months;

— LGD model.

The PD acceptance model was developed at single-credit transaction level, following a statistical approach based on observed historical defaults. The PD acceptance model was developed on a sample including only mortgages originated by CheBanca!, divided into the following macro-categories:

— Accepted category: this consists of the exposures actually originated by CheBanca!;

— Rejected category; this consists of rejected practices and therefore has no observed performance;

— Declined category; this consists of those practices that, although approved by CheBanca!, were not originated and therefore do not have an observed performance.

The PD Acceptance model was estimated by combining the various information sources, relating to loans granted and not granted in line with the scope of application of the model, which includes the entire population of applicants.

In the application phase of the model, in order to have a smooth transition from the PD acceptance to the behavioural model, the respective scores are combined with a linear weighting mechanism from the first to the sixth month of the loan seniority.

The PD behavioural model was developed at single transaction level, following a statistical approach based on observed historical defaults. The model differs for the loans originated by CheBanca! and those acquired by the Barclays Italian branch; both models are made up of elementary modules, which take into account the features of the different information sources considered. The scores of the single elementary modules are combined into an overall score and then calibrated to reflect the long-term central tendency of the observed default rates. On the basis of the calibrated score, a rating class is assigned to each transaction (the same rating scale is used for the CheBanca! and former Barclays model). Finally, the rating assigned following the model is automatically downgraded if specific anomalies relating to the customer (obligated and co-obligated) are reported in Bank of Italy's risks database ("Centrale Rischi").

The LGD model was estimated using only the internal information relating to the recovery process for defaulted exposures.

LGD estimates are determined by combining different model components, which depend on the status of the exposure (performing or non-performing). In particular, two main modules for the LGD performing status were estimated: "LGD *Sofferenza*" (econometric estimate) which provides the expected economic loss for bad loan positions; the danger rate and the Q factor of exposure variation that capture the phases preceding bad loan status, and aim respectively at estimating the probability of migrating from a performing status to a default one (through empirical observations) and the change in exposure when a position moves among the different statuses. The LGD in default model is developed for multiple time periods (i.e. annual vintage) and derives from the LGD performing model.

7.3.4 Rating system uses

The rating attribution process leads to the assignment of a probability of default (and a rating class) and of an LGD value, based on all qualitative and quantitative available information.

The internally estimated parameters are used for regulatory purposes and are at the centre of the entire credit granting process.

Risk-adjusted pricing

The counterparty's credit risk parameters contribute to the calculation of the risk-adjusted profitability of each individual transaction. The estimate of the profitability is made during the preliminary assessment of a specific transaction and contributes to the final decision for approving or rejecting the deal. It is also consistent with the Economic Profit metric used in the performance evaluation process.

Delegated powers to approve, reject and renew credit

The system of delegated powers allows the body responsible for approving credit to be identified on the basis of the deal's riskiness, evaluated according to PD and LGD parameters.

Thus a prudential mechanism is established which consists in escalating the approving body every time the risk threshold is breached.

The designated approving body assesses the proposal in view of an information set which includes the risk parameters assigned by Credit Risk Management and decides whether to approve the deal, ask for it to be amended, or rejects it.

Credit monitoring

Credit Risk Management is responsible for constantly updating the assessment of corporate credit standing as expressed in the counterparties' rating. It does this by collecting and analysing, among other information: financial reports issued by the client, market indicators, internal reports on behavioural irregularities, if any, and evidence from the central credit risk databases. Analysis of this information flow may trigger the process for classification among irregular positions, or may result in the rating being updated. In the event of early warnings of a potential deterioration in credit quality emerging, the counterparty is included in a specific watchlist with further enhancement of the monitoring process.

With regard to the Italian mortgage rating system, the rating classes deriving from the internal PD model are used in the credit monitoring process and for the purpose of granting forbearance measures. In accordance with the internal regulatory framework, which CheBanca! is equipped with, the renegotiation of the loan is not allowed if a position shows a high risk rating in the last 12 months.

Internal reporting

The internal reporting process supports the credit risk monitoring process at portfolio level. Group Risk Management provides a structured and integrated representation of the principal risks facing the Group. A dashboard of indicators is provided to the Board of Directors regularly, showing the portfolio's distribution by rating classes and its change over time. This report also illustrates the trend in the LGD values. Monitoring the analysis and the changes in the exposures entered in the watchlist are regularly submitted to the attention of the Group Risks Management Committee.

Value adjustments for impairment

The process for calculating impairment uses risk parameters estimated internally to factor in the expected loss on the performing positions. The regulatory PD indicator is transformed into a point-in-time value, while the LGD does not include the downturn and the indirect costs factors.

Non-performing exposures in the Mediobanca Corporate portfolio are subject to individual assessment.

For specific measures adopted to the satellite models for the transmission of the macroeconomic effects resulting from the Covid-19 emergency to the risk parameters, reference is made to section 7.1.1.

ICAAP and Risk Appetite Framework

As part of the stress testing which is an integral component of the ICAAP process, Risk Management applies risk parameters derived from the regulatory parameters through the application of satellite models. These models provide risk parameters conditional upon the adverse macroeconomic scenarios defined by the Bank. Risk-based metrics (primarily expected loss and economic capital) also underpin the definition of the Risk Appetite metrics for the loan book.

7.3.5 Control and review of the internal models

Internal rating systems are subject to validation by the Bank's control units. This occurs both in a first request for authorization phase and during the ongoing process of monitoring and maintenance of the risk measurement systems.

The unit responsible for the internal validation process for the Mediobanca Group is Group Internal Validation. This unit reports directly to the Group Chief Risk Officer and is independent of the units involved in developing the models and the credit granting processes.

Once a year, Group Internal Validation prepares a report to be submitted to the Board of Directors, illustrating the results of the checks carried out to support compliance with the regulatory requisites which the Board itself has set.

The Group Audit Unit is responsible for the internal rating system revision process. Its audits, like the validation activity, are not confined to modelling issues, but also regard every component of the rating system: models, processes, IT systems and data quality. The Group Audit Unit too reports to the Board once a year on the audits it has carried out, and gives its assessment of the adequacy of the entire system.

Quantitative information

Template EU CR6 – IRB Approach: Exposures to or secured by corporates (1/2)

		a	b	c	d	e	f	g	h	i	j	k	l
AIRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Corporates - Other	0.00 to <0.15	2,081,598	2,325,645	54%	3,796,982	0.07%	40	37.45%	2.5	768,504	20.24%	955,60	
	0.00 to <0.10	2,081,598	2,325,645	54%	3,796,982	0.07%	40	37.45%	2.5	768,504	20.24%	955,60	
	0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
	0.15 to <0.25	1,623,470	1,405,116	54%	2,381,746	0.17%	49	37.19%	2.5	837,438	35.16%	1,505,71	
	0.25 to <0.50	5,010,013	2,038,262	50%	6,017,912	0.37%	115	38.49%	2.5	3,247,271	53.96%	8,525,42	
	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
	0.75 to <2.50	3,310,620	914,859	50%	3,694,724	1.04%	99	39.13%	2.5	3,140,410	85.00%	15,027,92	
	0.75 to <1.75	3,310,620	914,859	50%	3,694,724	1.04%	99	39.13%	2.5	3,140,410	85.00%	15,027,92	
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
	2.50 to <10.00	857,637	184,605	54%	865,172	3.18%	49	41.27%	2.5	1,096,023	126.68%	11,530,83	
	2.50 to <5.00	857,634	162,505	50%	847,627	3.07%	41	41.30%	2.5	1,066,135	125.78%	10,932,79	
	5.00 to <10.00	2	22,100	79%	17,544	8.60%	8	39.63%	2.5	29,888	170.35%	598,04	
	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	
	30.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
	100.00 (Default)	153,886	681	20%	154,022	100.00%	4	50.49%	2.5	20,408	13.25%	76,127,78	
	Sub-total	**13,037,223**	**6,869,167**	**52%**	**16,910,557**	**1.47%**	**356**	**38.46%**	**2.5**	**9,110,053**	**53.87%**	**113,673**	**181,303**

Template EU CR6 – IRB Approach: Exposures to or secured by corporates (2/2)

		a	b	c	d	e	f	g	h	i	j	k	l
AIRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Retail: secured by mortgages on immovable property	0.00 to <0.15	7,926,212	47,093	100%	7,973,305	0.10%	67,250	29.32%	—	567,349	7.12%	2,347,05	
	0.00 to <0.10	3,234,802	15,799	100%	3,250,601	0.03%	28,035	27.49%	—	87,345	2.69%	268,10	
	0.10 to <0.15	4,691,410	31,293	100%	4,722,704	0.15%	39,215	30.57%	—	480,004	10.16%	2,078,95	
	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
	0.25 to <0.50	1,353,805	8,698	100%	1,362,502	0.38%	13,193	29.08%	—	270,639	19.86%	1,515,34	
	0.50 to <0.75	955,081	2,636	100%	957,717	0.67%	11,205	27.53%	—	267,682	27.95%	1,771,99	
	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
	0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
	2.50 to <10.00	518,381	2,003	100%	520,384	3.97%	6,498	24.94%	—	400,609	76.98%	5,149,05	
	2.50 to <5.00	518,381	2,003	100%	520,384	3.97%	6,498	24.94%	—	400,609	76.98%	5,149,05	
	5.00 to <10.00	—	—	—	—	—	—	—	—	—	—	—	
	10.00 to <100.00	66,966	86	100%	67,052	32.32%	813	23.81%	—	98,389	146.73%	5,159,98	
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	
	30.00 to <100.00	66,966	86	100%	67,052	32.32%	813	23.81%	—	98,389	146.73%	5,159,98	
	100.00 (Default)	195,613	84	100%	195,697	100.00%	2,211	39.66%	—	52,719	26.94%	73,396,17	
	Sub-total	**11,016,059**	**60,600**	**100%**	**11,076,658**	**2.32%**	**101,170**	**29.08%**	—	**1,657,386**	**14.96%**	**89,340**	**123,607**
	Total	**24,053,282**	**6,929,767**	**—**	**27,987,215**	**—**	**—**	**—**	**—**	**10,767,439**	**—**	**203,013**	**304,910**

The table below shows the AIRB exposures for the "Exposures to corporates - others" segment and for the "Retail exposures secured by residential properties" segment, broken down by PD bracket. The table refers to credit risk with counterparty risk excluded (reported in the EU CCR4 template).

Template EU CR6-A – Scope of the use of IRB and SA approaches

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardized approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
		a	b	c	d	e
1	Central governments or central banks	7,447,471	7,442,753	100.0000%	—	—
1,1	*of which Regional governments or local authorities*		—	—	—	—
1,2	*of which Public sector entities*		—	—	—	—
2	Institutions	5,995,024	5,987,890	20.5832%	—	79.4168%
3	Corporates	21,162,356	21,009,291	4.8651%	78.2359%	16.8810%
3,1	*of which Corporates - Specialized lending, excluding slotting approach*		*288,009*	*100.0000%*	—	—
3,2	*of which Corporates - Specialized lending under slotting approach*		—	—	—	—
4	Retail	12,192,097	12,052,798	9.3747%	90.6253%	—
4,1	*of which Retail – Secured by real estate SMEs*		*217*	*100.0000%*	—	—
4,2	*of which Retail – Secured by real estate non-SMEs*		*10,952,190*	*0.2677%*	*99.7323%*	—
4,3	*of which Retail – Qualifying revolving*		*974*	*100.0000%*	—	—
4,4	*of which Retail – Other SMEs*		*18,695*	*100.0000%*	—	—
4,5	*of which Retail – Other non-SMEs*		*1,080,720*	*100.0000%*	—	—
5	Equity	1,582,288	1,580,934	100.0000%	—	—
6	Other non-credit obligation assets	623,670	623,668	96.0499%	—	3.9501%
7	**Total as at 30 June 2021**	**49,002,905**	**48,697,333**	**26.7103%**	**56.1909%**	**17.0987%**

*This tables shows only the exposures of Mediobanca SpA and Chebanca!SpA.

Table 7.3.1 – PD and LGD values by geographical area

The table below shows the geographical breakdown of AIRB exposures for the "Exposures to corporates – others" segment, showing the weighted average PD and LGD values for each exposure.

The table below shows only the performing exposures.

	a	b	c
Geography	EAD post CRM and post CCF	Average PD	Average LGD
Italy	8,197,275	0.52%	37.4%
France	1,740,783	0.45%	39.3%
Spain	958,253	0.27%	37.1%
Germany	632,431	0.70%	39.7%
United Kingdom	811,147	1.23%	37.5%
Netherlands	927,470	0.62%	40.6%
Luxembourg	945,640	0.71%	40.1%
Other European countries	827,938	0.42%	38.2%
United States	1,079,961	0.73%	41.5%
Rest of the world	635,637	0.59%	38.7%

The "Exposures guaranteed by properties" portfolio contains exposures that are concentrated in Italy; out of a total performing exposure of €10,881m, the average weighted PD and LGD per exposure are 0.57% and 28.89% respectively.

