

*Draft*

# MEDIOBANCA

LIMITED COMPANY  
SHARE CAPITAL € 443,616,723.50  
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK.  
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP.  
REGISTERED AS A BANKING GROUP



*Mediobanca S.p.A. Financial Statements  
as at 30 June 2020*

*Annual General Meeting  
28 October 2020*

[www.mediobanca.com](http://www.mediobanca.com)

*translation from the Italian original which remains the definitive version*

## BOARD OF DIRECTORS

		Term expires
Renato Pagliaro	Chairman	2020
* Maurizia Angelo Comneno	Deputy Chairman	2020
Alberto Pecci	Deputy Chairman	2020
* Alberto Nagel	Chief Executive Officer	2020
* Francesco Saverio Vinci	General Manager	2020
Marie Bolloré	Director	2020
Maurizio Carfagna	Director	2020
Maurizio Costa	Director	2020
Angela Gamba	Director	2020
Valérie Hortefeux	Director	2020
Maximo Ibarra	Director	2020
Alberto Lupoi	Director	2020
Elisabetta Magistretti	Director	2020
Massimo Tononi	Director	2020
* Gabriele Villa	Director	2020

\* Member of Executive Committee

## STATUTORY AUDIT COMMITTEE

Natale Freddi	Chairman	2020
Francesco Di Carlo	Standing Auditor	2020
Laura Gualtieri	Standing Auditor	2020
Alessandro Trotter	Alternate Auditor	2020
Barbara Negri	Alternate Auditor	2020
Stefano Sarubbi	Alternate Auditor	2020

\* \* \*

Massimo Bertolini Secretary of the Board of Directors

Emanuele Flappini Head of Company Financial Reporting

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# ACCOUNTS OF THE BANK



# REVIEW OF OPERATIONS



## REVIEW OF OPERATIONS

### Overview

The Bank reported a net profit of €39.4m for the twelve months, representing a sharp reduction on last year (€386.2m), due chiefly to lower dividends on investments, in addition to the effects of the Covid-19 pandemic on net treasury income and provisions.

Revenues were down 33%, from €840.2m to €562.9m, and reflect the following trends:

- Net interest income rose by 8.8%, from €91.8m to €99.9m, on a lower Cost of funding and higher lending volumes which offset the widespread reduction in returns on assets;
- Net trading income was down 31.3%, from €184.9m last year (an especially positive result) to €127.1m; this item was affected by the market correction at end-March 2020 which was only recovered in part by end-June;
- Net fee and commission income was basically stable at €231.7m, helped by a healthy contribution from private banking which added €69.7m (€54.1m), offsetting the reduction in fees earned from investment banking to €162m (30/6/19: €177m);
- Dividends from investments reduced from €332.4m to €104.2m, reflecting the decision by Compass Banca to cancel this year's dividend (a €150m dividend was paid last year), plus the partial deferral of the Assicurazioni Generali 2019 dividend<sup>1</sup> (€101.4m, compared with €182.4m) last year.

Operating costs were down 4%, from €419.6m to €402.7m, in particular labour costs (down 7.8%, from €240.8m to €221.9m), reflecting the cut in the variable remuneration component; meanwhile administrative expenses were virtually unchanged, up 1.1% (from €178.8m to €180.8m).

<sup>1</sup> The Board of Directors of Assicurazioni Generali confirmed to the group's shareholders that a €0.96 dividend would be paid, in two tranches: one of €0.50 per share, paid in May 2020; and one of €0.46 per share, payable by the year-end subject to the Board verifying that the capital and regulatory requirements are met.

Loan loss provisions reflect the increase in provisioning for performing positions, calculated based on the new macroeconomic scenario<sup>2</sup> which led to a further approx. €42m being set aside, thus swallowing up the majority of the writebacks credited as a result of two substantial UTP positions returning to performing status; overall net writebacks of €15.7m were credited, much lower than the €58.6m booked last year.

Provisions for other financial assets totalled €21.8m (€4.8m), after downward adjustments to other funds and securities recognized at fair value amounting to €11.3m, and higher provisioning for the banking book portfolios (up from €3.6m to €10.5m) reflecting the impact of IFRS 9 and the downgrade in the republic of Italy's rating in May 2020 (€3.3m).

Writedowns to investments totalled €61.4m (€4.2m) mainly include the impairment charges to the investment in RAM (€56.9m), plus €4.5m to cover Cairn Capital's current operating losses recorded at end-2019.

Results for the year were impacted by higher payments to the resolution and deposit guarantee funds (up from €29m to €39.7m), €29.9m of which to the Single Resolution Fund.

On the balance-sheet side, total assets were down slightly from €65.9bn to €64.8bn, due to lower treasury asset volume: i.e. trading assets (from €10bn to €9.2bn) and banking book securities (from €10.8bn to €9.6bn). Conversely, customer loans grew from €28.7bn to €30.5bn, matched by growth in funding which reflects the increased use of T-LTRO facility (from €4.3bn to €5.7bn, €3bn of which in connection with the new programme).

Mediobanca's capital ratios as at 30 June 2020 reflect the most recent updates to the relevant regulations (the CRR, plus Bank of Italy circular no. 285 on related parties<sup>3</sup>) comfortably above the limits set by the regulations and higher than last year: the Common Equity Ratio increased from 14.37% to 14.81% despite the modest profit for the twelve months. Much of the increase is

<sup>2</sup> The internal scenario adopted assumes Italian GDP will fall by 11.6% in 2020, recover by 0.8% in 2021 and climb 5.2% in 2022; for the Eurozone the figures are respectively -9.2%, +0.1% and +4.7%, for the United States -10.3%, +7.6% and 6.0% (the Group's other two core geographies).

<sup>3</sup> The most recent update to Bank of Italy circular no. 285 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 the 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.



due to the new accounting treatment for the Assicurazioni Generali investment following changes to the regulations on related parties, application of which has resulted in direct and indirect deductions being approx. 35 bps lower. The total capital ratio remained stable at 18.25%. In view of the good performance in its capital ratios, Mediobanca has decided not to take up the option of using the additional phase-in measures (or “prudential filters”) introduced by the regulator in recent months to neutralize the effect of the impairment charges taken under IFRS 9 and the reduction in valuation reserves for EU government securities.

The fully-loaded ratios, i.e. without weighting the Assicurazioni Generali investment at 370% and with full application of the IFRS 9 effect, stood at 13.7% (CET1 ratio) and 17.6% (total capital ratio), higher than last year (CET1 ratio: 13.1%; total capital ratio: 17.4%).

In view of the guidance issued by the regulators and the economic scenario being so uncertain, the Board of Directors has decided not to propose payment of a dividend this year.

## **Financial highlights**

The profit and loss account and balance sheet have been restated to provide the most accurate reflection of the Bank’s operations. The results are also presented in the format recommended by the Bank of Italy in the annex.

## RESTATED PROFIT AND LOSS ACCOUNT

	(€ m)		
<b>Profit-and-loss data</b>	<b>30/06/19</b>	<b>30/06/20</b>	<b>Chg. (%)</b>
Net interest income	91.8	99.9	8.8%
Net treasury income	184.9	127.1	-31.3%
Net fee and commission income	231.1	231.7	0.3%
Dividends on investments	332.4	104.2	-68.7%
<b>Total income</b>	<b>840.2</b>	<b>562.9</b>	<b>-33.0%</b>
Labour costs	(240.8)	(221.9)	-7.8%
Administrative expenses	(178.8)	(180.8)	1.1%
<b>Operating costs</b>	<b>(419.6)</b>	<b>(402.7)</b>	<b>-4.0%</b>
Loan loss provisions	58.6	15.7	-73.2%
Provisions for other financial assets	(4.8)	(21.8)	n.m.
Impairment on investments	(4.2)	(61.4)	n.m.
Other income (losses)	(29.0)	(39.7)	36.9%
<b>Profit before tax</b>	<b>441.2</b>	<b>53.0</b>	<b>-88.0%</b>
Income tax for the period	(55.0)	(13.6)	-75.3%
Net profit	386.2	39.4	-89.8%

## RESTATED BALANCE SHEET

	(€ m)	
	<b>30/06/19</b>	<b>30/06/20</b>
<b>Assets</b>		
Financial assets held for trading	10,047.3	9,214.7
Treasury financial assets	11,517.4	10,306.8
Banking book securities	10,779.3	9,592.2
Customer loans	28,671.0	30,507.4
Equity Investments	3,876.5	4,089.0
Tangible and intangible assets	147.6	168.4
Other assets	869.0	959.4
<b>Total assets</b>	<b>65,908.1</b>	<b>64,837.9</b>
<b>Liabilities and net equity</b>		
Funding	42,753.7	46,273.9
Treasury financial liabilities	8,636.2	4,614.1
Financial liabilities held for trading	8,280.3	8,351.7
Other liabilities	925.1	762.7
Provisions	126.0	121.6
Net equity	4,800.6	4,674.5
Profit of the period	386.2	39.4
<b>Total liabilities and net equity</b>	<b>65,908.1</b>	<b>64,837.9</b>
<i>Regulatory capital (€ mln)</i>	<i>4,456.2</i>	<i>4,617.7</i>
<i>Solvency margin (€ mln)</i>	<i>5,668.5</i>	<i>5,689.1</i>
<i>RWA (€ mln)</i>	<i>31,005.8</i>	<i>31,179.4</i>
<i>Regulatory capital/RWA</i>	<i>14.37%</i>	<i>14.81%</i>
<i>Solvency margin/RWA</i>	<i>18.28%</i>	<i>18.25%</i>
<i>No. of shares outstanding (mln)</i>	<i>887.2</i>	<i>887.2</i>
<i>Market capitalization (€ mln)</i>	<i>8,116.3</i>	<i>5,669.4</i>
<i>No. of staff</i>	<i>986</i>	<i>1,008</i>

## Review of key items

**Funding** - funding grew from €42.8bn to €46.3bn, chiefly reflecting the increased use of the T-LTRO instrument (up from €4.3bn to €5.7bn, including €3bn for the most recent programme). There were also increases in deposits gathered via CheBanca! (from €11.7bn to €12.2bn) and the Private Banking channel (from €4bn to €4.3bn). The increase in debt security funding (from €15.8bn to €16.3bn) reflects the completion of the funding plan for the financial year, with new issues of €3.9bn, against redemptions and buybacks totalling €3.4bn. The Bank's first senior non-preferred bond was issued in January 2020 (maturing in five years at 1.125%), thus increasing the Group's already comfortable MREL position by €500m.

	30/06/19		30/06/20		Chg.
	(€ m)	%	(€ m)	%	
Debt securities	15,785.8	37%	16,331.8	35%	3.5%
Interbank funding	5,744.9	13%	5,439.3	12%	-5.3%
ECB (T-LTRO / LTRO)	4,322.4	10%	5,660.8	12%	31.0%
Other funding	16,900.6	40%	18,842.0	41%	11.5%
- of which: CheBanca! intercompany	11,685.5	27%	12,166.5	26%	4.1%
- of which: private banking	3,989.4	9%	4,330.3	9%	8.5%
<b>Total funding</b>	<b>42,753.7</b>	<b>100%</b>	<b>46,273.9</b>	<b>100%</b>	<b>8.2%</b>

**Loans and advances to customers** - the 6.4% increase in customer loans, from €28.7bn to €30.5bn, chiefly regards loans to corporates, which rose from €11.1bn to €12.4bn, following new loans of €4.5bn against redemptions amounting to €3.2bn, €1.2bn of which were early redemptions; loans to Private Banking customers were basically stable at €1.1bn. The increase in exposures to Group companies (which rose from €16.5bn to €17bn) mainly involved CheBanca! and the decision to gradually transfer interest rate and liquidity risks on mortgages to treasury management at the parent company level.

	30/06/19		30/06/20		Chg.
	(€ m)	%	(€ m)	%	
Corporate customers	11,057.4	39%	12,413.7	41%	12.3%
Private customers	1,156.3	4%	1,144.8	4%	-1.0%
Group companies	16,457.3	57%	16,948.9	55%	3.0%
<b>Total loans and advances to customers</b>	<b>28,671.0</b>	<b>100%</b>	<b>30,507.4</b>	<b>100%</b>	<b>6.4%</b>
- of which: impaired assets	386.7		287.2		-25.6%

	30/06/19		30/06/20		Chg.
	(€ m)	%	(€ m)	%	
Italy	8,399.9	69%	9,020.6	67%	7.4%
France	1,245.5	10%	1,275.0	9%	2.4%
Spain	826.3	7%	892.0	7%	8.0%
Germany	648.0	5%	1,243.1	9%	91.8%
UK	500.0	4%	653.4	5%	30.7%
Other non-resident	594.0	5%	474.4	3%	-20.1%
<b>Total loans and advances to customers</b>	<b>12,213.7</b>	<b>100%</b>	<b>13,558.5</b>	<b>100%</b>	<b>11.0%</b>

	30/06/19		30/06/20		Chg.
	(€ m)	%	(€ m)	%	
Compass Banca	4,840.9	29%	4,822.0	28%	-0.4%
CheBanca!	5,711.5	35%	6,974.3	42%	22.1%
Leasing	1,352.0	8%	1,091.6	6%	-19.3%
Mediobanca International	2,972.1	18%	2,341.8	14%	-21.2%
Others	1,580.8	10%	1,719.2	10%	8.8%
<b>Total loans and advances to Group companies</b>	<b>16,457.3</b>	<b>100%</b>	<b>16,948.9</b>	<b>100%</b>	<b>3.0%</b>

Gross non-performing loans totalled €469m (€643m), and largely involve four corporate exposures (two fewer than last year, with the nominal value €160m lower) and four Private Banking positions (unchanged); they account for 3.5% of total loans (30/6/19: 5.3%). Net NPLs meanwhile totalled €287m (€387m), equal to 2.1% of the total loan book (compared with 3.2% last year), with a coverage ratio of 38.7% (39.9%). Bad debts, all of which in relation to Private Banking activity, were unchanged at €11m and have been written off almost entirely (99.8%). The figures also include non-performing exposures for positions backed by intercompany guarantees issued to Mediobanca International involving a gross amount of €16.3m, with provisions of €3.9m.

In response to the economic crisis generated by the Covid-19 emergency, Mediobanca has adhered to the provisions introduced by the “Cura Italia” decree,<sup>4</sup> allowing all SME clients with mortgages to suspend repayments for a period of time.<sup>5</sup> Such items in any case involve only a residual number of clients: as at 30 June 2020, only three counterparties had taken up this option, involving a total amount of €1.2m.<sup>6</sup>

Mediobanca has received around thirty applications for waivers to financial covenants from corporate clients; only five of these resulted in a payment of principal amount or interest being postponed, involving a total of €12m. Given the

<sup>4</sup> Italian Decree Law 18/20 (known as the “Cura Italia” decree), as converted into Italian Law 27/20.

<sup>5</sup> Article 54 of the “Cura Italia” decree (the so-called “Gasparrini Fund”) and Article 12 of the “Decreto Liquidità”.

<sup>6</sup> Article 54 of the “Cura Italia” decree (the so-called “Gasparrini Fund”) and Article 12 of the “Decreto Liquidità”.

temporary nature of the difficulties and the lack of structural liquidity problems in these cases, the majority of the waivers granted have not been classified as forbearance measures, reducing the number of positions reclassified as Stage 2 to just four. The Stage 2 positions decreased from €527.9m to €437.2m (3.2% of total loans).

**Equity investments** - this heading includes controlling interests, interests in associates, shares held as part of the banking book and classified as Hold to Collect and Sell, and holdings in funds which under IFRS 9 have to be recognized at fair value through profit and loss.

(€ m)

	30/06/19		30/06/20	
	Book value	HTC&S reserve	Book value	HTC&S reserve
Associates and subsidiaries	3,191.7		3,150.7	
Other listed shares	102.6	52.7	112.5	62.5
Other unlisted shares	33.7	10.9	26.5	3.7
Other unlisted shares	0.0		160.0	
Seed capital	382.6		413.7	
Private equity	63.6		68.5	
Other funds	102.3		157.1	
<b>Total equities</b>	<b>3,876.5</b>	<b>63.6</b>	<b>4,089.0</b>	<b>66.2</b>

The increase in equity investments, from €3.9bn to €4.1bn, is chiefly attributable to Mediobanca subscribing to an Additional Tier 1 instrument issued by CheBanca! (€160m), the purpose of which is to optimize the individual leverage ratio, which includes intercompany positions.

Investments in associates are unchanged at €1,135.3m, and chiefly regard the stakes held in:

- Assicurazioni Generali, equal to 12.9% of the ordinary share capital booked at €1,096.3m, which reflects a gain at the reporting date of €1.634,3m (€1.470,1m based on current prices);
- Istituto Europeo di Oncologia (25.4% of the ordinary share capital), carried at €39m.

Interests in subsidiaries decreased from €2,056.4m to €2,015.4m, chiefly due to the impairment charges for RAM totalling €46.4m, which became necessary following the sharp contraction in the company's earnings due to redemptions by institutional clients and the reduced growth prospects as a result. During the twelve months Mediobanca's investment in Cairn Capital increased from 60.8%

to 70.9%, after subscribing to a capital increase by the company (in an amount of €4.5m, to cover the losses incurred by Cairn in 2019, which accordingly was written off entirely to earnings) and buying out minority interests (for €3.7m).

Equities (listed and unlisted) rose from €136.3m to €139m, due to upward adjustments to reflect fair value at the reporting date totalling €3m, which were taken through net equity reserves. Seed capital invested in funds managed by Group companies rose by €31.1m, representing the difference between net investments for the twelve months (adding €41m) and alignment to the investments' respective NAVs at the reporting date (accounting for a total of €12.1m). Holdings in private equity and other funds increased from €165.9m to €225.5m, following net payments of €57.5m (chiefly due to subscription to a new fund with ABS as underlying instrument) and upward value adjustments totalling €2.1m.

	Percentage shareholding	30/6/19	30/6/20
<b>Associates</b>			
Assicurazioni Generali	12.9	1,096.3	1,096.3
Istituto Europeo di Oncologia	25.4	39.0	39.0
<b>Total associates</b>		<b>1,135.3</b>	<b>1,135.3</b>
Total subsidiaries		2,056.4	2,015.4
- of which RAM		143.4	97.0
<b>Total equity investments</b>		<b>3,191.7</b>	<b>3,150.7</b>

**Banking book securities** - these include securities recognized at amortized cost (under the “Hold-To-Collect” business model, or “HTC”) and FVOCI (“Hold-To-Collect and Sell”, or HTC&S), and debt securities which have failed the SPPI test which, under IFRS 9, have to be recognized at FVPL.

	30/6/19		30/6/20	
	(€ m)	%	(€ m)	%
Hold to Collect	6,975.5	64.7%	6,053.2	63.1%
Hold to Collect & Sell	3,748.2	34.8%	3,485.9	36.3%
Other (mandatorily measured at FV)	55.6	0.5%	53.1	0.6%
<b>Total banking book securities</b>	<b>10,779.3</b>	<b>100%</b>	<b>9,592.2</b>	<b>100%</b>

This segment reflects a value of €9,592.2m following purchases of €5.2bn (mostly Italian government securities classified as HTC&S), with sales and redemptions totalling €6.4bn and profit-taking of €51.6m. The OCI reserve decreased from €36.2m to €13.1m, mainly due to the sales for the period referred to above, plus downward fair value measurements at the reporting date of €6.3m.

Roughly half this item consists of sovereign debt securities, which increased from €4.3bn to €4.4bn, €3bn of which Italian, with duration of approx. four years. The Group's securitizations (with Compass Banca receivables as the underlying instrument) represent almost 30% of the total, despite reducing in the twelve months from €3.9bn to €2.6bn in line with the repayment schedule.

Unrealized gains on securities classified as HTC (which are recognized at Cost) decreased from €61.9m to €49.6m.

	30/06/19			30/06/20		
	Book value		OCI reserve	Book value		OCI reserve
	HTC	HTC&S		HTC	HTC&S	
Italian government securities	920.4	1,161.3	4.8	1,293.1	1,740.0	2.6
Other government securities	534.2	1,701.8	5.0	533.0	873.6	(0.4)
Bonds issued by financial institutions	5,277.1	663.3	15.6	4,009.9	613.3	8.3
<i>of which: Consumer Banking ABS securities</i>	<i>3,851.8</i>			<i>2,574.3</i>		
Corporate bonds	243.8	221.8	10.8	217.2	259.0	2.6
<b>Total banking book securities</b>	<b>6,975.5</b>	<b>3,748.2</b>	<b>36.2</b>	<b>6,053.2</b>	<b>3,485.9</b>	<b>13.1</b>

**Net treasury assets** - the balance between financial instruments held for trading purposes and trading assets and liabilities totalled €6,555.7m, far higher than the €4,648.2m reported last year, due to the increased recourse to deposits held with the ECB which totalled €3.1bn (€632.1m), and were only part offset by a substantial reduction in the net balance of trading instruments, which halved (from €1,767m to €863m), reflecting both the decrease in equity investments (from €2,589.6m to €1,789.7m) and a rise in issues of certificates (from €864.4m to €1,357.1m).

	30/06/19	30/06/20	Chg.
	(€ m)	(€ m)	%
Financial assets held for trading	10,047.3	9,214.7	-8.3%
Treasury funds	11,517.4	10,306.8	-10.5%
Financial liabilities held for trading	(8,280.3)	(8,351.7)	0.9%
Treasury funding	(8,636.2)	(4,614.1)	-46.6%
<b>Total Net treasury assets</b>	<b>4,648.2</b>	<b>6,555.7</b>	<b>41%</b>

	30/06/19	30/06/20	Chg.
	(€ m)	(€ m)	%
Loan trading	6.9	3.9	-43%
Derivatives contract valuations	(95.5)	(170.9)	79%
Certificates	(864.4)	(1,357.1)	57%
Equities	2,589.6	1,789.7	-31%
Bond securities	130.4	597.4	n.m.
<b>Financial instruments held for trading</b>	<b>1,767.0</b>	<b>863.0</b>	<b>-51%</b>

	30/06/19	30/06/20	Chg.
	(€ m)	(€ m)	%
Cash and current accounts	402.7	1,179.7	n.m.
Cash available at ECB	632.1	3,101.4	n.m.
Deposits	1,846.4	1,411.6	-24%
<b>Net treasury</b>	<b>2,881.2</b>	<b>5,692.7</b>	<b>98%</b>

(€ m)

	30/06/19		30/06/20	
	Assets	Liabilities	Assets	Liabilities
Italian government securities	2,356.8	(2,126.7)	1,274.8	(1,109.2)
Other government securities	1,041.5	(2,021.0)	606.2	(1,828.4)
Bonds issued by financial institutions	627.2	—	1,291.3	—
Corporate bonds	161.2	—	333.7	—
Asset Bucket Securities (ABS)	91.4	—	29.0	—
Shares	2,739.6	(150.0)	2,014.8	(225.1)
<b>Total banking book securities</b>	<b>7,017.7</b>	<b>(4,297.7)</b>	<b>5,549.8</b>	<b>(3,162.7)</b>

(€ m)

	30/06/19		30/06/20	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1,062.3	(892.5)	1,073.2	(959.0)
Foreign exchange	387.9	(266.5)	223.2	(278.3)
Interest rate options/futures	10.4	(20.5)	43.6	(10.5)
Equity swaps e options	1,072.2	(1,387.7)	2,135.3	(2,337.0)
Credit derivatives	490.2	(551.3)	185.6	(247.1)
<b>Derivative contract valuations</b>	<b>3,023</b>	<b>(3,118.5)</b>	<b>3,660.9</b>	<b>(3,831.9)</b>

(€ m)

	30/06/19		30/06/20	
	Assets	Liabilities	Assets	Liabilities
Securities lending/Repos deposits	6,360.8	(4,005.1)	3,134.7	(2,596.1)
Stock lending deposits	672.3	(948.9)	324.4	(318.7)
Other deposits	3,449.5	(3,682.2)	2,566.6	(1,699.3)
<b>Deposits</b>	<b>10,482,6</b>	<b>(8,636,2)</b>	<b>6,025,7</b>	<b>(4,614,1)</b>

**Tangible and intangible assets** - the increase in this item for the twelve months (up 14%, from €147.6m to €168.4m) refers to the introduction of IFRS 16, which has led to a Right of Use being booked in respect of assets leased totalling €22.7m. Depreciation and amortization in particular rose to €9.2m, given that as from this year this item also includes the effect of IFRS 16 (€6m).



	30/06/19		30/06/20		Chg.
	(€ m)	%	(€ m)	%	
Land and properties	111.1	75%	129.3	77%	16%
- of which: core	86.2	58%	104.8	62%	22%
Other tangible assets	4.0	3%	10.0	6%	150%
Other intangible assets	32.5	22%	29.2	17%	-10%
- Of which: goodwill	12.5	8%	12.5	7%	0%
- Of which: brand	15.5	11%	15.5	9%	0%
<b>Total tangible and intangible assets</b>	<b>147.6</b>	<b>100%</b>	<b>168.4</b>	<b>100%</b>	<b>14%</b>

A list of the Bank's core properties is provided below:

	Sqm.	Book value (€m)	Book value per sqm (€/000)
Milan:			
- Piazzetta Enrico Cuccia n. 1	9,318	14.5	1.6
- Via Filodrammatici n. 1, 3, 5, 7 - Piazzetta Bossi n. 1 - Piazza Paolo Ferrari 6	13,390	62.7	4.7
- Foro Buonaparte n. 10	2,926	9.0	3.1
<b>Total core properties</b>	<b>25,634</b>	<b>86.2</b>	

**Provisions** - provisions totalled €121.6m, slightly lower than the figure reported last year (€126m), despite the sharp increase in amounts set aside for commitments to disburse finance and guarantees (which rose from €22m to €42.5m) following adjustment to the new macroeconomic scenario. Indeed, other provisions totalling €27.1m were released during the twelve months, mostly those that had been set aside to cover tax risk, after the dispute over funds transfer pricing with Mediobanca International was settled, against new provisions of €2.2m (mostly to cover overdue invoices and liquidation costs in connection with the Frankfurt branch office). The staff severance component was basically in line with last year at €7.7m (€7.8m).

	30/06/19		30/06/20		Chg.
	(€ m)	%	(€ m)	%	
Commitments and financial guarantees given *	22.0	17%	42.5	35%	93.2%
Provisions for risks and charges	96.2	76%	71.4	59%	-25.8%
Staff severance provision	7.8	6%	7.7	6%	-1.3%
of which: staff severance provision discount	0.8	—	0.9	—	12.5%
<b>Total provisions</b>	<b>126.0</b>	<b>100%</b>	<b>121.6</b>	<b>100%</b>	<b>-3.5%</b>

\* With the introduction of Bank of Italy circular no. 262/2005, fifth amendment, collective provisions in respect of commitments to disburse funds and guarantees issued, which previously were accounted for as "Other liabilities", are now treated as "Provisions for risks and charges".

**Net equity** - net equity reduced from €5,186.8m to €4,713.9m, reflecting reductions in the various components for the twelve months only in part offset by the profit for the year (€39.4m); the main movements included:

- Distribution of the 2019 dividend (€408.5m);
- Completion of the share buyback scheme, with the purchase of 13 million shares worth €105.5m, to reach the target of 3% of the share capital, i.e. 26.6 million shares, including the distribution of 1.7 million shares in November 2019 in connection with the performance share scheme;
- Lower valuation reserves, down from €85.7m to €74m, mostly due to the share of FVOCI assets (the balance of which declined from €80.3m to €70.5m).

Share capital was unchanged at €443.6m, while first-time adoption of IFRS 16<sup>7</sup> had virtually no impact (involving only a charge of €32,000).

	30/06/19	30/06/20	Chg.
Share capital	443.6	443.6	0.0%
Other reserves	4,271.3	4,156.9	-2.7%
Valuation reserves	85.7	74.0	-13.7%
<i>-of which: OCI</i>	80.3	70.5	-12.2%
<i>cash flow hedge</i>	(3.4)	—	n.m.
Profit for the period	386.2	39.4	-89.8%
<b>Total net equity</b>	<b>5,186.8</b>	<b>4,713.9</b>	<b>-9.1%</b>

Of the OCI reserve, €66.3m involved shares and €13.1m bonds and other securities (€2.6m of which Italian government securities) net of the €8.9m tax effect.

	30/06/19	30/06/20	Chg.
Equity shares	63.6	66.3	4.2%
Bonds	36.2	13.1	-63.8%
<i>of which: Italian government bonds</i>	4.8	2.6	-45.8%
Tax effect	(16.1)	(8.9)	-44.7%
<b>Total OCI reserve</b>	<b>83.7</b>	<b>70.5</b>	<b>-15.8%</b>

<sup>7</sup> See Part A of the Notes to the Accounts for further details.

## Profit and loss account

**Net interest income** - Net interest income rose from €91.8m to €99.9m, an increase of 8.8%, due to the lower Cost of funding helped by use of less expensive funding sources (i.e. T-LTRO), despite the widespread reduction in returns on assets (in particular banking book securities and loans to large corporates) and the substantial liquidity position maintained to preserve the LCR and NSFR indicators.

	12 mths ended 30/6/19	12 mths ended 30/6/20	Chg.
Interest income	644.2	585.9	-9.0%
Interest expense	(552.4)	(486.0)	-12.0%
<b>Interest margin</b>	<b>91.8</b>	<b>99.9</b>	<b>8.8%</b>

(€ m)

**Net treasury income** totalled €127.1m, down 31.3% on the outstanding performance delivered last year (€184.9m). The market crisis post-Covid 19 was reflected in all segments: Capital Market Solutions client activity decreased from €128.3m to €83m, impacted by the prohibition and/or postponement of 2019 dividends on the valuation of options used to hedge certificates issued (the impact is estimated at approx. €30m); gains on the banking book reduced from €48.9m to €36.2m, following a negative performance by Derivatives used in connection with trading book management; proprietary trading delivered a €7.7m loss, representing a €10.6m reduction on last year; and dividends on OCI shares and other income from funds decreased from €18.3m to €15.6m.

	12 mths ended 30/6/19	12 mths ended 30/6/20	Chg.
Dividends	18.3	15.6	-14.8%
Fixed-income trading profit	108.6	77.6	-28.5%
Equity trading profit	58.0	33.9	-41.6%
<b>Net trading income</b>	<b>184.9</b>	<b>127.1</b>	<b>-31.3%</b>

(€ m)

**Net fee and commission income** were virtually unchanged from last year at €231.7m (€231.1m), due to a good performance in Private Banking (up from €54.1m to €69.7m, following the resumption of performance fees which added €7.3m), offsetting the reductions posted by the other areas of investment banking: lending (down 16.1%, from €40.3m to €33.8m, due to reduced acquisition finance activities); capital markets (down 20.9%, from €28.9m to €22.9m, due to the difficult market conditions); and advisory business (down 4.4%, from €82.2m to €78.6m, despite signs of recovery in 4Q).

	12 mths ended 30/6/19	12 mths ended 30/6/20	(€ m) Chg.
Lending	40.3	33.8	-16.1%
Advisory M&A	82.2	78.6	-4.4%
Capital Market	28.9	22.9	-20.8%
Sales and Markets	9.2	9.6	4.3%
Private Banking	54.1	69.7	28.8%
<i>of which performance fees</i>	0.4	7.3	n.m.
Other income	16.4	17.1	4.3%
<b>Net fee and commission income</b>	<b>231.1</b>	<b>231.7</b>	<b>0.3%</b>

**Dividends from equity investments and associates** - these totalled €104.2m (€332.4m), consisting of the Assicurazioni Generali dividend (which reduced sharply, from €182.4m to €101.4m, given that payment of roughly half the 2019 dividend was postponed from May until November), plus a one-off distribution by Spafid in an amount of €2.8m (paid in cash as to €1.5m, with payment of the other €1.3m to be made by delivery of an equivalent amount in gold, to be booked under Other assets). It should be noted that the shareholders of Compass Banca, gathered in extraordinary general meeting, decided to cancel payment of the 2019 dividend (a €150m dividend was paid last year).

**Operating costs** - the decrease in operating costs, which were down 4% (from €419.6m to €402.7m), was due to labour costs (down 7.8%, from €240.8m to €221.9m), in particular to the sharp reduction in the variable remuneration component following the decision by members of the governing bodies to waive part of the emoluments due to them;<sup>8</sup> the aggregate saving (€640,000) has been earmarked for charitable initiatives supported by the Group. Administrative expenses rose by 1.1% (from €178.8m to €180.8m), including Covid-related expenses totalling €1m and donations to charity amounting to €1.8m.

