



Mediobanca Group 2021 Remuneration policy

28 October 2021



MEDIOBANCA

Executive Summary

FY21 – BUSINESS ACHIEVEMENTS AND REMUNERATION HIGHLIGHTS

ALL GATEWAYS MET

- ◆ Capital and liquidity ratios enhanced as defined in the Risk Appetite Framework
- ◆ Positive Group Gross Operating Profit

BUSINESS RESULTS

- ◆ **Record year** for revenues, fees and GOP driven by WM and CIB
- ◆ **Significant drop in cost of risk**
- ◆ **Business Plan** strategy and targets broadly confirmed
- ◆ **Shareholders' remuneration resumed** with dividend and buy-back

PAY FOR PERFORMANCE

- ◆ Higher Pool bonus pool for WM and CIB due to substantial improvement in divisional performance

CEO AND GENERAL MANAGER

- ◆ Scorecard KPIs greatly achieved

REMUNERATION POLICY – WHAT'S NEW

REMUNERATION POLICY UPDATED ALIGNED TO THE LATEST SET OF RULES AND BEST PRACTICES

- ◆ **ESG: stronger relation between remuneration policy**, corporate sustainability **and ESG objectives** (included also in the short-term scorecards starting from FY22)
- ◆ **Disclosure: enhanced transparency on the remuneration structure** of the CEO, General Manager, other Managers with Strategic Responsibilities and Material Risk Takers in relation to the Group's results and the average remuneration of employees
- ◆ **Severance: stricter approach to the overall limit** (cap including notice & non competition agreements from FY22)
- ◆ **Adoption of the new EU rules** with particular reference to:
 - ◆ **diversity: equal treatment regardless of gender as well as any other form of diversity;**
 - ◆ modification of the thresholds for the application of the deferral mechanisms of the variable remuneration assigned to material risk takers;
 - ◆ update of minimum deferral timeframe (from 3 to 4 years).

Remuneration: principles and guidelines

Remuneration policy, along with group culture, is long term value generation oriented.
We shield our reputation, trustworthiness and sustainability
with responsibility, fairness and transparency in our approach to business

ADEQUATE PAY MIX

to attract and retain talent
while fostering sustainable and long term approach.

VARIABLE COMPENSATION STRONGLY RELATED TO RESULTS

Deferral: total variable compensation vesting over no less
than 4Y, 5Y for Top Executives.
Significant equity component.

RISK-ADJUSTED: Gateways linked to Risk
Appetite Framework, Bonus Pools
calculated based on Economic
Profit/ROAC.

CAP: applied to mitigate risk appetite.

MANDATORY DEFERRAL POLICY

CLAW BACK: in the event of damages
on MB's capital base, profitability,
financial results.

MALUS CONDITIONS APPLIED

COMPETITIVENESS

VALUE MERIT & PERFORMANCE

SUSTAINABLE APPROACH: Targets set to
ensure solid capital base, adequate
liquidity ratios, profitable results and
appropriate risk management.

NON-FINANCIAL TARGETS: applied to
foster l/t value creation.

SHORT-TERM REMUNERATION: Targets set
at the beginning of the FY (budget
quantitative KPIs).

LONG-TERM REMUNERATION: Targets set
according to BP20/23 confirmed and
disclosed ex-ante in the LTI plan.

FAIRNESS

TRANSPARENCY

EQUAL OPPORTUNITIES

No distinction of age, gender, sexual orientation, marital status,
religion, language, ethnic or national origins, disability,
pregnancy, maternity or paternity including adoptive, personal
beliefs, political opinions, affiliation or trade union activity.

SEVERANCE

No golden parachutes for directors in case of voluntary or
involuntary termination.
Severance for Executives and MRT population: 24 months of
remuneration capped at €5mIn, included notice & non
competition agreements.

Strong Remuneration Governance to assure a verified and transparent process

Group governance of remuneration involves several functions and corporate departments

SHAREHOLDERS IN ANNUAL GENERAL MEETING	REMUNERATION COMMITTEE	CORPORATE DEPARTMENTS INVOLVED
<p>The responsibilities of the Shareholders in the Annual General Meeting include:</p> <ul style="list-style-type: none"> ◆ setting, at each BoD renewal, the annual fixed pay for members of the board of directors ◆ approving the remuneration policies and compensation schemes based on financial instruments for group directors, staff and collaborators ◆ approving the criteria for determining the compensation to be awarded in the event of early termination of the employment relationship or term of office ◆ setting variable remuneration for employees and advisors of the Group at 200% of fixed remuneration, following Board of Directors proposal or any other limit set by the regulations. 	<p>Consultative role regarding GM, Executive Directors and staff rem. and retention policies. Activities include:</p> <ul style="list-style-type: none"> ◆ reviews and assesses remuneration proposals and guidelines put forward by the CEO ◆ advisor for decisions regarding the criteria to be used for compensation payable to all identified staff ◆ regularly reviews (through benchmarks & market practice analysis, regulatory framework & recommendations) the adequacy, congruity, adherence and application of remunerations policies, including equality policy and gender pay gap ◆ verifies performance achievements involving all relevant company units in devising and checking the remuneration and incentive policies and practice ◆ cooperates with Risk and CSR committees 	<p>GROUP HR process owner, governs and controls units to verify the Group's earnings and financial data</p> <p>AUDIT reviews data and- monitors process adherence</p> <p>ACCOUNTING provides data for determining the business areas' performances based on results</p> <p>COMPLIANCE evaluates compliance of policy with legal and regulatory frameworks</p> <p>RISK MANAGEMENT contributes to establishing metrics to calculate risk adjusted performance</p>