Template EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

		30/6/21	
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b
1	**Exposures under FIRB**	—	—
2	Central governments and central banks	—	—
3	Institutions	—	—
4	Corporates	—	—
4,1	*of which Corporates - SMEs*	—	—
4,2	*of which Corporates - Specialized lending*	—	—
5	**Exposures under AIRB**	10,767,439	10,767,439
6	Central governments and central banks	—	—
7	Institutions	—	—
8	Corporates	9,110,053	9,110,053
8,1	*of which Corporates - SMEs*	—	—
8,2	*of which Corporates - Specialized lending*	—	—
9	Retail	1,657,386	1,657,386
9,1	*of which Retail – SMEs - Secured by immovable property collateral*	—	—
9,2	*of which Retail – non-SMEs - Secured by immovable property collateral*	1,657,386	1,657,386
9,3	*of which Retail – Qualifying revolving*	—	—
9,4	*of which Retail – SMEs - Other*	—	—
9,5	*of which Retail – Non-SMEs- Other*	—	—
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**10,767,439**	**10,767,439**

Template EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques (1/2)

	A-IRB	Total exposures	Credit risk Mitigation techniques					
			Funded credit Protection (FCP)					
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals				Part of exposures covered by Other funded credit protection (%)
					Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	
		a	b	c	d	e	f	g
1	Central governments and central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	16,910,557	1.1880%	—	—	—	—	—
3,1	*of which Corporates – SMEs*	—	—	—	—	—	—	—
3,2	*of which Corporates – Specialized lending*	—	—	—	—	—	—	—
3,3	*of which Corporates – Other*	16,910,557	1.1880%	—	—	—	—	—
4	Retail	11,076,658	—	99.8704%	99.8704%	—	—	—
4,1	*of which Retail – Immovable property SMEs*	—	—	—	—	—	—	—
4,2	*of which Retail – Immovable property non-SMEs*	11,076,658	—	99.8704%	99.8704%	—	—	—
4,3	*of which Retail – Qualifying revolving*	—	—	—	—	—	—	—
4,4	*of which Retail – Other SMEs*	—	—	—	—	—	—	—
4,5	*of which Retail – Other non-SMEs*	—	—	—	—	—	—	—
5	**Total as at 30 June 2021**	**27,987,215**	**0.7178%**	**39.5263%**	**39.5263%**	**—**	**—**	**—**

Template EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques (2/2)

	A-IRB	Credit risk Mitigation techniques					Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)			Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
		Part of exposures covered by Other funded credit protection (%)			Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)				
		h	i	j	k	l	m	n
1	Central governments and central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	—	—	—	—	—	9,022,169	9,110,053
3,1	*of which Corporates – SMEs*	—	—	—	—	—	—	—
3,2	*of which Corporates – Specialized lending*	—	—	—	—	—	—	—
3,3	*of which Corporates – Other*	—	—	—	—	—	9,022,169	9,110,053
4	Retail	—	—	—	—	—	1,657,386	1,657,386
4,1	*of which Retail – Immovable property SMEs*	—	—	—	—	—	—	—
4,2	*of which Retail – Immovable property non-SMEs*	—	—	—	—	—	1,657,368	1,657,386
4,3	*of which Retail – Qualifying revolving*	—	—	—	—	—	—	—
4,4	*of which Retail – Other SMEs*	—	—	—	—	—	—	—
4,5	*of which Retail – Other non-SMEs*	—	—	—	—	—	—	—
5	**Total as at 30 June 2021**	**—**	**—**	**—**	**—**	**—**	**10,679,555**	**10,767,439**

Template EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

The table below shows the changes in RWAs calculated with application of the IRB in the three months to end-March 2020 and to end-June 2021, plus a breakdown by the reasons for such changes.

In both quarters there was a reduction in RWAs, attributable primarily to a reduction in the exposure for the "Other companies" segment, where there were early repayments for certain positions, in addition to a slight improvement in the portfolio, in the first quarter especially. The mortgages segment showed no significant changes: a slight increase in the exposures over the two quarters was offset by an improvement in the credit quality.

There were no material changes due to the exchange rate effect.

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (31 December 2020)**	**11,503,372**	**920,270**
2	Asset size	(423,058)	(33,845)
3	Asset quality	(126,154)	(10,092)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	57,861	4,629
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (31 March 2021)**	**11,012,020**	**880,962**

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (31 March 2021)**	**11,012,020**	**880,962**
2	Asset size	(178,897)	(14,312)
3	Asset quality	(55,192)	(4,415)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	(10,492)	(839)
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (30 June 2021)**	**10,767,439**	**861,395**

Template CR9 – IRB approach – Back-testing of PD per exposure class (fixed PD scale)

The table below shows a comparison between the PD values and default rates observed internally on the large corporate and retail portfolios (exposures secured by properties versus individuals).

With reference to the Corporate segment, no instances of default have been recorded in the twelve months, despite the Covid-19 emergency.

In general, if we compare the average PD readings by credit rating class with the historical default rates observed (the latter calculated as the average default rates recorded in the past five years), we may note that for each segment the historical rates are in line with, or indeed slightly lower than, the theoretical PD values. One significant case in which this does not occur is the PD 5-10% bucket of the Corporate segment, where the rate recorded (50%) is much higher than the notional PD (8.60%): this case, however, refers to a PD bucket with just a few counterparties (six at-end June 2020, compared with one or two in previous years) rated B-, hence only one default leads to high annual rates. Because of the lack of numbers in this bucket, then, the historical default rate is not representative of the average risk of such counterparties. In particular, during the year under review there were no defaults in this bucket; furthermore, this PD is just a detail of the larger 2.5-10% range: considering the entire range, it becomes clear that here too the historical default rate is below the notional PD.

In general the back-testing has not revealed any particular problems regarding the models' predictive abilities.

a	b	c	d	e	f	g	i
Exposure class	PD scale	Number of obligors at the end of the year	*of which: number of obligors which defaulted during the year*	Default rate	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Corporates - Other	0.00 to <0.15	34	—	—	0.07%	0.06%	
	0.00 to <0.10	34	—	—	0.07%	0.06%	—
	0.10 to <0.15	—	—	—	—	—	—
	0.15 to <0.25	35	—	—	0.17%	0.17%	—
	0.25 to <0.50	114	—	—	0.39%	0.41%	0.17%
	0.50 to <0.75	—	—	—	—	—	—
	0.75 to <2.50	92	—	—	0.94%	0.99%	—
	0.75 to <1.75	92	—	—	0.94%	0.99%	—
	1.75 to <2.50	—	—	—	—	—	—
	2.50 to <10.00	47	—	—	3.20%	3.72%	1.68%
	2.50 to <5.00	41	—	—	3.09%	3.39%	—
	5.00 to <10.00	6	—	—	8.60%	8.60%	50.00%
	10.00 to <100.00	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—
	100.00 (Default)	7	—	—	100.00%	100.00%	—
Retail: secured by mortgages on immovable property	0.00 to <0.15	59,410	81	0.14%	0.10%	0.10%	0.08%
	0.00 to <0.10	22,959	18	0.08%	0.03%	0.03%	0.04%
	0.10 to <0.15	36,451	63	0.17%	0.15%	0.14%	0.11%
	0.15 to <0.25	—	—	—	—	—	—
	0.25 to <0.50	13,328	29	0.22%	0.38%	0.38%	0.21%
	0.50 to <0.75	11,165	66	0.59%	0.67%	0.67%	0.41%
	0.75 to <2.50	—	—	—	—	—	—
	0.75 to <1.75	—	—	—	—	—	—
	1.75 to <2.50	—	—	—	—	—	—
	2.50 to <10.00	7,465	161	2.16%	3.97%	3.97%	1.71%
	2.50 to <5.00	7,465	161	2.16%	3.97%	3.97%	1.71%
	5.00 to <10.00	—	—	—	—	—	—
	10.00 to <100.00	1,383	280	20.25%	32.32%	32.32%	18.53%
	10.00 to <20.00	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—
	30.00 to <100.00	1,383	280	20.25%	32.32%	32.32%	18.53%
	100.00 (Default)	2,071	—	—	100.00%	100.00%	—

Template EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

The table below shows a different view from that of EU Template CR9, which also shows the correspondence between the internal PD buckets and the ratings issued by an external ECAI for those exposures whose PD is estimated as specified in point (f) of Article 180(1) of the CRR. The table contains only exposures forming part of the Corporate portfolio; and it should be remembered in particular that the model was developed based on a shadow rating approach, i.e. the model sought to replicate the ratings of a rating agency. In Mediobanca's case, the ECAI concerned is S&P. As with Table EU CR9, in this case too no particular problems emerged regarding the predictive power of the models.

a	b	c	d	e	g	h	i
Exposure class	PD range	External rating equivalent	Number of obligors at the end of the year	*of which: number of obligors which defaulted during the year*	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
Corporates - Other	0 to < 0.001	AAA	—	—	—	—	—
	0.001 to < 0.011	AA+ to AA-	—	—	—	—	—
	0.011 to < 0.071	A+ to A-	16	—	—	0.047%	—
	0.071 to < 0.371	BBB+ to BBB-	109	—	—	0.224%	—
	0.371 to < 1.924	BB+ to BB-	150	—	—	0.755%	0.140%
	1.924 to < 11.8	B+ to B-	47	—	—	3.715%	1.681%
	11.8 to < 100	CCC/C	—	—	—	—	—
	100 (Default)	D	7	—	—	100.000%	—

Section 8 – Encumbered assets

Qualitative information

An asset is defined as "encumbered" if it is ceded as collateral, or is used, on whatever grounds, to cover or hedge a credit received and therefore cannot be freely used. Any amount in excess of the credit received is not considered to be encumbered (technically this is known as over-collateralization).

The Asset Encumbrance Ratio at Group level is the ratio between: the share of committed assets recorded on the balance sheet added to the share of collaterals received and reused (numerator), and the total assets recorded on the balance sheet (encumbered and unencumbered) added to the collaterals received (encumbered and unencumbered) (denominator).

The objective of the Asset Encumbrance Ratio is twofold: to provide the public and creditors with information on those of the Bank's assets that are encumbered and therefore unavailable; and to provide helpful guidance in the institution's financing strategy and its future capacity to raise funds at reasonable prices through secured funding.

Conversely, and more generally, the ratio also provides a synthetic indicator of the state of health of the unsecured market.

Appropriately analysed, and if accompanied by information on the duration of the encumbrance, the ratio can also provide useful indications regarding refinancing risk (in technical terms, rollover risk), liquidity risk and operational risk.

Template EU AE1 - Encumbered and unencumbered assets (1/2)

		Carrying amount of encumbered assets		Fair value of encumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		010	030	040	050
010	**Assets of the reporting institution**	**24,728,142**	**4,417,234**		
030	Equity instruments	557,140	—	557,140	—
040	Debt securities	4,998,262	4,417,234	5,041,968	4,458,678
050	of which: covered bonds	6,838	6,838	6,838	6,838
060	of which: asset-backed securities	21,929	—	21,919	—
070	of which: issued by general governments	4,432,425	4,074,319	4,472,586	4,112,933
080	of which: issued by financial corporations	589,038	219,226	589,328	219,493
090	of which: issued by non-financial corporations	75,921	10,284	76,396	10,447
120	Other assets	19,111,884	—		

Template EU AE1 - Encumbered and unencumbered assets (2/2)

		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		060	080	090	100
010	**Assets of the reporting institution**	**58,222,791**	**4,569,025**		
030	Equity instruments	2,836,365	—	2,808,039	—
040	Debt securities	6,705,331	4,569,025	6,441,109	4,591,966
050	of which: covered bonds	136,652	136,652	142,328	142,328
060	of which: asset-backed securities	220,146	7,637	219,911	7,637
070	of which: issued by general governments	3,534,965	3,226,431	3,347,219	3,236,303
080	of which: issued by financial corporations	2,346,816	930,491	2,311,775	939,470
090	of which: issued by non-financial corporations	491,244	115,117	492,879	116,112
120	Other assets	48,824,233	—		

Template EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	**5,363,395**	**4,278,615**	**726,579**	**199,615**
140	Loans on demand	—	—	—	—
150	Equity instruments	308,480	—	91,360	—
160	Debt securities	5,032,047	4,263,757	641,456	182,205
170	of which: covered bonds	6,245	—	35,750	—
180	of which: asset-backed securities	—	—	377,014	—
190	of which: issued by general governments	4,263,328	4,263,251	191,196	182,205
200	of which: issued by financial corporations	746,074	199	438,544	806
210	of which: issued by non-financial corporations	40,719	506	10,137	1,689
220	Loans and advances other than loans on demand	1	—	—	—
230	Other collateral received	—	—	—	—
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**—**	**—**	**137,415**	**59,637**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**1,339,187**	**1,339,187**
250	**Total assets, collateral received and own debt securities issued**	**30,277,131**	**8,345,892**		

Template EU AE3 - Sources of encumbrance

		30/6/21	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**22,766,290**	**27,327,860**

The Group's Asset Encumbrance Ratio as at 30 June 2021 stood at 34.09%, higher than last year (30.48%).