	12 mths ended 30/6/19	12 mths ended 30/6/20	(€ m) Chg.
Labour costs	240.8	221.9	-7.8%
<i>of which: directors</i>	3.4	2.8	-17.6%
<i>stock options and performance shares schemes</i>	11.2	11.2	0.0%
Sundry operating costs and expenses	178.8	180.8	1.1%
<i>of which: depreciations and amortizations</i>	9.9	13.6	37.4%
<i>administrative expenses</i>	168.6	166.5	-1.2%
<b>Operating costs</b>	<b>419.6</b>	<b>402.7</b>	<b>-4.0%</b>

<sup>8</sup> Chairman Renato Pagliaro, Chief Executive Officer Alberto Nagel and Group General Manager Francesco Saverio Vinci all waived the emoluments due to them in respect of their positions as Board members, while the Directors and Statutory Auditors of Mediobanca elected to waive 20% of their annual emoluments.

The table below shows a breakdown of other administrative expenses by type.

	12 mths ended 30/6/19	12 mths ended 30/6/20	Chg.
Legal, tax and professional services	11.8	11.6	-1.7%
Other consultancy expenses	21.1	16.8	-20.2%
Marketing and communication	4.4	3.8	-13.6%
Rent and property maintenance	10.2	4.8	-52.9%
EDP	61.6	65.8	6.8%
Financial information subscription	20.0	22.3	11.5%
Bank services, collection and payment commissions	2.0	2.9	45.0%
Operating expenses	5.9	6.3	6.8%
Other labour costs	9.9	6.5	-34.3%
Other costs	16.6	19.1	15.2%
Direct and indirect taxes	5.1	6.5	27.5%
<b>Total administrative expenses</b>	<b>168.6</b>	<b>166.5</b>	<b>-1.3%</b>

Overheads were basically flat at €180.8m (€178.8m), with administrative expenses reducing very slightly (down 1.3%), despite leasing instalments (including on company cars assigned to staff) and property renting charges being reclassified as depreciation and amortization (for a total of approx. €6m) following the adoption of IFRS 16. During the twelve months under review there were substantial savings in the area of spending on consultancy services (which were down 20.2%, from €21.1m to €16.8m); this, however, was more than offset by the planned increases in IT spending (info-provider and data processing costs).

**Loan loss provisions (writebacks)** - the sharp reduction in writebacks (from €58.6m to €15.7m) reflects the recalculation of the IFRS 9 provisioning for performing loans, which has been adapted to the new macroeconomic scenario, involving an amount of €42m, roughly €7m of which in connection with intercompany exposures. These adjustments eroded the €60m writebacks deriving from two substantial UTP positions returning to performing status.

**Provisions for other financial assets<sup>9</sup>** - During the year under review, provisions were taken in an amount of €21.8m, including €1m in intercompany accounts; €4.8m of which HTC&S, €3.6m HTC, and €2.1m other financial assets (principally time deposits and Repos). Recognition of holdings in funds at fair value, in particular seed capital invested in equity products (RAM) and credit products (Cairn) was in negative territory at €11.3m (€1.2m).

<sup>9</sup> Under IFRS 9, the impairment process is extended to include all financial assets (securities, Repos, deposits and current accounts) recognized at Cost (HTC) and debt securities recognized FVOCI (HTC&S), including intercompany accounts.

	12 mths ended 30/6/19	12 mths ended 30/6/20	(€ m) Chg.
Hold-to-Collect securities	(2.8)	(5.7)	n.m.
Hold-to-Collect & Sell securities	(0.8)	(4.8)	n.m.
Other	(1.2)	(11.3)	n.m.
<b>Total</b>	<b>(4.8)</b>	<b>(21.8)</b>	<b>n.m.</b>

**Impairment charges to investments** - this item totals €61.4m, and includes the effects of the €56.9m charge taken for the RAM investment (€10.5m of which in relation to the Swiss franc hedge), and the writeoff of the Bank's contribution to the capital increase by Cairn to cover the €4.5m operating loss incurred by the company in 2019.

**Other gains and losses** - this heading contains the contributions to the resolution and deposit guarantee funds, which impacted on the results for the year, rose from €29m to €39.7m, in particular the higher payment made to the Single Resolution Fund (which rose from €20.9m to €29.9m), reflecting the increase in deposits at system level, which also caused the one-off payment to the Italian national resolution system (which increased from €7.6m to €9.5m).

**Income tax** - income tax for the year decreased from €55m to €13.6m, a reduction which was significantly lower than the decline in profit before tax (from €441.2m to €53m), due to the lower percentage accounted for by dividends on investments assisted by partial exemption, and due to the fact that the impairment charges to investments are no longer tax-deductible. The tax rate too was affected by the fact that part of depreciation and amortization charges and other administrative expenses are no longer deductible for IRAP tax purposes, and rose from 12.5% to 25.7% as a result.

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass Banca, SelmaBipiemme Leasing, MIS, CheBanca!, MBCredit Solutions, Futuro and Spafid Connect. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities versus the revenue authorities.

\* \* \*

Significant events that have taken place during the twelve months under review include:

- in October 2020 an agreement was reached with the Italian authority Agenzia delle Entrate regarding the dispute over the application of transfer pricing between Mediobanca S.p.A. and Mediobanca International SA (based in Luxembourg) in the financial years from 2012-13 to 2016-17. The agreement entailed extra costs of €21m plus interest (but no fines). At the same time, Mediobanca agreed on a new funds transfer pricing methodology with the tax authority that should minimize tax risk in the future. The Bank also took the opportunity to voluntarily release profit reserves for a total of €42m deriving from Mediobanca International’s activities prior to 2002, when the Italian transparency tax mechanism was not yet operative for companies headquartered in countries with favourable tax regimes (blacklisted countries). The impact on earnings was largely absorbed by amounts released from the provision for risks and charges resulting from the analysis of the tax risk subsequent to the agreement being finalized;
- a Crisis Unit was established to tackle the healthcare emergency, chaired by the Group General Manager, with the objective of ensuring the Group’s operations while safeguarding the health and safety of staff and clients; working from home was encouraged, working hours were reduced at the retail branches (which remained open during the lockdown period but were operative basically by appointment only), and a specific healthcare policy was adopted;
- in this year, which will be remembered above all for the outbreak of the Covid-19 pandemic, the Group has continued to focus its attention on the communities in which it operates and their institutions. During phase 1 of the emergency, a total of €1.1m was donated to the region of Lombardy, the Milan municipality fund for mutual assistance, and the Luigi Sacco Hospital also in Milan (this sum includes contributions made by the Group’s own staff). During June, a further €950,000 was donated to three solidarity initiatives selected by the Group CSR Committee: the “Sempre con Voi” fund to support the families of doctors and healthcare workers who lost their lives fighting Covid-19; the mutual assistance fund of the city of Bergamo, and non-profit organization “Mission Bambini” which provides IT equipment to children in need. These donations also reflect the decision on the part of management, directors and statutory auditors to forego or reduce their salaries.<sup>10</sup>

<sup>10</sup> Chairman Renato Pagliaro, Chief Executive Officer Alberto Nagel and Group General Manager Francesco Saverio Vinci all waived the emoluments due to them in respect of their positions as Board members, and committed to donating 30 percent of their fixed salaries for May-December 2020 to initiatives linked to the emergency. The statutory auditors of Mediobanca have also elected to support the initiatives, waiving 20% of their annual emoluments.

## ***Related party disclosure***

Financial accounts outstanding as at 30 June 2020 between companies forming part of the Mediobanca Group and related parties and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

All such accounts fall within the company's ordinary operations, are maintained on an arm's length basis, and are entered into in the interests of the Group itself. No atypical or unusual transactions have been entered into with these counterparties.

## **Other information**

With regard to securities trading, a total of 35.2 million Mediobanca shares were traded on behalf of customers, worth €274.2m.

Information regarding the Bank's ownership structure as required under Article 123-bis of Italian Legislative Decree 58/98 is contained, as permitted by the regulations themselves, in a separate statement published together with the review of operations, which is available on the Bank's website (in the Governance section).

Assets which have been revalued and recorded in the balance sheet are listed in table A.

The other information on ratings and research is shown on p. 69 of the consolidated Review of Operations.

Information on the most important litigation pending involving the Bank is also provided in Liabilities, section 10.



## **Outlook**

The outlook for the next financial year remains conditional upon the macroeconomic scenario which is weak and uncertain. The Bank has launched a series of initiatives to keep down the Cost of funding and increase the proprietary portfolio's contribution, including through temporary use of the T-LTRO programme which is expected to boost net interest income. Fee income should increase, driven by Corporate and Investment Banking, where the deal pipeline is decidedly robust, whereas Private Banking could see effects on performances and placements. In the absence of any market corrections which are not foreseeable, the contribution from net trading income should return to the levels seen in previous years, as should dividends from the equity investments. Costs are expected to increase slightly, as a result of the IT investment plan being confirmed. The Cost of risk should remain at positive levels, and again will be conditional upon the performance of the UTP positions.

Milan, 16 September 2020

THE BOARD OF DIRECTORS

## **Financial year ended 30 June 2020: proposal to approve financial statements and allocation of profit for the year**

Dear shareholders,

The net profit for the year was €39,358,757.73.

In Recommendation 2020/35 of 27 July 2020, the ECB asked supervised banks not to pay dividends for the 2019 and 2020 financial years in view of the uncertainties over the extent and duration of the effects of the Covid-19 pandemic on the European and international economies.

Accordingly, you are invited to approve the following:

- (i) Financial statements for the year ended 30 June 2020, including the balance sheet, profit and loss account and accompanying schedules; and
- (ii) Allocation of the profit for the twelve months, as follows:

Net profit for the year	€ 39,358,757.73
To the Legal Reserve	€ 1,727.00
To the Statutory Reserve	€ 39,357,030.73

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Milan, 16 September 2020

THE BOARD OF DIRECTORS

**DECLARATION BY HEAD OF  
COMPANY FINANCIAL REPORTING**



DECLARATION IN RESPECT OF THE INDIVIDUAL  
FINANCIAL STATEMENTS  
as required by Article 81-ter of Consob resolution no. 11971  
issued on 14 May 1999 as amended

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1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca hereby declare, and in view *inter alia* of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the separate financial statements:
  - were adequate in view of the company’s characteristics;
  - were effectively applied in the year ended 30 June 2020.
  
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the separate financial statements as at 30 June 2020 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT framework).
  
3. It is further hereby declared that
  - 3.1 the separate financial statements:
    - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002
    - correspond to the data recorded in the company’s books and account ledgers;
    - is adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer
  - 3.2 the review of operations contains reliable analysis of the Mediobanca’s operating performance and results, and of its situation, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 16 September 2020

Chief Executive Officer

*Alberto Nagel*

Head of Company  
Financial Reporting

*Emanuele Flappini*

# AUDITORS' REPORT





Independent auditor's report  
*in accordance with article 14 of Legislative Decree No. 39 of 27  
January 2010 and article 10 of Regulation (EU) No. 537/2014*

***Mediobanca SpA***

***Financial Statements as of 30 June 2020***

## ***Independent auditor's report***

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of Mediobanca SpA

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## ***Report on the Audit of the Financial Statements***

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### ***Opinion***

We have audited the financial statements of Mediobanca SpA (the Company), which comprise the Balance Sheet as of 30 June 2020, the Profit and Loss Account, the Comprehensive Profit and Loss Account, the Statement of Changes to Net Equity, the Cash Flow Statement for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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### ***PricewaterhouseCoopers SpA***

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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**Key Audit Matters**
**Auditing procedures performed in response to key audit matters**


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**Recoverable amount of equity investments in subsidiaries and associates**
*Notes to the accounts:*

*Part A- Accounting policies, Section 2 paragraph "A.2 Significant accounting policies – Equity investments".*

*Part B – Notes to the Individual Balance Sheet, "Section 7, Heading 70: Equity investments".*

*Part C – Notes to individual profit and loss account, "Section 15, Heading 220: Gain (loss) on equity investments".*

As at 30 June 2020 the carrying amount of equity investments amounted to Euro 3,150.7 million, of which Euro 2,015.4 million referred to subsidiaries pursuant to IFRS 10, and Euro 1,135.3 million related to associates pursuant to IAS 28.

During the financial year, losses on equity investments were charged for Euro 50.9 million of which Euro 46.4 million due to the partial impairment of the carrying amount of the subsidiary RAM Active Investments S.A.

The Directors are required to assess the recoverable amount of equity investments recognised in the financial statements, at least once a year, (so-called "impairment test"), whether there is any indication that an asset may be impaired during the year. In accordance with IAS 36 this assessment is based on the comparison between the carrying amount and the higher of the fair value less costs of disposal and the value in use of each cash generating unit ("CGU") to which the equity investments subject to impairment test relate.

The recoverable amount of each equity investment was estimated by the Directors, also with the support of independent third-party experts, by applying consolidated and acknowledged methodologies consistent with the prevailing practice requiring the use of information, parameters and assumptions that

In performing our audit we considered internal control relevant to financial reporting. In order to define auditing procedures appropriate to the circumstances, we took into account the exceptional nature of the current macro-economic scenario due to the Covid-19 health emergency. Specifically, in order to address this key audit matter, the following activities were performed also with the support of experts belonging to the PwC network:

- Understanding and evaluation of the process and methodology adopted by the Directors to carry out the impairment tests of the equity investments;
  - Verification that the valuation method adopted was in line with the requirements of IAS 36, taking account of the acknowledged practice, the distinctive characteristics of each equity investment, as well as the recent communications from the Supervisory Authorities issued following the Covid-19 health emergency;
  - Verification of the completeness of the scope of the equity investments tested for impairment and, on a sample basis:
    - Comparison of the forecast data prepared during the previous year with the actual data of the current year in relation to each equity investment, in order to verify the reasonableness of the Directors' assumptions ;
    - Critical analysis of the reasonableness of the future projections revised by the Directors in light of the uncertainty linked to the Covid-19 health emergency;
    - Assessment of the criteria to determine the main quantitative parameters (cost of capital, discount and growth rates) developed by the Directors also with the support of independent third party experts and used to perform impairment tests;
-



result in a high degree of complexity of the estimation processes, with particular reference to the expected future cash flows.

For the current year the estimation process proved to be far more complex considering the exceptional macro-economic scenario due to the Covid-19 health emergency; when deemed necessary, the Directors have therefore adjusted their estimates of cash flows projections.

For the reasons set out above, we considered the recoverable amount of equity investments in subsidiaries and associates as a key audit matter for the audit of the financial statements of Mediobanca as at 30 June 2020.

- Verification of the accuracy of the impairment tests prepared by the Directors through an independent recalculation and comparison between the recoverable amount of each equity investment with its carrying amount;
- Examination of the sensitivity analyses performed by the Directors on the main quantitative parameters, whose change could significantly impact the estimated recoverable amount;
- Verification of the appropriateness and completeness of disclosures provided by the Directors in the notes to the accounts as required by the International Financial Reporting Standards and the applicable regulatory framework, as well as the recent communications from the Supervisory Authorities issued in the aftermath of the Covid-19 health emergency.

#### **Valuation of loans to customers measured at amortized cost**

*Notes to the accounts:*

*Part A – Accounting policies.*

*Part B – Notes to the Individual Balance Sheet, Assets, Section 4 and Section 12.*

*Part C – Notes to Individual Profit and Loss Account, Section 8.*

*Part E – Information on risks and related hedging policies – 1.1 Credit risk.*

As of 30 June 2020 loans to customers were equal to Euro 18,142.4 million, corresponding to 78 per cent of line item “40 b) Financial assets at amortized cost – due from customers”, equal to Euro 23,173.6 million and corresponding to 28 per cent of total assets in the individual financial statements.

Net losses on loans to customers charged in the year amounted to Euro 3.9 million.

In performing our audit we considered internal control relevant to financial reporting. In order to define appropriate auditing procedures, we also took account of the exceptional nature of the current macro-economic scenario due to the Covid-19 health emergency. Specifically, in order to address this key audit matter, the following main activities were performed also with the support of experts belonging to the PwC network:

- Analysis of the adequacy of the IT environment and tests of the operating effectiveness of relevant controls over the IT systems and software applications used;
- Understanding and evaluation of the design of relevant controls over the monitoring, classification and measurement of loans to customers and tests of operating effectiveness of those controls;
- Verification, on a sample basis, of the

We paid special attention to the measurement of the above assets in the course of our audit considering the materiality of the balance as well as the complexity of the measurement processes and methods.

Estimation processes require significant assumptions, aside from the verification of the SICR (Significant Increase in Credit Risk) and the allocation of the portfolios to the various risk stages (Staging), also when determining the hypotheses and inputs to the ECL (Expected Credit Loss) models and, in relation to the assets measured individually (third stage), when estimating the expected future cash flows, the timing of those cash flows, and the realisable value of any collateral.

During the current year these estimation processes proved to be far more complex considering the exceptional nature of the present macro-economic scenario due to the Covid-19 health emergency which required, as also pointed out in the recent communications from the Supervisory Authorities and the standard setters, the update of the processes and methods to measure loans, with particular regard to the SICR determination, and the reasonableness of the forward looking information used when defining the expected macro-economic scenarios for the determination of the ECL.

reasonableness of the policies, procedures and models used to measure the SICR, for the stage allocation and for determining the ECL, on both a collective and individual basis. Special attention was paid to the parties which adopted and benefited from supporting measures on the Company's initiative (typically waivers of covenants and rescheduling) following the Covid-19 health emergency;

- Understanding and verification of the criteria to determine the inputs used in the models for ECL calculation. Specifically, we verified the reasonableness of the estimates made by the Directors when defining the expected macro-economic scenarios with specific regard to the adjustments to the satellite model forecasts used to estimate the risk parameters such as the PD (Probability of Default) and the LGD (Loss Given Default), with a view to consider the increased risk in the current context linked to the Covid-19 health emergency. Specific tests were performed on the correct application of the credit conversion factors for off-balance sheet commitments and exposures;
- Verification of the correct application of the models defined for performing loans (first and second stage), of the completeness and accuracy of the data bases used in the ECL calculation and the accuracy of the calculation formulas of the key estimation parameters (Probability of Default, Loss Given Default and Exposure at Default);
- Verification, on a sample basis, of the reasonableness of classification among performing loans (first and second stage) and among non-performing loans (third) based on the available information on the debtor's status and other available evidence,

including from external sources. With specific regard to non-performing loans (third stage), specific analyses were conducted in relation to the assumptions made with reference to the identification and quantification of the estimated future cash flows from recoveries, the measurements of the collaterals securing those exposures and the estimated timing of recovery;

- Examination of the sensitivity analyses carried out by the Directors on the expected losses recorded at year-end compared with changes to the expected macro-economic scenario in the short/medium term;
- Verification of the completeness and adequacy of the disclosures provided in the notes to the accounts by the Directors in accordance with the requirements of the International Financial Reporting Standards and the regulatory framework as well as the recent communications issued by the Supervisory Authorities and the standard setters following the Covid-19 health emergency.

**Measurement of complex financial instruments (securities and derivatives) not quoted in active markets and measured at fair value on a recurring basis**

*Notes to the accounts:*

*Part A – Accounting policies – A.2 Significant accounting policies and A.4 Information on fair value.*

*Part B – Notes to the Individual Balance Sheet, Assets, Section 2, Section 3 and Section 5, Liabilities, Section 1, Section 2, Section 3 and Section 4.*

*Part C – Notes to Individual Profit and Loss Account, Section 4, Section 5 and Section 7.*

*Part E – Information on risks and related hedging policies*

*– 1.2 Market risks.*

In performing our audit we considered internal control relevant to financial reporting in order to define auditing procedures appropriate to the circumstances. In detail, to address this key audit matter we performed the following main activities:

- Analysis of the adequacy of the IT environment and tests of the operating effectiveness of relevant controls over the IT systems and software application used;
- Understanding and evaluation of the design of relevant controls over the monitoring, classification and measurement of financial instruments with fair value hierarchy levels 2 and 3 and test of the operating effectiveness of those

As part of our audit we paid special attention to the analysis of the valuation models of complex financial instruments not quoted in active markets and measured at fair value on a recurring basis.

Certain types of securities and derivative instruments are measured using complex valuation models, acknowledged in prevailing practice. This practice is fed with inputs and parameters directly observable and not observable in the market and estimated internally based on qualitative and quantitative assumptions (financial instruments with fair value hierarchy levels 2 and 3).

As of 30 June 2020 financial instruments measured at fair value on a recurring basis with fair value hierarchy levels 2 and 3 showed a positive fair value equal to Euro 4,884.8 million, corresponding to about 7.5 per cent of total assets in the balance sheet and a negative fair value equal to Euro 4,682.2 million, corresponding to about 7 per cent of total balance sheet liabilities.

This was considered as a key audit matter due to the materiality of the amount, the number and complexity of the valuation models used and the significant estimates and assumptions required. The valuation models used, beside being numerous and different in relation to the type of instruments, require specific qualitative and quantitative assumptions that can bring significantly different results.

controls;

- Understanding and verification of the appropriateness of the policies, procedures and valuation models used by the Company to determine fair value;
- Verification, on a sample basis, of fair value to analyze the reasonableness of the qualitative and quantitative assumptions made and inputs used as well as the adjustments to certain parameters in order to reflect the use of updated macro-economic scenarios following the Covid-19 health emergency. These analyses were performed with the support of experts from the PwC network;
- Verification, on a sample basis, of classification in the financial statements in accordance with the categories provided by the applicable financial reporting and regulatory framework.

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### *Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of

accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### *Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014*

On 27 October 2012, the shareholders of Mediobanca SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 30 June 2013 to 30 June 2021.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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### ***Report on Compliance with other Laws and Regulations***

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#### *Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98*

The directors of Mediobanca SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Mediobanca SpA as of 30 June 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Mediobanca SpA as of 30 June 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Mediobanca SpA as of 30 June 2020 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 1 October 2020

PricewaterhouseCoopers SpA

*Signed by*

Raffaella Preziosi  
(Partner)

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

# STATUTORY AUDITORS' REPORT





## STATUTORY AUDIT COMMITTEE'S REPORT as required under Article 153 of Italian Legislative Decree 58/98.

Dear Shareholders,

This report, which has been prepared as required under Article 153 of Italian Legislative Decree 58/98 (the “Italian Consolidated Finance Act”), refers to the activities carried out by the Statutory Audit Committee (the “Statutory Audit Committee”) of Mediobanca S.p.A. (“Mediobanca”, the “Bank” or the “Company”) during the financial year ended 30 June 2020, in accordance with the relevant regulations, and taking into account the Rules of Conduct for Statutory Audit Committees recommended by the Italian national council of chartered accountants and accounting experts. During the course of the year, the Statutory Audit Committee met on a total of 28 occasions, 12 of which with the Risks Committee; it also took part in 9 Board meetings, 6 Executive Committee meetings, 10 Related Parties’ Committee meetings, and 6 Remuneration Committee meetings.

### **1. Supervision of compliance with law and Articles of Association**

The Statutory Audit Committee has received regular information from the directors, *inter alia* through participating in meetings of the Board of Directors, Executive Committee and the other Board committees, on the activities carried out, the management actions performed, and based on the information available, the Committee is able to provide reasonable confirmation that these transactions have been carried out in compliance with the provisions of the law and the company’s Articles of Association.

Significant events during the twelve months under review which the Statutory Audit Committee considers appropriate to recall here in view of their relevance to assessment of the Bank’s solidity and the consistency of the management decisions made with the strategic guidelines established in the 2019-23 business plan include the following:

- On 12 November 2019, the Board of Directors approved the guidelines of its 2019-23 Strategic Plan, with the objective of generating growth in revenues, earnings, profitability and shareholder remuneration, to the satisfaction of all the Group’s stakeholders, while preserving its high risk/return profile;

- The results of the Supervisory Review and Evaluation Process conducted by the ECB (the “SREP Decision 2019”) confirmed the quantitative indicators set the previous year; the authority asked Mediobanca to maintain a Pillar 2 requirement (“P2R”) of 1.25%, one of the lowest in Italy; with the application of Article 105 of CRD V being brought forward, the minimum CET1 ratio to be maintained on a consolidated basis reduces from 8.25% to 7.94%, while the Total SREP Capital Requirement (“TSCR”) is unchanged at 11.75%;
- In order to address the outbreak of the Covid-19 pandemic, the Bank acted on three fronts: a Crisis Unit was set up, chaired by the Group General Manager, with the objective of ensuring the Group’s operations; it participated in the initiatives adopted by the Italian government and category associations to support households and businesses; and it supported entities, institutions and associations involved in the medical and social emergency by various donations.

With reference to relations with the authorities, the Statutory Audit Committee has at all times been kept updated by the relevant company units – in particular the Risk Management unit insofar as regards the ECB and the Bank of Italy, and the Compliance unit for Consob and the antitrust authorities – of the enquiries and checks made by the authorities. The Risk Management unit informs the Committee on a monthly basis of the various activities performed by the ECB, presents the results of such activities, and reports on the remediation actions in progress for problems raised by the authority.

Particular attention has been devoted by the Statutory Audit Committee to the action plans agreed with the ECB for work to be done in connection with managing data quality and the IT infrastructure, the 2019 SREP letter and the ECB Guidance on leveraged transactions.

As far as regards relations with the Bank of Italy, the Committee has reviewed the reports on the inspections carried out at Group companies during the course of the year and has sent its own considerations on them to the authority.

## **2. Monitoring compliance with principles of proper management**

The Statutory Audit Committee has been informed regarding, and has monitored, the Bank’s compliance with the principles of proper management, by obtaining information from the heads of the control units and the Head of Company Financial Reporting, and through meetings with the External Auditors involving the mutual exchange of relevant data and information. It also met with the Chief Executive Officer

and Group General Manager on several occasions in the course of the financial year, to obtain information on the operating performance, internal controls system and the principal risks facing the company. During these meetings the Committee was able to note that the reporting flows from the main company units had been regular, and that the Board of Directors had been kept informed on an ongoing basis.

The Statutory Audit Committee may therefore reasonably affirm that the operations performed have been carried out in accordance with the principles of proper management, and that the operating decisions have been taken on the basis of adequate reporting flows being made available and with awareness of the risks involved.

In particular, with regard to the most significant earnings, financial and capital transactions executed by the Bank and supervised by the Committee, the latter is able to reasonably confirm that the transactions referred to are compliant with the provisions of the law and the company's Articles of Association and are not manifestly imprudent, reckless, in conflict with the resolutions adopted by shareholders in annual general meeting, or such as to compromise the integrity of the company's capital. The transactions in which Directors had interests were approved in accordance with the provision of the law, regulations and Articles of Association in force. The disclosure required under Article 150 of the Italian Finance Act was made by the Chief Executive Officer and the Head of Company Financial Reporting in the disclosure provided in connection with the annual and interim financial statements.

The Statutory Audit Committee also noted that no atypical and/or unusual transactions have been entered into with Group companies, third parties or related parties, that is to say, no transactions that could give rise to doubts over the accuracy and/or thoroughness of the information contained in the financial statements, over conflicts of interest, the safe keeping of the company's capital, or the protection of minority shareholders.

Our meetings with members of the main Group companies' review Statutory Audit Committees and review of their annual reports on the financial statements revealed no critical issues. Equally, no such issues emerged from our meetings with the same Committees regarding the activities performed as supervisory bodies instituted pursuant to Italian Legislative Decree 231/01.

The Statutory Audit Committee also expressed its opinion on the remuneration of directors when requested.

### **3. Supervisory activity of the adequacy of the Bank's organizational structure**

The Bank's organizational structure has not changed materially during the twelve months under review. In this period, however, work has continued on streamlining certain internal units, in particular as follows:

- A combined Mid-Corporate & Sponsor Solutions team has been set up, to enhance synergies in initiatives to promote Mediobanca's activities versus corporates and financial sponsors;
- A London Branch Oversight Committee has been set up, in accordance with the new Senior Managers Regime which is also applicable to European banks' branches. The Committee meets at least once a month and is chaired by the London branch office manager, and consists of the local control units, the local HR Officer, and the head of the local Staff and Operations unit (who acts as Secretary to the Committee).

In view of the United Kingdom's imminent departure from the European Union (commonly referred to as "Brexit"), Mediobanca has applied for the necessary clearances to be able to continue operating in a non-EU member state through its London branch office. The European Central Bank has granted the authorizations, although they shall not come into effect until the transitional period for the UK to leave the European Union has ended (31 December 2020). The UK Financial Conduct Authority has not yet said by what date Mediobanca will have to submit a formal request for authorization, even though it has already received formal notice from the Bank of its intention to continue operating in the UK.

To ensure continuity of operations for the Bank and to take account of the guidance/requirements set by the competent authorities, Mediobanca has transferred some of its staff from the London branch office to its offices in Milan, Paris and Madrid. It has also enhanced the organizational and control measures in place to ensure that the regulations on promoting and/or providing investment services from the United Kingdom in the EU and vice versa are not breached, if authorization to provide financial services is not released.

The Statutory Audit Committee has also supervised the performance of the parent company's activities of co-ordination and control over the Group companies. The Bank has adopted Group Regulations to define the organizational architecture, co-ordination mechanisms and governance instruments, and

the areas for which the parent company's central units have jurisdiction and responsibility. Each individual legal entity's Board of Directors must also approve the Group Regulations, as well as any internal regulations of its own insofar as these are consistent with those of the Group.

The parent company performs its activities of direction and co-ordination through: a) issuing strategic guidelines for the Group as a whole and for each individual legal entity, via the preparation of three-year strategic plans and annual budgets; b) issuing Group Policies, Regulations and Directives compiled by the central units at parent company level; c) centralized coverage of the principal risks facing the Group. The individual legal entities' control units, where these have not been centralized, also report to the equivalent units at parent company level.

As mentioned earlier, when the medical crisis triggered by Covid-19 broke out, the Mediobanca Group immediately set up a Crisis Unit chaired by the Group General Manager, with the COO, CRO, and the heads of HR, Communications and Compliance also members. Work began immediately on implementing the provisions of the various decrees and regulations issued by the authorities. Staff members were enabled to work from home, thus limiting the physical presence on the company premises to isolated cases with specific restrictions requiring the staff members concerned to be there in person.

Employees were briefed via regular communications from Group HR, Group Safety and Group IT & Governance on how the emergency was developing, on safety measures for personnel, and on the guidelines for working securely from home.

The guidance issued in the early stages of the pandemic, followed by the Directive issued in conjunction with the so-called Phase 2, which came into force on 30 April 2020 (Group Directive – Protocol containing measures to prevent and limit the spread of the Covid-19 virus in working environments) enabled the effects of the pandemic to be managed in accordance with the provisions issued by the authorities.

The Statutory Audit Committee was kept informed of the initiatives taken at all times.

The Committee has also monitored the adequacy of the instructions given by the company to its subsidiaries, as required by Article 114, paragraph 2 of the Italian Finance Act.

#### **4. Corporate governance**

The Statutory Audit Committee has assessed the ways in which the Code of conduct in respect of listed companies operated by Borsa Italiana and adopted by Mediobanca on the terms illustrated in the “Annual statement on corporate governance and ownership structure” is implemented.

In March-July 2020, the Board of Directors carried out its own self-assessment exercise as required by the Supervisory Instructions on the Board’s functioning, size and composition and those of the Committees set up by it. The results of this exercise are described at length in the Annual Statement on Corporate Governance. The self-assessment process involved all Directors and Statutory Auditors, and was performed with the support of an external consultant by means of answering a questionnaire.

The Statutory Audit Committee checked that the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members were properly applied in practice.

In accordance with the Supervisory Instructions and with the recommendations made in the Conduct Regulations for the Statutory Audit Committees of listed companies instituted by the Italian national association of chartered accountants, the Committee has carried out its own self-assessment process, resulting in an positive opinion of the body’s overall suitability, qualitative and quantitative composition and functioning. The Committee has also ascertained that its members meet the qualifications in terms of independence.

Ahead of its term of office expiring, the Statutory Audit Committee has prepared a report in accordance with the Code of Conduct for Statutory Audit Committees referred to above. The “Report on the qualitative and quantitative composition of the Statutory Audit Committee” describes the individual and collective profile that Statutory Auditors must reflect, in accordance with the legal and regulatory provisions in force. The Report has been brought to the attention of the Board of Directors and made available to shareholders on the Bank’s website.