Remuneration Committee

COMPOSITION

5 non-executive members, all independent, 40% F /60% M

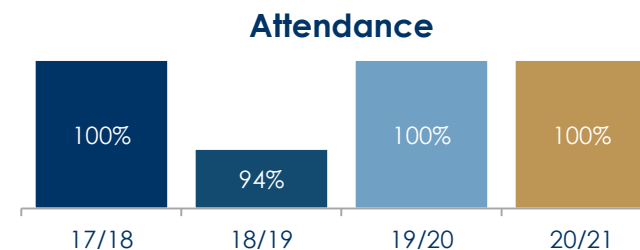
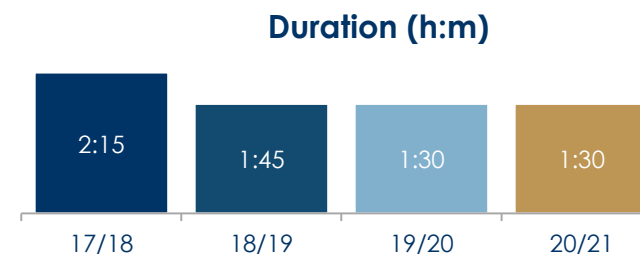
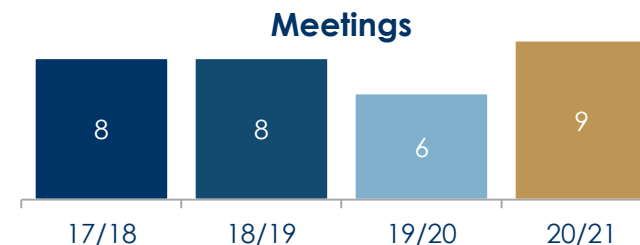
Member	Position	Independent
M. Carfagna	Chairman	X ^{1,2}
V. Banet	Member	X ^{1,2}
V. Hortefeux	Member	X ^{1,2}
M. Ibarra	Member	X ^{1,2}
A. Lupoi	Member	X ^{1,2}

FY21 MAIN TOPICS

- ◆ Definition of scorecards for CEO and GM, with financial and non financial criteria evaluation
- ◆ Decisions made by the Chief Executive Officer regarding the variable remuneration of business units, Material Risk Takers and other staff
- ◆ Analysis of regulatory framework, benchmarks and market practice, included Gender Pay Gap
- ◆ Review of the new Remuneration Policy to be approved by the Board of Directors and by shareholders (AGM)

ACTIVITY

Effectiveness of Rem Co with meetings number, duration and attendance confirmed in the last 4Y



Actual remuneration structure

The **remuneration structure** is aligned both to the **latest European and Italian legislation/provisions** and with **global best practices**. An **adequate balance between fixed and variable** remuneration is **crucial to avoid risk and short-term behaviour**.

All variable remuneration is subject to performance conditions in the performance evaluation horizon, ex post malus condition (Group performance, compliance breaches, responsibility for financial losses or reputational damages) **and claw back clauses** (in case of fraud or willful misconduct)

Employee category	Fixed Compensation		Variable compensation			
	Base	Pension plan	STI (Annual Scorecard)		LTI (Strategic Plan 19 - 23)	
	Upfront	Annual contrib.	5 Y deferral - 60% deferred*		5 Y deferral - 60% deferred*	
	Cash	Cash	Cash	Shares	Cash	Shares
Executive Directors	100%	100%	47%	53%	47%	53%
Non Executive directors	100%					
Chairman	100%	100%				
Executives (Sen. Managers)	100%	100%	47%	53%	47%	53%
Other Executives (Material Risk Takers)	Upfront	---	3 Y Deferral - 40/60% deferred			
	100%	100%	50%	50%	---	---

* If variable amount equal or higher of € 425.000

- ◆ **Executive directors** variable remuneration
 - ◆ accrues only if aligned with established gateways
 - ◆ variable remuneration is distributed at least ~50% in cash and ~50% in equity (performance shares)
- ◆ **Executives** variable remuneration is paid inter alia in the form of equity instruments (performance shares scheme)

The Group's identified staff (or MRT - Material Risk Takers Executives) as at 30 June 2021 represents around 2% of the total Group staff and are as follows: 97 resources qualified as identified staff, including Executives, Senior Management, Manager of business units and other resources with managerial responsibilities.