It should be noted that this is a point-in-time ratio with no time structure – short-term activity (never more than three months and typically less than two) represents more than 3 of the 34.09

total percentage points; this short-term activity is carried out as back-to-back funding by Group Treasury in order to optimize the Bank's use of its financial resources, and can be closed very swiftly and in any market conditions.

The Group's main encumbered assets – on-balance-sheet – are as follows (in order of importance by encumbered amount and duration of the encumbrance):

- Balance-sheet assets, whether loans, leasing, factoring, residential mortgages or consumer credit used as collateral in operations with the European Central Bank;
- Specific balance-sheet assets - mortgages – used for covered bonds;
- Specific balance-sheet assets – consumer credit receivables – used for securitizations; or ABS placed on the market, or alternatively, if retained (the majority), used in funding transactions with the European Central Bank;
- Balance-sheet assets, whether loans or securities, used as collateral in funding transactions, including through investment vehicles;
- Default funds and initial margins paid to CCPs in respect of trading in derivative instruments, and margins of change versus CCPs and market counterparties;
- Balance-sheet assets – typically securities – used in repos or reverse repos i which the Bank is acting as lender;
- Balance-sheet assets, whether loans or securities used in specific transactions of various kinds.

The level of encumbrance is in line with the Bank's expectations and financing strategies.

Section 9 – Counterparty risk

Qualitative information

Qualitative information– wrong-way risk management methodology

For derivatives, rather than the standard potential future market value calculation, a percentage of the notional amount is assigned to the transaction (up to 100% in the event of full correlation). Similarly, for repo or collateralized securities lending transactions a specific and more prudent counterparty risk calculation methodology is adopted which relates the counterparty's default to that of the collateral's issuer.

For transactions with wrong-way risk, a deep-dive analysis is performed in order to conservatively calculate the managerial exposure. The analysis is focused on the correlation between the derivative counterparty and the asset underlying the transaction or the correlation between a collateralized financing transaction (repo or securities lending) and the collateral received.

Wrong-way risk occurrence is limited to just nine positions, only one of which has full correlation.

Valuation adjustment (CVA-DVA)

For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

Mediobanca downgrade effects

The amount of collateral which Mediobanca would have to provide if its credit rating is downgraded is analysed on the basis of a scenario in which the rating is downgraded by two notches.

As for Credit Support Annexes to ISDA Master Agreements, there are two CSA containing provisions which could force Mediobanca to provide further collateral valued €25.3m as at 30 June 2021.

With regards to four ISDA contracts (two of which with exposures of zero), provision has been made for the contracts to be closed following events in which Mediobanca's rating is downgraded (Additional Termination Event, or ATE). For two contracts with exposure other than zero (one with

ATE below BB- and the other with ATE below BBB-), the impact is confined to the costs of replacing the contract, which may be debited if the counterparty exercise their termination right, which is highly unlikely.

Fair Value Adjustment (FVA)

Fair value adjustment is defined as the quantity to be added to or subtracted from the price observed on the market or to the theoretical price generated by the model in order to ensure that the fair value reflects the sale price of an actually possible market transaction (also known as the exit price).

Fair value adjustments are fundamental in order to align the valuation of an individual financial instrument to its effective exit price, having regard to the level of liquidity on markets, the uncertainty of the valuation parameters used, and the cost of funding.

In line with the best market practice, during the year under review the alignment of all fair value adjustments with the prudential categories defined in Article 105 of the CRR ("Prudent Valuation") was largely completed.

The Bank has implemented quantitative calculation methods to cover all these risks, which are illustrated in more detail in Part A.4, "Information on fair value" of the Notes to the Accounts and in Section 15 of this document.

9.1 Counterparty risk – Standard method

Qualitative information

For regulatory purposes, in order to determine the capital requirements for counterparty risk, the Group applies:

- The Standardized Approach for Counterparty Credit Risk, method for financial and credit derivative instruments traded OTC and for trades with long-term settlements, with application of regulatory netting;
- The Standardized Formula method for calculating the capital requirement for credit value adjustments, considering all counterparties whether or not a CSA is in place;
- The "integral" method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities.

In particular, since 30 June 2021, the Exposure At Default (EAD) for counterparty risk and CVA for positions in derivatives (Part 3, Title VI of the CRR), is calculated in accordance with the rules laid down in Articles 271ff of CRR II (SA CCR - Standardized Approach for Counterparty Credit Risk) instead of the Current Exposure Method (CEM) previously used.

The additional burden on capital deriving from this change in the regulations has been in part mitigated by applying the exemption from the requirement to calculate capital for the Credit Value Adjustment (CVA) for exposures to corporate counterparties, as permitted by Article 382 of CRR II, meaning an overall impact in terms of RWAs of approx. €50m.

Quantitative information

Template EU CCR1 – Analysis of CCR exposure by approach (1/2)

		a	b	c	d
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value
EU-1	EU - Original Exposure Method (for derivatives)	—	336		1.4
EU-2	EU - Simplified SA-CCR (for derivatives)	—	2,734		1.4
1	SA-CCR (for derivatives)	568,387	609,741		1.4
2	IMM (for derivatives and SFTs)			—	—
2a	*of which securities financing transactions netting sets*			—	
2b	*of which derivatives and long settlement transactions netting sets*			—	
2c	*of which from contractual cross-product netting sets*			—	
3	Financial collateral simple method (for SFTs)				
4	Financial collateral comprehensive method (for SFTs)				
5	VaR for SFTs				
6	**Total as at 30 June 2021**				

Template EU CCR1 – Analysis of CCR exposure by approach (2/2)

		e	f	g	h
		Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	—	471	471	469
EU-2	EU - Simplified SA-CCR (for derivatives)	3,830	3,830	3,830	766
1	SA-CCR (for derivatives)	2,074,344	1,751,458	1,642,755	704,583
2	IMM (for derivatives and SFTs)	—	—	—	—
2a	*of which securities financing transactions netting sets*	—	—	—	—
2b	*of which derivatives and long settlement transactions netting sets*	—	—	—	—
2c	*of which from contractual cross-product netting sets*	—	—	—	—
3	Financial collateral simple method (for SFTs)	—	—	—	—
4	Financial collateral comprehensive method (for SFTs)	8,785,632	3,112,137	3,111,719	1,121,127
5	VaR for SFTs	—	—	—	—
6	**Total as at 30 June 2021**	**10,863,806**	**4,867,896**	**4,758,775**	**1,826,946**

Template EU CCR2 - CVA capital charge

		30/6/21		30/6/20	
		a	b		
		Exposure value	RWAs	Exposure value	RWAs
1	**Total portfolios subject to the advanced method**	—	—	—	—
2	(i) VaR component (including the 3× multiplier)		—		—
3	(ii) VaR component (including the 3× multiplier)		—		—
4	**All portfolios subject to the standardized method**	973,512	236,733	1,515,693	544,825
EU-4	Based on the original exposure method	—	—	—	—
5	**Total subject to the CVA capital charge**	**973,512**	**236,733**	**1,515,693**	**544,825**

Template EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (1/2)

	Exposure classes	Classes of credit worthiness (Weighting Factors)					
		a	b	c	d	e	f
		0%	2%	4%	10%	20%	50%
1	Central governments or central banks	—	—	—	—	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organizations	—	—	—	—	—	—
6	Institutions	—	72,770	—	—	1,867,815	15,836
7	Corporates	—	—	—	—	570,951	1,396,636
8	Retail	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—
11	**Total as at 30 June 2021**	**—**	**72,770**	**—**	**—**	**2,438,766**	**1,412,471**
	Total as at 30 June 2020	**—**	**268,250**	**—**	**—**	**1,953,215**	**360,079**

Template EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (2/2)

		Classes of credit worthiness (Weighting Factors)					
	Exposure classes	g	h	i	j	k	l
		70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	—	—	—	—	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	6,608	—	—	6,608
4	Multilateral development banks	—	—	—	—	—	—
5	International organizations	—	—	—	—	—	—
6	Institutions	—	—	12,432	—	—	1,968,852
7	Corporates	—	—	265,968	—	—	2,233,555
8	Retail	—	2,128	—	—	—	2,128
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10	Other items	—	—	4	—	—	4
11	**Total as at 30 June 2021**	**—**	**2,128**	**285,011**	**—**	**—**	**4,211,148**
	Total as at 30 June 2020	**—**	**—**	**318,711**	**2,218**	**—**	**2,902,472**

Template EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

As at 30 June 2021, Mediobanca uses the AIRB approach in counterparty risk only for the large corporate segment, in the "Exposures to corporates – Others" category. RWAs associated with counterparty risk amount to approx. 3.7% of the total RWAs for this regulatory segment.

		a	b	c	d	e	f	g
Rating Class	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Corporates - Other	0.00 to <0.15	57,097	0.09%	9	35.26%	2.5	13,397	23%
	0.00 to <0.10	57,097	0.09%	9	35.26%	2.5	13,397	23%
	0.10 to <0.15	—	—	—	—	—	—	—
	0.15 to <0.25	31,111	0.17%	11	37.52%	2.5	11,035	35%
	0.25 to <0.50	423,010	0.36%	43	37.89%	2.5	222,655	53%
	0.50 to <0.75	—	—	—	—	—	—	—
	0.75 to <2.50	81,443	0.92%	26	36.95%	2.5	62,923	77%
	0.75 to <1.75	81,443	0.92%	26	36.95%	2.5	62,923	77%
	1.75 to <2.50	—	—	—	—	—	—	—
	2.50 to <10.00	32,458	2.57%	5	39.63%	2.5	37,283	115%
	2.50 to <5.00	32,458	2.57%	5	39.63%	2.5	37,283	115%
	5.00 to <10.00	—	—	—	—	—	—	—
	10.00 to <100.00	—	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—	—
	100.00 (Default)	—	—	—	—	—	—	—
	Sub-total	**625,119**	**0.51%**	**94**	**37.6%**	**2.5**	**347,293**	**56%**
	Total	**625,119**	**0.51%**	**94**	**37.6%**	**2.5**	**347,293**	**56%**

Template EU CCR5 – Composition of collateral for CCR exposures (1/2)

		a	b	c	d
		Collateral used in derivative transactions			
Collateral type		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	397,790	—	922,071
2	Cash – other currencies	—	56,484	—	—
3	Domestic sovereign debt	—	—	62,021	—
4	Other sovereign debt	—	—	94,923	—
5	Government agency debt	—	—	38,589	—
6	Corporate bonds	—	—	—	—
7	Equity securities	—	—	—	—
8	Other collateral	—	—	—	—
9	**Total as at 30 June 2021**	**—**	**454,275**	**195,533**	**922,071**

Template EU CCR5 – Composition of collateral for CCR exposures (2/2)

Collateral type		e	f	g	h
		Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	—	—	107,889
2	Cash – other currencies	—	—	—	—
3	Domestic sovereign debt	—	2,788,329	—	1,590,282
4	Other sovereign debt	—	—	—	—
5	Government agency debt	—	—	—	—
6	Corporate bonds	—	—	—	3,069,835
7	Equity securities	—	392,855	—	1,209,042
8	Other collateral	—	—	—	1,001,904
9	**Total as at 30 June 2021**	**—**	**3,181,185**	**—**	**6,978,953**

Template EU CCR6 – Credit derivatives exposures

Notionals		30/6/21	
		a	b
		Protection bought	Protection sold
1	Single-name credit default swaps	2,884,128	—
2	Index credit default swaps	14,535,369	—
3	Total return swaps	—	—
4	Credit options	—	—
5	Other credit derivatives	100,000	—
6	**Total notionals**	**17,519,497**	**—**
7	Positive fair value (asset)	8,783	—
8	Negative fair value (liability)	—	—

Template EU CCR7 – RWEA flow statements of CCR exposures under the IMM

The Mediobanca Group has nothing to report for Template EU CCR7.

Template EU CCR8 – Exposures to CCPs

		30/6/21	
		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**5,869**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	77,491	2,400
3	(i) OTC derivatives	41,429	1,542
4	(ii) Exchange-traded derivatives	—	—
5	(iii) SFTs	36,062	858
6	(iv) Netting sets where cross-product netting has been approved	—	—
7	Segregated initial margin	—	
8	Non-segregated initial margin	—	—
9	Prefunded default fund contributions	170,348	3,469
10	Unfunded default fund contributions	—	—
11	**Exposures to non-QCCPs (total)**		—
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	—	—
13	(i) OTC derivatives	—	—
14	(ii) Exchange-traded derivatives	—	—
15	(iii) SFTs	—	—
16	(iv) Netting sets where cross-product netting has been approved	—	—
17	Segregated initial margin	—	
18	Non-segregated initial margin	—	—
19	Prefunded default fund contributions	—	—
20	Unfunded default fund contributions	—	—

Section 10 – Risk mitigation techniques

Qualitative information

The Group has implemented specific activities aimed at defining and meeting the necessary requirements for correctly applying Credit Risk Mitigation (CRM) techniques, to maximize the effect of mitigation on the real and financial guarantees for loans, and to obtain a positive impact on the Group's capital requirements.