## **5. Supervision of transactions with related parties**

The Statutory Audit Committee has reviewed the Procedure in respect of related parties, its compliance with the regulations in force, and its application in practice. It has taken part in all meetings of the Related Parties Committee, instituted under the procedure referred to, and has received regular information on the transactions that have been performed. The Statutory Audit Committee is not aware of any intra-group transactions or deals with related parties carried out in conflict with the interests of Mediobanca.

During the year under review, no transactions qualifying as “most significant” under the terms of the Procedure were executed.

The Statutory Audit Committee checked that adequate information had been provided on transactions with related parties by the Board of Directors in its Review of Operations and the notes to the accounts, in view of the requirements set in the regulations in force.

The Regulations governing transactions with related parties, which includes the internal policies on controls for risk activities and conflicts of interest versus related parties as an annex, was revised in July 2020. All the proposed changes serve to incorporate the Bank of Italy’s regulations on risk activities and conflicts of interest versus related parties, issued by the authority on 23 June 2020, which came into force on the following day. In particular the authority transposed the regulations contained in its circular no. 263/2006 into circular no. 285/2013, making certain amendments to bring it into line with the European regulatory framework. The Statutory Audit Committee said it was in favour of the proposed amendments.

The Statutory Audit Committee, having reviewed the activities performed by the various units involved in the Related Parties procedure, and in particular the results of the checks carried out by the Group Audit Unit, considers that transactions with related parties are managed adequately, and as far as the Committee is aware, the procedure has been applied accurately in practice.

## 6. Supervision of the internal control and risk management system

The Statutory Audit Committee has monitored the adequacy of the internal control and risk management system, by:

- Holding meetings with the Bank’s senior management to examine the internal control and risk management system;
- Holding regular meetings with the Group Audit, Compliance, AML and Risk Management units (the “Control Units”) to evaluate the methods used for planning activities based on identification and assessment of the principal risks involved in the various processes and organizational units;
- Review of the control units’ reports and regular information on the outcome of monitoring activity and the status of corrective action highlighted;
- Receiving information from the heads of the various divisions of the company;
- Meetings with the heads of the supervisory bodies of the leading Group companies, in accordance with the provisions of Article 151, paragraphs 1 and 2 of the Italian Consolidated Finance Act, in the course of which the Statutory Audit Committee obtained information on developments involving the Group companies and the internal controls system considered to be significant;
- Discussion of the results of the work performed by the External Auditors;
- Taking part in meetings of the Risks Committee, and dealing with issues in conjunction with it where necessary.

The Statutory Audit Committee has also monitored observance of the remuneration policies in force with reference to the compensation paid to the control units, taking part in all meetings of the Remunerations Committee.

Some time ago Mediobanca adopted a Group Policy on the Internal Controls System which defines the internal control system’s structure, the roles and responsibilities of the governing bodies and the control units, and the means of co-ordination between these units. The Mediobanca internal controls system is compliant with the recommendations of international progress as applied in Italy by Bank of Italy circular no. 285. The control system is structured across three levels; the first refers to line controls intended to guarantee that operations are performed correctly; the second level to control of risks and compliance; and the third level to identifying breaches of procedures and internal regulations.



Regarding the first-level controls, Mediobanca has instituted operational procedures (or process flows) which cover all activities performed and define, in accordance with the company process tree, the relevant activities, roles, instruments and line controls. These procedures are updated by Group Organization on a regular basis, to bring them in line with any changes in the external or internal regulations, changes to the Bank's organizational structure and operating methods, and to incorporate suggestions for improvement which emerge from the activities performed by the control units themselves.

As far as regards the second and third levels, in the performance of its control activities, the Statutory Audit Committee has maintained an ongoing dialogue with the Control Units.

The Statutory Audit Committee duly notes that the annual reports by the Control Units conclude with a positive overall verdict of the company's internal controls system: a summary of these units' activities is provided below.

### **Group Audit Unit**

The Group Audit Unit's operations are based on three-year and one-year audit plans. The three-year Group plan sets the objectives, and serves also to co-ordinate and direct the work for the three-year and one-year plans prepared by the individual companies. In the space of three years assurance is provided for all processes identified in the risk assessment used to define priority of audit. The one-year plan establishes which activities and processes are to be analysed in accordance with the three-year plan and from a risk-based perspective. The plans are approved once a year by the Board of Directors.

The dialogue between the Statutory Audit Committee and the Group Audit Unit is ongoing during the year, as the latter takes part in the majority of the Committee meetings. The Group Audit Unit informs the Committee promptly if any negative evidence emerges in the course of its audit activity.

The activities planned for the year under review substantially covered the scope of activities which the unit had undertaken to execute, and also the target in terms of mix of audits to be carried out was basically met. No significant critical issues emerged from this activity. The audit and follow-up activities performed (including at Group level) in any case highlighted the need for the

relevant company units to implement the remediation actions identified, in order to mitigate the risks inherent in certain operating processes and practices which are residual in any banking activity but without prejudicing the reliability of the internal controls system which as a whole continues to be adequate.

In planning its own activities, the Committee asked the Group Audit Unit to carry out certain checks in relation to the RAF, the results were brought to the Committee's attention, and the Committee has also monitored the state of progress made in the mitigation activities implemented.

The Group Audit Unit has continued to provide support to the regulators, mainly the ECB, by providing regular briefings (annual meeting, Brexit, Covid-19 updates), performing the audits requested by the ECB, providing support in the course of onsite visits (audits of leverage transactions and market risk by the ECB, and inspections of the operations of Mediobanca SGR by the Bank of Italy). Particularly important in this regard were the activities requested by the ECB in the SREP letter on the IT and Data Quality Plan approved by the Board of Directors last year. The plan has basically been completed, and the Group Audit Unit has issued the declaration stating the plan has been implemented.

## **Compliance unit**

The Compliance unit presides directly over those regulatory areas considered to present the highest reputational risks (e.g. MiFID, MiFIR, market abuse, PRIIPs, transparency, and conduct), and also, by means of a "graduated" model, the areas of regulations covered by other specialist units.

The unit has submitted its institutional and regular reports for the year ended 30 June 2020 to the Committee, along with its action plans for the twelve months ending 30 June 2021, as required under the Bank of Italy's Supervisory Instructions and Consob's Regulations for Intermediaries. The annual report also contains information on complaints and instances of whistle-blowing. In this connection, no whistle-blowing reports were received, while the number of complaints received was not material, and no gaps were found in the corpus of regulations or fraudulent conduct detected on the part of staff members. A report on the activities of the Group Data Protection unit has also been submitted.

## **AML unit**

Anti-money-laundering activities are managed via a centralized model headed up by the Group AML unit based at Mediobanca S.p.A., which covers all the Italian Group companies and co-ordinates the activities for the non-Italian subsidiaries. Organizationally it is part of the Compliance unit.

With regard to new regulations, following the enactment of AMLD IV, the Group's Policy on money-laundering and terrorist financing risk management has been updated; an AML Manual has been drawn up, and the new standard questionnaire to be sent to customers for due diligence purposes has been finalized.

Regarding the controls carried out after the fact to ensure that the AML procedures have been complied with, no significant critical issues were noted.

Training activity has continued via e-learning, and the percentage of completion rate for courses has been adjudged satisfactory.

With reference to the AML risk self-assessment, there were no changes in Mediobanca's exposure to money-laundering and terrorism financing risk which remains at a "Low" level.

## **Risk Management unit**

The Risk Management unit manages and monitors the principal risks to which the Bank is involved with reference to credit risk, financial and market risks and operational risks. This activity revealed no critical issues worth reporting, while for the points noted as requiring improvement, remediation action is already underway.

During the year under review, the strengthening of the Risk Management unit and processes continued at Group level, with more precise definition of the governance, interactions and information flows between the local and central teams, and the integrated Group processes.

The Committee has examined the internal capital adequacy assessment process (ICAAP) which quantifies the internal capital, current and future, to be

held to cover the risks faced by the Group, and the internal liquidity adequacy assessment process (ILAAP), which assesses the adequacy of the liquidity held by the Bank, both of which were approved by the Board of Directors at a meeting held on 12 November 2019, *inter alia* on the basis of the reports received from the Validation and Group Audit units which conclude that the regulatory provisions have been complied with.

The Committee has reviewed the new RAF document for the FY 2020-21 financial year, taking into account the recommendations made by the supervisory authorities and the regulatory guidance issued. The framework has developed in terms of the structure of the document itself and the calibration of the risk metrics and limits. In particular, the new calibration has involved the introduction of a new indicator to measure the principal business lines' profitability ("ROAC"), monitoring the external rating assigned to the Group relative to sovereign risk, extending the cost of risk metric to cover the entire CIB scope of operations and leasing, and checks regarding the level of Level 3 assets as a percentage of CET 1. A reference to ESG risk management and governance has also been added.

The Statutory Audit Committee has reviewed the annual reports by the Validation and Group Audit units on Mediobanca's corporate rating system. Both conclude with an overall positive judgement of the adequacy of Mediobanca's corporate rating system, which has demonstrated that it meets the regulatory requisites set for the IRB approach, including the capability to generate accurate and reasonable estimates.

## **Business continuity and IT risk**

The Bank has prepared the report on IT risk required under the Supervisory Instructions, which showed no significant risks.

The Committee has also examined the various reports received from the Group Risk Management and IT units on the two serious incidents (entailing breaches of the SLAs) that occurred to MIS (Mediobanca Information Systems), the Group company that provides IT services to the majority of the Mediobanca Group, and which has outsourced much of this activity to IBM. These incidents resulted in a lengthy blackout of the IT systems, and were managed by the Mediobanca Group on the basis of the internal regulations in force and the agreements in place with the outsourcer. Following these incidents, Mediobanca

launched an overhaul of the agreements with the outsourcer, with the aim of revising the governance of the systems, and commencing a programme to reinforce the infrastructure and sharing the relevant costs.

With reference to business continuity, the tests planned for the twelve months under review were affected by the outbreak of the Covid-19 pandemic, although the majority were run successfully. The pandemic itself was addressed centrally by the Group Business Continuity Management office, both in terms of establishing priorities (delivery of laptops/access to VPN), in which the business continuity criteria (e.g. in terms of critical resources, recovery times, etc.) identified at the business impact analysis stage were applied effectively, and in co-ordinating all Group companies' activities.

Despite the fact that the Business Continuity Plan did not originally provide for a pandemic scenario, management of the emergency situation nonetheless confirmed the effectiveness of the existing business continuity structure (Crisis committee, critical resources, operating priorities, training, etc.), and enabled some corrective measures to be taken in order to improve the model further.

The Group Audit Unit prepared the annual combined report based on the annual reports received from all the control units. The combined report shows that the coverage of risks is substantially adequate in terms of the thoroughness, adequacy, functioning, and reliability of the internal controls system.

Based on the activities performed, the information obtained, the contents of the Control Units' six-monthly and annual reports, and in particular the overall favourable opinion expressed by the Group Audit Unit on the internal controls system, the Statutory Audit Committee believes there are no critical issues that could jeopardize the Group's internal controls and risk management system.

## **7. Supervision of the administrative and accounting system and the financial reporting process**

The Statutory Audit Committee, in its capacity as the committee responsible for internal control and auditing pursuant to Article 19, paragraph 2, letter C) of Italian Legislative Decree 39/10, has monitored the process and reviewed the effectiveness of the internal controls and risk management systems with reference to the issue of financial reporting, ascertaining compliance with the

general principles on financial reporting adopted by the Mediobanca Group pursuant to the Group Disclosure Policy.

Financial reporting is monitored by the Head of Company Financial Reporting (the “Head of Company Financial Reporting”), in accordance with the Group Disclosure Policy, adopting Models based on the best market practices (the COSO Report and the CobIT Framework) which provide reasonable assurance over the reliability of the financial reporting, the effectiveness and efficiency of the business operations, and compliance with the provisions of the law and the internal regulations. The processes and controls are revised and updated annually.

Work continued in FY 2019-20 on ensuring that the mapping of processes is aligned with the project initiatives undertaken, the new forms of operation commenced and the organizational changes that have taken place in the twelve months.

At Group level, activities have concentrated on a project to assess the risks and controls covered by Italian Law 262/05, in conjunction with an external consultant and under the Head of Company Financial Reporting’s supervision, with the objective of analysing the Group’s new methodological model and the individual companies’ key controls, including through benchmarking activities, and identifying possible gaps relative to market practice. The overall verdict was substantially adequate, certain points for improvement were identified, the majority of which have already been implemented or will be by end-2020.

During the twelve months under review, the Bank’s activities were affected by the outbreak and spread of the Covid-19 pandemic, which impacted significantly on the financial reporting process. From the first months of the pandemic, ESMA and Consob were drawing companies’ attention to the need to intervene in the area financial reporting and price-sensitive communications to the market, providing the necessary disclosure and making the relevant adjustments in view of the pandemic’s impact.

The Bank also took steps to identify possible impacts on the model instituted pursuant to Italian Law 262/05 (the procedures most affected by the new methods of operation), to be implemented in a timely manner in order to guarantee that checks could still be carried out on all the procedures affected and any elements of discontinuity versus the existing model to be governed. In particular, risks were

identified and addressed in the area of reporting on moratoria granted by Group companies (chiefly Compass Banca, CheBanca! and SelmaBipiemme), and the IT risk associated with the widespread and unplanned recourse to working from home.

The Committee has met regularly with the Head of Company Financial Reporting and the external auditors, with which it discussed and analysed the activities implemented.

Controls to ensure that the Model is functioning correctly are guaranteed by a series of self-assessments made by the individual process owners as supplemented by checks carried out by the Group Audit Unit.

The Statutory Audit Committee has met regularly with the Head of Company Financial Reporting to exchange information on the reliability of the administrative and accounting system, for purposes of representing operations, and has reviewed the Head of Company Financial Reporting's report containing the results of the tests of the controls performed and the main problems noted in the application of Italian law 262/05. From the report, it emerged that the points requiring attention which were raised in the previous report have all been resolved.

The Statutory Audit Committee also reviewed the statements made by the Chief Executive Officer and the Head of Company Financial Reporting as required by the instructions contained in Article 154- *bis* of the Italian Finance Act.

As far as regards the formation of the individual and consolidated financial statements, these have been prepared, as required by Italian Legislative Decree 38/05, in accordance with the IAS/IFRS issued by the IASB (International Accounting Standard Board), which have been ratified by the European Commission as established by Regulation (EC) 1606/2002, and following the guidance released by the Bank of Italy in its circular no. 262/2005. The Statutory Audit Committee also:

- Duly notes that the Board of Directors, at a meeting held on 25 June 2020, approved the impairment procedure as required by the joint Bank of Italy/ Consob/ISVAP document dated 3 March 2010;
- On the issue of legal and tax risks, refers to the notes and accompanying schedules to the consolidated financial statements on the subject of litigation pending which involves Mediobanca.

The representatives of the External Auditors, in their regular meetings with the Statutory Audit Committee, have not reported any issues which could affect the internal controls system with reference to the administrative and accounting procedures.

The Statutory Audit Committee has ascertained that the flows provided by the non-EU Group companies of significant relevance are adequate to allow the activity of auditing the annual and interim accounts to be performed as required by Article 15 of the Regulations for Markets.

Based on the foregoing, no evidence has emerged of deficiencies that could affect the assessment of the internal control system's adequacy, the process of financial reporting, and the reliability of the administrative and accounting procedures in representing the Bank's operations.

## **8. Supervision of External Auditors' activity**

In accordance with the provisions of Article 19 of Italian Legislative Decree 39/10, the Statutory Audit Committee, identified therein as the "Committee for internal control and auditing", duly carried out the required activity in terms of monitoring the External Auditor's operations.

PricewaterhouseCoopers (PWC) is the company which the shareholders of Mediobanca, at an ordinary annual general meeting held on 27 October 2012, appointed to serve as its external auditors to audit the company's individual and consolidated financial statements until the end of the financial year ending on 30 June 2021. This appointment includes the responsibility for checking that the company's books are kept properly, that operations are recorded correctly in the book entries, reviewing the accounts of the international branches for their inclusion in the consolidated reporting, limited audit of the interim statements, audits relating to signing off tax returns, and the statements to be made to the Italian deposit guarantee fund.

The Statutory Audit Committee met on several occasions with the External Auditors as appointed *inter alia* pursuant to Article 150 of the Italian Consolidated Finance Act in order to exchange information regarding the latter's activity and in particular to receive knowledge of the audit plan, timescales for activities, and dedicated staff involved. In such meetings the External Auditor has at no



stage shown evidence of facts considered to be censurable or other irregularities such as would warrant reporting as required by Article 155, paragraph 2 of the Italian Consolidated Finance Act.

In the months following the outbreak of Covid-19, the Statutory Audit Committee met with PWC to update the audit plan for the financial year in progress, which had become necessary as a result of the impact of the pandemic on the macroeconomic and operating scenario. PWC performed a new analysis of the material risks, including credit risk and other types of risks to complex financial instruments and recovering the book value of equity investments, plus assets with undefined useful lives originating from business combinations. In addition, the models of working from home adopted by the Group and the difficult operating scenario increased the possibility of fraud and IT risk (in particular in terms of access/profiling, managing changes, cyber security, and continuity of service). The Committee agreed to the changes that were made to the audit plan.

On 1 October 2020 the External Auditor, appointed pursuant to Article 14 of Italian Legislative Decree 39/10, issued its reports on the individual and consolidated financial statements for the year ended 30 June 2020. With reference to the opinions and declarations, in its audit report on the financial statements the External Auditors:

- Issued an opinion from which it emerges that Mediobanca’s company’s individual and consolidated financial statements present a truthful and proper reflection of the company’s and Group’s capital and financial situation as at 30 June 2020, their earnings results, changes to their net equity and cash flows during the year under review in accordance with the International Financial Reporting Standards adopted by the European Union, and the rulings issued in implementation of Article 9 del Italian Legislative Decree n. 38/05 and Article 43 del Italian Legislative Decree 136/15;
- Presented the key aspects of the auditing process which according to its own professional judgement, are most significant and contribute to the formation of the overall opinion on the financial statements;
- Issued their opinion that the Reviews of Operations attached to the individual and consolidated financial statements for the twelve months ended 30 June 2020 are consistent with certain specific information contained in the “Report on Corporate Governance and Ownership Structure” stipulated in Article 123-*bis*, paragraph 4 of the Italian Consolidated Finance Act,

responsibility for which lies with the Bank's directors, and have been drawn up in accordance with the legal provisions in force;

- Declared, with reference to the possibility of there being material errors in the Reviews of Operations, that based on their knowledge and understanding of the company and the scenario in which it operates, obtained as a result of their audit activities, that they had no comment to make in this connection.
- Reviewed the Directors' approval of the Consolidated Non-Financial Statement.

On 1 October 2020 the External Auditors also submitted the additional report required under Article 11 of Regulation (EU) no. 537/2014 to the Statutory Audit Committee. As an annex to the additional report, the External Auditor also submitted its statement of independence, as required by Article 6 of Regulation (EU) no. 537/2014, to the Statutory Audit Committee, from which no situations emerged that could compromise its independence. The Committee also duly noted the 2019 report on transparency prepared by the external auditors and published on its own website pursuant to Article 18 of Italian Legislative Decree 39/2010.

Mediobanca has adopted a Group Directive for engaging external auditors and their network, which includes a reference model based on which a Principal Auditor is engaged, which is also assigned engagements by the other Group companies, and a Secondary Auditor, which is assigned those duties which, for demonstrable reasons such as regulatory requirements or compulsory terms for engagements, cannot be assigned to the Principal Auditor.

The Directive also establishes a specific procedure for engaging the audit firm for the parent company and the Group companies, plus additional engagements under the terms of Article 14 of Italian Legislative Decree 39/10. Such engagements, which under the regulations in force must be authorized by the Statutory Audit Committee, and which – where they are not incompatible with the primary audit engagement – may not exceed 70% of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity (the “Fee Cap”). For such engagements, a process has been instituted which entails prior authorization and monitoring by the Statutory Audit Committee, in order to protect the audit firm's independence, in accordance with the provisions of Italian Legislative Decree 39/10.

As provided by the Directive, the Head of Company Financial Reporting submits a report on the situation regarding the services provided by the Principal Auditor and its network to the Statutory Audit Committee once every six months, along with information on how much of the annual limit set in accordance with the fee cap has been used. The Statutory Audit Committee has performed the duties required of it under the regulations in force in terms of approving the non-auditing services requested of the external auditor and/or the other companies forming part of its network. These services, charged to the profit and loss account and stated in the financial statements as required by Article 149-*duodecies* of the Regulations for Issuers, were as follows:

Type of service	PricewaterhouseCoopers €'000	PricewaterhouseCoopers network €'000
Statements	246	129
Other services	—	—
Total	246	129

Given the non-audit mandates conferred on PWC and its network by Mediobanca and the Group companies, their nature and the total fees paid, plus the independence procedures adopted by PWC in general, the Statutory Audit Committee does not consider that there are any critical issues arising with respect to the External Auditor's independence.

The External Auditors have also confirmed to the Statutory Audit Committee that no external opinions have been expressed by them as required by law in the course of the financial year under review, in the absence of any grounds for such opinions.

## **9. Omissions, censurable facts, opinions given and initiatives undertaken**

The Statutory Audit Committee has received letters and/or reports under Article 2408 of the Italian Civil Code in respect of censurable facts. The reports in particular involved the means by which the Annual General Meeting was called, relations with one client in particular, and whether some of the Group's Directors continue to be in possession of the requisites set by law. The Committee duly reviewed the reports, made the enquiries and investigations considered to be necessary, and obtained information from the relevant units of the Bank. Based on the enquiries made, the Committee felt there was no need to follow up any further on the reports received.

The Statutory Audit Committee is not aware of any facts or complaints to be reported on to shareholders in general meeting.

The Statutory Audit Committee issued opinions or made observations as required by the regulations in force, in particular as follows:

- Favourable opinion on the changes to the Procedure in respect of transactions with related parties referred to under section 5 above;
- Favourable opinion on the formal approval by the Board of Directors on meeting the requisites to use the internal risk measurement systems;
- Considerations on the annual report on outsourcing important corporate functions.

In the course of the Committee's activities and based on the information obtained, no omissions, censurable facts, irregularities or other significant circumstances such as would require the supervisory authorities to be notified or as would warrant inclusion in this report have come to its attention.

## **10. Consolidated non-financial statement**

The Statutory Audit Committee, in the exercise of its functions, has monitored compliance with the provisions of Italian Legislative Decree 254/16 and the Consob regulation implementing the said decree adopted under resolution no. 20267 of 18 January 2018, in particular with reference to the process of drawing up, and the contents of, the Consolidated Non-Financial Statement (CNFS) published by Mediobanca.

The CNFS was approved by the Board of Directors at a meeting held on 16 September 2020 as a document separate from the consolidated Review of Operations for the year ended 30 June 2020.

The external auditors retained to perform the limited assurance with reference to the CNFS as required by Article 3, paragraph 10 of Italian Legislative Decree 254/16, in its report issued on 1 October 2020, state that no evidence has reached its attention such as to suggest that the CNFS prepared by the Mediobanca Group for the year ended 30 June 2020, has not been prepared in all significant aspects, as required by Articles 3 and

4 of Italian Legislative Decree 254/16 and the “Global Reporting Initiative Sustainability Reporting Standards”.

The Statutory Audit Committee is not aware of any breaches of the regulatory provisions.

## **11. Engagement of external audit firm for the period from 1 July 2021 to 30 June 2030**

The engagement of PWC as external auditors of Mediobanca as approved by shareholders at the Annual General Meeting held on 27 October 2012 expires with approval of the financial statements for the year ending 30 June 2021, after reaching its ninth year which is the maximum period permitted by law.

Under the regulations in force, this engagement is no longer renewable. Under the Group Directive for engaging external auditors, engagements must be made under a resolution adopted by shareholders at the annual general meeting held to approve the financial statements for the preceding financial year, to ensure that the requirements regarding the audit firm’s independence can be managed efficiently, including the restriction on providing certain types of non-audit service, from the year immediately prior to the first year of audit.

The Statutory Audit Committee, which is responsible for the process of selecting the audit firm, has formulated a recommendation including two alternatives and a preference, living reasons for its decisions. For further details reference is made to the “Report by the Statutory Audit Committee in its capacity as committee for internal control and audit under Italian Legislative Decree 39/10, Article 19 (2) letter c) on engagement of the auditor for the period from 30 June 2022 to 30 June 2030”.

## **12. Supervisory body**

The Statutory Audit Committee, having been vested with the duties of the supervisory body to be instituted in accordance with the provisions of Article 6, paragraph 4-*bis* of Italian Legislative Decree 231/01 on corporate administrative liability, has obtained and reviewed information on the organizational and procedural activities implemented by the Bank in pursuance of the foregoing legislative decree.

The model currently in force was adopted by the Board of Directors at a meeting held on 31 July 2018. During the twelve months under review, new regulations have been issued that have expanded the list of possible crimes contemplated. Mediobanca has launched an impact analysis for these crimes on the organizational, management and control model currently in force, based on which it will proceed to map out the activities at risk of such crimes, and to update or draw up a protocol for each organizational division. The work was launched during the year under review with a gap analysis of the impacts, and should be completed in the next few months. The new model will then be submitted to the attention of the Board of Directors.

The Covid-19 emergency has impacted considerably on the company's activities, increasing the risks in terms of the model's non-resilience. From the outbreak of the pandemic, the supervisory body has been kept informed on an ongoing basis through contacts with the company's representatives. Various meetings were held with the Compliance unit in particular, both at the outset and during Phase 2, to assess the action taken and the need for other activities in addition to those provided for in the model. The provisions adopted allowed the effects of the pandemic to be managed in accordance with the guidance issued by the various authorities, with no need to amend the model.

The supervisory body reported on the activities performed by it during the year ended 30 June 2020, raising no particular issues, describing a situation held to be satisfactory overall and basically in line with the provisions of the organizational, management and control model in force.

### 13. Conclusions

The agenda for the ordinary Annual General Meeting of Mediobanca shareholders to take place on 28 October 2020 includes the following items:

#### Extraordinary business

1. Proposal to amend Articles of Association; related resolutions.
2. Renewal of authorization to the Board of Directors to increase the company's share capital pursuant to Article 2443 of the Italian Civil Code as permitted by Article 4 of the Articles of Association; related resolutions.

#### Ordinary business

1. Approval of financial instruments as at 30 June 2020.
2. Appointment of Board of Directors for 2021-23 three-year period.
3. Appointment of Statutory Audit Committee for 2021-23 three-year period.
4. Report on remuneration and compensation paid – Resolution on Section I, Report on remuneration and compensation paid – resolution not binding on Section II, Policy in the event of the beneficiary leaving office or the employment arrangement being terminated, 2021-25 incentivization system for Group staff through use of financial instruments (performance share scheme).
5. Engagement of auditor for period from 30 June 2022 to 30 June 2030 and establishment of remuneration.

Without prejudice to the specific duties and responsibilities assigned to the External Auditors in terms of auditing the Group's accounts and appraising the reliability of its financial statements, the Statutory Audit Committee has no observations to make to shareholders in general meeting, pursuant to Article 153 of the Italian Consolidated Finance Act, regarding approval of the financial statements for the year ended 30 June 2020 and the Review of Operations as presented by the Board of Directors, and the proposed profit allocation.

Milan, 5 October 2020

THE STATUTORY AUDIT COMMITTEE

# INDIVIDUAL FINANCIAL STATEMENTS\*



\* Figures in Euros



## Mediobanca S.p.A. Balance Sheet

Assets	30/6/20	30/6/19
10. Cash and cash equivalents	3,101,950,320	632,611,676
20. Financial assets at fair value with impact taken to profit and loss	9,961,363,593	10,875,045,880
<i>a) Financial assets held for trading</i>	<i>9,214,719,667</i>	<i>10,047,347,244</i>
<i>b) Financial assets designated at fair value</i>	<i>51,002,314</i>	<i>51,975,440</i>
<i>c) Other financial assets mandatorily at fair value</i>	<i>695,641,612</i>	<i>775,723,196</i>
30. Financial assets at fair value with impact taken to comprehensive income	3,785,000,554	3,884,452,067
40. Financial assets at amortized cost	43,711,163,840	46,363,397,516
<i>a) Due from banks</i>	<i>20,537,546,640</i>	<i>22,106,678,647</i>
<i>b) Due from customers</i>	<i>23,173,617,200</i>	<i>24,256,718,869</i>
50. Hedging derivatives	471,648,325	409,863,001
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	3,150,667,961	3,191,843,987
80. Property, plant and equipments <sup>1</sup>	139,109,926	115,176,613
90. Intangible assets	29,248,384	32,465,294
<i>of which:</i>		
<i>goodwill</i>	<i>12,514,145</i>	<i>12,514,145</i>
100. Tax assets	277,319,428	182,098,527
<i>a) current</i>	<i>186,404,162</i>	<i>93,947,800</i>
<i>b) deferred</i>	<i>90,915,266</i>	<i>88,150,727</i>
110. Assets classified as held for sale	—	—
120. Other assets	210,372,654	221,114,245
<b>Total assets</b>	<b>64.837.844.985</b>	<b>65.908.068.806</b>

<sup>1</sup> The increase is mainly due to the First Time Application of the IFRS16 “Leasing” accounting principle offset by the debt to the lessor recognized as financial liabilities measured at amortized cost.

<b>Liabilities and net equity</b>	<b>30/6/20</b>	<b>30/6/19</b>
10. Financial liabilities at amortized cost	50,698,334,350	51,339,312,008
<i>a) Due to banks</i>	26,703,965,149	29,197,550,987
<i>b) Due to customers</i>	7,527,050,122	6,140,023,616
<i>c) Debt securities in issue</i>	16,467,319,079	16,001,737,405
20. Trading financial liabilities	8,351,676,524	8,280,325,892
30. Financial liabilities designated at fair value	216,020,103	55,859,366
40. Hedging derivatives	132,551,202	184,650,189
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	351,434,833	424,720,381
<i>a) current</i>	119,439,368	193,229,873
<i>b) deferred</i>	231,995,465	231,490,508
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Other liabilities	252,376,553	310,339,260
90. Staff severance indemnity provision	7,678,965	7,869,475
100. Provisions	113,954,882	118,113,416
<i>a) commitments and financial guarantees</i>	42,538,029	21,954,092
<i>b) post-employment and similar benefits</i>	—	—
<i>c) other provisions</i>	71,416,853	96,159,324
110. Revaluation reserves	73,982,473	85,743,925
120. Redeemable shares repayable on demand	—	—
130. Equity instruments repayable on demand	—	—
140. Reserves	2,192,791,978	2,217,665,397
150. Share premium reserve	2,195,605,653	2,195,605,653
160. Share capital	443,616,724	443,608,089
170. Treasury share (-)	(231,538,013)	(141,989,096)
180. Profit/(loss) for the period (+/-)	39,358,758	386,244,851
<b>Total liabilities and net equity</b>	<b>64,837,844,985</b>	<b>65,908,068,806</b>

## Mediobanca S.p.A. Profit and Loss Account

Items	30/6/20	30/6/19
10. Interest and similar income	707,674,249	706,790,082
<i>of which: interest income calculated according to the effective interest method</i>	531,418,795	563,156,039
20. Interest expense and similar charges	(628,441,834)	(619,870,465)
<b>30. Net interest income</b>	<b>79,232,415</b>	<b>86,919,617</b>
40. Fee and commission income	263,854,931	253,206,129
50. Fee and commission expense	(44,081,972)	(34,342,664)
<b>60. Net fee and commission income</b>	<b>219,772,959</b>	<b>218,863,465</b>
70. Dividends and similar income	191,482,239	438,008,156
80. Net trading income	(23,210,543)	(8,264,005)
90. Net hedging income (expense)	(2,221,709)	5,477,850
100. Gain (loss) on disposal/repurchase:	65,578,343	83,167,824
<i>a) financial assets measured at amortized cost</i>	3,300,657	9,425,511
<i>b) financial assets valued at fair value with impact taken to comprehensive income</i>	60,420,800	66,798,690
<i>c) financial liabilities</i>	1,856,886	6,943,623
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	33,401,570	15,802,744
<i>a) financial assets and liabilities designated at fair value</i>	2,331,283	(27,697)
<i>b) other financial assets mandatorily valued at fair value</i>	31,070,287	15,830,441
<b>120. Total income</b>	<b>564,035,274</b>	<b>839,975,651</b>
130. Net write-offs (writebacks) for credit risk:	(16,374,634)	36,710,805
<i>a) financial assets measured at amortized cost</i>	(11,570,117)	37,489,930
<i>b) financial assets valued at fair value with impact taken to comprehensive income</i>	(4,804,517)	(779,125)
140. Gains (losses) from contractual modifications without derecognition	—	—
<b>150. Net income from financial operations</b>	<b>547,660,640</b>	<b>876,686,456</b>
160. Administrative expenses:	(426,907,273)	(436,843,296)
<i>a) personnel costs</i>	(221,926,492)	(240,815,414)
<i>b) other administrative expenses</i>	(204,980,781)	(196,027,882)
170. Net transfers to provisions:	4,168,128	987,468
<i>a) commitments and financial guarantees</i>	(20,781,872)	1,262,984
<i>b) other sums set aside (net)</i>	24,950,000	(275,516)
180. Net adjustments to tangible assets <sup>1</sup>	(10,193,508)	(3,054,767)
190. Net adjustments to intangible assets	(3,411,138)	(6,881,036)
200. Other operating income (expense)	14,978,714	14,602,241
<b>210. Operating costs</b>	<b>(421,365,077)</b>	<b>(431,189,390)</b>
220. Gain (loss) on equity investments	(50,936,942)	(4,224,809)
230. Net result from fair value valuation of tangible and intangible assets	—	—
240. Goodwill write-offs	—	—
250. Gain (loss) on disposal of investments	137	(27,406)
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>75,358,758</b>	<b>441,244,851</b>
270. Income tax for the year on ordinary activities	(36,000,000)	(55,000,000)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>39,358,758</b>	<b>386,244,851</b>
290. Gain (loss) on operating assets sold, net of tax	—	—
<b>300. Net profit (loss) for the period</b>	<b>39,358,758</b>	<b>386,244,851</b>

<sup>1</sup> Includes the effects of the accounting standard IFRS16 “Leasing” replacing the rental fees which until 30/6/19 were accounted for under “other administrative expenses”.