- ◆ In accordance with the European Directive CRD, **Mediobanca has set a cap on variable remuneration for all employees at 200% of fixed pay to:**
 - ◆ maintain adequate flexibility and minimize fixed costs
 - ◆ align interests and encourage the achievement of sustainable results
 - ◆ attract and retain talent in an aggressive market context
 - ◆ reward performance and link individual performance to the results of the bank
- ◆ Employee bonus pool determination and distribution is governed by "gateways".
- ◆ Individual allocation is based on documented quantitative and qualitative performance evaluation, with particular attention to aspects of compliance.
- ◆ Guaranteed bonuses permitted only for the first year of particularly talented new hires


FY21: all gateways met


Variable compensation is subject to gateway achievement


Gateway represent preliminary and minimal conditions for any variable remuneration calculation


Gateways are based on risk adjusted metrics with a view to guaranteeing long-term, sustainable results and to preserve an adequate capital stability, a robust liquidity profile and to mitigate the Group's future risks


PARAMETER	
Operating profit at Group level 	
KPIs	FY21 RESULTS
>0	1,142

PARAMETER	
Cet1 ratio 	
KPIs	FY21 RESULTS
≥ 9,5%	16.3%

PARAMETER	
Leverage Ratio 	
KPIs	FY21 RESULTS
≥ 4%	9,1%

PARAMETER	
AFR/ECAP 	
KPIs	FY21 RESULTS
≥ 115%	196%

PARAMETER	
Liquidity Coverage ratio 	
KPIs	FY21 RESULTS
≥ 110%	158%

PARAMETER	
Net Stable Funding Ratio 	
KPIs	FY21 RESULTS
≥ 102,5%	116%

- ◆ To ensure the overall financial sustainability of the global bonus pool for the Group's various business divisions Economic Profit and/or ROAC are used
- ◆ Risk Appetite Framework is the basis of Mediobanca gateways
- ◆ Performance conditions linked to the Group's RAF and risk adjusted product performance foreseen for release of deferred compensation

Variable remuneration settlement as at FY 22

Employee category	Instrument	Variable compensation settlement					Total	o/w deferred	
		up front	1Y	2Y	3Y	4Y			5Y
Executive Directors & Executives - Senior Management	Cash	20%		13%			14%	47%	27%
	Equity		20%		11%	11%	11%	53%	33%
Other Executives (Material Risk Takers)	Cash	20%		5%	5%	20%		50%	30%
	Equity		20%	15%	15%			50%	30%
Central functions	Cash	100%						100%	
	Equity	--							

Executive directors variable remuneration settlement

- ◆ 1-year holding period for up-front equity components
- ◆ 5-year deferral period for 60% of remuneration

Top executives (material risk takers) variable remuneration settlement: 60% of the variable component is deferred over a 5-year time horizon (as for the Executive Directors)

All variable remuneration awarded is subject to certain and further Group performance conditions, malus and clawback clauses during the deferral period and before granting

Other Executives (material risk takers) variable remuneration settlement: a substantial part of the variable component, up to 60%, is deferred over a four-year time horizon and paid inter alia in the form of equity instruments (performance shares schemes)

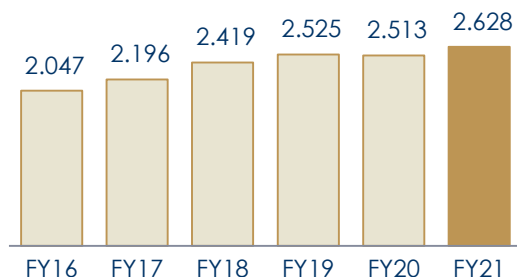
Performance share plan (reserved to employees)

- ◆ at least 3-year deferred period (vesting plus holding)
- ◆ all variable remuneration is subject to performance conditions, ex post malus condition and clawback clauses

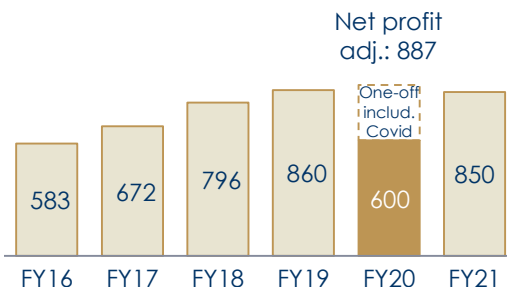
FY21: recovering from Covid-19 with unbroken growth, profitability and solidity...

MB able to grow through the cycles and deliver above average growth fostering its solidity with improved capital ratio and asset quality. Despite the unprecedented conditions MB achieved **stable revenues** (€2.6bn), **net profit at €808m** (adj. €850m net of one-offs), **revenue generating assets growth** (loan book up 4% and TFAs up 12%) **maintaining a distinctive risk profile** (with excellent asset quality and CET1 ratio @16.3%).