Netting policies and processes for on- and off-balance-sheet transactions

The Group does not net credit risk exposures for on- or off-balance-sheet transactions. Instead, risk reduction policies are adopted by entering into netting agreements and collateral agreements, for derivatives, repurchase agreements and for positions held in securities lending transactions.

With respect to derivatives, the Group has also drawn up counterparty risk reduction policies, by entering into ISDA and Credit Support Annex agreements with institutional counterparties, in accordance with regulations in force. As for securities lending transactions, repos and repurchasing repos, the Group has implemented counterparty risk reduction policies by executing GMSLA and GMRA (for repos and repurchasing reports) netting agreements which provide for collateralization agreements, in some cases in the form of tri-party repos.

Policies and processes for valuing and managing real guarantees

In performing lending operations, the Group commonly acquires guarantees which are typical of banking activity, principally as real guarantees over financial instruments and properties as described below:

- Mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;
- Pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary

according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

Main types of guarantors and counterparties in credit derivative transactions and their credit rating

The Group uses leading market counterparties to hedge credit derivative exposures.

Information on market or credit risk concentrations in connection with Credit Risk Mitigation techniques adopted

As at 30 June 2021, 58% (or €7.6bn) of the guarantees received involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees. At 30 June 2020 the same ratio was 71% (€7.9bn).

Template EU CR3 - CRM Techniques – Overview

		Unsecured carrying amount*	Secured carrying amount			
				of which secured by collateral	of which secured by financial guarantees	
						of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	33,552,719	24,465,787	22,501,728	1,964,059	—
2	Debt securities	6,922,273	—	—	—	
3	**Total as at 30 June 2021**	**40,474,992**	**24,465,787**	**22,501,728**	**1,964,059**	**—**
4	of which non-performing exposures	1,690,334	290,916	278,483	12,433	—
EU-5	*of which defaulted*	1,690,334	290,916	278,483	12,433	—

* This column states the gross book value, in accordance with the provisions of DPM 3.0.

Section 11 – Securitizations

The Group acts primarily as investor in third-party issues, in particular as sponsor in some securitizations which results in a share of the securities being held for retention purposes (Belvedere SPV S.r.l. and Cartesian Residential Mortgages Blue S.A.); the Risk Management and front office teams perform ongoing monitoring of reporting flows on the underlying portfolio, for which up-to-date reporting is provided on an ongoing basis.

In order to determine the risk-weight assets for this risk, the Group refers to Regulation (EU) No. 2401/2017 and Regulation (EU) No. 2402/2017. These sources have amended the previous regulatory framework, revising the hierarchy of approaches to be used in order to calculate the capital requirements, introduce definitions of simple, transparent and standardized securitizations (STS) which are subject to preferential treatment, with re-securitized positions strongly penalized to limit the use of them and preserve the level of transparency and simplicity.

In the new hierarchy of approaches the first option is application of the SEC-IRBA methodology (not used by the Mediobanca Group), followed by the SEC-ERBA model (applicable if an external rating is available (or deducted)). Where it is impossible to implement either the SEC-IRBA or the SEC-ERBA approach, the Bank has to use the SEC-SA approach, based on a standard regulatory formula.

Qualitative information

The Group has portfolio of securities deriving from securitizations by other issuers totalling €360m, €231.2m of which as part of the banking book (all HTC recognized at amortized cost, €22m of which for positions where Mediobanca is acting as sponsor, respectively €13.5m in Belvedere and €8.5m in Cartesian) and €128.8m as part of the trading book €73.4m of which in relation to a negative basis strategy, i.e. with the credit/market risk hedged, being transferred to the counterparty and so not generating any exposures for Mediobanca, and €55.4m in outright positions: before the reporting date positions worth €3.2m were sold, with value date early July 2021, which therefore do not generate market risk).

During the twelve months under review, senior securities in the banking book increased from €203m to €231.2m, due to a strong increase in positions in CLOs (from €22.1m to €155.2m, almost half of which invested in the senior tranches of Cairn CLO XII and CLO XIII), replacing the reduced exposure to deals with NPLs as underlying (down from €81.9m to €47.8m) and those with performing loans as underlying (down €98.9m to €28.3m). Of these positions, the share of junior securities

remains very low, at €0.5m, and the exposure to mezzanine tranches has also decreased (from €69.5m to €15.6m), with a repositioning in favour of senior securities (up from €133m to €215.1m). The CLO component stands at €61.5m, only €9.3m of which mezzanine. The difference between book value (amortized cost) and fair value (obtained from the market platforms) remains low, at €198,000.

Holdings included in the trading book, none of which involve junior, securities, amount to €128.8m, much higher than last year (€28.9m), with a strong increase in mezzanine securities (from €28.9m to €99.6m), €73.4m of which attributable to the negative basis strategy.

Mediobanca also has an exposure to other funds, for which the Look-Through method has been used, the details of which are illustrated in Section 13 of this document.

With reference to the calculation of risk-weighted assets for this risk at 30 June 2021, the SEC-SA methodology is used for 91% of the portfolio of securities deriving from third-party securitizations held on the banking book, and the SEC-ERBA methodology for the other 9%. The SEC-ERBA approach is used for the whole of the trading book.

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Quantitative information

Template EU-SEC1 - Securitization exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of whic h SRT									
1	**Total exposures**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,047**	**14,957**	**—**	**22,004**	**—**	**174,944**	**—**	**174,944**
2	Retail (total)	—	—	—	—	—	—	—	7,047	1,461	—	8,508	—	19,750	—	19,750
3	residential mortgage	—	—	—	—	—	—	—	7,047	1,461	—	—	—	—	—	—
4	credit card	—	—	—	—	—	—	—	—	—	—	—	—		—	—
5	other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	19,750	—	—
6	re-Securitization	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	—	—	—	—	13,496	—	13,496	—	155,193	—	155,193
8	loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	155,193	—	155,193
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale	—	—	—	—	—	—	—	—	13,496	—	13,496	—	—	—	—
12	re-Securitization	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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Template EU-SEC2 - Securitization exposures in the trading book

	a	b	c	d	e	f	g	h	i	j	k	l
	Institution acts as Originator				Institution acts as Sponsor				Institution acts as Investor			
	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS	Non-STS			STS	Non-STS			STS	Non-STS		
1 **Total exposures**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,145**	**46,953**	**—**	**52,098**
2 Retail (total)	—	—	—	—	—	—	—	—	5,145	29,388	—	34,532
3 residential mortgage	—	—	—	—	—	—	—	—	—	20,356	—	—
4 credit card	—	—	—	—	—	—	—	—	—	—	—	—
5 other retail exposures	—	—	—	—	—	—	—	—	5,145	9,031	—	—
6 re-Securitization	—	—	—	—	—	—	—	—	—	—	—	—
7 Wholesale (total)	—	—	—	—	—	—	—	—	—	17,566	—	17,566
8 loans to corporates	—	—	—	—	—	—	—	—	—	17,566	—	—
9 commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—
10 lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—
11 other wholesale	—	—	—	—	—	—	—	—	—	—	—	—
12 re-Securitization	—	—	—	—	—	—	—	—	—	—	—	—

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Template EU-SEC3 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (1/2)

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions
1	**Total exposures**	**1,321**	**473**	**12,943**	**7,267**	—	—	**13,636**	**8,368**	—
2	Traditional transactions	1,321	473	12,943	7,267	—	—	13,636	8,368	—
3	Securitization	1,321	473	12,943	7,267	—	—	13,636	8,368	—
4	Retail underlying	476	473	291	7,267	—	—	985	7,523	—
5	*of which STS*	—	—	—	7,047	—	—	—	7,047	—
6	Wholesale	845	—	12,652	—	—	—	12,652	845	—
7	*of which STS*	—	—	—	—	—	—	—	—	—
8	Re-Securitization	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—
10	Securitization	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—
13	Re-Securitization	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (2/2)

		j	k	l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions
1	**Total exposures**	—	**22,038**	**17,220**	—	—	**1,763**	**1,378**	—
2	Traditional transactions	—	22,038	17,220	—	—	1,763	1,378	—
3	Securitization	—	22,038	17,220	—	—	1,763	1,378	—
4	Retail underlying	—	1,795	6,661	—	—	144	533	—
5	*of which STS*	—	—	705	—	—	—	56	—
6	Wholesale	—	20,242	10,559	—	—	1,619	845	—
7	*of which STS*	—	—	—	—	—	—	—	—
8	Re-Securitization	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—
10	Securitization	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—
13	Re-Securitization	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (1/2)

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions
1	**Total exposures**	**—**	**9,530**	**4,292**	**161,122**	**—**	**—**	**4,292**	**170,652**	**—**
2	Traditional transactions	—	9,530	4,292	161,122	—	—	4,292	170,652	—
3	Securitization	—	9,530	4,292	161,122	—	—	4,292	170,652	—
4	Retail underlying	—	9,530	—	10,221	—	—	—	19,750	—
5	*of which STS*	—	—	—	—	—	—	—	—	—
6	Wholesale	—		4,292	150,901	—	—	4,292	150,901	—
7	*of which STS*	—	—	—	—	—	—	—	—	—
8	Re-Securitization	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—
10	Securitization	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—
13	Re-Securitization	—	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (2/2)

		j	k	l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions
1	**Total exposures**	**—**	**5,335**	**68,560**	**—**	**—**	**427**	**5,485**	**—**
2	Traditional transactions	—	5,335	68,560	—	—	427	5,485	—
3	Securitization	—	5,335	68,560	—	—	427	5,485	—
4	Retail underlying	—	—	38,308	—	—	—	3,065	—
5	*of which STS*	—	—	—	—	—	—	—	—
6	Wholesale	—	5,335	30,253	—	—	427	2,420	—
7	*of which STS*	—	—	—	—	—	—	—	—
8	Re-Securitization	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—
10	Securitization	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—
13	Re-Securitization	—	—	—	—	—	—	—	—

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

The Mediobanca Group has nothing to report for Template EU SEC5.

Section 12 – Operational risk

Qualitative information

The processes of identifying, assessing, and mitigating operational risks based *inter alia* on loss data collection and analysis are defined and implemented based on the Group Operational Risk Management Policy at the parent company and the main Group companies.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

With reference to IT risk in particular, the Group has instituted an IT Governance unit which, in accordance with Operational Risk Management, guarantees the assessment and mitigation of IT risks, manages the security of the systems and governs changes in the business continuity and disaster recovery plans).

Quantitative information

To calculate the capital requirement for operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA), applying a margin of 15% to the three-year average for the relevant indicator. Based on this method of calculation, the capital requirement as at 30 June 2021 was €329.8m (30/6/20: €323m).

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	**Banking activities subject to basic indicator approach (BIA)**	**2,116,965**	**2,136,159**	**2,343,605**	**329,836**	**4,122,956**
2	**Banking activities subject to standardized (TSA) / alternative standardized (ASA) approaches**	—	—	—	—	—
3	*Subject to TSA:*	—	—	—		
4	*Subject to ASA:*	—	—	—		
5	**Banking activities subject to advanced measurement approaches AMA**	—	—	—	—	—

The operating losses recorded in the course of the financial year have been low and account for approx. 1% of the Group's total income.

As for the different classes of operational risk, the percentage composition of the Group's Basel II event types is shown in the table below.

Event Type	% of total
Clients, products and business practices	81%
Execution, delivery and process management	11%
External fraud	5%
System failures and Business disruption	2%
Other	1%

The majority of operational losses derive from the "Clients, products and business practices" event type, which includes losses deriving from disputes and/or litigation with retain clients over financial terms and conditions or interest rates charged on financing products. (This class also includes refunds payable in Consumer Banking as a result of the "Lexitor" ruling. The second category by amount of losses materializing was instances relating to process risk ("Execution, delivery and process management"), followed by external fraud on retail financing products (fake documentation and/or cards), in connection with which mitigation action has been implemented to ensure the phenomenon remains at residual levels. The extraordinary expenses necessary in order to address the pandemic and guarantee business continuity are included in the "System failures and business interruption" class.

Although it has not generated significant losses, an increase has been recorded in instances, or classes, of operational risk such as IT & cyber risk and outsourcing risk, plus conduct risk.

It is an increase that has been observed at industry as well as Group level. The monitoring frameworks have been stepped up accordingly, in co-ordination with the other control units involved.

In terms of business line, operational risks were highest in Consumer Banking, and very low in Wealth Management, albeit potentially increasing due to the striate regulations and guidelines exposing the Group to conduct risks, plus the growth in the commercial channels and networks.

The Group continues to be exposed to the potential risk of low frequency/high severity inherent in businesses that feature non-standard and large-sized transactions, such as CIB and Wealth Management.

Section 13 – Exposures to equities: information on banking book positions

Qualitative information

Investing in equities has traditionally been an integral part of the Bank's mission, as provided in its Articles of Association. Such activity has been considerably reduced in recent years, but is still distinguished by the Bank's selective approach to investing based on the principle of long-term profitability and risk minimization.

Mediobanca traditionally invests in companies that are leaders in their respective sectors and which are able, by leveraging on their competitive advantages, to offer significant potential for value creation over the medium/long term.