## Mediobanca S.p.A. Comprehensive Profit and Loss Account

Items	30/6/20	30/6/19
10. Profit (Loss) for the period	39,358,758	386,244,851
<b>Other income items net of tax without passing through profit and loss</b>	<b>981,300</b>	<b>10,118,476</b>
20. Equity securities designated at fair value with impact taken to comprehensive income	2,965,634	10,533,480
30. Financial liabilities at fair value with impact taken to profit and loss (variation of own credit risk)	(1,723,512)	—
40. Hedging of equity securities designated at fair value with impact taken to comprehensive income	—	—
50. Property, plant and equipments	—	—
60. Intangible assets	—	—
70. Defined benefit schemes	(260,821)	(415,004)
80. Non-current assets held for sale	—	—
90. Share of valuation reserves attributable to equity-accounted companies	—	—
<b>Other income items net of tax passing through profit and loss</b>	<b>(11,957,538)</b>	<b>(27,251,916)</b>
100. Foreign investments hedges	—	—
110. Exchange rate differences	—	—
120. Cash flow hedges	3,431,690	(4,073,668)
130. Hedging instruments (non-designated elements)	—	—
140. Financial assets (other than equity securities) valued at fair value with impact taken to comprehensive income	(15,389,228)	(23,178,248)
150. Non-current assets held for sale	—	—
160. Share of valuation reserves attributable to equity-accounted companies	—	—
<b>170. Total other income items, net of tax</b>	<b>(10,976,238)</b>	<b>(17,133,440)</b>
<b>180. Comprehensive income (Heading 10 +170)</b>	<b>28,382,520</b>	<b>369,111,411</b>

## Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/19	Modification of start-of-period amounts <sup>1</sup>	Amounts at 01/07/2019	Allocation of profit for previous period						Changes during the reference period					Total net equity at 30/6/20
				Reserves		Dividends and other fund applications	Changes to reserves		New shares issued	Treasury shares acquired	Transactions involving net equity		Stock options <sup>2</sup>	Overall consolidated profit for the 12 mths ended 30/6/20	
				Reserves	Dividends and other fund applications		Reserves	Dividends and other fund applications			Extra-ordinary dividend payouts	Changes to equity instruments			
Share capital:	443,608,089	—	443,608,089	—	—	—	—	8,635	—	—	—	—	—	443,616,724	
a) ordinary shares	443,608,089	—	443,608,089	—	—	—	—	8,635	—	—	—	—	—	443,616,724	
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Share premium reserve	2,195,605,653	—	2,195,605,653	—	—	—	—	—	—	—	—	—	—	2,195,605,653	
Reserves:	2,217,665,397	(32,123)	2,217,633,274	386,244,851	(408,548,327)	785,215	(8,635)	(15,979,006)	—	—	12,664,607	—	—	2,192,791,978	
a) retained earnings	2,076,320,292	(32,123)	2,076,288,169	386,244,851	(408,548,327)	—	(8,635)	—	—	—	—	—	—	2,053,976,057	
b) others	141,345,105	—	141,345,105	—	—	785,215	—	(15,979,006)	—	—	12,664,607	—	—	138,815,921	
Valuation reserves	85,743,925	—	85,743,925	—	(785,215)	—	—	—	—	—	—	(10,976,238)	—	73,982,473	
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Treasury shares	(141,989,096)	—	(141,989,096)	—	—	—	—	(89,548,918)	—	—	—	—	—	(231,538,013)	
Profit (loss) for the period	386,244,851	—	386,244,851	(386,244,851)	—	—	—	—	—	—	—	—	—	39,338,758	
Total net equity	5,186,878,819	(32,123)	5,186,846,696	—	(408,548,327)	—	—	(105,327,924)	—	—	12,664,607	28,382,520	—	4,713,817,573	

<sup>1</sup> Includes the effects of the first application of IFRS16 accounting standard deriving from sub-leasing contracts.

<sup>2</sup> Represents the effects of the stock options and performance shares related to the ESOP schemes.

## Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/06/18	Modification of start-of-period amounts <sup>1</sup>	Amounts at 01/07/2019	Allocation of profit for previous period		Changes during the reference period						Total net equity at 30/6/19	
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity			Treasury shares	Stock options <sup>2</sup>		Overall consolidated profit for the 12 mths ended 30/6/19
							New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts				
Share capital:	443,275,220	—	443,275,220	—	—	—	—	—	—	—	—	—	443,608,089
a) ordinary shares	443,275,220	—	443,275,220	—	—	—	—	—	—	—	—	—	443,608,089
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,191,742,930	—	2,191,742,930	—	—	—	—	3,802,723	—	—	—	—	2,195,605,653
Reserves:	2,292,889,423	5,182,165	2,298,021,588	337,033,834	(411,290,100)	3,653,229	(11,619)	(22,006,283)	—	—	—	12,204,747	2,217,665,397
a) retained earnings	2,145,346,011	5,182,165	2,150,528,176	337,033,834	(411,290,100)	—	(11,619)	—	—	—	—	—	2,076,320,292
b) others	147,493,412	—	147,493,412	—	—	3,653,229	—	(22,006,283)	—	—	—	12,204,747	141,345,105
Valuation reserves	129,954,143	(23,428,548)	106,530,595	—	—	(3,653,229)	—	—	—	—	—	—	(17,133,440)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(109,337,765)	—	(109,337,765)	—	—	—	—	(32,651,330)	—	—	—	—	(141,989,096)
Profit (loss) for the period	337,033,834	—	337,033,834	(337,033,834)	—	—	—	—	—	—	—	—	386,244,851
Total net equity	5,295,507,795	(18,241,383)	5,267,266,402	—	(411,290,100)	—	4,183,973	(54,657,614)	—	—	—	12,204,747	5,186,878,819

<sup>1</sup> Includes the effects of reclassification and revaluations of financial assets and liabilities in consequence of IFRS9 accounting standard first time adoption and effects of IFRS15 first time adoption, as described in dedicated paragraphs of Part A of Individual Accounts.

<sup>2</sup> Represents the effects of the stock options and performance shares related to the ESOP schemes.

## Mediobanca Cash Flow Statement Direct Method

	Amount	
	30/6/20	30/6/19
<b>A. CASH FLOWS FROM OPERATING ACTIVITY</b>		
<b>1. Operating activity</b>	<b>(247,117,129)</b>	<b>(293,780,044)</b>
- interest received	356,902,368	594,151,676
- interest paid	(499,642,835)	(559,221,354)
- dividends and similar income	78,376,512	94,370,724
- net fees and commission income	54,846,980	44,397,154
- cash payments to employees	(166,858,574)	(159,593,629)
- other expenses paid	(75,789,552)	(458,977,399)
- other income received	42,288,294	163,853,069
- income taxes paid	(37,240,321)	(12,760,285)
- expenses/income from group of assets being sold	—	—
<b>2. Cash generated/absorbed by financial assets</b>	<b>5,987,154,053</b>	<b>(858,542,219)</b>
- financial assets held for trading	195,454,558	(978,475,405)
- <i>financial assets valued at fair value</i>	—	—
- financial assets mandatorily valued at fair value	114,091,171	(42,462,275)
- financial assets valued at fair value with impact taken to profit and loss	118,920,658	961,655,082
- financial assets valued at amortized cost	5,235,360,045	(674,329,265)
- other assets	323,327,622	(124,930,356)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>(2,848,571,462)</b>	<b>963,788,301</b>
- financial liabilities valued at amortized cost	(2,692,627,975)	329,030,280
- financial liabilities held for trading	19,919,499	576,095,948
- financial liabilities designated at fair value	—	—
- other liabilities	(175,862,986)	58,662,073
<b>Net cash flow (outflow) from operating activities</b>	<b>2,891,465,462</b>	<b>(188,533,962)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITY</b>		
<b>1. Cash generated from:</b>	<b>102,856,755</b>	<b>333,926,475</b>
- disposal of shareholdings	—	1,440,286
- dividends received in respect of equity investments	102,856,755	332,442,189
- disposals of tangible assets	—	17,000
- disposals of intangible assets	—	27,000
- disposals of business units	—	—
<b>2. Cash absorbed by:</b>	<b>(12,653,125)</b>	<b>(6,107,324)</b>
- purchases of shareholdings	(8,289,125)	(4,499,324)
- purchases of tangible assets	(4,170,000)	(1,428,000)
- purchases of intangible assets	(194,000)	(180,000)
- purchases of business units	—	—
<b>Net cash flow (outflow) from investment activity</b>	<b>90,203,630</b>	<b>327,819,151</b>
<b>C. CASH FLOWS FROM FUNDING ACTIVITY</b>		
	<b>(512,330,448)</b>	<b>(679,828,190)</b>
- issuance/acquisition of treasury shares	(105,527,922)	(266,186,049)
- issuance/acquisition of capital instruments	—	(2,412,041)
- distribution of dividends and other purposes	(406,802,526)	(411,230,100)
<b>Net cash flow (outflow) from funding activities</b>	<b>(512,330,448)</b>	<b>(679,828,190)</b>
<b>NET CASH FLOW (OUTFLOW) DURING THE PERIOD</b>	<b>2,469,338,644</b>	<b>(540,543,001)</b>

## Reconciliation of Movements in Cash Flow During the Period

Accounting items	Amount	
	30/6/20	30/6/19
Cash and cash equivalents: balance at start of period	632,611,676	1,173,154,677
Total cash flow (outflow) during the period	2,469,338,644	(540,543,001)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	3,101,950,320	632,611,676



# NOTES TO THE ACCOUNTS



## NOTES TO THE ACCOUNTS

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## **Part A - Accounting policies**

### **A.1 - General policies**

#### SECTION 1

#### **Statement of conformity with IAS/IFRS**

The Mediobanca individual financial statements for the period ended 30 June 2020 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Parliament and Council on 19 July 2002. The individual financial statements for the period ended 30 June 2020 have also been prepared on the basis of the “Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups” issued by the Bank of Italy in its circular no. 262 on 22 December 2005 (sixth update issued on 30 November 2020), which lay down the structure to be used in compiling and preparing the financial statements and the contents of the notes to the accounts.

#### SECTION 2

#### **General principles**

These individual financial statements comprise:

- Balance sheet;
- Profit and loss account;
- Comprehensive income statement;
- Statement of changes to net equity;
- Cash flow statement (direct method);
- Notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in part A.2, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year for profit-and-loss data.

IFRS 16 came into force on 1 January 2019. The new standard has been incorporated into the Group's accounting policies, and has been applied since 1 July 2019, for further details please see "New IFRS 16: Leasing" in this section. Certain other changes to the accounting standards have also been applied since 1 July 2019, none of which is of especial relevance to the Mediobanca Group, having been ratified by the European Commission in the course of 2018 and 2019. In particular the following regulations have come into force: Commission Regulation no. 2018/498 of 22 March 2018 - Amendments to IFRS 9 - *Prepayment features with negative compensation*; no. 2019/237 of 8 February 2019 - Amendments to IAS 28 - *Investments in associates and joint ventures*; no. 2019/402 of 13 March 2019 - Amendments to IAS 19 - *Employee benefits*; no. 2019/412 of 14 March 2019 on Amendments to IAS 12 - *Income taxes*, Amendments to IAS 23 - *Borrowing costs*, Amendments to IFRS 3 - *Business combinations*, Amendments to IFRS 11 - *Joint arrangements*; no. 2018/1595 of 23 October 2018 - *Adoption of IFRIC 23 - Uncertainty over income tax treatments*, which clarifies how to apply the booking and valuation criteria for tax laid down in IAS 12 "Income taxes" (for current and deferred tax assets and liabilities), in cases where there is uncertainty over how to account for income tax. According to IFRIC 23, the entity must assess if the taxation authority is likely to accept an uncertain tax treatment; if it is, it must establish a value for it, if not, in order to establish the taxable income (tax loss) and the other values required for tax purposes, it must apply either the most likely amount or expected value methods. The interpretation provides closer definition of the treatment of uncertainty, but for the Mediobanca Group this has not generated material changes from the approach already adopted.

It should also be noted that the Mediobanca Group has adopted the new definition of default, ahead of its coming to force, as from 30 September 2019; for further details reference is made to "*Part E - Section 3 - Non-performing credit exposures*".

For purposes of full disclosure, it should be noted that the following regulations have been approved by the European Commission during the twelve months under review: Commission Regulation (EU) 2019/2075,<sup>1</sup> Commission Regulation (EU) 2019/2104<sup>2</sup> of 29 November 2019, Commission Regulation (EU) 2020/34<sup>3</sup> of 15 January 2020, and Commission Regulation (EU) 2020/551,<sup>4</sup> which provide explanations and clarifications of certain IAS and IFRS already in force. All these amendments and additions will be applied by the Mediobanca Group as from 1 July 2020.

Statements have also been made by the regulatory and supervisory authorities regarding the most suitable means for applying the reporting standards in relation to the Covid-19 situation. Some of the most significant of these statements, which for the most part were issued regarding the quarterly and half-yearly reporting, and hence apply to the annual financial statements as well, were as follows:

- Consob: Reminder no. 8/20 of 16 July 2020 and Reminder no. 6/20 of 9 April 2020 regarding: “Covid 19 - Richiamo di attenzione sull’informativa finanziaria”, which draws the attention of members of the management and control bodies and heads of company financial reporting of the need to observe the principles underpinning the process of producing financial reporting in view of the impact which the effects of the pandemic could have with reference to business continuity, to application of IFRS 9 on financial assets, and to impairment testing;
- ESMA: *Public Statement* of 11 March 2020: “*ESMA recommends action by financial market participants for Covid-19 impact*”. The statement discusses the issue of financial reporting, in connection with which certain guidelines are laid down regarding the conduct to be adopted with respect to the impact of the pandemic, in the following areas in particular: ongoing market disclosure, where issuers are reminded to disclose any relevant significant information concerning the impacts of Covid-19 on their fundamentals, prospects or financial situation as soon as possible, when such information

<sup>1</sup> Involves changes to the following standards: IAS 1 - *Presentation of financial statements*; IAS 8 - *Accounting policies, changes in accounting estimates and errors*; IAS 37 - *Provisions, contingent liabilities and contingent assets*; IAS 38 - *Intangible assets*; IFRS 2 - *Share-based payment*; IFRS 3 - *Business combinations*; IFRS 6 - *Exploration for and evaluation of mineral resources*; IFRIC 12 - *Service concession arrangements*; IFRIC 19 - *Extinguishing financial liabilities with equity instruments*; IFRIC 20 - *Stripping costs in the production phase of a surface mine*; IFRIC 22 - *Foreign currency transactions and advance consideration*; SIC 32 - *Intangible assets - website costs*.

<sup>2</sup> Involves changes to the following standards: IAS 1 - *Presentation of financial statements*; IAS 8 - *Accounting policies, changes in accounting estimates and errors*; IAS 10 - *Events after the reporting period*; IAS 34 - *Interim financial reporting*; IAS 37 - *Provisions, contingent liabilities and contingent assets*.

<sup>3</sup> Involves changes to the following standards IAS 39 - *Financial instruments: recognition and measurement*; IFRS 7 - *Financial instruments: Disclosures*; and IFRS 9 - *Financial instruments*.

<sup>4</sup> Involves changes to IFRS 3 - *Business combinations*.

is “relevant” and “significant”, in accordance with their transparency obligations under the Market Abuse Regulation; in the area of financial reporting, issuers are reminded to guarantee maximum transparency on the actual and potential impacts of Covid-19 on their business activities, financial situation and economic performance, based on both a qualitative and quantitative assessment where possible. Disclosure is required to be made in the earliest available regular report (annual or interim, or quarterly if the company prepares quarterly reporting on a voluntary basis).

*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”*, which deals with the accounting treatment of changes resulting from the introduction of support measures, and valuation of significant increases in credit risk (SICR), avoiding the automatic reclassification mechanisms instituted by IFRS 9,<sup>5</sup> expected credit loss estimation, public guarantees for issuers’ exposures, and the issue of transparency in disclosures.

*Public Statement of 20 May 2020 “Implications of the Covid-19 outbreak on the half-yearly financial reports”* which recommends to be compliant with the requirements of transparency and consistent application of European rules, with a particular focus to International Accounting Standards, in the preparation of the half-yearly financial reports that will take into account the pandemic impacts.

- *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”*, compiled in conjunction and consistent with the equivalent document issued by ESMA.

*Guidelines of 2 April 2020 and 25 June 2020: “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis”*: the European Union (EU) and its member states, in order to minimize the economic impacts of the pandemic, have implemented a broad range of measures to support the real economy and the financial sector, including moratoria introduced by law for repayments of loans and granting borrowers various forms of relief on their outstanding obligations. Many member states have also introduced various forms of public guarantees to be applied to the new loans. The Guidelines provide a full overview of the measures adopted.

*Guidelines of 2 June 2020: “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis”*, on

<sup>5</sup> Under IFRS 9, an exposure being more than 30 days past due is proof of a significant increase in credit risk which automatically entails reclassification to Stage 2.

reporting and disclosure requirements to the public on measures applied in the light of the Covid-19 crisis.

- ECB: Press release issued on 20 March 2020: “*ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus*”, containing indications on the classification and valuation of loans. The statement provides reassurance to banks regarding the fact that moratoria being granted does not necessarily constitute an automatic trigger for an exposure to be considered unlikely to pay, as in such cases payments are simply deferred by law, hence the calculation of the number of days is effectively discontinued for purposes of identifying the number of days past due once the moratoria have ended.

*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”*; providing guidance on the use of forecasts in expected credit loss estimations for loans during the pandemic.

Communication issued on 4 June 2020: “*Eurosystem staff macroeconomic projections for the euro area, June 2020*”: this document contains guidance on the methods used to determine forecasts in order to estimate closing data for end-March and end-June, for which the anchor points must be the macroeconomic projections produced by the ECB staff. The specific scenario for Italy included in the baseline for the ECB projections, was published by the Bank of Italy in a document entitled “*Proiezioni macroeconomiche per l’economia italiana*” on 5 June 2020;

- 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”*, which explicitly supports the guidance provided by ESMA, the EBA and the ECB.
- IOSCO: *Statement, 3 April 2020: IOSCO “Statement on Application of Accounting Standards during the Covid-19 Outbreak”*: this statement draws attention to the importance of clear, reliable and transparent disclosure to provide investors which information that will help them to evaluate the impact of the pandemic on earnings and financial data. The statement acknowledges and recommends the guidance issued by the IASB on (i) assessment of possible significant increases in credit risk, and (ii) the use of forward-looking information over the long period.

*Statement, 29 May 2020: “IOSCO Statement on Importance of Disclosure about Covid-19”*, which further reiterates the guidelines on financial disclosure already referred to.



\* \* \*

As stated in the press release issued on 30 July 2020, Mediobanca is committed to executing the strategic and operating priorities set out in its 2020-23 Strategic Plan, leveraging on the distinctive features of its business model and its proven track record of tackling crisis periods and turning problems into opportunities. In the uncertainty that still characterizes the reference macroeconomic scenario, the Group still has a robust capital position, with a CET1 ratio at all-time highs, and the expectations are currently for the operating scenario to normalize progressively by December 2020, to guarantee the strategic guidelines and objectives set in the 2019-23 Strategic Plan approved in November 2019.

## **New IFRS 16: Leasing**

### **Regulatory provisions**

On 1 July 2019 the new IFRS 16 on “Leasing” came into force, replacing IAS 17 and its respective interpretations,<sup>6</sup> as ratified by the European Commission under Regulation no. 1986/2017.

The standard introduces a change in the definition of leasing, whereby a lease is defined as a contract that conveys the right to use an asset for a period of time in exchange for a consideration, meaning that long-term rental or hire contracts are also included.

The new standard also requires the lessee to represent the amount of the “right of use” for the asset covered by the leasing/rental agreement in its accounts as an asset, against the related liability in respect of the future instalments due on it discounted as at the reporting date. Thereafter the right of use is amortized throughout the useful life of the contract and the obligation will be paid off through payments of the instalments due on the lease plus interest expenses accruing. The impact on profit and loss does not change across the life of the contracts as a whole, but does reflect a different distribution in terms of timing. As provided by the new standard, the Annual Report will include the additional disclosure in the specific section M. Thus there is no longer any distinction between the methods of accounting for operating and finance leases.

<sup>6</sup> IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases - Incentives”, and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

With regard to the accounting model for the lessor, there are no substantial changes as the distinction in treatment between operating and financial leases continues to apply in continuity with the existing IAS 17.

In implementing the new reporting standard, the Mediobanca Group has decided to:

- Use the “modified retrospective approach” at the FTA stage, which means recording the effect of first-time adoption cumulatively, without restating the comparative data, by calculating the value of the obligation as at the date of first-time adoption;
- Adopt some of the simplifications permitted by the new reporting standard, thus excluding from the representation contracts with a duration of twelve months or less calculated at FTA, contracts involving amounts of less than €5,000 (“low value”), and contracts for intangible assets;
- Not to strip out the service components from the leases themselves, and so to account for the entire contract as a lease, and to extrapolate the rate for discounting future cash flows from the Funds Transfer Pricing (FTP) curve in force as at the date in question;
- If the original contract has been sub-leased to a counterparty, liability in respect of the original lease is balanced by an amount receivable from the subscriber rather than by the value in use;

The lease’s duration is estimated on the basis of the contract, experience acquired and information available at the date of first-time adoption regarding the exercise of options to extend or repay the lease early.

### **Effects of First Time Adoption (FTA)**

Since the new principle has come into force and based on the transition choices that have been made, the Group’s assets have increased by €29.3m due to the right of use over properties, vehicles and other core goods being recognized under heading 90, “Property, plant and equipment”.

This was matched by an equivalent increase in heading 10 “Financial liabilities recognized at amortized cost”, representing the payment obligations in respect of future instalments on the leases.

As required by the reporting standard, sub-leasing contracts are recorded in heading 40 “Financial assets recognized at amortized cost” in an amount of approx. €2.5m; the difference between the instalment collected from the sale and the one paid in the leasing contract, approx. €32,000, was taken to Net equity.

A table reconciling the balance-sheet entries at 30 June 2019 pursuant to IAS 17 and at 1 July 2019 pursuant to IFRS 16 is shown below:

				(Euro)
Items	30.06.2019	Transition effects		IFRS 16 01.07.2019
		IFRS16 impacts		
10. Cash and cash receivables	632,611,676	—	—	632,611,676
20. Financial assets valued at fair value with impact taken to profit and loss	10,875,045,880	—	—	10,875,045,880
30. Financial assets valued at fair value with impact taken to comprehensive income	3,884,452,067	—	—	3,884,452,067
40. Financial assets valued at amortized cost	46,363,397,516	2,545,873	—	46,365,943,389
50. Hedging derivatives	409,863,001	—	—	409,863,001
60. Adjustments to hedged financial assets (+/-)	—	—	—	—
70. Equity interests	3,191,843,987	—	—	3,191,843,987
80. Tangible assets	115,176,613	26,759,334	—	141,935,947
90. Intangible assets	32,465,294	—	—	32,465,294
100. Tax assets	182,098,527	—	—	182,098,527
110. Held for sale financial assets	—	—	—	—
120. Other assets	221,114,245	—	—	221,114,245
<b>Total assets</b>	<b>65,908,068,806</b>	<b>29,305,207</b>	<b>—</b>	<b>65,937,374,013</b>

				(Euro)
Items	30.06.2019	Transition effects		IFRS 16 01.07.2019
		IFRS16 impacts		
10. Financial liabilities valued at amortized cost	51,339,312,008	29,337,330	—	51,368,649,338
20. Trading financial liabilities	8,280,325,892	—	—	8,280,325,892
30. Financial liabilities designated at fair value	55,859,366	—	—	55,859,366
40. Hedging derivatives	184,650,189	—	—	184,650,189
60. Tax liabilities	424,720,381	—	—	424,720,381
80. Other liabilities	310,339,260	—	—	310,339,260
90. Staff severance payment	7,869,475	—	—	7,869,475
100. Provisions	118,113,416	—	—	118,113,416
110. Valuation reserves	85,743,925	—	—	85,743,925
140. Reserves	2,217,665,397	-32,123	—	2,217,633,274
150. Share premiums	2,195,605,653	—	—	2,195,605,653
160. Share capital	443,608,089	—	—	443,608,089
170. Treasury shares (-)	-141,989,096	—	—	-141,989,096
180. Gain (loss) for the period (+/-)	386,244,851	—	—	386,244,851
<b>Total liabilities and net equity</b>	<b>65,908,068,806</b>	<b>29,305,207</b>	<b>—</b>	<b>65,937,374,013</b>

The overall value in use (recognized to Property, plant and equipment) is €26.8m, made up as follows:

- Value in use of properties: €23.1m;
- Value in use of vehicles: €3.6m;
- Value in use of other assets: €0.1m.

The increase in assets also affects the RWAs with an approx. 2 bps impact on the capital ratios.

The table below shows a reconciliation of future commitments in respect of leases pursuant to IAS 17 with the liabilities recorded in respect of leases in the financial statements. The difference is due to the effect of discounting the amount payable at the marginal financing rate. As at the FTA date, the weighted average marginal financing rate used for liabilities in respect of leasing was 1%. The curve is revised on a regular monthly basis.

(€'000)		
Leasing-related commitments (ex IAS17)	Financial liabilities (ex IFRS16)	Difference
30,217	29,337	880

During the twelve months under review, Mediobanca continued to record new operating leases and contract renewals falling within the IFRS 16 scope of application by making use of the exemptions used in a FTA scenario.

## Group project on interbank benchmark rates

Regulation (EU) 2016/1011 (the “Benchmarks Regulation”, or “BMR”) has introduced new rules to avert the risks of manipulation and ensure the integrity and accuracy of the indices used as benchmarks for the valuation of financial instruments and contracts and to measure the performances of investment funds.

The BMR incorporates the guidelines of the Financial Stability Board (FSB-IOSCO) on the need to reform interbank rates in order to restore the integrity of these indicators following instances of market manipulation, and also applies to the interest rates most frequently used on markets, such as Euribor, Eonia and Libor (“critical benchmarks”), which, except for Euribor, will no longer be able to be used starting from 1 January 2022.

Euribor itself was reformed during 2019 regarding the quote mechanism and is now in line with the requisites set by the Regulation, requiring no further action from the European Money Markets Institute (EMMI). Euribor can therefore be used after 1 January 2022, hence the fair value hedges related to Euribor are considered not to be impacted by the reform.

For EONIA, by contrast, the reform is still in progress. At present, since 2 October 2019 EONIA has been complemented by a new unsecured overnight rate, the Euro Short-Term Rate (€STR), which will replace EONIA in full starting from 1 January 2022. On 27 July 2020, the London Clearing House was the first to use the new interest rate as the discount curve for IRS products. The effectiveness tests have therefore taken this change into account since end-July 2020. It will still be possible to calculate EONIA as €STR plus a fixed spread.

Under the reform of LIBOR rates, which is still in progress, the Financial Conduct Authority (FCA) will no longer require the banks in the panel to submit quotes from 1 January 2022, and the market is already moving towards alternative rates identified for the different currencies in which Libor is denominated.

However, the uncertainty caused by the lack of a single alternative parameter for the whole market, in particular in the valuation of the economic relationship between hedged item and hedging instrument, could lead to hedging arrangements being discontinued. To prevent this from happening, on 26 September 2019 IASB made some temporary exceptions to the regulations (chiefly regarding IFRS 9, IAS 39 and IFRS 7) that will remain in force until the reform of the benchmark indicators is complete. The exceptions mainly refer to the possibility, in valuing the economic relationship, of the benchmark used to determine the interest rate on the hedged or hedging instrument not being altered following the reform of the rates themselves, until the change itself has taken place. These exceptions have been incorporated by the European Union through Regulation (EU) 2020/34 of 15 January 2020 (“Regulation 34”).

The Mediobanca Group has set up a working group to monitor the development of the interest rate reform, to supervise implementation for the Group as a whole, and to draw up all the operating procedures necessary for realization and application by year-end 2022. In particular, a Group assessment has been carried out to identify the financial products affected, the respective exposures, and the types of contract potentially requiring revision. Internal regulations have been

drawn up to address scenarios in which the benchmark interest rates used by Mediobanca Group undergo material changes or are discontinued.

For the purposes of these financial statements, the Group has chosen to adopt Regulation 34 in advance, thereby doing away with the uncertainty of interpretation for certain hedge contracts indexed to underlying benchmark rates that are due to be replaced. These involve in particular IRS contracts with USD Libor as the underlying benchmark, taken out by Mediobanca S.p.A. to hedge bond issues, involving a notional amount of \$2,050m.

### SECTION 3

#### **Events subsequent to the reporting date**

No events have taken place that would cause the results presented in the consolidated report for the twelve months ended 30 June 2020 to be amended.

### SECTION 4

#### **Other aspects**

The individual financial statements and the individual accounts of Mediobanca S.p.A. have been audited by external auditors PricewaterhouseCoopers S.p.A. as required by Italian Legislative Decree 39/10 and under the resolution adopted by shareholders at the Annual General Meeting held on 27 October 2012, for the 2013-21 financial years.

## **A.2 - Significant accounting policies**

### **Financial assets recognized at amortized cost**

These include loans and advances to customers and banks, debt securities and repo transactions which meet the following conditions:

- the financial instrument is held and managed based on the Hold-to-collect business model, i.e. with the objective of holding it in order to collect the cash flows provided for in the contract;
- such contractual cash flows consist entirely of payment of principal amount and interest (and therefore meet the requisites set by the SPPI test).

This heading also includes receivables originated from financial leasing transactions, the valuation and classification rules for which are governed by IAS 16 (cf. below), even though the impairment rules introduced by IFRS 9 apply for valuation purposes.

The Group business model should reflect the ways in which financial assets are managed at a portfolio level (and not at instrument level), on the basis of factors observable at a portfolio level (and not at instrument level):

- operating procedure adopted by management in the process of performance evaluation;
- risk type and procedure for managing risks taken, including indicators for portfolio rotation;
- means for determining remuneration mechanisms for decision-making managers.