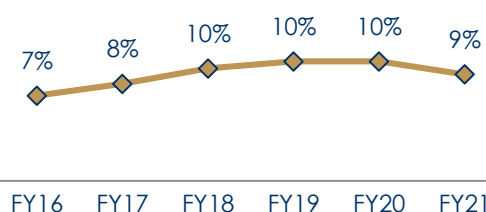
Revenues



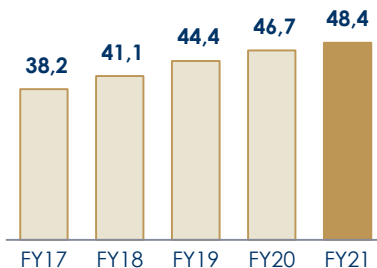
Net profit adjusted¹



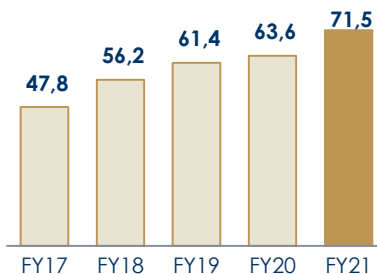
ROTE adj.¹ growth



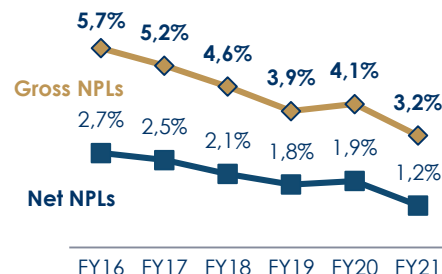
Loan book growth



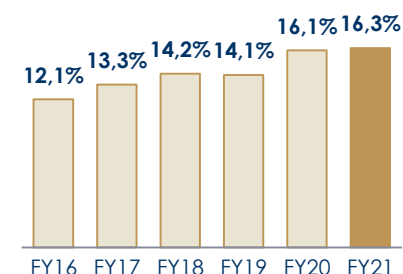
TFAs growth



Group NPLs/Loans trend



Core Tier 1 trend

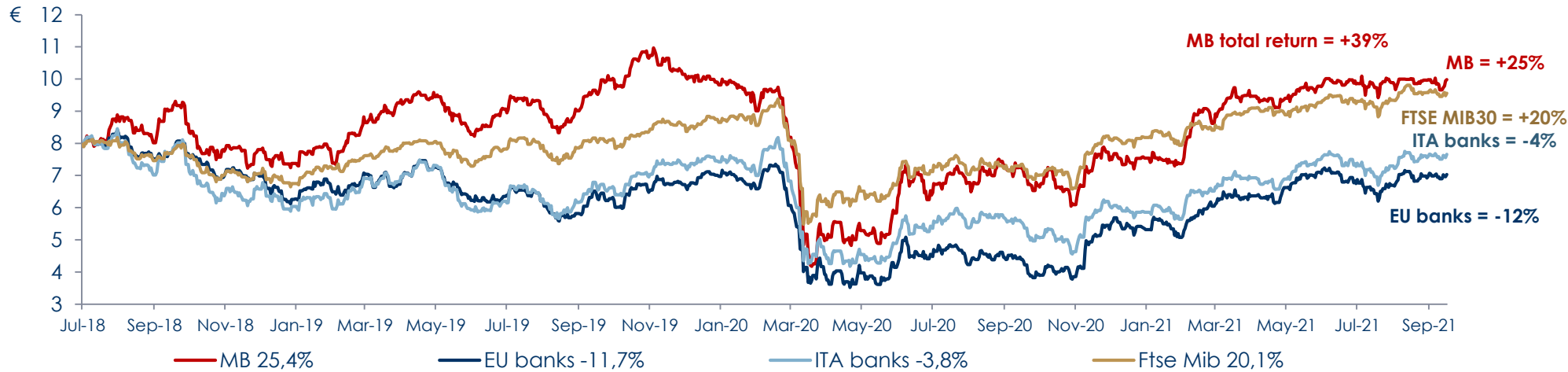


1) Excluding items stemming from Covid emergency, systemic fund provisions, impairments on equity stakes and securities, and other positive/negative one-off items.