Equity investment portfolio management includes the stake held by the Group in Assicurazioni Generali. The Bank's own Articles of Association include specific provisions on changes in this stake and decisions regarding appointments to the investee company's governing bodies (cf. Article 18).

The 2019-23 Strategic Plan approved by the Board of Directors on 12 November 2019 foresees the Principal Investing division making a positive contribution in terms of generating revenues and profit for the Group, and so improving their stability and visibility. In this connection it has been reiterated that the Assicurazioni Generali investment remains a significant value option for the Mediobanca Group in terms of providing available and liquid resources in view *inter alia* of possible future acquisitions.

The portfolio of investments in non-financial companies consists of minority positions taken in companies, for the most part are listed, which can in any case be unwound in the short term. The geographical areas in which the Bank has invested show a clear majority of Italian companies, with which Mediobanca has been able to develop significant relations over time. On a much more minor scale but still in line with the mission referred to above, Mediobanca also operates in merchant banking, making investments in a limited number of medium-sized and small businesses to help grow the company and then sell the investment afterwards, including through the investee company being listed on the stock market.

Over a medium-term perspective, the Bank's strategy for its exposure to equity, in view *inter alia* of the market conditions, is geared towards progressively valorizing its investments, without prejudice to the requisites in terms of the Bank's profitability and risk profile approved by the Board

of Directors in the Risk Appetite Framework.

In accordance with this strategy, the trading limits are set at an aggregate level in terms of overall exposure to the portfolio of holdings in non-financial companies, and by individual investment (in the same portfolio) at levels in terms of regulatory capital that are far lower than the current regulatory limits of 60% and 15%.

The investments in the portfolio managed by the Principal Investing division (i.e. apart from those in non-financial undertakings and in Assicurazioni Generali) have seen growth in holdings in Undertakings in Collective Investments in Transferable Securities (UCITS) in recent years, and consist mostly of investments in seed capital to funds managed by Group companies (currently Cairn Capital and RAM) and investments in private equity and real estate funds.

The investments in seed capital have a twofold purpose:

- To generate a return consistent with their risk profile;
- To contribute to growth in the AUM subscribed to by third-party investors.

The Group has also always selectively invested in closed-end private equity funds, primarily Italian, with tickets in the €10-20m range.

Exposures to equities not accounted for in the trading book are recorded in the financial statements under Equity investments, Equity instruments recognized through other comprehensive income (FVOCI), and as shares in funds recognized at fair value through profit and loss (FVPL) in accordance with IAS 28 and IFRS 9.

For an illustration of the methods used to account for and value the investments, reference is made to Part A of the Consolidated Notes to the Accounts, containing the accounting policies applied by the Group to the individual items. For a description of the means by which the impairment testing is carried out on the investments, see Part B of the Notes to the Accounts. For the valuation methods used to determine fair value, please see the section of this document on market risks.

Quantitative information

Table 13.1 – Banking book: cash exposures in equities and UCITS

The table below shows the exposures to equity instruments by the books in which they are accounted for, with an indication, for the equity instruments, of the gains and losses deriving from

measuring them at fair value as at the various reporting dates. These are recorded in the Statement of other comprehensive income under heading "120. Valuation reserves from equity-accounted investments". In the event of disposal, the gains and losses accumulated on the investments are stated under heading "150. Reserves". Long-term losses of value on equity instruments are not taken through profit and loss, in accordance with the provisions of IFRS 9. Only dividends received are taken through P&L, under heading "70. Dividends and similar income".

With reference to the overall exposure reflected on the Group's balance sheet, compared to 30 June 2020 investment holdings increased, from €4bn to €4.6bn, €3.7bn consisting of the investment in Assicurazioni Generali. The remainder consists of holdings in funds as to €655.7m, almost 70% of which invested in the Group's asset management activities (seed capital), while €220.5m is invested in listed and unlisted equities, recognized at fair value but through other comprehensive income.

With the Group's exposure to Burgo returning to performing status during the twelve months, the fair value of the investee company's equity instruments, which to that point had been written off on prudential grounds, was revised to €55m, approx. 42% of their nominal value (€130m).

Investments in seed capital grew from €435.7m to €442.1m, following disposals of €42m, and reflecting valuations and gains on disposals totalling €48.1m, far higher than the entry levels; other holdings in funds (mostly private equity) decreased from €227.7m to €213.6m on net redemptions totalling €20.6m and gains arising on valuations totalling €5.9m.

Items	Amount as at 30 June 2021				
	Book value		*Fair value*		*Impairment*
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,663,067	39,744	3,426,872	39,744	—
B. Financial assets recognized at FVTOCI	132,496	88,016	132,496	88,016	—
C. Other financial assets mandatorily at fair value	271,877	383,677	—	5,850	—

Items	Amount as at 30 June 2021					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	70,333	(2,138)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

The comparative data as at 30 June 2020 is as follows:

Items	Amount as at 30 June 2020				
	Book value		*Fair value*		*Impairment*
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,163,439	41,213	2,730,551	41,213	—
B. Financial assets recognized at FVTOCI	115,912	25,739	115,912	25,739	—
C. Other financial assets mandatorily at fair value	305,710	357,685	—	4,939	—

Items	Amount as at 30 June 2020					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	23,210	(20,211)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

Table 13.2 – Banking book: equity instruments

For purposes of calculating the capital requirements, the equities held as part of the banking book include financial and non-financial investments, to which a weighting factor of 100% is applied, as required by Article 133 of the CRR, except for those investments that are deducted from regulatory capital or to which a weighting of 250% is assigned under Articles 36 and 48 della CRR (as described in section 2 of this document).

To measure the risk of exposures in Undertakings in Collective Investments in Transferable Securities (UCITS) and to determine the relevant capital requirement, alternative calculation methods have been introduced since 30 June 2021 to ensure greater transparency.

The different calculation methods provided by the regulations in force are shown below:

— Look-through approach, based on breaking down the investment into the individual underlying components in which the UCITS invests, and applying the respective weighting;
— Mandate-based approach, a method based on the fund's management terms and conditions and the notional exposure in which the UCITS can invest, applying the most penalizing weighting;
— Fall-back approach, which involves a weighting of 1,250%, in cases where entities are unable to apply either one or other of the two above methods.

Category	30/6/21		30/6/20	
	Weighted amount		Weighted amount	
	Standard method	IRB method	Standard method	IRB method
Funds exposures	1,508,343	—	1,058,278	—
of which private equity	*283,037*	—	*368,776*	—
Trading exposures	6,057,900	—	7,269,910	—
Other instruments	127,712	—	68,118	—
Total equity instruments	**7,693,955**	**—**	**8,396,306**	**—**

With reference to the new prudential treatment, 70% of the exposures in the Mediobanca Group's UCITS funds have been treated based on the look-through approach, while the mandate-based approach has been applied to approx. 20% of the exposures in the portfolio; the fall-back approach has been applied on a residual basis, to just over 5% of the total portfolio, all cases in which the two other methods could not be applied, in accordance with the regulations.

As for analysis of the underlying instruments to which either of the two new approaches provided by the regulations have been applied, the total exposure involved is equal to €605m (approx. 90% of the total portfolio, excluding the investments in CLIs as these are deducted from regulatory capital): of these, €155m (26% of the entire portfolio) have equities as their underlying instrument, €49m (8% of the total) have underlying instruments weighted at 1,250%, and €224m (37% of the portfolio) are high-risk exposures. The remainder consists of credit exposures, in cash or derivatives (the latter equal to just over 1% of the total portfolio, confirming the low risk of the leverage effect on exposures in UCITS). The aggregate exposures in funds held by the Group also include those in CLIs, equal to €46m, in part deducted from regulatory capital, and the remainder weighted at 250% (approx. 33% of the exposure), and commitments in other funds totalling €110m weighted at 150%.

The overall impact deriving from application of the new treatment of UCITS funds was an increase in RWAs of approx. €250m.

Section 14 – Interest rate risk on banking book positions

With reference to the Group's banking book positions at 30 June 2021, in the event of a parallel and simultaneous reduction in interest rates ("parallel down"), estimated net interest income would not decrease at all, like during the last six-month period and last year, due to the impact of the EBA regulatory floor.

With reference to the analysis of the discounted value of future cash flows on the Group's banking book, the shock that determines the highest change occurs if the short-term part of the curve rises and the long part falls ("flattener"). In this scenario, estimated net interest income would reduce by €84m, due chiefly to the impact on Compass (€10m) and Mediobanca (€90m), against an increase for CheBanca! (€15m). Last year the highest reduction was €22m, in a "short down" scenario. In the six months ended 31 December 2020, the highest reduction under the "flattener" scenario was €44m, whereas last year it was €22m in the "short down" scenario.

Table 14.1 – Sensitivity analysis

The data above has been summarized in the following table:

Data in €m	Data as at 30/6/21					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	*Parallel Down*	9	38	(10)	(7)	(12)
Sensitivity of Expected Cash Flows present value	*Flattener*	(84)	(90)	15	(10)	—

The data as at 31 December 2020 and at 30 June 2020 are stated below for comparative purposes:

Data in €m	Data as at 31/12/20					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	*Parallel Down*	22	56	(15)	(9)	(10)
Sensitivity of Expected Cash Flows present value	*Flattener*	(44)	(50)	11	2	(6)

Data in €m	Data as at 30/6/20					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	*Parallel Down*	45	37	9	(7)	6
Sensitivity of Expected Cash Flows present value	*Short Down*	(22)	(1)	(32)	5	6

At Group level, the values obtained in both scenarios continue to remain within the limits set by the Group policy on managing interest rate risk on the banking book, which are respectively 11.5% (net interest income sensitivity/estimated Group net interest income) and 3.5% (economic value sensitivity/CET1).

The figures obtained by applying all the shocks contemplated in Article 98(5) of Directive 2013/36/EU are shown in the table below.

	Supervisory shock scenarios	Sensitivity of Expected Cash Flows present value		Sensitivity of interest income margin	
		30/6/21	30/6/20	30/6/21	30/6/20
1	Parallel up	(7)	268	93	108
2	Parallel down	(21)	(20)	9	45
3	Steepener	100	162	—	—
4	Flattener	(84)	(1)	—	—
5	Short rates up	(77)	19	—	—
6	Short rates down	19	(22)	—	—

Section 15 – Market risk

Quantitative information

15.1 Market risk with managerial methodology

Risk control is calculated daily using management metrics to ensure that the operating limits governing the risk appetite established for the Bank's trading book are complied with.

The twelve months under review saw a reduction in volatility for all asset classes, following the highs recorded in spring 2020 following the outbreak of the Covid-19 pandemic. This allowed a reduction in the risk indicator readings, confirmed by the absence of stop losses and breaches of the limits in terms of VaR in the course of the twelve months. The aggregate value-at-risk on the trading book ranged from a low of €2.7m at end-September 2020 to a high of €6.4m at the start of the financial year, with the average reading almost unchanged versus last year (at approx. €4.2m). From the high recorded at the start of July 2020, VaR gradually reduced, first to being stably between €6m and €7m, then declining as far as €3m at end-January 2021. This is due to a reduction in the outright position in the proprietary arbitrage portfolio (the most substantial being in the months of July and August 2020), plus a reduced exposure to short-term US interest rates. The continued growth in the mark-to-market equity-linked certificates business, and the related DVA hedging policies, along with the high volatility on credit and equity markets (albeit less high than last year) have nonetheless ensured that VaR remains at high levels.

Since February 2021 VaR has gradually started to rise again, with spikes of €6m, stabilizing at around €5m. This increase reflects the higher exposure to interest rates (US short-term and Eurozone interest rates linked to the yields on German and Italian government bonds), and a higher equity exposure both in the proprietary arbitrage portfolio and versus US equities. The point-in-time reading for VaR as at 30 June 2021 was €4.8m (€5.8m).

Like VaR, the expected shortfall also showed an average reading in line with the previous year, at around €5.5m.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed only one departure from VaR, which occurred in July 2020 as a result of losses posted in the proprietary arbitrage portfolio.

Table 15.1 - Value at Risk ed Expected Shortfall: trading book

Risk factors	Financial year 2020 - 2021			
Data in thousands	**30/6/21**	**Min**	**Max**	**Average**
Interest rate	1,319	451	4,186	1,886
Credit	992	890	3,622	1,411
Shares prices	3,925	1,508	8,911	3,412
Exchange rates	298	285	1,245	671
Inflation	100	100	828	502
Volatility	4,542	1,338	5,635	2,820
Diversification effect (*)	*(6,366)*	*(3,588)*	*(12,627)*	*(6,521)*
Total VaR	**4,810**	**2,724**	**6,448**	**4,181**
Expected Shortfall	***7,301***	***3,583***	***6,982***	***5,482***

* Due to the mismatch between risk factors.