The business model is based on expected reasonable scenarios (without considering “worst case” and “best case” scenarios), and in the event of cash flows differing from those estimated at initial recognition, the Group is not bound to change the classification of financial instruments forming part of the portfolio, but uses the information for deciding the classification of new financial instruments.<sup>7</sup>

<sup>7</sup> These considerations are stated in the internal management policies, which reiterate the link between business model and accounting treatment, and introduce frequency and materiality thresholds for movements in portfolios of assets recognized at amortized cost.

At initial recognition, the Group analyses contractual cash flows for the instruments to check whether the instrument, product or sub-product passes the SPPI test. In this connection, the Group has developed a standardized process for performing the test, which involves analysing the loans using a specific tool, developed internally, which is structured on the basis of decision-making trees, at the level of the individual financial instrument or product based on their different degrees of customization. If the test is not passed, the tool will show that the assets should be recognized at fair value through profit and loss (FVTPL). The method by which loans are tested differs according to whether or not the asset concerned is a retail or corporate loan: at product level for retail loans, individually for corporate loans. An external info-provider is used to test debt securities; if, however, the results of the test are unavailable, the instrument is analysed using the SPPI tool. When contractual cash flows for the instrument do not represent solely payments of principal and interest on the outstanding amount, the Group mandatorily classifies the instrument at fair value through profit and loss.

At the initial recognition date, financial assets are recognized at fair value, including any costs or income directly attributable to individual transactions that can be established from the outset even if they are actually settled at later stages. The recognition value does not, however, factor in costs with the above characteristics which are repaid separately by the borrower, or may be classified as normal internal administrative expenses.

The instrument is recognized at amortized cost, i.e. the initial value less/plus the repayments of principal made, writedowns/writebacks, and amortization - calculated using the effective interest rate method - of the difference between the amount disbursed and the amount repayable at maturity, adjusted to reflect expected losses.

The amortized cost method is not used for short-term receivables, as the effect of discounting them is negligible; for this reason, such receivables are recognized at historical cost. The original effective interest rate is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction to



below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through the profit and loss account.

In accordance with the provisions of IFRS 9, the financial assets are split into three different categories:

- Stage1: this includes exposures at their initial recognition date for as long as there is no significant impairment to their credit standing; for such instruments, the expected loss is to be calculated on the basis of default events which are possible within twelve months of the reporting date;
- Stage2: this includes exposures which, while not classified as impaired as such, have nonetheless experienced significant impairment to their credit standing since the initial recognition date; in moving from stage 1 to stage 2, the expected loss must be calculated for the outstanding life of the instrument;
- Stage3: this category consists of impaired exposures according to the definition provided in the regulations. In moving to stage 3, exposures are valued individually, that is, the value adjustment is calculated as the difference between the carrying value at the reference date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate. The cash flow estimates factor in the expected collection times, the probable net realizable value of any guarantees, and costs which are likely to be incurred in order to recover the credit exposure from a forward-looking perspective which takes account of alternative recovery scenarios and developments in the economic cycle.

The Group policy adopted to establish what constitutes significant increases in credit risk takes both the qualitative and quantitative aspects of each lending transaction or financial instrument into account. The following in particular are considered decisive: forbearance measures having been granted; the 30 days past due criterion; and other backstops having been identified, such as reclassification to watchlist status in accordance with the rules on credit risk monitoring. During the Covid-19 pandemic and in line with the guidance issued by the EBA, ECB, Consob and ESMA, the Mediobanca Group decided not to apply automatic reclassification mechanisms for moratoria granted as part of the support programmes approved by the law, category association agreements or equivalent voluntary initiatives adopted

by the individual companies, as described in further depth in Part E of the Notes to the Accounts. Moreover, the Group only makes very limited use of the simplified low credit risk exemption approach.

Purchased or originated credit impaired items (POCIs) are receivables which are already impaired at the point in time when they are acquired or disbursed. At the initial recognition date they are recognized at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item, and interest is calculated later using an internal rate of return adapted to the circumstances.

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

Impairment regards losses which are expected to materialize in the twelve months following the reference date of the financial statement, or, in cases where a significant increase in credit risk is noted, the losses which are expected to materialize throughout the rest of the instrument's life. Both the twelve-month and outstanding life expected losses can be calculated on an individual or collective basis according to the nature of the underlying portfolio.

The expected credit losses<sup>8</sup> are recorded and released only insofar as the changes actually occur. For financial instruments held to be in default, the Group records an expected loss for the outstanding life of the instrument (similar to stage 2 above); while value adjustments are calculated for all the exposures split into different categories, factoring in forward-looking information which reflects macro-economic factors.

## **Financial assets recognized at fair value through profit and loss**

These include financial assets held for trading and other financial assets that must be recognized at fair value.<sup>9</sup>

Financial assets held for trading are assets which have been acquired or issued principally for the purpose of being traded. This category comprises debt

<sup>8</sup> Reference is made to the section on Credit Quality in Part E of the Notes to the Accounts for an exhaustive analysis of the staging criteria and application of the forward-looking approach, including the adjustments made as a result of the Covid-19 situation.

<sup>9</sup> See Part A - Information on fair value on pp. 111-24.

securities, equities, loans held for trading purposes, and the positive value of derivatives held for trading including those embedded in complex instruments such as structured bonds (recorded separately).

Financial assets that must be recognized at fair value are assets which are not held for trading but must compulsorily be recognized at fair value through profit and loss on the grounds that they do not meet the requisites to be recognized at amortized cost. In particular, after clarification from the IFRS Interpretation Committee, holdings in mutual funds are also classified in this category.<sup>10</sup>

At the settlement date for securities and subscription date for derivatives, such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account. Following their initial recognition they continue to be recognized at fair value, and any changes in fair value are recorded in the profit and loss account. Interest on instruments that must be recognized at fair value is recorded on the basis of the interest rate stipulated contractually. Dividends paid on equity instruments are recorded through profit and loss when the right to collect them becomes effective.

Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at amortize cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in the profit and loss account under the respective headings.

Trading assets which must be recognized at fair value also include loans which do not guarantee full repayment of principal in the event of the counterparty finding itself in financial difficulties and which therefore do not pass the SPPI test. The process followed to write down these positions is aligned with that used for other loans, on the grounds that the exposure is basically attributable to credit risk, with both the gross exposure and related provisioning stated.

<sup>10</sup> The IFRS Interpretation Committee's clarification rules out any possibility of such instruments being treated as equities.

The heading also includes financial assets are measured at fair value upon initial recognition. In such cases, financial assets are recognized irrevocably at FVPL if, and only if, their being included in this category eliminates or significantly reduces an inconsistency in terms of valuation.

### **Financial assets recognized at fair value through other comprehensive income**

These are financial instruments, mostly debt securities, for which both the following conditions are met:

- The instruments are on the basis of a business model in which the objective is the collection of cash flows provided for contractually and also of the proceeds deriving from the sale of these instruments;
- The contractual terms which pass the SPPI test.

Financial assets recognized at fair value through other comprehensive income (FVOCI) are recognized fair value, including transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes in fair value are taken through other comprehensive income, while interest and gains/losses on exchange rates are taken through profit and loss (in the same way as financial instruments recognized at amortized cost).

Financial assets recognized at fair value through other comprehensive income (debt securities and equities) must have their expected losses calculated (as per the impairment process), in the same way as financial assets recognized at amortized cost, with the resulting value adjustment taken through profit and loss.

Retained earnings and accumulated losses recorded in other comprehensive income are taken through profit and loss when the instrument is removed from the balance sheet.

The category also includes equities not held for trading which meet the definition provided by IAS 32, and which the Group decided to classify irrevocably in this category at the initial recognition stage. As the instruments in question are equities they are not subject to impairment, and the gains/losses

on equities are never taken through profit and loss, even following the sale of the instrument. Conversely, dividends on the instruments are recorded through profit and loss when the right of collection takes effect.

## **Derecognition of assets**

A financial asset must be derecognized from the balance sheet if, and only if, the contractual rights to the cash flows deriving from it have expired, or if the asset has been transferred in accordance with IFRS 9. In such cases the Group checks if the contractual rights to receive the cash flows in respect of the asset have been transferred, or if they have been maintained while a contractual obligation to pay the cash flows to one or more beneficiaries continues to exist. It is necessary to check that basically all risks and benefits have been transferred, and any right or obligation originated or maintained as a result of the transfer is recorded separately as an asset or liability where appropriate. If the Group retains virtually all risks and benefits, the financial asset must continue to be recorded.

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

The main forms of activity currently carried out by the Group which do not require underlying assets to be derecognized are the securitization of receivables, repo trading and securities lending. Conversely, items received as part of deposit bank activity, the return on which is collected in the form of a commission, are not recorded, as the related risks and benefits continue to accrue entirely to the end-investor.

When a financial asset recognized at amortized cost is renegotiated, the Group derecognizes it only if the renegotiation entails a change of such magnitude that the initial instrument effectively becomes a new one. In such cases the difference between the original instrument's carrying value and the fair value of the new instrument is recorded through profit and loss, taking due account of any previous writedowns that may have been charged. The new instrument is classified as stage I for purposes of calculating the expected loss (save in cases where the new instrument is classified as a POCI).

In cases where the renegotiation does not result in substantially different cash flows, the Group does not derecognize the instrument, but the difference between the original carrying value and the estimated cash flows discounted using the original internal rate of return must be recorded through profit and loss (taking due account of any provisions already set aside to cover it).

## **Leasing (IFRS 16)**

An agreement is classified as a leasing contract<sup>11</sup> (or contains a leasing element) based on the substance of the agreement at the execution date. An agreement is, or contains, a lease if its performance depends on the use of a specific good (or goods) and confers the right to use such good (goods) - the “Right of Use” (RoU) - for an agreed period of time and in return for payment of a fee. This definition of leasing therefore also includes long-term rentals or hires.

Right of use is recorded among “Tangible assets”, and is calculated as the sum of the discounted value of future payments (which is equal to the current value of the liability booked in respect of it), of the initial direct costs, any instalments received in advance or at the date from which the lease is effective (jumbo instalment), any incentives received from the lessor, and estimates of any costs of removing or restoring the asset underlying the lease itself.

The liability, which is booked under “Financial liabilities recognized at amortized cost”, is equal to the discounted value of the payments due in respect of the lease; and the marginal financing rate is equal to the Funds Transfer Pricing rate (FTP) as at the date concerned.

The duration of a leasing contract takes into consideration the period during which the lease cannot be cancelled (as provided by the contract) and also any options for extending which it may reasonably be assumed will be used. In particular, where automatic renewal is provided for, account must be taken of previous behaviour, the existence of company schemes for disposing of assets leased, and every other circumstance that would point towards the existence of reasonable certainty of renewal.

<sup>11</sup> Leases in which the Group is lessor are divided into financial and operating leases. A lease is defined as a financial lease if all the risks and benefits typically associated with ownership are transferred to the lessee. Such leases are accounted for by the financial method, which involves a receivable being booked as an asset for an amount equal to the amount of the lease, net of the instalments on principal expired and paid by the lessee, and the interest receivable being taken through profit and loss.

After initial recognition, RoU is amortized over the lease's duration, and written down as appropriate. The liability is increased as the interest payable accrues, and decreases gradually in line with the instalments being paid. If there are changes to the payments due in respect of the lease, the liability is recalculated against the asset recognized by way of RoU.

For sub-leasing, i.e. when an original renting contract has been replicated with a counterparty, and there are grounds for classifying it as a finance lease, the liability in respect of the original lease is matched by an amount receivable from the sub-lessee rather than the value in use.

## Hedges

For hedging transactions, the Group has adopted the provisions of IFRS 9 since 1 July 2018 and has chosen not to avail itself of the exemption provided to continue applying the rules of IAS 39 to this type of operation.

Two types of hedge are used by the Group:

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

For the process to be effective, the item must be hedged with a counterparty from outside the Group.

Hedge derivatives are recognized at fair value as follows:

- changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
- designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

At inception, the Group formally designates and documents the hedging relationship, with an indication of the risk management objectives and strategy for the hedge. The documentation includes identification of the hedging instrument, the item hedged, the nature of the risk hedged and how the entity intends to assess if the hedging relationship meets the requisites for the hedge to be considered effective (including analysis of the sources of any ineffectiveness and how this affects the hedging relationship). The hedging relationship meets the eligibility criteria for accounting treatment reserved for hedges if, and only if, the following conditions are met:

- the effect of the credit risk does not prevail over the changes in value resulting from the economic relationship;
- the coverage provided by the hedging relationship is the same as the coverage which results from the quantity of the item hedged which the entity effectively hedges, and the quantity of the hedge instrument which the Group actually uses to hedge the same quantity of the item hedged. However, this designation must not reflect a mismatch between the weightings of the item hedged and the hedging instrument which would result in the hedge becoming ineffective (regardless of whether the ineffectiveness is observed), which could give rise to a result in accounting terms which is in contrast with the purpose of accounting for hedging transactions.



### *Fair value hedges*

As long as the fair value hedge meets the criteria for eligibility, the profit or loss on the hedge instrument must be recorded in the profit and loss account or under one of the other comprehensive income headings if the hedge instrument hedges another instrument representative of equity for which the Group has chosen to recognize changes in fair value through OCI. The hedge profit or loss on the hedged item is recorded as an adjustment to the book value of the hedge with a matching entry through the profit and loss account, even in cases where the item hedged is a financial asset (or one of its components) recognized at fair value with changes taken through OCI. However, if the item hedged is an equity instrument for which the entity has opted to recognize changes in fair value through OCI, the amounts remain in the other items in the comprehensive income statement.

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

### *Cash flow hedges*

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

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

The amount accumulated in the cash flow hedge reserve must be reclassified from the cash flow hedge reserve to profit (loss) for the period as an adjustment due to reclassification in the same period or periods in which the estimated

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

## **Equity investments**

This heading consists of investments in:

- Subsidiaries
- Associates, which are equity-accounted. Associates are defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment is sufficient to ensure an influence in the governance of the investee company;
- Jointly-controlled companies, which are also equity-accounted;
- Other investments of negligible value.

Where there is objective evidence that the value of an investment may be impaired, estimates are made of its current value using market prices if possible, and of the present value of estimated cash flows generated by the investment, including its terminal value. Where the value thus calculated is lower than the asset's carrying amount, the difference is taken through the profit and loss account. Where the reasons for the loss of value cease to apply, due to an event which takes place subsequent to the date on which the value reduction is recorded, writebacks are credited up to the amount of the impairment charges previously recorded.

## **Property, plant and equipment**

This heading comprises land, core and investment properties, plant, furniture, fittings and equipment of all kinds. It also includes the RoU acquired under leases and related use of tangible assets (for lessees) and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

Assets held for investment purposes refer to investments in real estate, if any (whether owned or acquired under leases), which are not core to the Group's main activities and/or are chiefly leased out to third parties.

The heading also includes tangible assets classified pursuant to IAS 2 - *Inventories*, namely assets deriving from guarantees being enforced or acquired in auction scenarios which the firm has the intention of selling in the near future, without carrying out any major refurbishment work on them, and which do not fall into any of the previous categories.

These are stated at historical cost, which in addition to the purchase price, includes any ancillary charges directly resulting from their acquisition and/or usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in the profit and loss account.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Group are recorded separately, on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is defined as the higher of its fair value net of any sales costs and its related value of use, and adjustments, if any, are recognized through the profit and loss account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to earnings with the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

### **Intangible assets**

These chiefly comprise goodwill, long-term computer software applications and other intangible assets deriving from business combinations subject to IFRS 3R.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates,

goodwill recorded as an asset is tested for impairment.<sup>12</sup> Any reduction value due to impairment is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through the profit and loss account.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the asset is booked to the profit and loss account in the year in which the expense was incurred.

The cost of intangible assets is amortized on the straight-line basis over the useful life of the asset concerned. If useful life is not determinable the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated.<sup>13</sup> The impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

## **Financial liabilities recognized at amortized cost**

These include the items *Due to banks*, *Due to customers* and *Debt securities in issue* less any amounts bought back. The heading also includes amounts receivable in respect of finance leasing transactions, the valuation and classification rules for which are governed by IFRS 16, but which are also affected by the IFRS 9 impairment rules. For a description of the rules for valuing and classifying leasing receivables, see the relevant section.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection

<sup>12</sup> Mediobanca has adopted a Group Impairment Policy in line with the guidance issued by the Italian organization for valuation (OIV, or *Organismo Italiano di Valutazione*) on "Impairment testing on goodwill in financial and real crisis situations" of 14 June 2012, "Italian valuation standards" published in 2015, the discussion paper issued on 22 January 2019, ESMA's recommendations contained in the document entitled "European common enforcement priorities for 2013 financial statements", the joint document issued by the Bank of Italy, Consob and IVASS (document no. 4 of 3 March 2010), and Consob's communications (no. DIE/17131 of 3 March 2014 and no. 3907 of 19 January 2015).

<sup>13</sup> Under IAS 36, impairment testing, i.e. tests to ascertain whether or not there has been a loss in the value of individual tangible and intangible assets, must be carried out at least once a year, in conjunction with preparation of the financial statements, or more frequently if events have taken place or materialized that would indicate

with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

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

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

The sale of treasury shares over the market following a buyback (even in the form of Repos and securities lending transactions) is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

### **Trading liabilities**

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are recognized at fair value and the changes are taken through the profit and loss account.

### **Financial liabilities recognized at fair value**

These include the value of financial liabilities recognized at fair value through profit and loss based on the fair value option permitted under IFRS 9 and in accordance with the cases permitted under the regulation itself.

## **Provisions for liabilities and charges**

These regard risks linked to commitments to disburse funds and guarantees issued, and to the Group's operations which could lead to expenses in the future (cf. below).

In the first case (provisions for liabilities and charges to cover commitments and guarantees issued), the amounts set aside are quantified in accordance with the rules on impairment on financial assets recognized at amortized cost.

In the other cases the rules of IAS 37 apply, i.e. the potential charge must be estimated reliably; if the time effect is material, provisions are discounted using current market rates; and the provision is recognized in the profit and loss account.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to the profit and loss account in part or in full.

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

As permitted by IAS 37, paragraph 92, no precise indication has been given of any potential liabilities where this could compromise the company in any way.

## **Staff severance indemnity provision and post-retirement schemes**

The staff severance indemnity provision qualifies as a defined-contribution benefit scheme for units accruing starting from 1 January 2007 (the date on which the reform of complementary pension schemes came into force under Italian Legislative Decree 252/05), for cases where the employee opts into a complementary pension scheme, and also for cases where contributions are paid to the treasury fund held with the Italian national pension scheme (INPS). For such payments, the amount accounted for under labour costs is determined on the basis of the contributions due without application of actuarial calculation methods.

The staff severance indemnity provision accrued until 1 January 2007 qualifies as a defined-benefit pension scheme, and as such is stated to reflect the actuarial value of the provision as calculated in line with the Projected Unit method. Accordingly, future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates using the market yield on bonds issued by companies of primary standing as the benchmark, and taking due account of the average duration outstanding of the liability, weighted according to the percentage of the amount paid or advanced, at each expiry date, relative to the total amount to be paid and/or advanced until the entire obligation has been paid in full.

The post-retirement scheme provisions have been instituted under company agreements and also qualify as defined benefit schemes. In this case the discounted value of the liability is adjusted by the fair value of any assets to be used under the terms of the scheme.

Actuarial gains and/or losses are recorded in the Other Comprehensive Income statement, while the interest component is taken through profit and loss.

## **Foreign currency transactions**

Transactions in foreign currencies are recorded by applying the exchange rates as at the date of the transaction to the amount in the foreign currency concerned.

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

The assets and liabilities of the non-Italian entities consolidated line-by-line have been converted at the exchange rate prevailing at the reporting date, whereas the profit-and-loss items have been converted using the average of the average monthly exchange rate readings for the period. Any differences arising upon conversion have been taken through the net equity valuation reserves.

## **Tax assets and liabilities**

Income taxes are recorded in the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. Advance and deferred tax is calculated on the basis of temporary differences - without time limits - between the carrying amount of an asset or liability and its tax base, according to statutory criteria and the corresponding values used for tax purposes.

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

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

Deferred tax arising upon business combinations is recognized when this is likely to result in a charge for one of the companies concerned.

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

Contributions to Deposits Guarantee Schemes and resolution funds are accounted for according to IFRIC 21.

## **Stock options, performance shares and long-term incentives**

The stock option, performance share and long-term incentive (LTI) schemes operated on behalf of Group staff members and collaborators are treated as a component of labour costs.



Schemes which involve payment through the award of shares are recognized through profit and loss, with a corresponding increase in net equity, based on the fair value of the financial instruments allocated at the award date, thus spreading the cost of the scheme throughout the period of time in which the requisites in terms of service and performance where appropriate) are met.

The overall cost of the scheme is recorded in each financial year up to the date on which the plan vests, so as to reflect the best possible estimate of the number of shares that will actually vest. Requisites in terms of service and performance objectives are not considered in determining the fair value of the instruments awarded, but the probability of such objectives being reached is estimated by the Group and this is factored into the decision as to the number of instruments that will vest. Conversely, market conditions will be included in establishing the fair value, whereas conditions unrelated to the requisites in terms of service are considered “non-vesting conditions” and are reflected in the fair value established for the instruments, and result in the full cost of the scheme being recorded in the profit and loss account immediately in the absence of any service requisites and/or performance conditions.

In the event of performance or service conditions not being met and the benefit failing to be allocated as a result, the cost of the scheme is written back. However, if any market conditions fail to be reached, the cost must be recorded in full if the other conditions have been met.

In the event of changes to the scheme, the minimum cost to be recorded is the fair value at the scheme award date pre-change, if the original conditions for vesting have been met. An additional cost, established at the date on which the change is made to the scheme, must be recorded if the change has entailed an increase in the overall fair value of the scheme for the beneficiary.

For schemes which will involve payments in cash, the Group records an amount payable equal to the fair value of the scheme measured at the award date of the scheme and at every reporting date thereafter, up to and including the settlement date, with any changes recorded as labour costs.

## **Treasury shares**

These are deducted from net equity, and any gains/losses realized on disposal are recognized in net equity.

## **Fees and commissions receivable in respect of services**

This heading includes all revenues deriving from the provision of services to customers with the expectation of those relating to financial instruments, leases and insurance contracts.

Revenues from contracts with clients are recorded through profit and loss when ownership of the service is transferred to the client, in an amount that reflects the consideration to which the Group considers it is entitled in return for the service rendered.

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

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

## **Dividends**

Dividends are recorded through profit and loss in the year in which their distribution is approved.

## Recognition of costs

Costs are recorded through profit and loss in accordance with the revenues to which they refer, save in cases where the requisites for capitalizing them apply and where provided in order to determine amortized cost. Any other costs which cannot be associated with revenues are accounted for immediately in profit and loss.

## Related parties

Related parties are defined, *inter alia* in accordance with IAS 24, as follows:

- a) Individuals or entities which directly or indirectly, are subject to joint control by Mediobanca, shareholders with stakes of 3% or more in the Bank's share capital;<sup>14</sup>
- b) Associate companies, joint ventures and entities controlled by them;
- c) Management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;
- d) Entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);
- e) Close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or otherwise associated with such individuals.

<sup>14</sup> Excluding market-makers and asset managers, Italian and international, which, in the exercise of their collective fund management activity, undertake not to take an active part in the management of the companies in which they are investing.

### A.3 - Information on transfers between portfolios of financial assets

#### A.3.1 Reclassified financial assets: change in business model, book value and interest income

(€'000)

Type of instrument	Transferred from	Transferred to	Reclassification date	Reclassified book value	Interests income booked during the period (pre-tax)
Debt securities	AFS securities	Financial assets at amortized cost	FY 2010/2011	8,370	1,488
Total				8,370	1,488

### A.4 - Information on fair value

#### QUALITATIVE INFORMATION

This section provides the disclosure on fair value stipulated by IFRS 13 paragraph 24, which 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.

The outbreak of the Covid-19 pandemic and subsequent government and healthcare measures had an immediate impact on capital markets, which priced in the new estimates of the economic slowdown as well as the regulators' restrictions on share buybacks and payments of dividends. These two combined effects caused a reduction in liquidity and made it difficult to hedge trades and risk reduction transactions generally (on dividends and volatility in particular). Overall there was a significant rise in uncertainty for the input parameters required in order to value the positions held by the Bank and in the parameters used for control activities.

In terms of independent price verification (IPV), the Bank stepped up its controls following the mismarking of volatility, correlation and dividends by using alternative providers, resulting in an increase in corrections to the original values proposed by the business units.

Fair value is reported according to rankings based on the quality of the input parameters used to determine it.<sup>15</sup>

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 (level 1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (level 3) is assigned to valuations deriving predominantly from unobservable inputs.

<sup>15</sup> 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 hierarchy 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.

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 have different rankings, the choice of fair value level is driven by the significance of the input data (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 has an independent control unit which checks the parameters used, comparing them with similar inputs from different sources which must nonetheless meet observability criteria.

## **Fair value adjustment**

Fair value adjustment is defined as the quantity that has to be added to the price observed on the market or the theoretical price generated by the model,

to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. In line with the best market practices, during the year under review all fair value adjustments were aligned with the prudential categories defined in Article 105 of the CRR (“Prudent Valuation”). Introduction of the new framework has resulted in the need to start calculating adjustments that were previously not recognized.

The changes in scope of fair value adjustments thus include the following in particular:

- Close-Out Costs;
- Investing and Funding Costs;
- Market Price Uncertainty;
- Model Risk.

Some fair value adjustments may be considered in order to align valuation with exit price, based among other things on the level of market liquidity, the uncertainty of the valuation parameters, and in order to reflect the cost of funding.

The following activities were undertaken in the twelve months under review:

- revision of calculation scope and method: for certain specific deals structured in the past, a fair value adjustment was established when the deal itself was executed. Although these adjustments were calculated conservatively (in most cases using far worse market stress scenarios as input), it appears to be closer to the regulations to use a dynamic calculation based on the risks present at portfolio level and inputs updated to the calculation date. Some of the main changes entailed by this method include:
  - recalculation of the adjustments hedging the funding risk implicit in credit-linked issues. Using a point-in-time valuation approach, the use of a conservative factor linked to the credit curves has been eliminated from the calculation;
  - changes to the calculation methods used for adjustments linked to the uncertainty of the repo margin: the Bank has transitioned from a simplified methodology to an approach based on a market consensus instrument, in line with the method already used for other risk factors.

- Removal of some FVAs: some of these adjustments were more linked to commercial than to risk issues,<sup>16</sup> and have in part been replaced by the introduction of Close-Out Costs;
- Introduction of Close-Out Costs: depending on the materiality of the risks present, the Bank has adjusted the fair value to ensure that the exit price is recorded, as required by IFRS 13.<sup>17</sup>

### **Credit/debt valuation adjustment (CVA/DVA)**

Credit and debt value adjustments (CVA and DVA) are incorporated into the valuation of derivatives to reflect the impact respectively of the counterparty's credit risk and the Bank's own credit quality on the fair value, as follows:

- CVA is a negative quantity which takes into account the scenarios in which the counterparty might fail before the Bank does while amounts are still receivable (positive MTM) by the Bank from the counterparty;
- DVA is a positive quantity which takes into account the scenarios in which the Bank itself might fail before the party does while amounts are still payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each counterparty.

The CVA/DVA methodology used by Mediobanca is based on the following inputs:

- Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;
- PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities;

<sup>16</sup> That is, they were intended to mitigate the potential impact for clients in the event of buybacks of arbitrage trades, a phenomenon that has never occurred.

<sup>17</sup> The adjustment is calculated, for each risk factor considered, as a semi-bid/ask for the market data, multiplied by the exposure to the instrument to which the data refers.



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

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

#### *A.4.1 Fair value levels: measurement techniques and inputs used*

### **Assets and liabilities measured at fair value on a recurring basis**

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

#### *Level 1*

This level comprises all instruments quoted on active markets or for which quotations are available on an ongoing basis. The former instance covers cash equity instruments, funds and listed derivatives<sup>18</sup> (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official closing price was available. The second instance covers liquid debt securities for which quotations are available on an ongoing basis, and ABS and CLOs for which tradable quotations are available at the reporting date.

#### *Level 2*

- Bonds: securities traded on less liquid markets that show bid/ask spreads above adequate levels are classified as Level 2; as are instruments not

<sup>18</sup> Provided that the quotation is considered to be effectively liquid following the IPV process.

traded on active markets that are marked to model using the implied credit spread curves obtained from Level 1 or Level 2 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, only if the credit spread curve applied is representative, the bonds are categorized as Level 2. In fair value measurement, fair value adjustments can be used in cases where there is reduced liquidity and model risk, to compensate for the lack of observable market inputs;

- derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In accordance with the definitions provided in paragraphs 3, 61 and 67 of IFRS 13, where possible the Bank uses models that maximize observable parameters, which are preferable to models where the use of unobservable parameters is predominant. When there is an active market for the input parameters to be used for the different components of the valuation model, the fair value is established on the basis of their market quotations. Hence an OTC derivative that mainly uses observable inputs deriving from Level 1 instruments (quoted prices, as established in paragraphs 76-80 of IFRS 13) or Level 2 instruments (interest rate curves, implicit volatilities and credit spreads, as stipulated in paragraph 82 of IFRS 13) is classified as Level 2. These derivatives include:
  - plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap & floor, credit default swaps and credit default indexes as underlying;
  - exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by Mediobanca whose characteristics replicate those referred to above;
  - issues of certificates with credit derivatives or shares as underlying (basket or single name), including the issuer credit risk which is thus factored into the total calculation of the fair value.

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

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

### *Level 3*

- Bonds: instruments whose fair value is determined using prices that cannot be corroborated are classified as Level 3, as are instruments not traded on active markets which are marked to model using the credit spread curves implicitly derived from Level 1 or Level 2 instruments, to which a spread is added in order to factor in their unobservable illiquidity. Fair value adjustments may be used in recognizing such instruments at fair value when there is low liquidity, in order to compensate for the lack of observable market parameters for the Level 3 positions;
- asset-backed securities, CLOs and loans: the measurement process relies on information providers which effectively collect market prices. Basically ABS are categorized as Level 3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level 1.
- credit exposures which, based on the characteristics of their cash flows, are recognized at fair value (IFRS 9, SPPI criteria - Solely Payments of Principal and Interest): specific valuation methodologies are adopted to represent the individual exposure's characteristics, seeking to maximize use of observable market data;
- equities: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 when there are no quoted prices or when quoted prices have been suspended indefinitely and for which an internal model is used in order to determine the fair value. Some residual equities for which fair value cannot be established reliably using the methods described above are recognized at cost;
- investment funds: Mediobanca owns holdings in investment funds which publish the net asset value (NAV) per stock unit. Such funds include mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. Investments in funds are usually classified as Level 1 in cases where the NAV is available on a daily basis and considered to be active; otherwise they are categorized as Level 3;

- derivatives: when the valuation of an OTC derivative has been materially affected by unobservable parameters it is classified as Level 3. Such derivatives include:
  - plain vanilla instruments, such as options with equity as the underlying and long expiries, or dividends on which there is no market consensus and options on equity baskets (indexes and single name);
  - equity certificates for which the valuation inputs show a high degree of uncertainty (as it emerges during the Independent Price Verification process) in terms of volatility or future dividends;
  - exotic instruments that use complex models (exotic options), or certain payoffs on exchange rates for which the valuation inputs are not directly observable, including derivatives embedded in bonds issued;
  - bespoke CDO tranches.

The instruments referred to above are classified as Level 3, because as stated in paragraphs 73 and 75 of IFRS 13, their fair value is established primarily by components attributable to unobservable inputs (such as implicit volatility above certain observation levels, equity and credit correlation, etc.), or contains adjustments that significantly alter the most liquid input parameters used.

All inputs used to determine the fair value of the principal risk positions, regardless of their fair value levels, are subject to the Independent Price Verification process based on the principle of verifying the data against input from other info-providers.

### **Assets and liabilities measured at fair value on a non-recurring basis**

Financial instruments measured at fair value on a non-recurring basis (including amounts payable to and receivable from customers and banks) are not accounted for on the basis of fair value.

In such cases the fair value is calculated solely for the purpose of meeting the Bank's responsibilities in terms of providing market disclosure, and the calculation does not impact in any way on the book value of the investment and has no effect on the profit and loss account. Such instruments are not normally

traded, and their fair value is thus measured on the basis of inputs compiled internally which are generally not directly observable on the market.