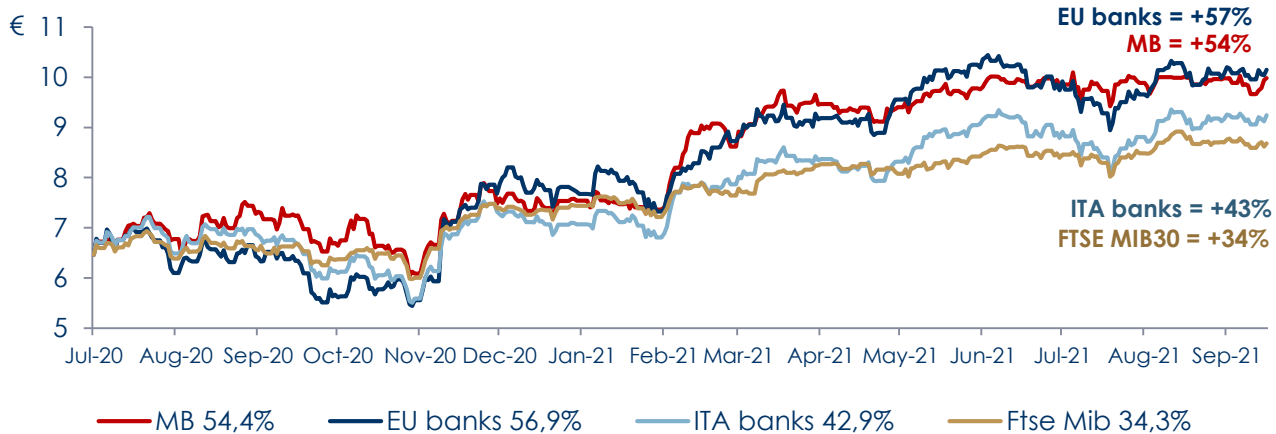


...delivering strong market performance

Mediobanca last 3Y market performance vs ITA and EU banks



Mediobanca 1Y market performance vs ITA and EU banks



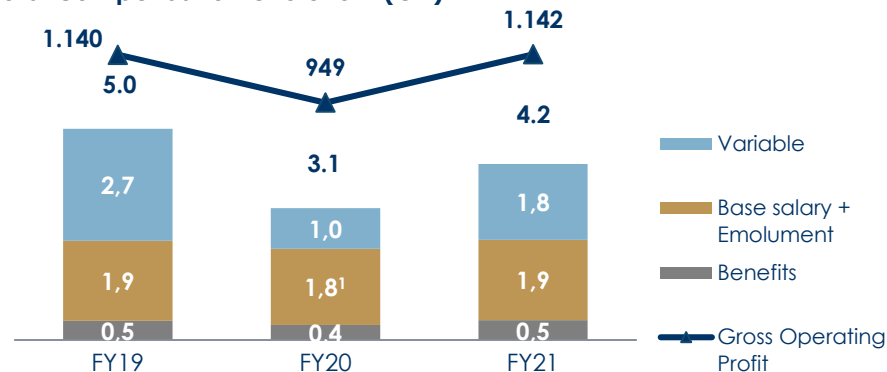
- ◆ MB 3Y performance (up 25%) above FTSE MIB and higher than ITA and EU banks (down 4% and 12% respectively). MB total return: +39%
- ◆ FY21: recovering from Covid-19 impact - MB up 54% in line with EU banks (up 57%) and above ITA Banks (up 43%).



In the last 3 FYs CEO and GM sustainable paid for performance with prudent approach to overall pay

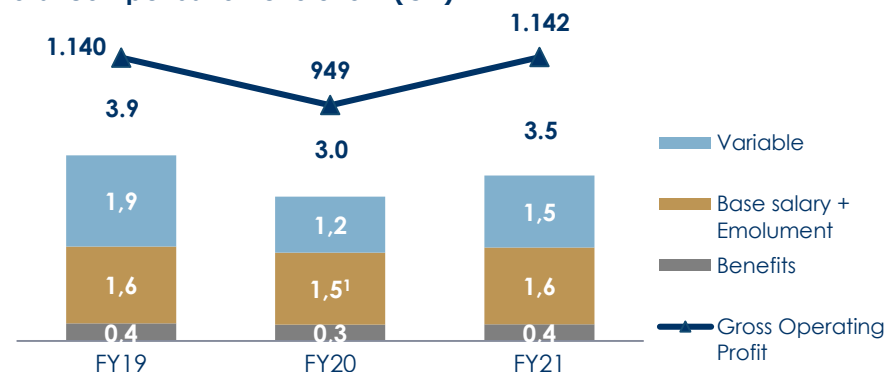
CEO compensation and FY21 scorecards

Total compensation evolution (€m)



GM compensation and FY21 scorecards

Total compensation evolution (€m)



PARAMETER	WEIGHT	FY21	ASSESSMENT
Gross ROAC adj. Banking activities	30%	24%	EXCEEDED
Cost of risk	30%	52bps	EXCEEDED
RWA density	20%	32%	ALMOST MET
Total Fees/banking revenues	20%	52%	EXCEEDED
CSR development initiatives on diversity, inclusion & engagement	qualitative		MET
WM & Consumer distribution platform enhancement	qualitative		MET
Total weighted avg. target assessment			~125%

PARAMETER	WEIGHT	FY21	ASSESSMENT
Gross ROAC adj. Banking activities	25%	24%	EXCEEDED
Cost of risk	25%	52bps	EXCEEDED
Banking activities cost/income ratio	20%	52%	EXCEEDED
Wealth Management ROAC	30%	22%	EXCEEDED
Development of agile and smart working platform & initiatives	qualitative		MET
WM synergies (proprietary factories with distribution)	qualitative		MET
Total weighted avg. target assessment			~125%

SCORECARD ASSESSMENT – Based on the results of the scorecards, and **taking into account i) the ECB's recommendation of moderation in the variable remuneration** to be assigned to top management, ii) **the overall wide overshoot of the targets assigned**, even in their maximum quantification (**around 125% of the target assigned**), despite the record results in terms of revenues, commissions, cost of risk and capitalization of the Group achieved despite the continuing pandemic, **the BoD assigned a variable remuneration** of € 1.8 million to the CEO and € 1.5 million to the GM, **equal to one times the fixed remuneration for both.**

CEO / STAFF PAY RATIO - 2021 CEO's gross total compensation / average gross total compensation for Group staff members approx. 49x (vs 37x last year)

1. FY20 temporary reduction is driven by BOD contribution to Covid emergency (20% reduction in the emoluments payable to directors in office, rising to 100% for Chairman, CEO and GM, who also committed to donating 30% of their fixed salaries for the May-December 2020 period to initiatives in connection with the emergency). The statutory auditors of Mediobanca have also elected to support the initiatives, waiving 20% of their annual emoluments.

MB Group growth and ESG in FY22 scorecards

CEO – FY22 STI Scorecards

PARAMETER	WEIGHT
Gross ROAC adj. Banking activities	30%
Net Interest Income	20%
Fee Income	20%
Cost of risk	20%
Quantitative ESG targets (see Rem.Policy for details)	10%
- CIB Loan book with ESG/Green features	
- WM/Consumer ESG new production	
- ESG funds in clients' portfolio	
CSR: People Strategy and Human Capital	qualitative
ESG: Planet and Environment	qualitative

QUALITATIVE TARGETS DESCRIPTION

CSR: People Strategy and Human Capital - focus on the development of initiatives related to the enhancement of diversity and inclusion, involvement of employees in the Group's social initiatives, development of skills and talent; growth of employee engagement and the work-life balance;

ESG: Planet and Environment - focus on the Group's ESG initiatives related to environmental sustainability (drivers: Carbon Neutrality; alignment with regulations and international green principles and standards; oversight of commercial and product initiatives in this area).