The comparative data as at 30 June 2020 are shown below:

Risk factors	Financial year 2019 - 2020			
Data in thousands	**30/6/20**	**Min**	**Max**	**Average**
Interest rate	3,312	478	4,773	2,016
Credit	2,585	788	6,888	1,750
Shares prices	6,194	815	8,782	3,291
Exchange rates	633	231	1,415	718
Inflation	581	125	780	256
Volatility	3,462	740	4,372	1,828
Diversification effect (*)	*(10,968)*	—	—	*(5,654)*
Total VaR	**5,799**	**1,917**	**7,649**	**4,205**
Expected Shortfall	***6,766***	***2,488***	***19,803***	***5,385***

Apart from the VaR limit on trading positions, a more granular system of VaR limits is also in place for the individual desks involved. Each desk also has limits in terms of sensitivities to movements in the various risk factors which are monitored daily.

Compared to last year there was a significant reduction in the average equity delta, which decreased from €738,000 to €180,000 (due primarily to the lower outright positions in the proprietary arbitrage portfolio, and to the increase in US short equity positions), as well as increased sensitivity to US interest rates (US and Eurozone). The other sensitivities maintained a

similar average level to last year, despite recording pronounced fluctuations in the course of the twelve months.

Table 15.2 - Overview of trends in main sensitivities for trading book

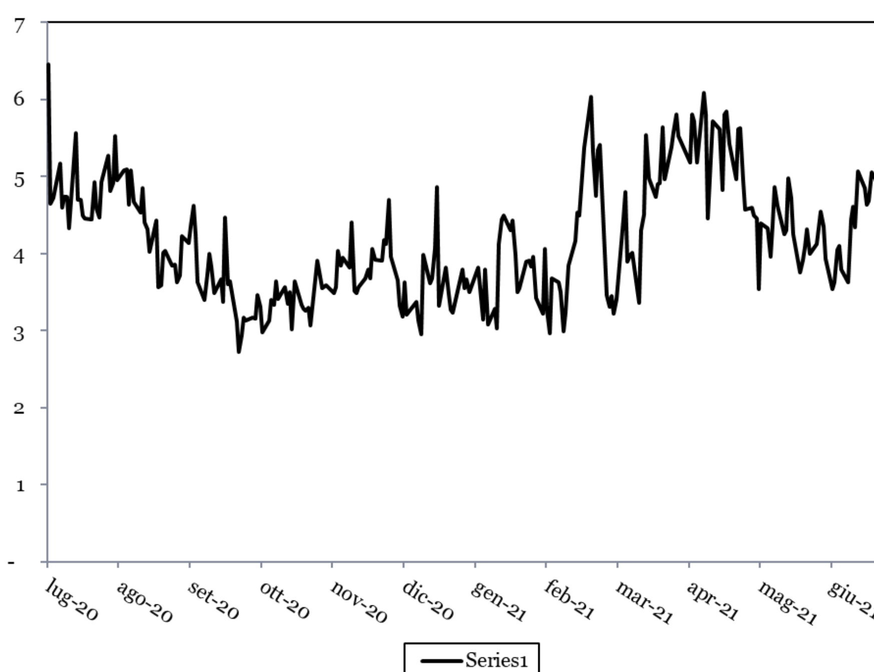
Risk factors	Financial year 2020 - 2021			
Data in thousands	30/6/21	Min	Max	Average
Equity delta (+1%)	(378,742)	(803,970)	415,897	(180,824)
Equity vega (+1%)	1,040,027	211,980	1,629,442	991,177
Interest rate delta (+1bp)	117,109	(158,463)	585,088	189,395
Inflation delta (+1bp)	2,907	—	88,812	50,020
Exchange rate delta (+1%)*	256,756	(187,044)	706,087	325,897
Credit delta (+1bp)	571,770	170,210	806,941	584,124

* Due to the Euro appreciating relative to other currencies.

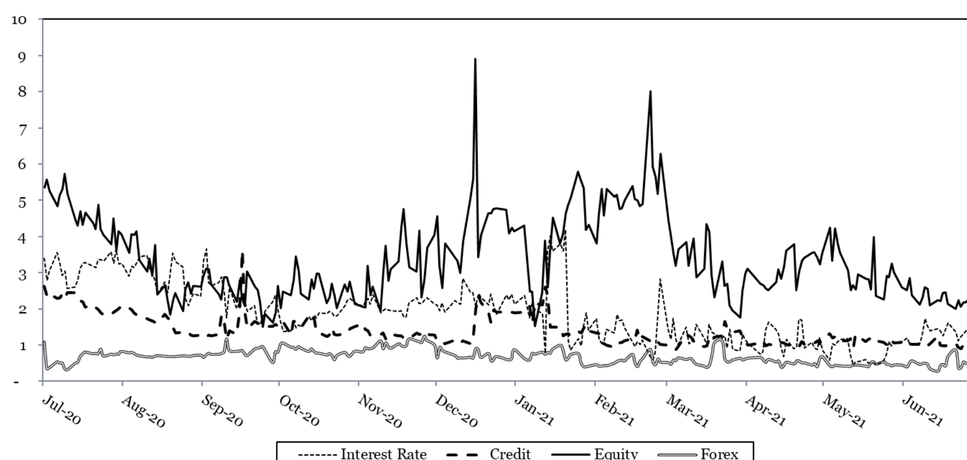
The comparative data as at 30 June 2020 are shown below:

Risk factors	Financial year 2019 - 2020			
Data in thousands	30/6/20	Min	Max	Average
Equity delta (+1%)	476,305	187,161	1,255,622	738,132
Equity vega (+1%)	589,060	(2,579,578)	1,748,192	858,604
Interest rate delta (+1bp)	70,398	(361,634)	806,332	23,621
Inflation delta (+1bp)	61,533	13,360	75,255	34,296
Exchange rate delta (+1%)*	417,485	(186,596)	786,363	373,345
Credit delta (+1bp)	569,729	270,143	1,314,285	584,597

Trading book VaR trend



VaR components trend by asset class (Trading)



Template EU MR1 - Market risk (standardized approach)

		30/6/21	30/6/20
		a	
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	1,162,489	1,686,107
2	Equity risk (general and specific)	242,351	232,388
3	Foreign exchange risk	—	—
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	636,393	546,386
7	Scenario approach	—	—
8	Securitization (specific risk)	30,003	50,061
9	**Total**	**2,071,236**	**2,514,941**

The risk-weighted assets for market risk, calculated according to the standard methodology as shown in Section 1.1, reflect a reduction of approx. €450m.

In particular, application of the new duration-based methodology for generate interest rate risk as from December 2020 generated a saving of approx. €500m.

The other changes during the twelve months involved:

— A small reduction in the credit risk in debt instruments (of €40m) due to optimization of DVA risk management in relation to the issue of certificates held as part of the trading book;

— An increase of approx. €90m in RWAs for options trading, calculated based on the "delta plus" methodology, and due in particular to the vega risk deriving from options on equities entered into by the Equity desk to hedge and managing the risk underlying certificates.

The capital absorbed by positions in equities and funds remains stable, while the limited exchange rate risk position, which is below the regulatory threshold permitted, generates no capital requirement.

Template EU MR2-A - Market risk under the internal Model Approach (IMA)

The Mediobanca Group has nothing to report for Template EU MR2-A.

Template EU MR2-B - RWA flow statements of market risk exposures under the IMA

The Mediobanca Group has nothing to report for Template EU MR2-B.

Template EU MR3 - IMA values for trading portfolios

The Mediobanca Group has nothing to report for Template EU MR3.

Template EU MR4 - Comparison of VaR estimates with gains/losses

The Mediobanca Group has nothing to report for Template EU MR4.

15.2 On-site inspection on fair value: remediation actions

An onsite inspection on valuation risk was carried out with reference to the fair value framework, as part of an ECB involving the leading European operators. Certain areas for improvement emerged during this process, in particular regarding the fair value hierarchy and application of the day one profit rule, plus the method of calculating and verifying fair value itself (Fair Value Adjustment and Independent Price Verification) for purposes of capital (Prudent Value Adjustment) and the book values recorded.

While receipt of the Recommendation Letter from the JST is still pending, the Group has decided to take swift action in any case to improve the fair value framework pursuant to IFRS 13, addressing many of the findings that emerged from the process, and removing the expert-based approaches as much as possible; further activities have been scheduled for the next financial year, including the remediation plan itself that will be notified by the ECB.

Of the activities completed with impact on regulatory capital, the following in particular should be noted:

- Revision of the calculation methodologies for the Market Price Uncertainty and Close-Out Cost Prudent Value Adjustments for exposures to equity volatility. In particular a Variance Ratio Test has been developed which is optimized to minimize capital absorption.
- Definition of a new calculation methodology for the same Prudent Value Adjustments for exposures to dividends and variance swaps, and long-term forward bonds.

15.3 Fair value, independent price verification and prudent value of financial instruments

IFRS13 paragraph 24 defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed on an active market or in cases where the market is not functioning properly, that is, it does not have a sufficient and continuous number of transactions, or sufficiently low bid-ask spreads and volatility, valuation models using market inputs are used instead, such as:

- Valuations of instruments with similar characteristics,
- Discounted cash flow calculations,
- Option price calculation models, values recorded in recent comparable transactions, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.).

If no market inputs are available, valuation models based on data estimated internally are used.

As a further guarantee that the valuations deriving from the measurement models the Group uses remain objective, independent price verification processes (IPVs) are also carried out, in which a unit unrelated to the one assuming the risk checks the prices of the individual financial instruments on a daily basis, using data provided by information providers as its reference.

Fair value is reported according to rankings based on the quality of the input parameters used

to determine it.[25]

In accordance with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, the fair value hierarchy assigns decreasing priority to measurements based on different market parameters. The highest priority (level1) is assigned to measurements based on prices quoted (unadjusted) on an active market for identical assets or liabilities; while the lowest of priority (level3) is assigned to valuations deriving predominantly from unobservable inputs.

The fair value ranking level assigned to an asset or liability is defined as the lowest-level input that is significant to the entire measurement. Three levels are identified:

- Level 1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.
- Level 2: inputs other than the quoted prices referred to above, that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.
- Level 3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

In cases where the input data used to value an asset or liability has different levels, the decision as to the fair value level is guided by the significance of the input data itself (cf. IFRS 13, paragraph 74).

As a rule Mediobanca uses market prices (level 1) or models based on observable inputs (level 2). In cases where level 3 instruments are used, additional price verification procedures are set in place, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure. Similarly, the Bank also has an independent unit for controlling the parameters used, which compares them with similar input

[25] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement"; and paragraph 74: "The fair value hierarch ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

deriving from different sources which must in any case meet the requirements in terms of observability.

For further information, please see Part A of the Notes to the Accounts for the year ended 30 June 2021.

15.3.1 Fair Value Adjustments for financial instruments

Fair value adjustments are fundamental in order to align the individual financial instrument's valuation with its actual exit price, in view of the level of market liquidity, the uncertainty of the valuation parameters, the cost of funding.

As mentioned previously, following the on-site inspection, the process of aligning the Fair Value Adjustments to the Prudent Valuation adjustments has been virtually completed during the twelve months, with:

- Introduction of an adjustment for Close-Out Costs[26] in order to align the fair value with the exit price;
- Introduction of a Model Risk correction for auto-callable certificates, to mitigate any mispricing phenomena;
- Revision of the Market Price Uncertainty adjustments, extending the use of control info-providers to include new categories of market parameters that have become material.

The new scope of fair value adjustments thus now includes the following in particular:

- Close-Out Costs: these refer to the uncertainty related to the liquidity cost that the Bank might incur in the event of the disposal, partial or total, of a position recognized at fair value;
- Investing and Funding Costs: these reflect the costs of financing or refinancing a position recognized at fair value;
- Market Price Uncertainty: this represents the uncertainty inherent in a valuation based on market prices;
- Concentrated Positions: this reflects uncertainty in the valuation of the exit price for positions defined as concentrated;
- Model Risk: adjustments to mitigate the risk of misalignment with market practice in the valuation of a product regarding the choice and implementation of the relevant pricing model.

[26] As required by IFRS 13, the adjustment is calculated, for each risk factor considered, as the semi-bid/ask for the market data, multiplied by the exposure to the instrument to which the data refer.

15.3.2 Prudent value of financial instruments

The EU regulations require that positions recognized at fair value and held as part of either the banking or trading books must be measured to an adequate degree of certainty. To meet this objective, financial institutions must implement and maintain processes and controls to ensure that the valuation estimates are prudent and reliable.

The Prudent Value Adjustment, defined as all Additional Valuation Adjustments added together, is subtracted directly from CET1.

The process of defining and certifying the positions subject to calculation of AVAs requires the following to be identified:

- An individual scope of application, consisting of all asset and liabilities held on the balance sheet and recognized at fair value for every bank and/or company forming part of the Banking;
- A consolidated scope of application, consisting of all asset and liabilities held on the balance sheet and recognized at fair value, for the Banking Group as a whole.

Regulation (EU) no. 575/2013, Part 2, Title I, Chapter 2, Article 34, requires that institutions shall apply the requirements of Article 105 to all their assets measured at fair value. The combined provisions of Articles 34 and 105 of Regulation (EU) no. 575/2013 imply that the scope of prudent valuation for financial instruments includes all positions measured at fair value, regardless of whether they are accounted for as part of the banking or trading book.