For loans to corporates, fair value is measured via the discounted cash flow method, using rates and/or flows adjusted to reflect credit risk in each case. Loans to counterparties with official ratings are categorized as Level 2, and in all other cases as Level 3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level 1 if quoted on an active market (using the market price as the input); if not, i.e. in cases where there are no quoted prices, the fair value is categorized as Level 2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank's issuer risk (with a distinction being made between senior and subordinated risks). The fair value of the naked components of Mediobanca structured issues is also categorized as Level 2 when Mediobanca strips out the derivative embedded in such issues; the derivative's fair value level is according to the method described above.

#### *A.4.2 Measurement processes and sensibilities*

As required by IFRS 13, quantitative information on the significant non-observable inputs used in measuring the fair value of Level 3 instruments is provided below.

#### *Uncertainties inherent in inputs and impact on mark-to-market for equity products*

Non-observable inputs	Quantification of uncertainty inherent input	+/- delta vs MtM	+/- delta vs MtM
		(€) 30/6/20	(€m) 30/6/19
Implicit volatility	On average equal to 50 bps for volatility surface points falling outside the contribution of Totem application (maturity > 3Y for single stocks and maturity > 5Y for indexes)	0.52	0.46
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks	1.15	0.612

### *Measurement techniques used for equity, credit and interest rate products*

Product	Measurement technique	Non-observable inputs	Fair value* Assets 30/6/20 (€m)	Fair value* Liabilities 30/6/20 (€m)	Fair value* Assets 30/6/19 (€m)	Fair value* Liabilities 30/6/19 (€m)
OTC equity single name options, Variance swap	Black-Scholes/ Black model	Implicit volatility <sup>1</sup>	14.16	-14.20	0.81	-3.89
OTC equity basket options, best of/ worst of, equity autocallable multiasset options	Black-Scholes/ Black model, local volatility model	Implicit volatility Equity-equity correlation <sup>2</sup>	39.05	-20.73	9.85	-9.40

\* Values are shown net of reserves booked.

<sup>1</sup> Volatility in a financial context is a measurement of how much the price of an instrument underlying a derivative may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general terms long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implicit volatility surface may be obtained from the price of the call and put options, as there are regulated markets for these. The uncertainty inherent in this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typically present on long maturities or moneyness far from the at-the-money spot), concentration effects and non-observable market data (here too present when maturities are considered too long or moneyness too far from the at-the-money spot).

<sup>2</sup> Equity-equity correlation is a measurement of the correlation between two equity financial instruments underlying a derivative. Variations in the correlation levels may impact favourably or unfavourably, depending on the correlation type, on an instrument's fair value. Equity-equity correlations are less observable than volatilities, because correlation products are not quoted on any regulated markets. For this reason correlations are more prone to input uncertainty.

#### *A.4.3 Fair value ranking*

##### ***Transfers between fair value ranking levels***

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

An instrument is transferred from fair value Level 1 to Level 2 or vice versa mainly as a result of the loss (increase) in significance of a price expressed by the reference active market for the instrument concerned.

Conversely, transfers from Level 2 to Level 3 (or vice versa) are decided on the basis of the significance of the input data, in particular the weight which non-observable data have in the inputs compared to observable data.

#### *A.4.4 Other information*

The Mediobanca Group has availed itself of the exception provided under IFRS 13, paragraph 48 from measuring fair value on a net basis for financial assets and liabilities with positions compensating for the counterparty's market or credit risks.

## QUANTITATIVE INFORMATION

### A.4.5 Fair value ranking

#### A.4.5.1 Assets and liabilities recognized at fair value on a non-recurring basis, by fair value ranking

(€'000)

Financial assets/liabilities measured at fair value	30/6/20			30/6/19		
	Level1	Level2	Level3	Level1	Level2	Level3
1. Financial assets measured at fair value with impact taken to profit and loss	5,868,434	3,128,702	964,228	7,364,652	2,887,585	622,808
a) financial assets held for trading	5,582,671	3,077,700	554,349	7,054,588	2,633,695	359,064
b) financial assets designated at fair value	—	51,002	—	—	51,975	—
c) other financial assets mandatorily valued at fair value	285,763	—	409,879	310,064	201,915	263,744
2. Financial assets measured at fair value with impact taken to other comprehensive income	3,464,787	134,475	185,739	3,611,042	240,572	32,838
3. Hedging derivatives	—	471,648	—	—	409,863	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
<b>Total</b>	<b>9,333,221</b>	<b>3,734,825</b>	<b>1,149,967</b>	<b>10,975,694</b>	<b>3,538,020</b>	<b>655,646</b>
1. Financial liabilities held for trading	4,018,034	3,802,689	530,954	4,948,023	3,082,526	249,777
2. Financial liabilities valued at fair value	—	216,020	—	—	55,859	—
3. Hedging derivatives	—	132,551	—	—	184,650	—
<b>Total</b>	<b>4,018,034</b>	<b>4,151,260</b>	<b>530,954</b>	<b>4,948,023</b>	<b>3,323,035</b>	<b>249,777</b>

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis  
(level 3 assets)

(€'000)

	Financial assets valued at fair value with impact taken to profit and loss				Financial assets valued at fair value with impact taken to other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading <sup>1</sup>	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily valued at fair value				
1. Opening balance	419,156	122,574	—	263,744	32,838	—	—	—
2. Increases	501,936	112,844	—	228,260	160,832	—	—	—
2.1 Purchases	409,221	65,338	—	183,838	160,045	—	—	—
2.2 Profits recognized in:	57,503	12,309	—	44,407	787	—	—	—
2.2.1 profit and loss	57,501	12,309	—	44,407	785	—	—	—
- of which, gains	11,821	11,821	—	—	—	—	—	—
2.2.2 net equity	2	X	X	X	2	—	—	—
2.3 Transfers from other levels	35,197	35,197	—	—	—	—	—	—
2.4 Other increases	15	—	—	15	—	—	—	—
3. Decreases	180,320	90,264	—	82,125	7,931	—	—	—
3.1 Disposals	130,280	61,832	—	67,663	785	—	—	—
3.2 Redemptions	4,507	4,507	—	-	—	—	—	—
3.3 Losses recognized in:	43,704	22,096	—	14,462	7,146	—	—	—
3.3.1 profit and loss	36,558	22,096	—	14,462	—	—	—	—
- of which, losses	22,029	22,029	—	—	—	—	—	—
3.3.2 net equity	7,146	X	X	X	7,146	—	—	—
3.4 Transfers to other levels	—	—	—	—	—	—	—	—
3.5 Other decreases	1,829	1,829	—	—	—	—	—	—
4. Closing balance	740,772	145,154	—	409,879	185,739	—	—	—

<sup>1</sup> Net of market value of options covering those attached to bonds issued (30/6/20: €351,000; 30/6/19: €506,000) and options traded (€408.8m and €236m respectively), the values of which are recorded as both assets and liabilities for the same amount.



*A.4.5.3 Annual changes in liabilities recognized at fair value on a recurring basis  
(Level 3 liabilities)*

	(€'000)		
	Held for trading <sup>1</sup>	Designated at fair value	Hedging derivatives
1. Opening balance	13,285	—	—
2. Increases	112,300	—	—
2.1 Issuance	22,558	—	—
2.2 Losses recognized in:	2,916	—	—
2.2.1 profit and loss	2,916	—	—
<i>- of which, losses</i>	2,916	—	—
2.2.2 net equity	X	—	—
2.3 Transfers from other levels	86,826	—	—
2.4 Other increases	—	—	—
3. Decreases	3,826	—	—
3.1 Redemptions	56	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	3,770	—	—
3.3.1 profit and loss	3,770	—	—
<i>- of which, gains</i>	2,277	—	—
3.3.2 net equity	X	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other decrease	—	—	—
4. Closing balance	121,759	—	—

<sup>1</sup> Net of market value of options covering those attached to bonds issued (30/6/20: €0.35m; 30/6/19: €0.5m) and options traded (€408.8m and €236m respectively), the values of which are recorded as both assets and liabilities for the same amount.

*A.4.5.4 Assets and liabilities not recognized at fair value or recognized at fair value on a non-recurring basis, by fair value ranking*

	(€'000)							
Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/20				30/6/19			
	Book value	Level1	Level2	Level3	Book value	Level1	Level2	Level3
1. Financial assets valued at amortised cost	43,711,164	2,431,924	30,939,943	11,024,430	46,363,398	2,149,798	32,117,056	12,892,319
2. Tangible assets held for investment purposes	24,573	—	—	93,443	24,884	—	—	94,174
3. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
<b>Total</b>	<b>43,735,737</b>	<b>2,431,924</b>	<b>30,939,943</b>	<b>11,117,873</b>	<b>46,388,282</b>	<b>2,149,798</b>	<b>32,117,056</b>	<b>12,986,993</b>
1. Financial liabilities valued at amortised cost	50,698,334	—	50,884,971	39,433	51,339,312	—	51,578,885	48,237
2. Liabilities held in respect of assets being sold	—	—	—	—	—	—	—	—
<b>Total</b>	<b>50,698,334</b>	<b>—</b>	<b>50,884,971</b>	<b>39,433</b>	<b>51,339,312</b>	<b>—</b>	<b>51,578,885</b>	<b>48,237</b>

The Level 3 instruments held for trading include options traded, i.e. contracts originated and closed with different counterparties but the same underlying instrument and uncertain risk parameter, totalled €408.8m (30/6/19: €236m), plus €0.35m in options linked to bonds issued and hedged on the market (€0.5m).

Net of these items, the Level 3 assets increased from €122.6m to €145.2m, as a result of new entries totalling €65.3m (€37m of which relating to derivative contracts) against departures totalling €66.3m, €59.6m of which regarding the transfer of ABS to a new provision and redemptions totalling €4.5m. Transfers from other levels totalled €35.2m, and chiefly involve derivative contracts being reclassified during the course of the year, due to the increase in uncertainty over volatility and the underlying dividends. Downward movements in fair value totalled €11.6m.

Level 3 liabilities, minus options traded and those linked to the bond issues referred to above, rose from €13.3m to €121.8m, as a result of the reclassifications made during the twelve months, regarding certain certificates and derivative contracts (worth a total of €86.8m), which became necessary due to the rise in uncertainty over estimated dividends, plus new positions totalling €22.5m (mainly derivative contracts); upward adjustments to fair value totalled €0.8m.

Financial assets compulsorily recognized at fair value, which mostly consist of investments in funds (including seed capital) increased from €263.7m to €409.9m, as a result of new additions totalling €183.8m, €110m of which in relation to the initial subscription to a fund with ABS as the underlying instrument, and €55m in additional investments in the Cairn funds, against departures totalling €67.7m which mostly involve the partial disposal of the above fund; overall there were other positive changes totalling €30m, representing the difference between €44.4m in higher valuations due to improvements in the credit rating of certain convertible loans, and €14.4m in downward value adjustments made to seed capital (primarily for Cairn).

Financial assets recognized at fair value through other comprehensive income (which consist of investments in unlisted companies, valued based on internal models) increased from €32.8m to €185.7m, chiefly due to the subscription of the Additional Tier 1 bond issued by Group company CheBanca! (€160m).

## **A.5 - Information on “day one profit/loss”**

For Level 3 transactions, the fair value derived from the model may differ from the price of the transaction itself. If the difference is positive (day one profit), it is amortized over the outstanding life of the financial instrument; if it is negative (day one loss), it is taken directly to the profit and loss account, on prudential grounds. Any subsequent changes in fair value will therefore be linked to the trends in the various risk factors to which the instrument is exposed (interest rate/exchange rate risk, etc.) and recorded directly in the profit and loss account.

Suspension of the day one profit is currently applied to the approx. €10m surplus generated on an arbitrage transaction between the acquisition of a financial instrument convertible into listed equities (starting from year 5) and the sale of the corresponding listed equities in FY 2016-17. This difference was generated from the use of an internal model to value the unlisted instrument, and, under paragraphs B5.1.2A and B5.2.2A of IFRS 9, was suspended and will be released to the profit and loss account pro rata throughout the duration of the transaction (five years). The share remaining totals approx. €2.7m, and the portion that passed through profit and loss during the period totalled €2m.

The suspension approach is also applied to the profit deriving from trades in derivatives on Exchange rates linked to hedges of M&A deals: as the derivative becomes effective only if the deal is executed, the profit is suspended until the uncertainty regarding the deal’s execution has ceased. At the reporting date there was only one trade of this kind, involving a profit of €470,000.

The Bank also has deals classified as Level 3 for which the initial profit has not had to be suspended, as these deals were originally negotiated with other market counterparties, without generating any material upfront difference.

## Part B - Notes to the Individual Balance Sheet\*

### Assets

#### SECTION 1

### Heading 10: Cash and cash equivalents

#### *Cash and cash equivalents: composition*

	Total 30/6/20	Total 30/6/19
a) Cash	592	561
b) On demand deposits with Central banks	3,101,358	632,051
Total	3,101,950	632,612

\* Figures in €'000, save in footnotes, where figures are provided in full.

## SECTION 2

### Heading 20: Financial assets recognized at fair value through profit and loss

#### 2.1 Financial assets held for trading: composition\*

Items/Values	Total			Total		
	30/06/20			30/06/19		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Balance-sheet assets						
1. Debt securities	2,954,447	551,675	28,968	3,857,970	361,666	58,831
1.1 Structured securities	2,758	18,177	1,998	17,251	10,451	—
1.2 Other securities	2,951,689	533,498	26,970	3,840,719	351,215	58,831
2. Equity securities <sup>1</sup>	1,962,771	—	29,372	2,441,048	—	47,024
3. Investment funds unit	20,114	—	2,526	245,002	—	6,055
4. Loans	3,917	—	—	6,894	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	3,917	—	—	6,894	—	—
<b>Total (A)</b>	<b>4,941,249</b>	<b>551,675</b>	<b>60,866</b>	<b>6,550,914</b>	<b>361,666</b>	<b>111,910</b>
B. Derivative instruments						
1. Financial Derivatives	641,422	2,340,414	493,483 <sup>2 3</sup>	503,674	1,781,837	247,154
1.1 trading	641,422	2,335,907	493,340	503,674	1,737,302	246,957
1.2 fair value hedges	—	—	—	—	—	—
1.3 others	—	4,507	143	—	44,535	197
2. Credit Derivatives	—	185,611	—	—	490,192	—
2.1 trading	—	185,611	—	—	490,192	—
2.2 fair value hedges	—	—	—	—	—	—
2.3 others	—	—	—	—	—	—
<b>Total (B)</b>	<b>641,422</b>	<b>2,526,025</b>	<b>493,483</b>	<b>503,674</b>	<b>2,272,029</b>	<b>247,154</b>
<b>Total (A+B)</b>	<b>5,582,671</b>	<b>3,077,700</b>	<b>554,349</b>	<b>7,054,588</b>	<b>2,633,695</b>	<b>359,064</b>

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

<sup>1</sup> Equities include shares committed in securities lending transactions totalling €507,245,000 (30/06/19: €834,916,000)

<sup>2</sup> Includes the market value of options (€351,000 as at 30/6/20 and €506,000 as at 30/6/19) matching options associated with bond issues, recorded as financial instruments held for trading, and the matched trading options themselves (totalling €408,844,000 as at 30/6/20 and €235,984,000 as at 30/6/19) recorded as financial liabilities held for trading.

## 2.2 Financial assets held for trading: composition by borrower/issuer

Items/Values	30/6/20	30/6/19
<b>A. Cash assets</b>		
1. Debt securities	3,535,090	4,278,467
a) Central Banks	—	—
b) Public Administrations	1,880,990	3,398,524
c) Banks	1,236,147	619,409
d) Other financial companies	201,525	197,994
<i>of which: insurance companies</i>	2,904	—
e) Non-financial companies	216,428	62,540
2. Equity instruments	1,992,143	2,488,072
a) Banks	149,796	391,154
b) Other financial companies	464,779	205,008
<i>of which: Insurance companies</i>	169,779	94,336
c) Non-financial companies	1,377,568	1,891,910
d) Other issuers	—	—
3. Units investment funds	22,640	251,057
4. Loans	3,917	6,894
a) Central Banks	—	—
b) Public Administrations	—	—
c) Banks	—	—
d) Other financial companies	—	2,031
<i>of which: insurance companies</i>	—	—
e) Non-financial companies	3,917	4,863
f) Families	—	—
<b>Total (A)</b>	<b>5,553,790</b>	<b>7,024,490</b>
<b>B. Derivative instruments</b>		
a) Central Counterparties	201,441	95,465
b) Others	3,459,489	2,927,392
<b>Total (B)</b>	<b>3,660,930</b>	<b>3,022,857</b>
<b>Total (A+B)</b>	<b>9,214,720</b>	<b>10,047,347</b>

## 2.3 Financial assets designated at fair value: composition\*

Items/Values	Total 30/6/20			Total 30/6/19		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	51,002	—	—	51,975	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	51,002	—	—	51,975	—
2. Loans	—	—	—	—	—	—
2.1 Structured	—	—	—	—	—	—
2.2 Others	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>51,002</b>	<b>—</b>	<b>—</b>	<b>51,975</b>	<b>—</b>

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

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

Items/Values	30/6/20	30/6/19
1. Debt securities	51,002	51,975
a) Central Banks	—	—
b) Public-sector entities	—	—
c) Banks	—	—
d) Other financial companies	51,002	51,975
<i>of which: Insurance companies</i>	—	—
e) Non-financial companies	—	—
2. Loans	—	—
a) Central Banks	—	—
b) Public-sector entities	—	—
c) Banks	—	—
d) Other financial companies	—	—
<i>of which: Insurance companies</i>	—	—
e) Non-financial companies	—	—
f) Households	—	—
<b>Total</b>	<b>51,002</b>	<b>51,975</b>

## 2.5 Other financial assets mandatorily valued at fair value: composition\*

Items/Values	30/6/20			30/6/19		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	306	—	1,785	489	—	3,146
1.1 Structured securities	—	—	—	—	—	—
1.2 Others	306	—	1,785	489	—	3,146
2. Equity instruments	—	—	2,812	—	—	4,833
3. Units investment funds	285,457	—	351,002	309,575	—	233,989
4. Loans	—	—	54,280	—	201,915	21,776
4.1 REPO	—	—	—	—	—	—
4.2 Others	—	—	54,280	—	201,915	21,776
<b>Total</b>	<b>285,763</b>	<b>—</b>	<b>409,879</b>	<b>310,064</b>	<b>201,915</b>	<b>263,744</b>

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

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

Items/Values	30/6/20	30/6/19
1. Equity instruments	2,812	4,833
<i>of which: banks</i>	—	—
<i>of which: other financial companies</i>	2,812	4,833
<i>of which: other non-financial companies</i>	—	—
2. Debts securities	2,091	3,635
a) Central Banks	—	—
b) Public sector entities	306	489
c) Banks	—	—
d) Other financial companies	1,785	3,146
<i>of which: insurance companies</i>	—	—
e) Non-financial companies	—	—
3. Units investment funds	636,459	543,564
4. Loans	54,280	223,691
a) Central Banks	—	—
b) Public sector entities	—	—
c) Banks	—	—
d) Other financial companies	3,973	206,209
<i>of which: insurance companies</i>	—	—
e) Non-financial companies	50,307	17,482
f) Households	—	—
Total	695,642	775,723

## SECTION 3

### Heading 30: Financial assets recognized through other comprehensive income

#### 3.1 Financial assets recognized at fair value through other comprehensive income: composition\*

Item/Values	30/6/20			30/6/19		
	Level 1	Level 2	Level 3 <sup>1</sup>	Level 1	Level 2	Livello 3 <sup>1</sup>
1. Debts securities	3,351,465	134,475	—	3,507,591	240,572	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other	3,351,465	134,475	—	3,507,591	240,572	—
2. Equity instruments	113,322	—	185,739	103,451	—	32,838
3. Loans	—	—	—	—	—	—
Total	3,464,787	134,475	185,739	3,611,042	240,572	32,838

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

<sup>1</sup> Includes investments in unlisted companies valued based on internal models and AT1 intercompany instruments (€160,000,000 versus CheBanca!).



### 3.2 Financial assets at fair value with impact taken to comprehensive income: composition by borrower/issuer

Items/Values	30/6/20	30/6/19
1. Debt securities	3,485,940	3,748,163
a) Central Banks	—	—
b) Public entities	2,613,617	2,863,097
c) Banks	521,126	507,767
d) Other financial companies	208,717	216,529
<i>of which: insurance companies</i>	<i>64,983</i>	<i>131,292</i>
e) Non-financial companies	142,480	160,770
2. Equity securities	299,061	136,289
a) Banks <sup>1</sup>	160,116	114
b) Other issuers:	138,945	136,175
- other financial companies	24,021	31,371
<i>of which: insurance companies</i>	—	—
- non-financial companies	114,924	104,804
- others	—	—
3. Loans	—	—
a) Central Banks	—	—
b) Public entities	—	—
c) Banks	—	—
d) Other financial companies	—	—
<i>of which: insurance companies</i>	—	—
e) Non-financial companies	—	—
f) Households	—	—
<b>Total</b>	<b>3,785,001</b>	<b>3,884,452</b>

<sup>1</sup> Includes the CheBanca! AT1 instrument (€160,000,000) subscribed to in full by Mediobanca S.p.A.

### 3.3 Financial assets valued at fair value with impact taken to comprehensive income: gross value and total writedowns

	Gross value			Writedown			Write off partial total
	First stage	of which: low credit risk*	Second stage	Third stage	First stage	Second stage	
Debt securities	3,492,048	67,139	—	—	6,108	—	—
Loans	—	—	—	—	—	—	—
<b>Total 30/6/20</b>	<b>3,492,048</b>	<b>67,139</b>	<b>—</b>	<b>—</b>	<b>6,108</b>	<b>—</b>	<b>—</b>
<b>Total 30/6/19</b>	<b>3,750,003</b>	<b>204,812</b>	<b>—</b>	<b>—</b>	<b>1,840</b>	<b>—</b>	<b>—</b>
<i>of which: impaired financial assets acquired or created</i>	<i>X</i>	<i>X</i>	<i>—</i>	<i>—</i>	<i>X</i>	<i>—</i>	<i>—</i>

\* As required by Bank of Italy circular no. 262, fifth amendment, the column headed "Of which: instruments with low credit risk" must show the gross value of the low credit risk instruments as defined by IFRS 9, paras. B5.5.29. For the Mediobanca Group, the concept of "low credit risk" is equivalent to that of rating, hence low credit risk applies to the case of counterparties rated investment grade.

## SECTION 4

### Heading 40: Financial assets at amortized cost

#### 4.1 Financial assets at amortized cost: composition of due from banks (30/06/2020)\*

Type of transaction/Values	Total					
	30/6/20					
	Balance value			Fair value		
	First and second stage	Third of which: impaired stage	Third of which: impaired acquired or originated	Level 1	Level 2	Level 3
A. Receivables to Central Banks	219,721	—	—	—	219,721	—
1. Deposits to Maturity	—	—	—	X	X	X
2. Compulsory reserves	219,721	—	—	X	X	X
3. Repos	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Receivables to banks	20,317,826	—	—	185,309	20,445,167	40,889
1. Loans	19,295,878	—	—	—	19,599,094	40,889
1.1 Current accounts and demand deposits	1,316,611	—	—	X	X	X
1.2. Time deposits	317,543	—	—	X	X	X
1.3 Other loans:	17,661,724	—	—	X	X	X
- Repos	2,464,519	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- Others	15,197,205	—	—	X	X	X
2. Debts securities	1,021,948	—	—	185,309	846,073	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	1,021,948	—	—	185,309	846,073	—
Total	20,537,547	—	—	185,309	20,664,888	40,889

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

#### 4.1 Financial assets at amortized cost: composition of due from banks (30/06/2019)\*

Type of transaction/Values	Total					
	30/06/2019					
	Balance value			Fair value		
	First and second stage	Third of which: impaired stage	Third of which: impaired acquired or originated	Level 1	Level 2	Level 3
A. Receivables to Central Banks	211,382	—	—	—	211,382	—
1. Deposits to Maturity	—	—	—	X	X	X
2. Compulsory reserves	211,382	—	—	X	X	X
3. Repos	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Receivables to banks	21,895,297	—	—	222,033	21,497,050	622,159
1. Loans	20,874,797	—	—	—	20,682,461	622,159
1.1 Current accounts and demand deposits	708,311	—	—	X	X	X
1.2. Time deposits	389,988	—	—	X	X	X
1.3 Other loans:	19,776,498	—	—	X	X	X
- Repos	4,482,055	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- Others	15,294,443	—	—	X	X	X
2. Debts securities	1,020,499	—	—	222,033	814,589	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	1,020,499	—	—	222,033	814,589	—
Total	22,106,679	—	—	222,033	21,708,432	622,159

#### 4.2 Financial assets at amortized cost: composition of due from customers (30/06/2020)\*

Type of transaction/Values	Total					
	30/6/20					
	Balance value			Fair value		
	First and second stage	Third of which: impaired acquired or originated		Level 1	Level 2	Level 3
1. Loans	17,858,758	283,611	—	—	10,237,172	8,196,593
1.1. Deposits from customers	917,839	—	—	X	X	X
1.2. Repos	994,532	—	—	X	X	X
1.3. Mortgages	13,724,977	283,611	—	X	X	X
1.4. Credit cards, personal loans and wage assignemnt losses	—	—	—	X	X	X
1.5 Lease loans <sup>1</sup>	2,292	—	—	X	X	X
1.6. Factoring	—	—	—	X	X	X
1.7. Other loans	2,219,118	—	—	X	X	X
2. Debt securities	5,031,248	—	—	2,246,615	37,883	2,786,948
2.1. Structured securities	—	—	—	—	—	—
2.2. Other debt securities <sup>2</sup>	5,031,248	—	—	2,246,615	37,883	2,786,948
<b>Total</b>	<b>22,890,006</b>	<b>283,611</b>	<b>—</b>	<b>2,246,615</b>	<b>10,275,055</b>	<b>10,983,541</b>

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

<sup>1</sup> The Mediobanca Group has applied IFRS 16 since 1 July 2019.

<sup>2</sup> €2,574,288,000 of which in relation to securitizations by Group companies (in this case Compass).

#### 4.2 Financial assets at amortized cost: composition of due from customers (30/06/2019)\*

Type of transaction/Values	Total					
	30/6/19					
	Balance value			Fair value		
	First and second stage	Third of which: impaired acquired or originated		Level 1	Level 2	Level 3
1. Loans	17,932,739	368,981	—	—	10,359,379	8,246,345
1.1. Deposits from customers	1,030,755	—	—	X	X	X
1.2. Repos	2,550,975	—	—	X	X	X
1.3. Mortgages	12,278,258	368,981	—	X	X	X
1.4. Credit cards, personal loans and wage assignemnt losses	—	—	—	X	X	X
1.5 Lease loans	—	—	—	X	X	X
1.6. Factoring	—	—	—	X	X	X
1.7. Other loans	2,072,752	—	—	X	X	X
2. Debt securities	5,954,999	—	—	1,927,765	49,245	4,023,815
2.1. Structured securities	—	—	—	—	—	—
2.2. Other debt securities <sup>1</sup>	5,954,999	—	—	1,927,765	49,245	4,023,815
<b>Total</b>	<b>23,887,738</b>	<b>368,981</b>	<b>—</b>	<b>1,927,765</b>	<b>10,408,624</b>	<b>12,270,160</b>

\* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

<sup>1</sup> €3,851,751,000 of which in relation to securitizations by Group companies (in this case Compass).

#### 4.3 Financial assets at amortized cost: composition by borrower/issuer of due from customers

Type of transaction / Values	Total 30/06/20			Total 30/06/19		
	First and second stage	Third stage	<i>of which: impaired acquired or originated</i>	First and second stage	Third stage	<i>of which: impaired acquired or originated</i>
1. Debt securities	5,031,248	—	—	5,954,999	—	—
a) Public Administration	1,835,108	—	—	1,454,675	—	—
b) Other financial company	3,011,537	—	—	4,284,239	—	—
<i>of which: insurance companies</i>	<i>229,394</i>	—	—	<i>229,762</i>	—	—
c) Non-financial companies	184,603	—	—	216,085	—	—
2. Loans to:	17,858,758	283,611	—	17,932,739	368,981	—
a) Public Administration	103,158	—	—	103,200	—	—
b) Other financial company	8,452,920	2,229	—	9,877,374	2,034	—
<i>of which: insurance companies</i>	<i>617,656</i>	—	—	<i>684,511</i>	—	—
c) Non-financial companies	8,592,680	279,417	—	7,208,670	366,947	—
d) Households	710,000	1,965	—	743,495	—	—
Total	22,890,006	283,611	—	23,887,738	368,981	—

#### 4.4 Financial assets at amortized cost: gross value and total writedowns

	Gross value				Writedown			Write off partial total
	First stage	<i>of which: low credit risk*</i>	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	6,058,834	50,290	—	—	5,638	—	—	—
Loans	37,045,086	339,832	404,726	395,968	61,247	14,208	112,357	—
Total 30/6/20	43,103,920	390,122	404,726	395,968	66,885	14,208	112,357	—
Total 30/6/19	45,676,844	170,834	359,776	509,749	35,986	6,217	140,768	—
<i>of which: impaired financial assets acquired or created</i>	<i>X</i>	<i>X</i>	—	—	<i>X</i>	—	—	—

(\*) As required by Bank of Italy circular no. 262, fifth amendment, the column headed “of which” must show the gross value of the low credit risk instruments as defined by IFRS 9, paras. B5.5.29. For the Mediobanca Group, the concept of “low credit risk” is equivalent to that of rating, hence low credit risk applies to the case of counterparties rated investment grade

## SECTION 5

### Heading 50: Hedging derivatives

#### 5.1 Hedging derivatives: by hedge type and level

	Fair value			Notional value 30/6/20	Fair value			Notional value 30/6/19
	30/6/20				30/6/19			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives								
1. Fair value	—	471,648	—	21,534,556	—	409,863	—	15,187,647
2. Cash flows	—	—	—	—	—	—	—	—
3. Net investment in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	471,648	—	21,534,556	—	409,863	—	15,187,647

#### 5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction/Type of hedging	Fair value							Cash-flow hedges			Net Investments on foreign subsidiaries
	Micro							Macro	Micro	Macro	
	debt securities and interest rates	equity securities and stock indexes	currencies and gold	credit	commodities	others					
1. Financial assets valued at fair value with impact taken to other comprehensive income	—	—	—	—	X	X	X	—	X	X	
2. Financial assets valued at amortised cost	876	X	—	—	X	X	X	—	X	X	
3. Portfolio	X	X	X	X	X	X	—	X	—	X	
4. Others	—	—	—	—	—	—	X	—	X	—	
Total assets	876	—	—	—	—	—	—	—	—	—	
1. Financial liabilities	470,772	X	—	—	—	—	X	—	X	X	
2. Portfolio	X	X	X	X	X	X	—	X	—	X	
Total liabilities	470,772	—	—	—	—	—	—	—	—	—	
1. Highly probable transactions (CFH)	X	X	X	X	X	X	X	—	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—	

## SECTION 7

### Heading 70: Equity investments

As at 30 June 2020, the book value carried under the “Equity investments” heading totalled €3,150.7m.