General Manager – FY22 STI Scorecards

PARAMETER	WEIGHT
Gross ROAC adj. Banking activities	30%
Cost of funding	17.5%
Banking activities cost/income ratio	17.5%
AUM/AUA growth	25%
Quantitative ESG targets (see Rem.Policy for details)	10%
- CIB Loan book with ESG/Green features	
- WM/Consumer ESG new production	
- ESG funds in clients' portfolio	
CSR: People Strategy and Human Capital	qualitative
Digital Strategy & Innovation	qualitative

QUALITATIVE TARGETS DESCRIPTION

CSR: People Strategy and Human Capital - focus on the development of initiatives related to the enhancement of diversity and inclusion, involvement of employees in the Group's social initiatives, development of skills and talent; growth of employee engagement and the work-life balance;

Digital Strategy & Innovation - focus on the technological and digital transformation underway within the Group, as part of the planned interventions (drivers): evolution of the digital proposition, development of solutions to support interaction with customers, technological upgrades and security.

STOCK OWNERSHIP REQUIREMENT

CEO and GM are obliged to reinvest in Mediobanca shares and retain for their entire mandate an equivalent amount of twice fixed remuneration for the CEO and one times for GM. As at June 2021 they retain respectively 12,5x and 5,9x their fixed remuneration

Focus on ESG KPIs – Top Executives

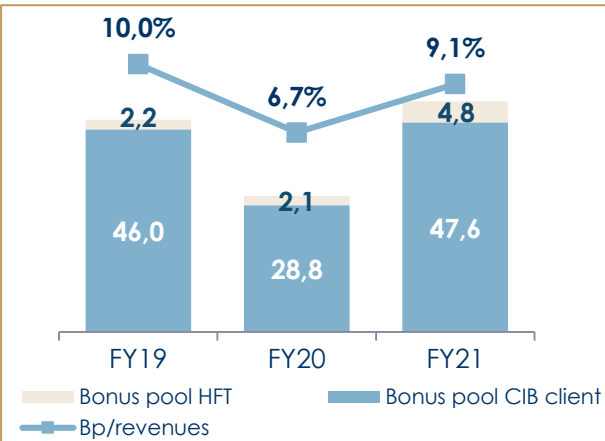
QUANTITATIVE ESG KPI INCLUDED IN THE SHORT TERM INCENTIVE PLAN STARTING FROM FY21

LONG TERM INCENTIVE QUALITATIVE MEASURABLE KPI	SHORT TERM INCENTIVE QUANTITATIVE KPI NEW	SHORT TERM INCENTIVE QUALITATIVE KPI
<ul style="list-style-type: none"> ◆ Average hours training up 25% ◆ AM: 100% of new investments selected using ESG and financial criteria ◆ €700m to be invested in outstanding Italian SMEs ◆ 30% increase in ESG products in clients' portfolios ◆ €4m per annum earmarked for projects with positive social/environmental impact ◆ Customer satisfaction: CheBanca! CSI in core segments @73, NPS @25 - Compass: CSI @85, NPS @55 ◆ Energy: 92% from renewable resources, CO2 emissions to be cut by 15%; hybrid cars @90% of MB fleet ◆ CheBanca! green mortgages up 50% 	<p>Inclusion of financial quantitative ESG KPI to be assessed within the FY performance timeframe (STI 21/22):</p> <ul style="list-style-type: none"> ◆ CIB Client loan stock with ESG/GREEN features ◆ ESG new production ESG to retail clients (Consumer – WM Affluent) ◆ Share of ESG funds in WM Affluent clients' portfolio 	<p>Further sustainability KPI:</p> <ul style="list-style-type: none"> ◆ People Strategy and Human Capital: focus on diversity, training, succession plans, work-life balance; general employees conditions ◆ Planet & Environment: focus on Carbon Neutrality KPIs, alignment with regulations and international green principles and standards; oversight of commercial and product initiatives in this area

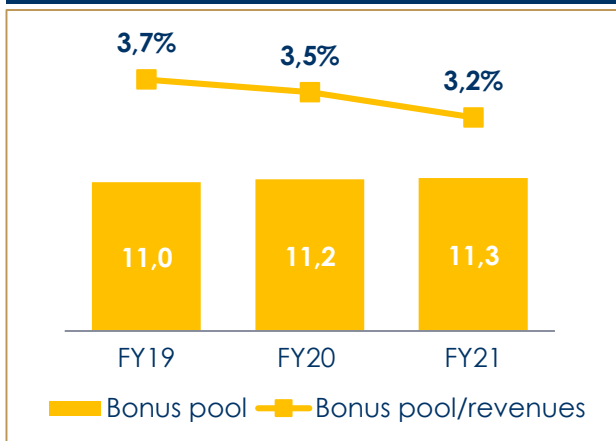
FY21 Main bonus pools stable on results

- ◆ All gateways have been met
- ◆ Consistency of pay for performance:
 - ◆ Higher bonus pool for MB PB and CB! due to substantial improvement in WM division performance. CIB pool increase due to exceptional results
 - ◆ Growth for WB and HF, with realignment to 2019 levels consistent with divisional and Group results
 - ◆ Variable assigned to Group MRTs affects CET 1 by approximately 4 bps (€29.2mIn vs €21.3mIn/3 bps in 2020 and € 31.7mIn/5 bps in 2019)