The positions measured at fair value in both books as defined by the International Financial Reporting Standards (IFRS), are, on the asset side of the balance sheet, as follows:

- Financial assets recognized at Fair Value Through Profit and Loss (FVTPLT);
- Financial assets classified as Fair Value Option (FVOPT);
- Financial assets recognized at Fair Value Through Other Comprehensive Income (FVOCI) (only for positions not subject to the prudential filter);
- Financial assets classified Mandatorily at Fair Value Through Profit and Loss (FVTPLM/FVTPLM_OICR);

and on the liability side of the balance sheet:

- Financial liabilities recognized at Fair Value Through Profit and Loss (FVTPLT);
- Financial liabilities recognized at Fair Value Option (FVOPT);
- Financial liabilities classified as Mandatorily at Fair Value Through Profit and Loss (FVTPLM/FVTPLM_OICR).

– Financial liabilities classified as Fair Value Liabilities (FVL).

Starting from the scope defined as above, and in accordance with the provisions of Commission Delegated Regulation (EU) 2016/101, Chapter 3, fair-valued positions for which a change in accounting valuation has a partial or zero impact on CET1 capital are excluded.

In particular:

— AFS positions (FVOCI), to the degree to which the changes in valuation are subject to prudential filters;[27]

— Back-to-back positions;

— Positions subject to hedge accounting.

To comply with the regulatory requirements in terms of CoRep reporting, each indicator is calculated for the general scope as defined in the relevant section, and also for the narrower scope of trading instruments only.

The following table shows the calculation of the AVA indicator at 30 June 2021, with a breakdown of the various categories:

Template EU PV1: Prudent valuation adjustments (PVA) (1/2)

		a	b	c	d	e
		Risk category				
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities
1	Market price uncertainty	12,435	6,829	106	11,604	—
3	Close-out cost	12,612	14,823	106	5,349	—
4	Concentrated positions	5,133	—	—	—	—
5	Early termination	427	183	39	194	—
6	Model risk	13,018	—	49	763	—
7	Operational risk	1,252	1,113	11	1,014	—
10	Future administrative costs	9	—	—	—	—
12	**Total Additional Valuation Adjustments (AVAs)**					

[27] The inclusion or exclusion of such instruments from the scope for calculation of prudential valuation is established by Regulation (EU) no. 575/2013 Part 10, Title I, Chapter 1, Articles 467-68, taking into account the adjustment made via Regulation (EU) no. 445/2016, Chapter V, Articles 14-15.

Template EU PV1: Prudent valuation adjustments (PVA) (2/2)

		EU e1	EU e2	f	g	h
		Category level AVA - Valuation uncertainty		Total core approach		
	Category level AVA	Unearned credit spreads AVA	Investment and funding costs AVA		of which: in the trading book	of which: in the banking book
1	Market price uncertainty	1,662	304	16,470	15,971	499
3	Close-out cost	1,662	304	17,428	17,344	84
4	Concentrated positions			5,133	—	5,133
5	Early termination			843	843	—
6	Model risk	313	53	7,099	7,099	—
7	Operational risk			3,390	3,332	58
10	Future administrative costs			9	—	9
12	**Total Additional Valuation Adjustments (AVAs)**			**50,372**	**44,589**	**5,784**

15.4 Hedging

With reference to the requirements of IFRS 9 on the new hedging model, the standard aims to simplify the accounting treatment by guaranteeing greater alignment between the accounting representation of the hedge and the underlying rationale behind it (risk management). In particular, the new model provides for an extension to the hedge accounting rules with reference to hedging instruments and related eligible risks. The standard provides for the possibility of continuing to use the hedging rules introduced by IAS 39; however, the Group has chosen to use the new criteria introduced for general hedging (opt-in), which has had no material impact.

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[28]

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and securities recognized at fair value through other comprehensive income or at amortized cost, and also to mitigate price risk on equity investments recognized at FVOCI. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged, as is the stable component of demand deposits modelled at fixed rate.

Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The

[28] This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Eonia interest rates.

hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Table 15.3: List of financial instruments subject to prudent valuation

Type			Inclusion/ exclusion	Inclusion/ exclusion Trading book	Notes
FVTPLT	Financial and credit derivatives	Back to back	Exclusion	Exclusion	As required by the Delegated Regulation (EU) 2016/101
		Non back to back	Inclusion	Inclusion	
	Debt securities		Inclusion	Inclusion	
	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOPT	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOCI	Debt securities	EU government	Partial	Exclusion	An exception is foreseen with the exclusion until the entry into force of Regulation (EU) 2016/445 (01/10/2016) which rectifies the provisions of Regulation (EU) 2013/575
		Non-EU government	Partial	Exclusion	The inclusion / exclusion percentages are variable and follow the regulatory provisions of Regulation (EU) 2013/575 and Circular 285 of the Bank of Italy
		Non-government	Partial	Exclusion	
	Equities		Partial	Exclusion	
	UCITS		Partial	Exclusion	
	Loans		Partial	Exclusion	
	NPE		Inclusion	Exclusion	
FVTPLM/ FVTPLM_OICR	Debt securities		Inclusion	Exclusion	
	Equities		Inclusion	Exclusion	
	UCITS		Inclusion	Exclusion	
FVL	Debt securities		Inclusion	Exclusion	
Hedge accounting	Fair Value Hedge		Exclusion	Exclusion	As required by the Delegated Regulation (EU) 2016/101
	Cash Flow Hedge		Exclusion	Exclusion	The Cash Flow Hedge is subject to a prudential filter

At the consolidated level, each bank and/or company forming part of the Banking Group must apply the percentage stated in Bank of Italy circular no. 285, while at the individual level, each bank or company in the Group is subject to the provisions laid down by its local regulator.

Section 16 – Concentration risk and large exposures

For purposes of reporting the large exposures referred to in CRR II, the limit set is 10% of CET 1 capital (referring to the nominal value of the exposures), whereas the concentration limit is 25% again of CET1 capital (in this case, however, referring to the weighted value following application of the transfers and Credit Risk Mitigation based on the methodology applied by the Group, i.e. the comprehensive method for real financial guarantees).

The regulatory change introduced by CRR II (limits calculated based on CET1 capital rather than total eligible capital, which for the Mediobanca Group was the same as total capital) has generated a reduction of approx. €300m in the concentration limit, without, however, triggering a breach of the limit for any counterparty with the exception of Assicurazioni Generali, or any particular difficulties in operations during the financial year, as a result of ongoing monitoring of the exposures.

Quantitative information

As at 30 June 2021, the exposures reported (including market risks and equity investments) to a total of nine groups of clients (three more than last year) were in excess of 10% of CET1 regulatory capital, for a gross exposure of €9.9bn (€8.5bn, taking into account guarantees and weightings), higher than the respective figures at end-June 2020 (€9.6bn and €7.5bn respectively). In detail the nine exposures are to three industrial groups, one insurance company and five banking groups. The increased number and value of risks defined as large is due exclusively to the stricter definition limit coming into force as from 30 June 2021 (i.e. 10% of CET 1 capital rather than total capital); if there had been no change in definition the Bank would have recorded a reduction in large risks compared to 30 June 2020.

Section 17 – Remunerations and incentivization systems and practices

Qualitative information

The Remuneration and Incentivization Policies are a fundamental instrument used to support the Group's medium- and long-term strategies. The policies serve to attract, motivate and retain staff, creating a sense of identity and developing a culture based on performance and merit.

For information on remuneration policies, see the Annual Report on the Group's remuneration policy, published in the "Governance: Remuneration" section of the www.mediobanca.com website.

The Mediobanca Group's remuneration policy is drawn up, including all information required by Article 450 of the CRR, paying constant attention to the Italian and EU regulations, including in the light of the new documents published by the supervisory authorities.

The Remunerations Committee consists of five non-executive members, all of whom qualify as independent. In FY 2020-21 the Committee met on nine occasions, and the meetings on average lasted around 1 hour and 30 minutes. The Committee's duties include proposing compensation for staff whose remuneration is decided by the Board of Directors. It serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff; and monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this connection. It works together with the other internal committees, in particular the Risks and CSR Committees; and ensures that all relevant company units are involved in compiling and checking the remuneration and incentivization policies and practices. It gives its opinion on the results of the Material Risk-Takers identification process, including any exclusions, and on whether the performance objectives to which the incentivization schemes are linked have been reached. It establishes whether the other conditions precedent to payment of compensation have been met, on the basis *inter alia* of information received from the other company units; monitors the policy's gender neutrality; and provides feedback on the activities performed to the governing bodies.

The Mediobanca Group Policy, which forms part of the parent company's activities of direction and co-ordination of its own Group companies, ensures that the remuneration and incentivization systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation, organizational structures, regulations applicable according to type of business and geographical location. In particular, the parent company manages the process of defining Identified Staff, issues guidance to be adopted, and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries. Material Risk-Takers, i.e.

staff members whose professional activity may impact substantially on the Mediobanca Group's risk profile, are identified annually at the end of a formalized process involving Mediobanca S.p.A. and the other Group companies. The information collected is then sent to Mediobanca S.p.A. to be consolidated, whereas for the other, non-banking subsidiaries, the parent company carries out its own assessment.

For definition of its identified staff, Mediobanca adopts the regulatory technical standards provided in Commission Delegated Regulation (EU) No. 2021/923 of 25 March 2021, published in the Official Journal of the European Union on 9 June 2021. The criteria are:

— Qualitative: linked to role (including for non-executive directors) and to decision-making powers assigned and responsibilities taken within the Group structure, consistent with the nature, range and complexity of the activities performed. Factors considered include organizational position within the Group, materiality of the business unit (not just in terms of the capital allocated to them, but also of volumes and complexity), risk profile, including with reference to reputation, participation in internal Group committees, independence in terms of decision-making and operations, geographical location of the office at which they work (in view of the pay differences between different countries), and specific characteristics of the sectors concerned (e.g. asset management).
— Quantitative: based on the total overall remuneration received in the previous financial year.

The definition of Material Risk-Taker also includes financial and insurance brokers and financial advisors authorized to offer products door-to-door.

The details are set out in section 4 of the Remuneration Policy ("Policy for Identification of Material Risk-Takers").

The Group's remuneration and incentivization policy seeks to generate sustainable value over the long term via:

— Pre-established governance mechanisms involving various different bodies, organizational units and parties, to guarantee that the processes followed are structured, controlled, and verifiable *ex post*;
— An overall remuneration package which reflects a balanced pay mix between fixed and variable components according to company role, and does not encourage or promote risky behaviour or conduct that is unduly geared to achieving short-term results;
— A fair level of remuneration reflecting the competences, abilities and professional experience of each staff member, ensuring that the principle of equal opportunities is applied in practice;
— A short- and long-term incentive structure based on risk-adjusted indicators with a view to achieving business continuity and sustainable results over the long term;

- Correlation of the incentivization system to the principles set out in the Group Sustainability Policy and the Group ESG Policy; inclusion of sustainability issues in the Group's strategies;
- Limits or cap on variable remuneration;
- Ongoing monitoring of the staff remuneration package's positioning relative to the reference market, and close scrutiny of the gender pay gap;
- Individual performances are evaluated clearly and transparently, based on merit and in accordance with the principle of equal opportunities;
- Deferral and payment of variable remuneration over a time horizon of several years, including in the form of equity instruments, in order to link incentives to the creation of value over the long term;
- Centrality of reputational issues, *ex ante* and *ex post*, in the form of malus and clawback mechanisms for the remuneration;
- Pre-established, transparent means of treatment for staff in the event of their employment with the Mediobanca Group ceasing, with pre-established caps in terms of the maximum number of monthly salaries that can be paid and the absolute value of the severance payable;
- Transparency in reporting.

The Group Remuneration Policy and Report is approved by shareholders in Annual General Meeting, after being approved first by the Board of Directors with the opinion of the Remunerations Committee. The Group HR, Planning, Accounting and Financial Reporting, Group Risk Management, Compliance and Group Audit Units all play an active part in the process, according to their respective areas of responsibility. The activities are suitably tracked and documented.

Details are set out in Section 2 "Transparency and sustainability principles" and Section 3 "Governance" of the Group Remuneration Policy.

Variable remuneration and the correlation between risks and performance are determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term. Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if the following indicators or "gateways" are met:

- Capital adequacy and liquidity requirements at levels which are higher than those stated in the Risk Appetite Framework approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP. These are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, and Net Stable Funding Ratio.
- Positive operating profit delivered at Group level.

the annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

For the control, staff and support units, the aggregate variable remuneration is established on the basis of general earnings sustainability. Malus condition and clawback mechanisms are also provided. The details are illustrated in in section 6, "Incentivization System" of the Group Remuneration Policy.