#### 7.1 Equity investments: disclosure on relationship

Company name	Legal office	Operating office	Shareholding %	Voting right %
A. Imprese controllate in via esclusiva				
Cairn Capital Group Limited Share capital GBP 263, in par value GBP0.005 shares	London	London	70.93 (*)	70.93
CheBanca! S.p.A. Share capital € 226.3m, in par value € 0.50 shares	Milan	Milan	100.00	100.00
Compagnie Monégasque de Banque - CMB S.A.M. Share capital € 111.1m, in par value € 200 shares	Montecarlo	Montecarlo	100.00	100.00
CMB Wealth Management Limited (under liquidation) Share capital GBP 1.8m, in par value GBP 1 shares	London	London	100.00	100.00
Compass Banca S.p.A. Share capital € 587.5m, in par value € 5 shares	Milan	Milan	100.00	100.00
Mediobanca Innovation Services - MIS S.c.p.A. Share capital € 35m, in par value € 5 shares	Milan	Milan	100.00	100.00
Mediobanca Management Company Share capital € 500,000 in par value € 10 shares	Luxembourg	Luxembourg	100.00	100.00
Mediobanca SGR Share capital € 10.3m, in par value € 51.65 shares	Milan	Milan	100.00	100.00
Messier Maris et Associés S.C.A. Share capital € 50,000, in par value €0.1 shares	Paris	Paris	66.42 (**)	66.42
MBFACTA S.p.A. Share capital € 120m, in par value €1 shares	Milan	Milan	100.00	100.00
MB Funding Lux S.A. Share capital € 831,000, in par value € 1 shares	Luxembourg	Luxembourg	100.00	100.00
MB International (Luxembourg) S.A. Share capital € 10m, in par value € 10 shares	Luxembourg	Luxembourg	100.00	100.00
MB Securities USA LLC Share capital \$ 2.25m	New York	New York	100.00	100.00
Prominvestment S.p.A. (under liquidation and arrangement with customers) Share capital € 743,000, in par value € 0.52 shares	Milan	Rome	100.00	100.00
RAM Active Investments S.A. Share capital CHF 1m in par value CHF 10 shares	Ginevra	Ginevra	66.87 (***)	66.87
Ricerche e Studi S.p.A. Share capital € 100,000, in par value € 5 shares	Milan	Milan	100.00	100.00
SelmaBipiemme Leasing S.p.A. Share capital € 41.3m, in par value € 0.50 shares	Milan	Milan	60.00	60.00
Spafid S.p.A. Share capital € 6.1m, in par value € 10 shares	Milan	Milan	100.00	100.00
B. Companies subject to significant influence				
Assicurazioni Generali S.p.A. Share capital € 1,576.1m, in par value € 1 shares	Trieste	Trieste	12.88	12.88
Burgo Group S.p.A. Share capital € 20m, without nominal value	Altavilla Vicentina (VI)	Altavilla Vicentina (VI)	22.13	22.13
Istituto Europeo di Oncologia S.r.l. Share capital € 80.6m	Milan	Milan	25.37	25.37

\* The percentage rises to 100.00% if account is taken of the put and call options entered into when the acquisition was completed.

\*\* The percentage rises to 100.00% if account is taken of the put and call options entered into when the acquisition was completed.

\*\*\* The percentage rises to 89.25% if account is taken of the put and call options entered into when the acquisition was completed.

## 7.2 Significant investments: book value, fair value and dividends received

Company name	Book value	Fair value	Dividends received
A. Directly-held companies			
Caim Capital Group Limited	41,469	N/A	—
CheBanca! S.p.A.	383,671	N/A	—
Compagnie Monégasque de Banque - CMB S.A.M.	372,544	N/A	—
CMB Wealth Management S.A.M. (under liquidation)	190	N/A	—
Compass Banca S.p.A.	766,559	N/A	—
Mediobanca Innovation Services - MIS S.c.p.A.	35,020	N/A	—
Mediobanca Management Company	3,993	N/A	—
Mediobanca SGR	38,130	N/A	—
Messie Maris et Associés S.C.A.	107,856	N/A	—
MBFACTA S.p.A.	120,099	N/A	—
MB Funding Lux	831	N/A	—
MB International (Luxembourg) S.A.	5,942	N/A	—
MB Securities USA LLC	211	N/A	—
Prominvestement S.p.A. (under liquidation and arrangement with customers)	-	N/A	—
RAM Active Investments S.A.	96,986	N/A	—
Ricerche e Studi S.p.A.	103	N/A	—
SelmaBipiemme Leasing S.p.A.	32,909	N/A	—
Spafid S.p.A.	8,888	N/A	2,892
B. Companies under significant influence			
Assicurazioni Generali S.p.A.	1,096,272	2,730,551	101,357
Burgo Group S.p.A.	—	N/A	—
Istituto Europeo di Oncologia S.r.l.	38,995	N/A	—
<b>Total</b>	<b>3,150,668</b>		

For an illustration of the reasons why an investee company is considered to be subject to joint control or significant influence, please refer to section 3, Part A - “Accounting Policies”.

### 7.3 Significant investments: accounting data\*

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues**	Interest margin	Adjustments and reversals on tangible and intangible assets	Profit/(Loss) from ordinary activities before tax	Profit/(Loss) from ordinary activities after tax	Profit/(Loss) from held-for-sale assets after tax	Profit/(Loss) for the period (1)	Other profit/loss items after tax (2)	Total profit/loss (3) = (1) + (2)	
A. Directly-controlled companies															
Cairn Capital Group Limited	—	4,356	11,438	7,383	3,043	17,943	(224)	(1,269)	(5,722)	(4,971)	—	(4,971)	—	(4,971)	
CheBanca S.p.A.	108,475	22,966,342	391,244	22,702,381	235,855	316,829	215,076	(25,234)	34,060	22,427	—	22,427	(184)	22,243	
Compagnie Montagesque de Banque - CMB S.A.M.	3,722	5,356,883	55,644	4,538,052	43,797	97,580	45,440	(4,361)	31,729	27,817	—	27,817	—	27,817	
CMB Wealth Management UK (under liquidation)	—	127	—	—	6	0	—	—	(7)	(7)	—	(7)	—	(7)	
Compass Banca S.p.A.	5,791	12,019,344	1,004,423	10,662,999	201,969	899,296	901,192	(13,092)	366,620	245,535	—	245,535	8,988	254,523	
Mediobanca Innovation Services - MIS S.p.A.	—	9,183	83,948	42,591	15,489	3,913	—	(125)	(2,462)	(2,462)	—	(2,462)	(14)	(2,466)	
Mediobanca Management Company	1	7,367	6,175	110	5,370	3,913	—	(237)	1,745	1,302	—	1,302	—	1,302	
Mediobanca SCR	1	32,188	15,156	415	10,180	25,572	(2)	(88)	11,256	7,974	—	7,974	1	7,975	
Messier Maris et Associés S.C.A.	—	14,004	32,801	14,419	11,279	33,733	—	(144)	9,592	6,831	—	6,831	—	6,831	
MBFACTA S.p.A.	—	1,819,376	19,511	1,653,992	18,328	51,082	46,649	(144)	21,737	14,616	—	14,616	(33)	14,383	
MB Funding Lux S.A.	—	10,019	1,287	10,001	394	-2	(2)	—	12	19	—	19	—	19	
MB International (Luxembourg) S.A.	1	6,393,011	35,384	6,086,230	11,660	11,993	5,373	(239)	(13,189)	(10,784)	—	(10,784)	—	(10,784)	
MB Securities USA LLC	—	5,809	450	—	1,021	2,479	—	(6)	180	119	—	119	—	119	
Prominvest Sp.A. (under liquidation and arrangement with customers)	—	197	227	—	1,068	0	—	—	(44)	(44)	—	(44)	—	(44)	
RAW Active Investments S.A.	—	24,064	13,173	—	7,683	23,719	(217)	(179)	4,629	3,355	—	3,355	—	3,355	
Ricerca e Studi S.p.A.	1	894	1,032	555	1,339	-8	(8)	(73)	(2)	(2)	—	(2)	1	(20)	
SelmaBipiemme Leasing Sp.A.	4	1,829,726	122,889	1,701,336	38,512	38,326	37,107	(2,318)	2,161	1,841	—	1,841	1,421	3,262	
Spafid S.p.A.	2	30,939	26,331	2,763	7,927	8,625	(36)	(726)	64	33	—	33	(20)	13	
B. Companies subject to significant influence															
Assicurazioni Generali S.p.A.	X	463,929,000	43,772,000	40,904,000	443,820,000	94,635,000	X	X	3,367,000	2,465,000	475,000	2,939,000	3,757,000	6,696,000	
Banco Group S.p.A.	X	441,168	990,645	988,852	175,943	1,698,249	X	X	15,189	9,726	—	9,726	(3,763)	5,963	
Istituto Europeo di Oncologia S.r.l.	X	99,488	128,454	85,340	72,736	361,597	X	X	10,442	8,198	—	8,198	—	8,198	

\* All figures are in Euros, including those for the non-Italian subsidiaries.

\*\* Refers to interim results; total income as stated in financial statements.



The following significant events took place in the year under review.

Impairment charges of CHF 61.5m (or €46.4m) have been taken to the book value of the investment in RAM, which became necessary in view of the sharp reduction in the company's profitability, in line with the charge taken to goodwill in the consolidated accounts.<sup>1</sup>

The investment in Cairn Capital was also written down by GBP 3.9m (€4.5m) following the capital increase implemented to cover the operating losses incurred by the company during FY 2019.

The AT1 instruments issued by CheBanca! have been booked under Heading 30 Financial assets recognized at fair value through other comprehensive income.

The Assicurazioni Generali investment continues to be recognized at cost.

The book value of the investments in CheBanca!, Mediobanca SGR, Cairn Capital Group Limited and RAM Active Investments SA, following the previous movements, have also been tested for impairment test, with no further charges being taken.

#### *7.5 Equity investments: movements during the year*

	<b>30/6/20</b>	<b>30/6/19</b>
A. Opening balance	3,191,844	3,084,158
B. Increases	9,761	113,351
B.1 Purchases <sup>1</sup>	8,463	109,131
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes	1,298	4,220
C. Decreases	50,937	5,665
C.1 Sales	—	—
C.2 Adjustments	50,937	—
C.3 Other changes	—	5,665
D. Closing balance	3,150,668	3,191,844
E. Total revaluations	—	—
F. Total adjustments	876,501	825,564

<sup>1</sup> Refers to the capital increase at Group company Cairn Capital.

<sup>1</sup> For further information please refer to Section 10 of the Consolidated Notes to the Accounts - Intangible assets.

## SECTION 8

### Heading 80 - Property, plant and equipment\*

#### 8.1 Core assets: composition of assets stated at cost

Activities/Values	Total	
	30/6/20	30/6/19
1. Property assets	91,820	90,293
a) lands	67,896	67,896
b) buildings	18,357	18,345
c) furniture	1,134	824
d) electronic system	1,930	1,424
e) other	2,503	1,804
2. Leased assets	22,717	—
a) lands	—	—
b) buildings	18,518	—
c) furniture	—	—
d) electronic system	—	—
e) other	4,199	—
<b>Total</b>	<b>114,537</b>	<b>90,293</b>
<i>of which: arising from the recovery of guarantees received</i>	—	—

\* The Mediobanca Group has applied IFRS 16 since 1 July 2019.

#### 8.2 Assets held for investment purposes: composition of assets stated at cost

Activities/Values	Total							
	30/6/20							
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	24,573	—	—	93,443	24,884	—	—	94,174
a) lands	20,350	—	—	74,251	20,350	—	—	74,474
b) buildings	4,223	—	—	19,192	4,354	—	—	19,700
2. Leased assets	—	—	—	—	—	—	—	—
a) lands	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
<b>Total</b>	<b>24,573</b>	<b>—</b>	<b>—</b>	<b>93,443</b>	<b>24,884</b>	<b>—</b>	<b>—</b>	<b>94,174</b>
<i>of which: arising from the recovery of guarantees received</i>	—	—	—	—	—	—	—	—

### 8.6 Core properties: movements during the period

	Lands	Buildings <sup>1</sup>	Furniture	Electronic systems	Other <sup>1</sup>	Total
A. Gross opening balance 30 june 2019	67,896	41,836	8,267	9,024	24,441	151,464
A.1 Total net reduction value	—	(23,491)	(7,443)	(7,600)	(22,637)	(61,171)
A.2 Net opening balance 30 june 2019	67,896	18,345	824	1,424	1,804	90,293
A.3 Modifica saldi di apertura (FTA - IFRS16)	—	23,158	—	—	3,601	26,759
A.4 Esistenze iniziali nette	67,896	41,503	824	1,424	5,405	117,052
B. Increase:	—	2,750	547	982	3,751	8,030
B.1 Purchasing	—	—	—	—	—	—
- of which business combinations	—	—	—	—	—	—
B.2 Capitalised expenditure on improvements	—	2,750	547	982	3,486	7,765
B.3 Writebacks	—	—	—	—	20	20
B.4 Positive changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Transfer from investment properties	—	—	X	X	X	—
B.7 Other adjustment	—	—	—	—	245	245
C. Decrease:	—	7,378	237	476	2,454	10,545
C.1 Sales	—	—	—	—	5	5
- of which business combinations	—	—	—	—	—	—
C.2 Amortization	—	5,631	237	476	2,449	8,793
C.3 Impairment losses allocated to	—	1,000	—	—	—	1,000
a) net equity	—	—	—	—	—	—
b) profit & loss <sup>2</sup>	—	1,000	—	—	—	1,000
C.4 Negative changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.5 Negative exchange difference	—	—	—	—	—	—
C.6 Transfer to:	—	—	—	—	—	—
a) held for sale investment	—	—	X	X	X	—
b) non-current assets and group of assets held for sale	—	—	—	—	—	—
C.7 Other adjustment	—	747	—	—	—	747
D. Net closing balance	67,896	36,875	1,134	1,930	6,702	114,537
D.1 Total net write-down	—	(29,566)	(7,680)	(8,076)	(24,840)	(70,162)
D.2 Final gross balance	67,896	66,441	8,814	10,006	31,542	184,699
E. Carried at cost	—	—	—	—	—	—

<sup>1</sup> The amounts stated in the columns headed "Properties" and "Other assets" include the opening balances and changes in the rights of use deriving from them during the twelve months following the introduction of IFRS 16.

<sup>2</sup> Refers the lease on the Frankfurt branch office which is in the process of being wound up.

### 8.7 Assets held for investment purposes: movements during the year

	Total	
	Lands	Buildings
A. Opening balance	20,350	4,534
B. Increase	—	110
B.1 Purchasing	—	—
<i>- of which: business combinations</i>	—	—
B.2 Capitalised expenditure on improvements	—	110
B.3 Positive changes in fair value	—	—
B.4 Writebacks	—	—
B.5 Positive exchange differences	—	—
B.6 Transfer from investment properties	—	—
B.7 Other adjustment	—	—
C. Decrease	—	421
C.1 Sales	—	—
<i>- of which: business combinations</i>	—	—
C.2 Amortization	—	421
C.3 Negative changes in fair value	—	—
C.4 Impairment losses	—	—
C.5 Negative exchange difference	—	—
C.6 Transfer to:	—	—
a) held for sale investments	—	—
b) non-current assets and group of assets held for sale	—	—
C.7 Other adjustment	—	—
D. Closing balance	20,350	4,223
E. Measured at fair value	74,251	19,192

## SECTION 9

### Heading 90: Intangible assets

#### 9.1 Intangible assets: composition

Activities/Values	30/6/20		30/6/19	
	Definite life	Indefinite life <sup>1</sup>	Definite life	Indefinite life <sup>1</sup>
A.1 Goodwill	X	12,514	X	12,514
A.2 Other intangible asset	1,245	15,489	4,462	15,489
A.2.1 Assets valued at cost:	1,245	15,489	4,462	15,489
a) intangible assets generated internally	—	—	—	—
b) other assets	1,245	15,489	4,462	15,489
A.2.2 Assets valued at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	1,245	28,003	4,462	28,003

<sup>1</sup> Refers to the merger of Banca Esperia into Mediobanca S.p.A.

The value of the brand and goodwill have been tested for impairment, but no need emerged for adjustments to be made.

## 9.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	12,514	—	—	96,032	15,489	124,035
A.1 Reductions of total net value	—	—	—	(91,570)	—	(91,570)
A.2 Net opening balance	12,514	—	—	4,462	15,489	32,465
B. Increases	—	—	—	194	—	194
B.1 Purchases	—	—	—	194	—	194
- of which business combinations	—	—	—	—	—	—
B.2 Increments of internal intangible assets	—	—	—	—	—	—
B.3 Value recoveries	—	—	—	—	—	—
B.4 Positive variations of fair value	—	—	—	—	—	—
- equity	X	—	—	—	—	—
- to P&L statement	—	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Other variations	—	—	—	—	—	—
C. Decreases	—	—	—	3,411	—	3,411
C.1 Sales	—	—	—	—	—	—
- of which business combinations	—	—	—	—	—	—
C.2 Value adjustment	—	—	—	3,411	—	3,411
- Amortisations	—	—	—	3,411	—	3,411
- Depreciations	—	—	—	—	—	—
+ equity	X	—	—	—	—	—
+ P&L statement	—	—	—	—	—	—
C.3 Negative variations of fair value	—	—	—	—	—	—
- equity	—	—	—	—	—	—
- to P&L statement	—	—	—	—	—	—
C.4 Transfer to non-current assets	—	—	—	—	—	—
C.5 Negative exchange differences	—	—	—	—	—	—
C.6 Other variations	—	—	—	—	—	—
D. Net final surplus	12,514	—	—	1,245	15,489	29,248
D.1 Adjustment of net total values	—	—	—	(94,981)	—	(94,981)
E. Gross final surplus	12,514	—	—	96,266	15,489	124,229
F. Evaluation to cost	—	—	—	—	—	—

## SECTION 10

### Asset heading 100 and Liability heading 60: Tax assets and liabilities

#### 10.1 Advance tax assets: composition

	Total 30/6/20	Total 30/6/19
- P&L Exchange	84,387	82,710
- Patrimony exchange	6,528	5,441
Total	90,915	88,151

#### 10.2 Deferred tax liabilities: composition

	Total 30/6/20	Total 30/6/19
- P&L Exchange	210,494	205,063
- Patrimony exchange	21,501	26,427
Total	231,995	231,490

#### 10.3 Variazioni delle imposte anticipate (in contropartita del conto economico)

	Total 30/6/20	Total 30/6/19
1. Initial amount	82,710	92,422
2. Increase	10,193	28,022
2.1 Anticipated levy observed in fiscal year	9,865	28,022
a) related to previous fiscal year	-	-
b) due to changes in accountable parameters	-	-
c) recovery of value	-	-
d) others	9,865	28,022
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	328	-
3. Decreases	8,516	37,734
3.1 Anticipated levies cancelled in fiscal year	8,516	37,734
a) reversals of temporary differences	8,516	37,734
b) devaluation for appeared irrecoverability	-	-
c) changes in accountable parameters	-	-
d) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
a) trasformation in levy credits of which law n.214/2011	-	-
b) others	-	-
4. Final amount	84,387	82,710

### 10.3bis Changes in advance tax (pursuant to Italian Law 214/11)\*

	Total 30/6/20	Total 30/6/19
1. Initial amount	50,323	50,323
2. Increases	—	—
- of which: business combinations	—	—
3. Decreases	—	—
3.1 Reversals of temporary differences	—	—
3.2 Transformation in levy credits	—	—
a) deriving from losses of the fiscal year	—	—
b) deriving from fiscal losses	—	—
3.3 Other decreases	—	—
4. Final amount	50,323	50,323

\* Italian decree law 59/16 on 29 April 2016 on deferred tax receivable pursuant to Italian decree law 214/11, as amended by Italian decree law 237/16, provides that in order to be able to retain the right to take advantage of the possibility of converting DTAs into tax credits, an irrevocable option must be specifically exercised, which involves payment of an annual instalment equal to 1.5% of the difference between the increase in advance tax assets at the reporting date since 30 June 2008 and the tax paid during the same period each year until 2029. Mediobanca has exercised this option in order to retain the possibility of converting DTAs for all companies adhering to the tax consolidation. No payment shall be due in this respect, however, given that the payments made to the tax consolidation exceed the increase in DTAs recorded since 30 June 2008.

### 10.4 Changes in deferred tax during the period

	Total 30/6/20	Total 30/6/19
1. Initial amount	205,063	203,254
2. Increase	19,191	95,568
2.1 Deferred levies observed in the fiscal year	19,191	—
a) related to precedent fiscal year	—	—
b) due to change in accountability parameters	—	—
c) others	19,191	—
2.2 New levies or increments of fiscal rates	—	—
2.3 Other increases	—	95,568
3. Decreases	13,760	93,759
3.1 Deferred levies cancelled in the fiscal year	13,760	93,759
a) reversals of temporary differences	3,760	93,759
b) due to changes in accountable parameters	—	—
c) others	10,000	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
4. Final amount	210,494	205,063

### 10.5 Changes in advance tax during the period (against net equity)\*

	Total 30/6/20	Total 30/6/19
1. Initial amount	5,441	22,362
2. Increases	37,461	19,283
2.1 Anticipated levies observed in fiscal year	37,461	19,283
a) related to previous fiscal years	—	—
b) due to changes in accountable parameters	—	—
c) others	37,461	19,283
2.2 New levies or increments of fiscal rates	—	—
2.3 Other increases	—	—
- of which: business combinations	—	—
3. Decreases	36,374	36,204
3.1 Anticipated levies cancelled in the fiscal year	36,374	36,204
a) reversals of temporary differences	36,374	36,204
b) devaluation for appeared irrecoverability	—	—
c) due to changes in accountable parameters	—	—
d) others	—	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
4. Final amount	6,528	5,441

\* Tax on cash flow hedges and valuations of financial instruments recognized at FVOCI.

### 10.6 Changes in deferred tax during the period (against net equity)

	Total 30/6/20	Total 30/6/19
1. Initial amount	26,427	59,363
2. Increases	75,229	95,641
2.1 Anticipated levies observed in fiscal year	75,229	95,641
a) related to previous fiscal years	—	—
b) due to changes in accountable parameters	—	—
c) others	75,229	95,641
2.2 New levies or increments of fiscal rates	—	—
2.3 Other increases	—	—
- of which: business combinations	—	—
3. Decreases	80,155	128,577
3.1 Anticipated levies cancelled in the fiscal year	80,155	128,577
a) reversals of temporary differences	80,155	128,577
b) devaluation for appeared irrecoverability	—	—
c) due to changes in accountable parameters	—	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
4. Final amount	21,501	26,427



## SECTION 12

### Heading 120: Other assets

#### 12.1 Other assets: composition

	30/6/20	30/6/19
1. Accrued income other than capitalized income from financial assets	2,260	1,890
2. Trade receivables or invoices to be issued	108,588	44,352
3. Amounts due from tax revenue authorities (not recorded under Heading 140)	31,439	51,980
4. Other items:	68,086	122,892
- futures and other securities transactions	167	168
- other items in transit	56,288	57,422
- amounts due from staff	198	237
- improvements on third parties' assets	1,140	1,626
- fiscal consolidated	—	51,879
- group VAT	2,087	3,204
- sundry other items <sup>1</sup>	8,206	8,356
<b>Total Other Assets</b>	<b>210,373</b>	<b>221,114</b>

<sup>1</sup> Includes €6,907,000 in accrued income (30/06/2019: €6,570,000).

# Liabilities

## SECTION 1

### Heading 10: Financial liabilities recognized at amortized cost

#### 1.1 Financial liabilities recognized at amortized cost: composition, due to banks

Type of transaction/Values	Total 30/6/20				Total 30/6/19			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Loans from central banks	5,660,803	X	X	X	4,367,257	X	X	X
2. Loans from banks	21,043,162	X	X	X	24,830,294	X	X	X
2.1 Deposits from customers and other on demand deposits	15,155,092	X	X	X	14,778,186	X	X	X
2.2 Deposits to maturity	1,240,847	X	X	X	2,238,912	X	X	X
2.3 Loans	4,535,854	X	X	X	7,306,000	X	X	X
2.3.1 Repurchase agreement	2,204,642	X	X	X	4,482,590	X	X	X
2.3.2 Other	2,331,212	X	X	X	2,823,410	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Lease payables <sup>1</sup>	3,961	X	X	X	—	X	X	X
2.6 Other liabilities	107,408	X	X	X	507,196	X	X	X
<b>Total</b>	<b>26,703,965</b>	<b>—</b>	<b>26,703,965</b>	<b>—</b>	<b>29,197,551</b>	<b>—</b>	<b>29,197,551</b>	<b>—</b>

<sup>1</sup> This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy circular no. 262.

#### 1.2 Financial liabilities recognized at amortized cost: composition, due to customers

Type of transaction/Value	Total 30/6/20				Total 30/6/19			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Deposits from customers and on demand deposits	4,984,420	X	X	X	4,244,821	X	X	X
2. Deposits to maturity	1,675,719	X	X	X	1,224,167	X	X	X
3. Loans	843,448	X	X	X	669,611	X	X	X
3.1 Reverse Repos	710,173	X	X	X	471,387	X	X	X
3.2 Other	133,275	X	X	X	198,224	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease payables <sup>1</sup>	21,557	X	X	X	—	X	X	X
6. Other liabilities	1,906	X	X	X	1,425	X	X	X
<b>Total</b>	<b>7,527,050</b>	<b>—</b>	<b>7,527,050</b>	<b>—</b>	<b>6,140,024</b>	<b>—</b>	<b>6,140,024</b>	<b>—</b>

<sup>1</sup> This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy circular no. 262.

### 1.3 Financial liabilities recognized at amortized cost: composition, debt securities in issue

Type of securities/Values	30/6/20				30/6/19			
	Book value	Fair value*			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debts securities								
1. bonds	16,427,886	—	16,653,956	—	15,953,500	—	16,241,310	—
1.1 structured	3,572,004	—	3,733,304	—	3,950,844	—	4,125,394	—
1.2 other	12,855,882	—	12,920,652	—	12,002,656	—	12,115,916	—
2. other securities	39,433	—	—	39,433	48,237	—	—	48,237
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	39,433	—	—	39,433	48,237	—	—	48,237
<b>Total</b>	<b>16,467,319</b>	<b>—</b>	<b>16,653,956</b>	<b>39,433</b>	<b>16,001,737</b>	<b>—</b>	<b>16,241,310</b>	<b>48,237</b>

\* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2020 would show a gain of €175.5m (€185.5m).

Debt securities in issue increased from €15,953,500,000 to €16,427,886,000 on new issuance of €3.9bn, redemptions and buybacks of €3.4bn (generating gains of €1.9m), and other upward adjustments (exchange rates, amortized cost and hedging effects) amounting to €16.9m.

Structured bonds chiefly involve those with interest rate options (including cap & floor) and equity-linked notes (which account for 12.5% of the heading).

The Group's first senior-non preferred issue was made during the twelve months, in an amount of €500m, falling due in 2025, and listed on the Dublin stock market ("XS2106861771 Mediobanca SNP 1.25% 23/04/2025").

### 1.4 Breakdown of debt securities/subordinated liabilities

The heading "Debt securities in issue" includes the following six subordinated Lower Tier 2 issues, for a total amount of €2,441,223,000:

Issue	30/6/20		
	ISIN	Nominal value	Book value
MB Subordinato Mar 29	XS1579416741	50,000	50,275
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	615,308	639,586
MB OPERA 3.75 2026	IT0005188351	299,577	311,620
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	394,970	397,272
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	500,000	506,121
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,177	536,349
<b>Total subordinated issues</b>		<b>2,359,032</b>	<b>2,441,223</b>

## SECTION 2

### Heading 20: trading liabilities

#### 2.1 Trading liabilities: composition

Operation type/Values	30/6/20			30/6/19		
	Notional value	Fair Value		Notional value	Fair Value	
		Level 1	Level 2		Level 1	Level 2
A. Cash liabilities						
1. Due to banks	1,431,165	1,653,615	—	2,602,390	2,903,263	—
2. Due to customers	1,306,066	1,509,072	—	1,249,673	1,394,230	—
3. Debt securities	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other bonds	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—
Total (A)	2,737,231	3,162,687	—	3,852,063	4,297,493	—
B. Derivative instruments <sup>2</sup>						
1. Financial derivatives						
1.1 Trading	X	855,347	3,383,328	X	650,530	2,380,160
1.2 Related to the fair value option	X	855,347	3,371,890	X	650,530	2,321,663
1.3 Other	X	—	11,438	X	—	58,497
2. Credits derivatives						
2.1 Trading	X	—	419,361	X	—	702,366
2.2 Related to the fair value option	X	—	419,361	X	—	702,366
2.3 Other	X	—	—	X	—	—
Total (B)	X	855,347	3,802,689	X	650,530	3,082,526
Total (A+B)	X	4,018,034	3,802,689	X	4,943,023	3,082,526

\* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

<sup>1</sup> Includes €408,844 (30/6/19); €235,984) in matched trading options, recorded as financial assets held for trading, and the market value of the options (€351,000 as at 30/6/20 and €506,000 as at 30/6/19) matching those associated with bond issues, recorded as financial assets held for trading.

<sup>2</sup> In the data for 30/6/19, certificates have been restated based on their underlying instrument, in order to facilitate comparison with the data as at 30/6/20.

## SECTION 3

### Heading 30: Financial liabilities recognized at fair value

#### 3.1 Financial liabilities recognized at fair value; composition

Type of transaction/Values	Total 30/6/20						Total 30/6/19				
	BV	Fair value			BV	Fair value*					
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3			
1. Debts to banks	—	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	X	—	—	—	—	—	—	X
1.2 Others	—	—	—	—	—	X	—	—	—	—	X
<i>of which:</i>											
- <i>obligation to distribute funds</i>	—	X	X	X	X	—	—	X	X	—	X
- <i>financial release warranties</i>	—	X	X	X	X	X	X	X	X	X	X
2. Debts to clients	—	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	—	X	—	—	—	—	X
2.2 Others	—	—	—	—	—	X	—	—	—	—	X
<i>of which:</i>											
- <i>obligation to distribute funds</i>	—	X	X	X	X	—	—	X	X	—	X
- <i>financial release warranties</i>	—	X	X	X	X	X	X	X	X	X	X
3. Debt securities	215,587	—	216,020	—	216,020	50,000	216,020	—	55,859	—	55,859
3.1 Structured <sup>1</sup>	215,587	—	216,020	—	216,020	50,000	X	—	55,859	—	X
3.2 Others	—	—	—	—	—	—	X	—	—	—	X
<b>Total</b>	<b>215,587</b>	<b>—</b>	<b>216,020</b>	<b>—</b>	<b>216,020</b>	<b>50,000</b>	<b>216,020</b>	<b>—</b>	<b>55,859</b>	<b>—</b>	<b>55,859</b>

\* Fair value has been calculated excluding changes in value due to changes in the issuer's credit rating.

<sup>1</sup> Including €160,978,000 in certificates with guaranteed capital issued during FY 2019-20.

## SECTION 4

### Heading 40: Hedging derivatives

#### 4.1 Hedging derivatives: by type of hedge/ranking

	Notional value 30/6/20	Fair value 30/6/20			Notional value 30/6/19	Fair value 30/6/19		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	8,311,074	—	132,551	—	9,946,692	—	184,650	—
1) Fair value hedges	8,311,074	—	132,551	—	9,946,692	—	184,650	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	8,311,074	—	132,551	—	9,946,692	—	184,650	—

#### 4.2 Hedging derivatives: composition by portfolio hedged/hedge type

Transactions/Type of hedge	Fair Value						Cash flow		Foreign invest.		
	Specific						Specific	Generic			
	debt securities and interest rates	equities and equity index	currencies and gold	credit	commodities	others					
1. Financial assets valued at fair value with impact taken on comprehensive income	30,470	—	—	—	—	X	X	X	—	X	X
2. Financial assets valued to amortized cost	32,824	X	—	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	—	X	X	—	X	—	X
4. Other operations	—	—	—	—	—	—	—	X	—	X	—
Total assets	63,294	—	—	—	—	—	—	—	—	—	—
1. Financial liabilities	69,257	X	—	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	—	X	X	—	X	—	X
Total liabilities	69,257	—	—	—	—	—	—	—	—	—	—
1. Expected transactions	X	X	X	X	—	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	—	X	X	—	X	—	—

## SECTION 6

### Heading 60: Tax liabilities

Please see Asset section 10.

## SECTION 8

### Heading 80: Other liabilities

#### *8.1 Other liabilities: composition*

	30/6/20	30/6/19
1. Payment agreements (IFRS2)	—	—
2. Working capital payables and invoices pending receipt	36,712	44,183
3. Prepayments other than those capitalized on related financial assets	3,230	2,917
4. Amounts due to revenue authorities	21,540	33,979
5. Amounts due to staff	115,042	142,053
6. Other items:	75,853	87,207
- coupons and dividends pending collection	4,149	2,372
- available sums payable to third parties	7,734	6,782
- fiscal consolidation	21,335	3,731
-Other	42,635	74,322
Total	252,377	310,339

## SECTION 9

### Heading 90: Staff severance indemnity provision

#### 9.1 Staff severance indemnity provision: changes during the period

	Total 30/6/20	Total 30/6/19
A. Opening balance	7,869	7,723
B. Increases	540	896
B.1 Provision of the year <sup>1</sup>	152	153
B.2 Other increases	388	743
C. Reductions	730	750
C.1 Liquidations performed	523	522
C.2 Other reductions	207	228
D. Closing balance	7,679	7,869
Total	7,679	7,869

<sup>1</sup> This refers, as at 30 June 2019, to the amount transferred to the severance provision held at the Italian state pension authority treasury.