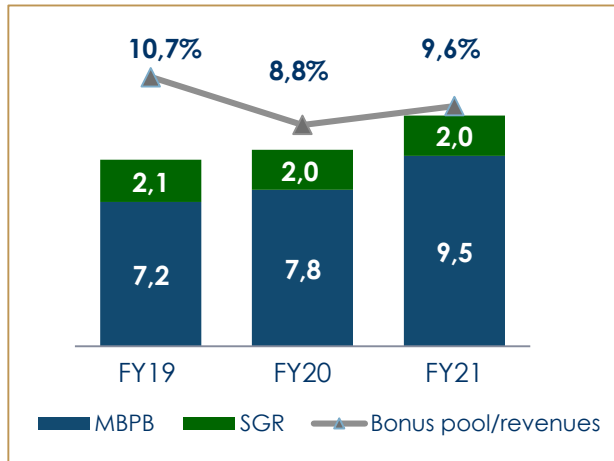
Wholesale Banking (€m)



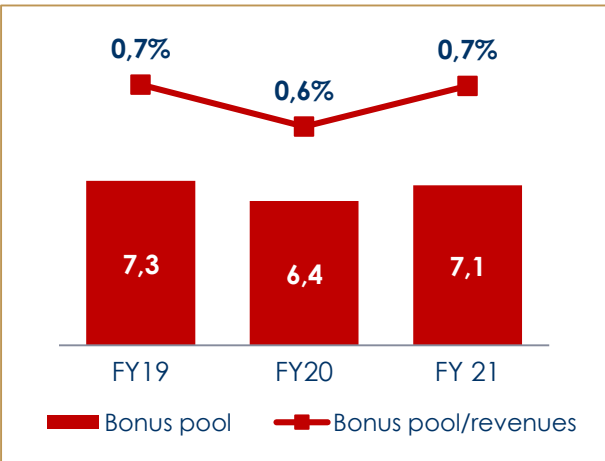
CheBanca! (€m)



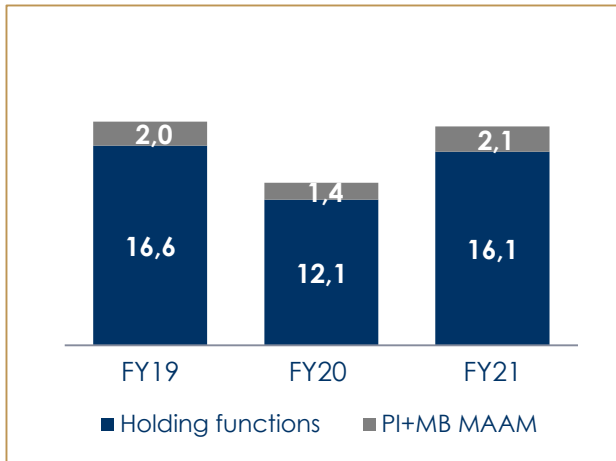
MBPB - MB SGR (€m)



Compass (€m)



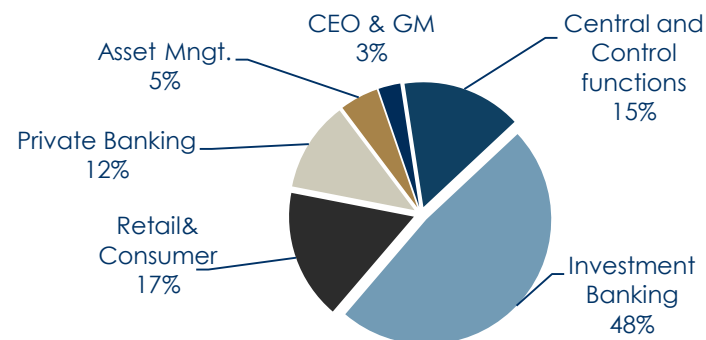
Holding Functions, PI, MB MAAM (€m)



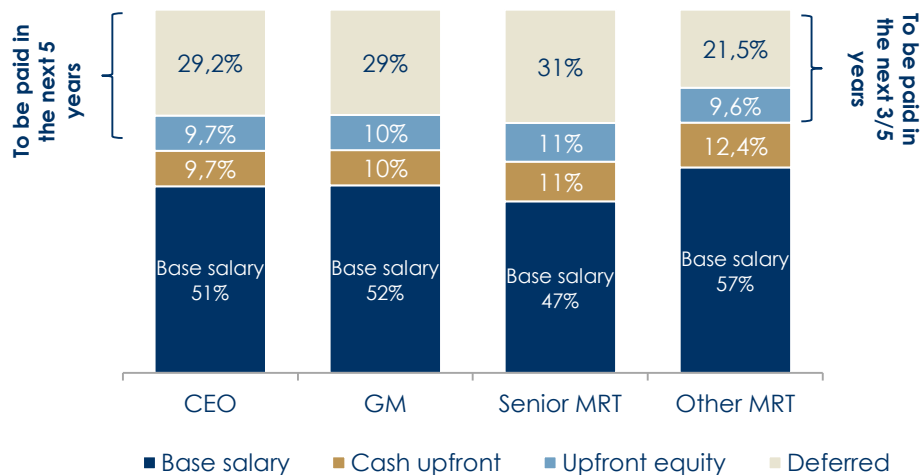
Group Pay mix and variable/fixed remuneration ratio