In FY2020-21 the governing bodies revised the Report on Remuneration and Compensation Paid, to align it with the new regulations and best practices. Compared to the previous version, the new Policy:

- Highlights the link between remuneration policy, corporate sustainability and ESG objectives;
- Provides greater detail on the remuneration structure for the figures of the Chief Executive Officer, Group General Manager and other management with strategic responsibilities;
- Implements the governance rules provided by the new Regulations for Issuers which in turn incorporate the provisions of the EU Shareholders Rights Directive II;
- Incorporates the new reporting schemes for changes in the compensation of governing body members, Group results, and the average remuneration of staff and Material Risk-Takers;
- Revises downwards the limits set on the compensation payable to senior management figures and Material Risk-Takers in the event of their leaving Mediobanca, describing the treatment for so-called "good leavers" in greater detail;
- Incorporates the provisions of the draft version of the new Bank of Italy Supervisory Instructions, with reference in particular to the principles of neutrality that guarantee equal treatment regardless of gender or any other kind of diversity issues, stating clearly the Group's commitment to addressing the gender pay gap;
- Amends the thresholds for applying the deferral mechanisms on variable remuneration assigned to Material Risk-Takers and the time horizon for deferral;
- Contains excerpts from the *ex ante* and *ex post* audits carried out by the control units, Compliance and Group Audit in particular.

For staff employed in the control, staff and support units the variable component, which is usually small, is not related to earnings performance or the Group's results but to individual qualitative performance (value of staff, quality of performance, retention strategies) and to the role's positioning relative to the reference market. For staff employed in the internal control units (i.e. Group Audit, Compliance and Risk Management), assessment is made of the continuous monitoring and control of the Bank's processes and operations carried out by them, independently

and autonomously, to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly. Also evaluated is these units' continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes; and accurate analysis of new products and their risk profiles.

The Mediobanca Group has adopted a New Joiner Policy, which provides for the allocation of buyout, sign on and entry bonuses for particularly important profiles, exclusively at the recruitment stage, and for the first year of their employment by the company. The New Joiner Policy also provides for the possibility of an amount being paid at recruitment to compensate for any loss in earnings from previous jobs, in accordance with consolidated sector practice. Such amounts are decided and paid in accordance with the policy and regulations in force. Application of the other constituents of the Policy (such as deferral, payment in cash and equity, payment being subject to malus and clawback provisions) ensures that the compensation structure is aligned with risks at all times and with the objective of achieving sustainability over the long term.

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases where beneficiaries leave office or the employment arrangement is terminated early, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

The details are illustrated in Section 8, "Policies in the event of the beneficiary leaving office or the employment arrangement being terminated" of the Group Remuneration Policy.

Variable remuneration and the correlation between risks and performance are determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term. Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if indicators or "gateways" linked to the capital and liquidity adequacy requirements are met (CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio), at levels which are higher than those stated in the Risk Appetite Framework approved by the Board of Directors, and earnings gateways as well. The annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

Subject to approval by shareholders in annual general meeting, in accordance with the national and international regulations in force on this subject, the upper limit on variable remuneration for all staff belonging to the Mediobanca Group and hence the entire scope of Identified Staff has been set at 200% of the fixed salary. The remuneration package for the Group's Identified Staff in the control units (Group Audit, Compliance and Risk Management) is structured so that the fixed component represents the majority, with a variable component assigned annually based on qualitative criteria in relation to the effectiveness and quality of control action. The variable component has a maximum limit of 33% of the fixed component, while that of the heads of unit is set annually by the Board of Directors, at the Remuneration Committee's proposal. Different limits are set for staff working in asset management.

Firstly, the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division is only paid if certain indicators or "gateways" linked to the capital and liquidity adequacy levels are met, at levels which are higher than those stated in the Risk Appetite Framework approved by the Board of Directors, and earnings gateways, are met.

The annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives. The individual incentivization system and assignment of variable remuneration to individual beneficiaries are established via an annual performance assessment process based on merit and professional quality, with particular attention to reputational issues.

Details are illustrated in Section 6, "Incentivization System" of the Group Remuneration Policy.

Individual variable remuneration is based primarily on the overall performance of the Group and the individual legal entities/business units, in order to determine the size of the bonus pools available, and thereafter on individual performance.

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For details, see Section 6 "Incentivization System - e) Payment of variable component" in the Group Remuneration Policy.

The incentivization system provides gateways for payment of the bonus pool to Identified Staff and quantification of the aggregate variable remuneration, based on the risk-adjusted earnings

performances of the respective divisions (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives which allow the bonus pool to be sized based on results delivered (pay for performance). The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations and Related Parties' Committees in favour, may approve payment of variable remuneration in favour of Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For directors with executive duties and senior management (i.e. groups 2 and 3 in the table of Identified Staff), the deferral period is always five years. The deferred component is:

- 60% (55% in equities and 45% in cash), for variable remuneration equal to or higher than €435,000;
- 50% (56% in equities and 44% in cash) for variable remuneration of less than €435,000.

For other Identified Staff, deferral is over a four-year time horizon, made up as follows:

- 60% (50% in equities and 50% in cash), for variable remuneration equal to or higher than €435,000;
- 40%, (50% in equities and 50% in cash), for variable remuneration of less than €435,000.

For the Material Risk-Takers, the upfront component is paid half in cash and half in Mediobanca shares.

For Identified Staff, the deferral mechanism applies starting from a materiality threshold of variable remuneration equal to or higher than €50,000 and one-third of the total compensation.

After the vesting period, the shares are subject to a further retention holding period of one year.

For details, see Section 6 "Incentivization System - e) Payment of variable component" in the Group Remuneration Policy.

Variable remuneration components may only be assigned, when awarded and when deferred payment takes place, if the beneficiary has not committed any of the instances contemplated in the Group Directive on Compliance Breaches (i.e. has not been subject to disciplinary proceedings based *inter alia* on the provisions of the Code of Ethics, Organizational Model instituted pursuant to Italian Legislative Decree 231/01, or violations of the Business Conduct policy and/or the other internal guidelines issued by Mediobanca), and if no losses are attributable to their actions. The deferred variable remuneration component is paid, after the performance evaluation process has been completed over the relevant timeframe, i.e. annual (short-term incentive) or long-term (long-term incentive), provided that:

- The beneficiary is still a Group employee and not serving a period of notice for resignation or dismissal;
- In each of the financial years, the performance conditions (i.e. the gateways) are met;
- The beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as validated by the Risk Management unit.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established.

Clawback clauses can be applied to Identified Staff up to the fifth year following payment of variable remuneration, upfront or deferred, and up to one year for other staff.

For details, see Section 6 "Incentivization System - e) Payment of variable component" in the Group Remuneration Policy.

The Chief Executive Officer is required to hold a number of Mediobanca shares equal in value to twice the amount of his fixed salary (including the emolument payable for holding such office, as measured at the end of the financial year and based on the average Mediobanca stock market price recorded in the same financial year), and the Group General Manager one time the amount of his fixed salary, even after the shares deriving from the award of the variable component have actually been assigned, until the respective vesting/holding periods expire. The equivalent amount of shares, to be delivered in a timespan of five years from the date of their first award, must be held throughout the duration of their terms of office, to ensure their interests are aligned with those of the shareholders (the "stock ownership requirement").

the annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For details, see Section 6 "Incentivization System - e) Payment of variable component" in the Group Remuneration Policy.

The total remuneration for each member of the management body or senior management is stated in the "Tables of analytical quantitative data" contained in the Report on Remuneration and Compensation Paid.

The Mediobanca Group benefits from the exemption provided for under Article 94(3)(b) of the CRD. A total of 27 staff members benefit from this exemption, with an aggregate total compensation of €5,891,000, of which €4,525,000 fixed and €1,367,000 variable.

For the quantitative information on the collective compensation paid to the Board of Directors, see the "Tables of analytical quantitative data" contained in the Report on Remuneration and Compensation Paid.

Quantitative information

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	13	2	10	85
2		Total fixed remuneration	4,380	4,279	8,067	30,068
3		of which: cash-based	4,029	3,500	7,432	28,711
EU-4a		of which: shares or equivalent ownership interests	—	—	—	—
5		of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-5x		of which: other instruments	—	—	—	—
7		of which: other forms	352	779	636	1,357
9	Variable remuneration	Number of identified staff	—	2	10	77
10		Total variable remuneration	—	3,300	8,302	22,096
11		of which: cash-based	—	1,551	3,919	11,762
12		of which: deferred	—	891	2,208	5,471
EU-13a		of which: shares or equivalent ownership interests	—	1,749	4,383	10,114
EU-14a		of which: deferred	—	1,089	2,705	5,339
EU-13b		of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-14b		of which: deferred	—	—	—	—
EU-14x		of which: other instruments	—	—	—	220
EU-14y		of which: deferred	—	—	—	132
15		of which: other forms	—	—	—	—
16		of which: deferred	—	—	—	—
17	**Total remuneration (2 + 10)**		**4,380**	**7,579**	**16,369**	**52,164**

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	—	—	—	—
2	Guaranteed variable remuneration awards -Total amount	—	—	—	—
3	of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	—	1	3
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	94	62
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	—	—	—	1
7	Severance payments awarded during the financial year - Total amount	—	—	—	270
8	of which paid during the financial year	—	—	—	81
9	of which deferred	—	—	—	189
10	of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	270
11	of which highest payment that has been awarded to a single person	—	—	—	270

Template EU REM3 - Deferred remuneration (1/2)

		a	b	c	d
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	of which due to vest in the financial year	of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year
1	MB Supervisory function	—	—	—	—
2	Cash-based	—	—	—	—
3	Shares or equivalent ownership interests	—	—	—	—
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
5	Other instruments	—	—	—	—
6	Other forms	—	—	—	—
7	MB Management function	8,580	2,058	6,523	—
8	Cash-based	4,187	735	3,452	—
9	Shares or equivalent ownership interests	4,393	1,322	3,070	—
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
11	Other instruments	—	—	—	—
12	Other forms	—	—	—	—
13	Other senior management	15,083	2,933	12,150	—
14	Cash-based	7,171	1,202	5,969	—
15	Shares or equivalent ownership interests	7,912	1,730	6,181	—
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
17	Other instruments	—	—	—	—
18	Other forms	—	—	—	—
19	Other identified staff	18,123	6,339	11,783	—
20	Cash-based	8,602	3,372	5,230	—
21	Shares or equivalent ownership interests	9,203	2,912	6,292	—
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
23	Other instruments	317	56	261	—
24	Other forms	—	—	—	—
25	**Total amount**	**41,786**	**11,329**	**30,456**	**—**

Template EU REM3 - Deferred remuneration (2/2)

	Deferred and retained remuneration	e	f	EU-g	EU-h
		Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	—	—	—	—
2	Cash-based	—	—	—	—
3	Shares or equivalent ownership interests	—	—	—	—
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
5	Other instruments	—	—	—	—
6	Other forms	—	—	—	—
7	MB Management function	—	(91)	2,058	1,323
8	Cash-based	—	—	735	—
9	Shares or equivalent ownership interests	—	(91)	1,323	1,323
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
11	Other instruments	—	—	—	—
12	Other forms	—	—	—	—
13	Other senior management	—	(84)	2,933	1,730
14	Cash-based	—	—	1,202	—
15	Shares or equivalent ownership interests	—	(84)	1,730	1,730
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
17	Other instruments	—	—	—	—
18	Other forms	—	—	—	—
19	Other identified staff	—	(229)	6,339	2,968
20	Cash-based	—	—	3,372	—
21	Shares or equivalent ownership interests	—	(229)	2,912	2,912
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
23	Other instruments	—	—	56	56
24	Other forms	—	—	—	—
25	**Total amount**	**—**	**(404)**	**11,329**	**6,021**

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	13
2	1 500 000 to below 2 000 000	4
3	2 000 000 to below 2 500 000	4
4	2 500 000 to below 3 000 000	—
5	3 000 000 to below 3 500 000	1
6	3 500 000 to below 4 000 000	1
7	4 000 000 to below 4 500 000	1
8	4 500 000 to below 5 000 000	—
9	5 000 000 to below 6 000 000	—
10	6 000 000 to below 7 000 000	—
11	7 000 000 to below 8 000 000	—

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (1/2)

	a	b	c	d	e
	Management body remuneration			Business areas	
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking
1 Total number of identified staff					
2 of which: members of the MB	13	2	15		
3 of which: other senior management				6	3
4 of which: other identified staff				34	17
5 Total remuneration of identified staff	**4,380**	**7,579**	**11,959**	**39,586**	**18,728**
6 of which: variable remuneration	—	3,300	3,300	19,971	7,511
7 of which: fixed remuneration	4,380	4,279	8,659	19,615	11,217

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (2/2)

	f	g	h	i	j
	Business areas				Total
	Asset management	Corporate functions	Independent internal control functions	All other	
1 **Total number of identified staff**					**110**
2 of which: members of the MB					
3 of which: other senior management	—	1	—	—	
4 of which: other identified staff	1	12	21	—	
5 **Total remuneration of identified staff**	**782**	**4,840**	**4,597**	**—**	
6 of which: variable remuneration	440	1,518	959	—	
7 of which: fixed remuneration	342	3,323	3,638	—	

Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Milan, 23 September 2021

Head of
Company Financial Reporting

Emanuele Flappini