- ◆ Group variable/fixed remuneration ratio 2021 vs. 2020: pay for performance and sustainable remuneration mechanism applied in main BU
 - ◆ MB WB: avg. 100% vs. 58% (Group MRT WB: 129% vs. 69 %)
 - ◆ WM: MB PB: avg. 54% vs. 45% (Group MRT MB PB: 147% vs. 120%)
 - ◆ WM - Affluent/Premier: avg. 16% as 13% in 2019 (Group MRT CB! 160% vs. 43%)
 - ◆ Consumer: avg. 12% as 9% in 2019 (Group MRT Consumer 80% vs. 65%)
- ◆ CEO and GM FY21
 - ◆ average variable/fixed ratio 100% vs. 66% in 2020
 - ◆ 60 % of variable compensation deferred
 - ◆ pay-mix: ≈40% to be paid in 5 years

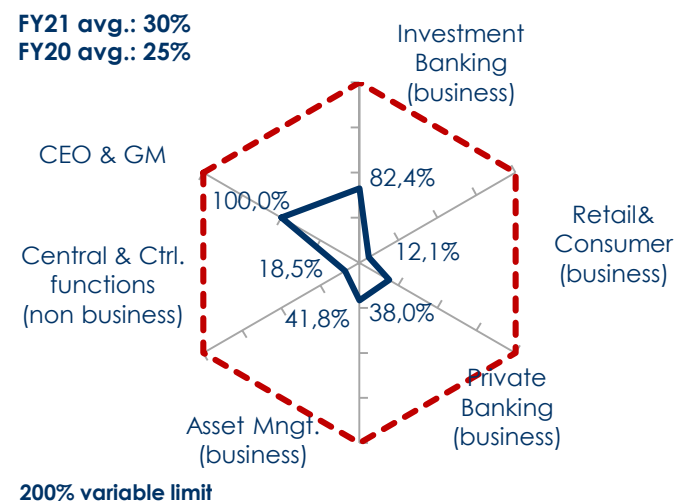
Variable remuneration distribution by MB Group activity (% on total bonus pool)



FY20/21 identified staff pay mix STI



Variable remuneration/fixed salary by activity¹ (%)



Long Term Incentive 2019 - 2023

Annex 1



MEDIOBANCA

Long Term Incentive 2019 - 2023

EVALUATION TIMEFRAME The 4 FY from FY 2019-20 to FY 2022-23	BENEFICIARIES CEO, Mediobanca GM, Mediobanca CEO CheBanca!/Compass	STI/LTI PAY MIX On an annual basis, pay mix maximum 80% STI -20% LTI (maximum of 160% STI/40% LTI given the 2:1 cap)	OTHER FEATURES ACCORDING TO REMUNERATION POLICY RULES Gateways Payment (2023-2028) Malus and Clawback
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	KPI	Weighting	Target KPI Plan 2023	Assessment criteria	
				KPI threshold	% fixed annual salary – plan time horizon ¹
Growth	EPS Growth	33%	4%	> 5%	40%
				4-5%	30-40%
				4%	30%
				3-4%	20%
				< 3%	0
Profitability	Group ROTE	34%	11%	> 12.1%	40%
				11-12.1%	30-40%
				11%	30%
				10-11%	20%
				< 10%	0
Capitalization	CET 1 ²	33%	13.5%	>13.5%	40%
				13-13.5%	20-40%
				< 13%	0






1) Where a range is stated, the figure is quantified by linear interpolation
 2) Conditional upon shareholder remuneration of up to €2.5bn over four years (€1.9bn cash dividends and €0.3-0.6bn share buyback with cancellation) and assuming no change in regulatory requisites



Long Term Incentive 2019 - 2023

The BoD may adjust the variable LTI component by **a percentage that ranges from -10% to +15%** (without prejudice to the annual 40% cap in relation to achievement of the financial objectives) **according to the achievement of the non-financial/qualitative objectives.**

The non-financial/qualitative objectives have equal weighting, to be assessed individually.

	KPI	Assessment criteria
Corporate Social Responsibility Targets (Global Goals SDG UN)	<ul style="list-style-type: none">  <ul style="list-style-type: none"> ◆ Average hours training up 25%  <ul style="list-style-type: none"> ◆ AM: 100% of new investments selected using ESG and financial criteria ◆ €700m to be invested in outstanding Italian SMEs ◆ 30% increase in ESG products in clients' portfolios  <ul style="list-style-type: none"> ◆ €4m per annum earmarked for projects with positive social/environmental impact  <ul style="list-style-type: none"> ◆ Customer satisfaction: CheBanca! CSI in core segments @73, NPS @25 - Compass: CSI @85, NPS @55  <ul style="list-style-type: none"> ◆ Energy: 92% from renewable resources, CO² emissions to be cut by 15%; hybrid cars @90% of MB fleet ◆ CheBanca! green mortgages up 50% 	<p style="text-align: center;">-5% / +7.5% quantitative financial results</p>
Relative performance Total shareholder return	<p>MB stock relative performance vs Total Shareholder Return index (TSR: assumes dividends are reinvested) for 26 leading European banks (Euro Stoxx Banks – code SX7GT-STX), of which Mediobanca is part</p>	<p style="text-align: center;">-5% /+7.5% quantitative financial results</p>