#### 9.2 Other information

The staff severance indemnity provision, calculated in accordance with the provisions of the Italian Civil Code, amounts to €6,763,000 (30/6/19: €7,055,000).

The staff severance indemnity provision is a defined benefit scheme, and the actuarial model used to account for it relies on a series of assumptions, both demographic and economic in nature.

For some of the assumptions used, reference has been made directly to the Group's own experience (e.g. estimates of disability incidence, frequency of early retirement, annual increase in rate of remuneration, frequency with which advance withdrawals from the provision are requested, etc.), while for the others, account has been taken of the relevant best practice (e.g. the mortality rate has been determined using the IPS55 life tables, whereas the retirement age has been determined taking into account the most recent legislation in this area); for the discount rate, the iBoxx Eurozone Corporate AA index as at 30 June 2020 has been used for similar companies to those being valued (equal to 0.31%), while the inflation rate is 1.20% (1.50%).



## SECTION 10

### Heading 100: Provisions

#### 10.1 Provisions: composition

Voci/Valori	30/6/20	30/6/19
1. Funds for credit risk related to financial obligations and warranties	42,538	21,954
2. Funds on other obligations and warranties release	—	—
3. Funds of business retirement	—	—
4. Other funds for risks and obligations	71,417	96,159
4.1 legal and fiscal controversies	—	—
4.2 obligations for employees	2,719	2,658
4.3 others	68,698	93,501
Total	113,955	118,113

IAS 37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

As at 30 June 2020, the Provisions for risks and charges totalled €114m, and include €42.6m in commitments to disburse funds and financial guarantees issued, €2.7m in staff-related expenses, plus €68.7m for litigation and other contingent liabilities.

The most significant litigation still pending against the Mediobanca Group consists of the two requests for damages made respectively by:

- Fondazione Monte dei Paschi di Siena (“FMPS”): against the former directors of FMPS and Mediobanca, jointly with fourteen other banks. The liability with which the banks are charged is non-contractual, and consists of participation in the alleged damages caused by execution of the Term Facility Agreement on 4 June 2011 and the consequent breach of FMPS's Articles of Association (20% limit on debt/equity ratio) in a total amount of €286m. Judgement is currently pending at the court of Florence, until the presiding judge pronounces on whether the means of proof requested by the parties are admissible;<sup>1</sup>

<sup>1</sup> Mediobanca has also submitted an appeal, in conjunction with the other banks involved, to the Florence Court of Appeal to have the ruling that rejected the exception to the Italian judge having jurisdiction overturned. The first hearing has been set for 25 May 2021.

- Lucchini S.p.A. in extraordinary administration (“Lucchini”): against twelve banks, including Mediobanca, for their alleged involvement in the financial disaster which affected the company on account of their having compiled and implemented a business and financial plan for Lucchini based on estimates alleged to have been unrealistic as well as a restructuring agreement pursuant to Article 182-*bis* of the Italian bankruptcy law which included unduly favourable guarantees in favour of the banks, leading to a delay in Lucchini entering the extraordinary administration procedure. In a ruling issued on 21 July 2020, the presiding judge rejected Lucchini’s claim (as amended with the first memo pursuant to Article 183 of the Italian Code of Civil Procedure), finding that the right to damages in question had lapsed as it was now statute-barred; the claimant may still challenge the ruling before the Milan Court of Appeal.

With reference to the disputes outstanding with the Italian revenue authorities, an inspection by the authorities started in 2018 with reference to the 2014-15 and 2015-16 financial years was completed, in the course of which three main charges had emerged:

- alleged failure to apply, as required by the transparency regulations, the tax on controlled foreign companies (CFCs) required by the regulations in force to revenues generated by Compagnie Monégasque de Banque and Compagnie Monégasque de Gestion for years 2013, 2014 and 2015, as follows:
  - notice of assessment regarding alleged failure by Mediobanca to pay tax in FY 2013-14 on 2013 earnings, in an amount of €21.3m (plus fines and interest), notified at end-2018;
  - notice of assessment for FY 2014-15 (on 2014 earnings), for a disputed amount of €16.1m (plus fines and interest), notified at end-December 2019;
  - a formal notice of assessment was issued in October 2019 with regard to FY 2015-16 (on 2015 earnings), for which no notice of assessment has yet been issued;
- alleged failure to apply withholding tax on interest payable as part of a secured financing transaction, as disputed by means of notice with reference to 2014 (involving tax of €2.3m, plus fines and interest), and included again with reference to 2015 in the formal notice of assessment received in October 2019;
- dispute over the application of transfer pricing between Mediobanca S.p.A. and Mediobanca International S.A. (based in Luxembourg) in the

financial years from 2012-13 to 2016-17. With regard to this case, in October 2019 an agreement was reached with the Italian revenue authority which resulted in a payment of €21m, plus interest but no fines (“penalty protection”). At the same time, a new transfer pricing methodology has been agreed with the revenue authority, to minimize the tax risks going forward. Mediobanca took the opportunity to voluntarily free up profit reserves for a total of €42m deriving from Mediobanca International’s activities prior to 2002, i.e. when the transparency taxation mechanism for companies with registered offices in countries with privileged taxation regimes (i.e. blacklisted countries) was not in place.

With reference to the first two charges, the company is convinced there has been no wrongdoing, and has challenged the rulings; in particular, the appeal presented by Mediobanca against the 2018 CFC charge was discussed by the Milan Province Tax Commission in November 2019, for which the ruling is now pending.

The enquiries launched by the French and German tax authorities into the Mediobanca Paris and Frankfurt branches were completed in December 2019. In both cases the enquiries focused on analysis of the branch offices’ transfer pricing policies in force with the parent company, and resulted in the policies being amended and settlement agreements being signed without incurring any further charges in terms of taxes or fines (save for a very minor amount payable by way of interest), without prejudice in any case to the possibility of recovering the higher tax paid abroad in Italy. The provision for risks and charges is comfortably adequate to cover any charges due in connection with all the cases that have been brought against Mediobanca and the other Group companies (for which no other significant litigation is pending).

In addition to these, as at 30 June 2020 the following litigation was still pending:

- One dispute arising from the alleged failure on the part of the former Banca Esperia to report the transfer of money outside Italy in the tax monitoring disclosures, for which fines of €5.9m were handed down. The company was found guilty at both the first two degrees of ruling, and has paid the amount due; but an appeal is still pending at the Italian Court of Cassation;
- A second dispute regarding the alleged failure by Mediobanca to pay tax on a loan executed outside Italy, involving €375,000 in higher tax. The Bank was successful at the second degree of ruling, but the Italian taxation

authority has appealed to the Court of Cassation. A date for the hearing has still to be set.

With reference to the notice of collection delivered following an automatic check carried out on a tax return (*Unico*) submitted by Banca Esperia, after the tax relief was notified on 27 May 2020, notice has also been received that the matter has been discontinued; and the process of applying for a refund has been commenced.

The provision for risks and charges is comfortably adequate to cover any charges due in connection with all the cases that have been brought against Mediobanca.

### 10.2 Provisions for risks and charges: changes during the period

	Provisions on commitments and other guaranties given	Pensions and post retirement benefit obligations	Other risk and obligation funds	Total
A. Initial existence	—	2,658	93,501	96,159
B. Increases	—	1,004	4,527	5,531
B.1 Reserve of the fiscal year	—	1,004	2,150	3,154
B.2 Variation due to pass of time	—	—	—	—
B.3 Variation due to modifies of discount rate	—	—	—	—
B.4 Other variations	—	—	2,377	2,377
C. Decreases	—	943	29,330	30,273
C.1 Use in the exercise	—	943	29,330	30,273
C.2 Variations due to modifies of discount rate	—	—	—	—
C.3 Other variations	—	—	—	—
D. Final surplus	—	2,719	68,698	71,417

### 10.3 Provisions in respect of commitments and financial guarantees issued

	Provisions for credit risk related to financial obligation and warranties release			Total
	First stage	Second stage	Third stage	
1. Obligation to distribute funds	4,640	275	2,940	7,855
2. Financial warranties release	19,927	10,870	3,886	34,683
Total	24,567	11,145	6,826	42,538

## SECTION 12

### Headings 110, 130, 140, 150, 160, 170 and 180: Net equity

#### 12.1 “Capital” and “Treasury shares”: composition

For the composition of the Group’s capital, please see part F of the notes to the accounts.

The Bank’s share buyback launched in November 2018 has been completed, with the target of 3% of the share capital having been reached. A total of 26.6 million shares are now owned, following purchases of 13 million shares in an amount of €105.5m, while 1,742,502 million shares were used in connection with the performance share scheme in November 2019;

First-time adoption of IFRS 16 has had virtually no impact (resulting in a charge of just €32,000).

#### 12.2 Share capital: changes in no. of parent company shares in issue during period

Item/type	Ordinaries
A. Shares existing at the start of the fiscal year	887,216,177
- fully paid-up	887,216,177
- not fully paid-up	-
A.1 treasury shares (-)	(15,346,295)
A.2 Shares outstanding: Opening balance	871,869,882
B. Increases	1,759,772
B.1 New issues	17,270
- against payment:	-
- business combination transaction	-
- bonds conversions	-
- warrants executions	-
- others	-
- free:	17,270
- to employees	17,270
- to directors	-
- others	-
B.2 Sales of treasury shares	1,742,502
B.3 Other adjustments	-
C. Decreases	(13,007,495)
C.1 Cancellation	-
C.2 Purchase of treasury shares	(13,007,495)
C.3 Business sale operations	-
C.4 Other adjustments	-
D. Shares in circulation: final surplus	860,622,159
D.1 Treasury shares (+)	(26,611,288)
D.2 Shares existing at the end of the fiscal year	887,233,447
-fully paid-up	887,233,447
- not fully paid-up	-

*12.4 Net equity: available and distributable reserves (Article 2427 of the Italian Civil Code, para. 7-bis)*

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	443,617	—	—	—	—
Share premium reserve	2,195,606	A - B - C	2,195,606	—	—
Reserves:					
- Legal reserve	88,722	B	88,722	—	—
- Statutory reserve	1,029,580	A - B - C	1,029,580	—	204,145
- Treasury share reserve	231,538	—	—	—	—
- Other reserves	842,952	A - B - C	842,952	—	—
Valuation reserves					
- FVOCI valuation reserve	70,514	—	—	—	—
- Financial liabilities recognized at FVPL	(1,724)	—	—	—	—
- Special revaluation laws	9,632	A - B - C	9,632	—	—
- Defined benefit plans	(4,440)	—	—	—	—
- Treasury shares	(231,538)	—	—	—	—
<b>Total</b>	<b>4,674,459</b>	<b>—</b>	<b>4,166,492</b>	<b>—</b>	<b>204,145</b>
Portion unavailable	—	—	88,722	—	—
Remainder distributable	—	—	4,077,770	—	—

Legend:

A: Due to rights issues

B: To cover losses

C: Distribution to shareholders.

## Other information

### 1. Guarantees and commitments (other than those recognized at fair value)

	Nominal value of commitments and financial guarantees given			30/6/20	30/6/19
	First stage	Second stage	Third stage		
1. Commitment to disburse funds	7,660,741	17,015	15,000	7,692,756	11,257,881
a) Central Banks	—	—	—	—	—
b) Public Administration	1,129,488	—	—	1,129,488	4,069,826
c) Banks	77,923	—	—	77,923	705,928
d) Other financial companies	1,707,397	—	—	1,707,397	1,141,969
e) Non-financial companies	4,511,861	16,047	14,000	4,541,908	5,120,033
f) Families	234,072	968	1,000	236,040	220,125
2. Financial guarantees given	6,594,936	163,114	16,301	6,774,351	7,359,581
a) Central Banks	—	—	—	—	—
b) Public Administration	—	—	—	—	—
c) Banks	2,743,928	—	—	2,743,928	3,412,618
d) Other financial companies	1,440,572	9,448	—	1,450,020	1,332,440
e) Non-financial companies	2,400,405	153,666	16,301	2,570,372	2,607,539
f) Families	10,031	—	—	10,031	6,984

### 2. Other commitments and guarantees issued

	Nominal value Total 30/6/20	Nominal value Total 30/6/19
1. Other guarantees issued	136,287	136,790
<i>of which: impaired</i>	—	—
a) Central Banks	—	—
b) Public Administration	—	—
c) Banks	25,409	25,083
d) Other financial companies	28,563	19,519
e) Non-financial companies	29,963	27,852
f) Families	52,352	64,336
2. Other commitment	—	—
<i>of which: impaired</i>	—	—
a) Central Banks	—	—
b) Public Administration	—	—
c) Banks	—	—
d) Other financial companies	—	—
e) Non-financial companies	—	—
f) Families	—	—

### 3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amounts 30/6/20	Amounts 30/6/19
1. Financial assets valued to fv with impact on P&L Statement	2,264,820	5,073,206
2. Financial assets valued to fv with impact on overall profitability	1,411,073	1,996,773
3. Financial assets valued to amortized cost	7,405,980	6,144,500
4. Tangible assets	—	—
<i>of which: tangible assets that constitute surplus</i>	—	—
5. Equity investments	190,108	—

### 5. Assets managed and traded on behalf of third parties

Type of service	30/6/20	30/6/19
1. Order execution on behalf of client		
a) purchases	26,849,645	14,820,923
1. regulated	26,226,551	14,711,791
2. non-regulated	623,094	109,132
b) sales	26,717,796	14,199,338
1. regulate	26,094,702	14,090,206
2. non regulate	623,094	109,132
2. Individual portfolios management <sup>1</sup>	4,442,858	4,119,329
3. Bonds custody and management		
a) bonds of third parties in depository	12,630,578	12,423,169
1. bonds issued by bank preparing the financial statements	181,178	160,049
2. other bonds	12,449,400	12,263,120
b) bonds of third parties in depository: others	5,166,539	4,703,943
1. bonds issued by bank preparing the financial statements	—	—
2. other bonds	5,166,539	4,703,943
c) Bonds of third parties in own depository	14,759,798	13,048,737
d) own bonds in depository at third parties	16,661,771	14,223,136
4. Other operations	2,674,546	1,702,426

<sup>1</sup> Entirely attributable to the Private Banking division.

### 6. Financial assets subject to netting arrangements or master netting or similar agreements

Instrument type	Gross amount of financial assets (a)	Amount of financial liabilities compensated in balance sheet (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amounts not recognised in Balance Sheet		Net amounts (f=c-d-e) 30/6/20	Net amounts (f=c-d-e) 30/6/19
				Financial instruments (d)	Cash deposit received in guarantee (e)		
1. Derivatives	3,188,070	549,899	2,638,171	1,483,309	296,910	857,952	875,197
2. Repo's	3,459,051	—	3,459,051	3,459,051	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/20	6,647,121	549,899	6,097,222	4,942,360	296,910	857,952	X
Total 30/6/19	9,854,249	279,269	9,574,980	8,671,053	28,730	X	875,197

<sup>1</sup> Refers to transactions in derivative financial products with a central counterparty with which a netting agreement is in place which provides for daily margining.



## 7. Financial liabilities subject to netting arrangements or master netting or similar agreements

Instrument type	Gross amount of the financial liabilities (a)	Amount of the financial assets compensated in BS (b)	Net amount of the financial liabilities reported in BS (c=a-b)	Related amounts not recognised in Balance Sheet		Net amount (f=c-d-e)	Net amount (f=c-d-e) 30/6/19
				Financial instruments (d)	Cash deposit placed to warrant (e)		
1. Derivatives	2,136,414	—	2,136,414	1,483,609	316,099	336,706	219,575
2. Repos	2,080,835	—	2,080,835	2,080,835	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/20	4,217,249	—	4,217,249	3,564,444	316,099	336,706	X
Total 30/6/19	7,205,341	—	7,205,341	6,592,000	393,766	X	219,575

## 8. Securities lending operations<sup>1</sup>

Type of securities lending operations	30/6/20		
	Type of securities		
	Sovereign debt	Bank bonds	Others
1. Securities borrowed secured by cash - Due from:	288,659	35,743	609,566
a) Banks	267,755	31,528	268,316
b) Financial intermediaries	20,904	4,215	341,250
c) Clients	—	—	—
2. Securities lend secured by cash - Due to:	(334,886)	(8,004)	(230,845)
a) Banks	(334,886)	(7,801)	(230,845)
b) Financial intermediaries	—	(203)	—
c) Clients	—	—	—
Total lending securities (book value)	(46,227)	27,739	378,721

Type of securities lending operations	30/6/20		
	Type of securities		
	Sovereign debt	Bank bonds	Others
1. Securities borrowed by other instruments or unsecured:	3,307,988	588,000	1,617,448
a) Banks	3,144,423	588,000	—
b) Financial intermediaries	163,468	—	1,463,936
c) Clients	97	—	153,512
2. Securities lend secured by other instruments or unsecured:	(1,730,847)	(397,155)	(758,872)
a) Banks	(1,103,118)	(262,335)	(183,536)
b) Financial intermediaries	(627,729)	(134,820)	(575,336)
c) Clients	—	—	—
Total lending securities (fair value)	1,577,141	190,845	858,576

<sup>1</sup> The tables below illustrate the Group's operations in securities lending (and borrowing), broken down by type of instrument (sovereign debt, bank bonds and others), market counterparty (banks, financial intermediaries and clients) and form (loan secured by cash, other instruments, or unsecured).

Securities lending transactions for which collateral is put up in the form of cash fully available to the borrower are represented in the balance sheet as amounts due to or from banks or customers under the heading "Repos". Securities lending transactions for which collateral is put up in the form of other instruments, or which are unsecured, are represented as "Off-balance-sheet exposures".

## Part C - Notes to individual profit and loss account

### SECTION 1

#### Headings 10 and 20: Net interest income

##### 1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	12 mths ended 30/06/2020	12 mths ended 30/06/2019
1. Financial assets valued to fv with impact to P&L:	33,302	866	—	34,168	33,279
1.1 Financial assets held for trading	31,665	329	—	31,994	28,945
1.2 Financial assets designated to fv	1,386	—	—	1,386	1,416
1.3 Other financial assets mandatorily valued to fv	251	537	—	788	2,918
2. Financial assets valued to fv with impact on overall profitability	40,226	—	X	40,226	63,473
3. Financial assets valued to amortize cost:	89,604	396,414	X	486,018	537,788
3.1 Credits to banks	17,677	214,710	X	232,387	269,943
3.2 Credits to clients	71,927	181,704	X	253,631	267,845
4. Hedging derivatives <sup>1</sup>	X	X	124,936	124,936	51,379
5. Other assets	X	X	—	—	1,057
6. Financial liabilities <sup>2</sup>	X	X	X	22,326	19,814
<b>Total</b>	<b>163,132</b>	<b>397,280</b>	<b>124,936</b>	<b>707,674</b>	<b>706,790</b>
<i>of which: income interests on deteriorated financial assets</i>	—	9,068	—	9,068	9,990
<i>of which: interest income on finance lease</i>	—	28	—	28	—

<sup>1</sup> Mainly to hedge funding.

<sup>2</sup> Item no. "6. Financial liabilities" includes interest expense accrued as the result of the negative interest rates, €18.6m of which in connection with T-LTRO.

##### 1.2 Interest and similar income: other information

As at 30 June 2020, the balance of the account includes €88.5m in connection with financial assets in foreign currencies.

### 1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Debts	Securities	Other operations	Total 30/6/20	Total 30/6/19
1. Financial liabilities valued at amortized cost	(227,930)	(390,284)	X	(618,214)	(610,835)
1.1 Debts to central banks	(177)	X	X	(177)	(761)
1.2 Debts to banks	(216,529)	X	X	(216,529)	(235,482)
1.3 Debts to customers	(11,224)	X	X	(11,224)	(13,480)
1.4 Securities in circulation	X	(390,284)	X	(390,284)	(361,112)
2. Financial trading liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	—	(2,453)	—	(2,453)	(2,450)
4. Other liabilities and funds	X	X	(3,338)	(3,338)	—
5. Hedging derivatives	X	X	—	—	—
6. Financial assets <sup>1</sup>	X	X	X	(4,437)	(6,585)
<b>Total</b>	<b>(227,930)</b>	<b>(392,737)</b>	<b>(3,338)</b>	<b>(628,442)</b>	<b>(619,870)</b>
<i>of which: interest expenses related to lease liabilities</i>	<i>(350)</i>	<i>—</i>	<i>—</i>	<i>(350)</i>	<i>—</i>

<sup>1</sup> Item no. "6. Financial liabilities" includes interest expense accrued as the result of the negative interest rates.

### 1.4 Interest and similar charges: other information

As at 30 June 2020, the balance of the account includes €96,5m in connection with financial liabilities in foreign currencies.

### 1.5 Margins on hedging transactions

Items	12 mths ended 30/06/20	12 mths ended 30/06/19
A. Positive differentials related to hedging operations:	193,790	183,174
B. Negative differentials related to hedging operations:	(68,854)	(131,795)
C. Balance (A-B) <sup>1</sup>	124,936	51,379

<sup>1</sup> The improvement in hedge derivatives is mainly attributable to funding.

## SECTION 2

### Headings 40 and 50: Net fee and commission income

#### 2.1 Fee and commission income: breakdown

Type of service/Values	12 mths ended 30/6/20	12 mths ended 30/6/19
a) released guarantees	7,948	8,457
b) credit derivatives	—	—
c) management services, brokerage and consultancy:	115,808	97,501
1. securities trading	19,777	13,798
2. currency trading	—	—
3. individual portfolio management	33,603	23,085
4. stock custody and administration	4,232	1,588
5. depository bank	7,458	7,458
6. allocation of stock	35,603	37,918
7. reception and transmission order	112	83
8. consultancy activities	4,916	4,896
8.1. in matter of investments	4,916	4,896
8.2. in matter of financial structure	—	—
9. distribution of third parties services	10,107	8,675
9.1. portfolios management	4,574	5,046
9.1.1. individuals	2,959	3,962
9.1.2. collectives	1,615	1,084
9.2. insurance products	5,533	3,629
9.3. other products	—	—
d) payment and recess services	110	185
e) services of servicing for operations of cartolization	—	—
f) services for factoring operations	—	—
g) business of tax collection and betting office	—	—
h) activities of management of multilateral sistem of trading	—	—
i) holding and management of current account	447	414
j) other services	139,542	146,649
Total	263,855	253,206

## 2.2 Fee and commission income: by product/service distribution channel

Channels/Values	12 mths ended 30/6/20	12 mths ended 30/6/19
a) through Group bank branches:	79,313	69,678
1. portfolio management	33,603	23,085
2. securities placement	35,603	37,918
3. others' products and services	10,107	8,675
b) off-site:	—	—
1. portfolio management	—	—
2. securities placement	—	—
3. others' products and services	—	—
c) other distribution channels:	—	—
1. portfolio management	—	—
2. securities placement	—	—
3. others' products and services	—	—

## 2.3 Fee and commission expense: breakdown

Services/Amounts	12 mths ended 30/6/20	12 mths ended 30/6/19
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and brokerage services:	(17,193)	(14,932)
1. trading in financial instruments	(3,059)	(2,698)
2. currency trading	—	—
3. portfolios management:	(7,624)	(5,359)
3.1 own portfolio	(7,624)	(5,359)
3.2 third parties portfolio	—	—
4. custody and administration securities	(2,062)	(2,052)
5. financial instruments placement	(4,448)	(4,823)
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	(5,221)	(4,422)
e) other services	(21,668)	(14,989)
Total	(44,082)	(34,343)

## SECTION 3

### Heading 70: Dividends and similar income

#### 3.1 Dividends and similar income: breakdown

Items/Incomes	12 mths ended 30/6/19		12 mths ended 2018/19	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	71,291	349	87,269	-
B. Other financial assets that are duly measured at fair value	-	9,268	-	13,983
C. Financial assets measured at fair value with impact on overall profitability	6,325	-	4,314	-
D. Shareholdings <sup>1</sup>	104,249	-	332,442	-
Total	181,865	9,617	424,025	13,983

<sup>1</sup> These are dividends received from Spafid S.p.A. and Assicurazioni Generali S.p.A (in FY 2018-19 from Compass Banca and Assicurazioni Generali).

## SECTION 4

### Heading 80: Net trading income

#### 4.1 Net trading income: breakdown

Transactions / Income	Capital gain (A)	Trading income (B)	Capital loss (C)	Trading loss (D)	Net result [(A+B) - (C+D)]
1. Financial trading assets	172,841	374,718	(229,646)	(584,802)	(266,889)
1.1 Debt securities	86,084	123,158	(74,144)	(68,452)	66,646
1.2 Equity stocks	86,487	242,218	(154,166)	(510,543)	(336,004)
1.3 O.I.C.R. shares	232	9,096	(1,205)	(5,807)	2,316
1.4 Loans	38	246	(131)	—	153
1.5 Others	—	—	—	—	—
2. Financial trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Financial assets and liabilities: exchange differences <sup>1</sup>	X	X	X	X	(65,422)
4. Derivatives	2,575,409	2,108,371	(2,421,817)	(1,981,005)	309,101
4.1 Financial derivatives:	1,931,664	1,452,763	(1,760,294)	(1,378,612)	273,664
- On debt securities and interest rates <sup>2</sup>	834,633	470,846	(851,359)	(513,239)	(59,119)
- On capital stocks and stock indexes	1,097,031	981,917	(908,935)	(865,373)	304,640
- On currency and gold	X	X	X	X	28,143
- Others	—	—	—	—	—
4.2 Credit derivatives	643,745	655,608	(661,523)	(602,393)	35,437
<i>of which: natural hedges related to FV option</i>	X	X	X	X	—
<b>Total</b>	<b>2,748,250</b>	<b>2,483,089</b>	<b>(2,651,463)</b>	<b>(2,565,807)</b>	<b>(23,210)</b>

<sup>1</sup> This item contains valuations for banking book positions based at current exchange rates totalling €12,129,000, and the exchange rate effect on hedging the RAM investment (minus €10.5m).

<sup>2</sup> Of which €7,662,000 in negative margins on interest rate derivatives (30/6/19: minus €4,010,000).

The result in net trading income reflects the sharp market correction at end-March 2020, only some of which had been recovered by the reporting date.

## SECTION 5

### Heading 90: Net hedging income (expense)

#### 5.1 Net hedging income (expense): breakdown

Income elements/Amounts	12 mths ended 30/6/20	12 mths ended 30/6/19
A. Income from:		
A.1 Fair value hedging instruments	241,478	356,660
A.2 Hedged asset items (in fair value hedge relationship)	43,276	55,527
A.3 Hedged liability items (in fair value hedge relationship)	48,219	30,247
A.4 Cash-flows hedging derivatives	—	—
A.5 Assets and liabilities denominated in currency	—	—
Total gains on hedging activities (A)	332,973	442,434
B. Losses on:		
B.1 Fair value hedging instruments	(141,854)	(85,399)
B.2 Hedged asset items (in fair value hedge relationship)	(42,341)	(50,519)
B.3 Hedged liability items (in fair value hedge relationship)	(151,000)	(301,038)
B.4 Cash-flows hedging derivatives	—	—
B.5 Assets and liabilities denominated in currency	—	—
Total losses on hedging activities (B)	(335,195)	(436,956)
C. Net profit from hedging activities (A-B)	(2,222)	5,478
<i>of which: result of hedges on net exposures</i>	—	—

## SECTION 6

### Heading 100: Gains (losses) on disposals/repurchases

#### 6.1 Gains (losses) on disposals/repurchases: breakdown

Items / Income	12 mths ended 30/6/20			12 mths ended 30/6/19		
	Gains	Losses	Net profit	Gains	Losses	Net profit
A. Financial assets						
1. Financial assets at amortized cost	3,952	(651)	3,301	9,425	—	9,425
1.1 Loans and receivables with banks	1,726	—	1,726	—	—	—
1.2 Loans and receivables with customers	2,226	(651)	1,575	9,425	—	9,425
2. Financial assets at fair value with impact taken to comprehensive income	75,822	(15,401)	60,421	73,260	(6,461)	66,799
2.1 Debt securities	75,822	(15,401)	60,421	73,260	(6,461)	66,799
2.2 Loans	—	—	—	—	—	—
Total assets (A)	79,774	(16,052)	63,722	82,685	(6,461)	76,224
B. Financial liabilities at amortized cost						
1. Deposits with banks	—	—	—	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt securities in issue	5,707	(3,850)	1,857	10,762	(3,818)	6,944
Total liabilities (B)	5,707	(3,850)	1,857	10,762	(3,818)	6,944

Gains on financial assets recognized at fair value through other comprehensive income and those recognized at amortized cost include exchange rate valuations of €10.5m and €1.6m respectively.

## SECTION 7

### Heading 110: Net result of other financial assets and liabilities valued at fair value with impact taken to profit and loss

#### 7.1 Net variation in the value of other financial assets and liabilities valued at fair value with impact taken to profit and loss: composition of financial assets and liabilities designated at fair value

Transactions / Income	Gains (A)	Proceeds from disposal (B)	Losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	—	—	(965)	—	(965)
1.1 Debt securities	—	—	(965)	—	(965)
1.2 Loans	—	—	—	—	—
2. Financial liabilities	3,296	—	—	—	3,296
2.1 Det securities in issue <sup>1</sup>	3,296	—	—	—	3,296
2.2 Debts to banks	—	—	—	—	—
2.3 Debts to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	—
Total	3,296	—	(965)	—	2,331

<sup>1</sup> The figures are stated at fair value, including issuer risk which at 30/6/20 amounted to € 365,000.



7.2 Net variation in the value of other financial assets and liabilities valued at fair value with impact taken to profit and loss: composition of other financial assets mandatorily valued at fair value

Transactions / Income	Gains (A)	Proceeds from disposal (B)	Losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	54,687	220	(23,225)	(81)	31,601
1.1 Debt securities	—	—	(1,538)	—	(1,538)
1.2 Equity securities	—	—	—	—	—
1.3 Units investment funds	11,936	220	(21,405)	(81)	(9,330)
1.4 Loans <sup>1</sup>	42,751	—	(282)	—	42,469
2. Financial assets in currency: exchange differences	X	X	X	X	(531)
Total	54,687	220	(23,225)	(81)	31,070

<sup>1</sup> Instruments deriving from restructuring transactions.

## SECTION 8

### Heading 130: Net write-offs (writebacks) for credit risk

8.1 Net write-offs for credit risk related to financial assets valued at amortized cost: breakdown

Transactions/Income	Writedowns (1)			Writebacks (2)		12 mths ended 30/6/20	30/6/19
	Stage 1 and stage 2	Stage 3		Stage 1 and stage 2	Stage 3		
		Write-off	Others				
A. Loans and receivables with banks	(8,908)	—	—	4,521	—	(4,387)	(5,021)
- Loans	(8,354)	—	—	4,273	—	(4,081)	(4,156)
- Debt receivables	(554)	—	—	248	—	(306)	(865)
<i>of which: financial assets purchased or originated credit impaired</i>	—	—	—	—	—	—	—
B. Loans and receivables with customers	(45,032)	—	(9)	9,215	28,643	(7,183)	42,511
- Loans	(41,121)	—	(9)	8,806	28,456	(3,868)	39,261
- Debt receivables	(3,911)	—	—	409	187	(3,315)	3,250
<i>of which: financial assets purchased or originated credit impaired</i>	—	—	—	—	—	—	—
Total	(53,940)	—	(9)	13,736	28,643	(11,570)	37,490

Loan loss provisions reflect an increase in the provisioning for performing loans based on the new macroeconomic scenario, plus the effect of the downgrade to the Republic of Italy's sovereign debt (totalling €1.3m).

### 8.2 Net write-offs for credit risk related to financial assets valued at fair value with impact taken to comprehensive income: breakdown

Transactions/Income	Writedowns (1)			Writebacks (2)		12 mths ended at 30/6/20	12 mths ended at 30/6/19
	Stage 1 and stage 2	Stage 3		Stage 1 and stage 2	Stage 3		
		Write-off	Others				
A. Debt Securities <sup>1</sup>	(4,805)	—	—	—	—	(4,805)	(779)
B. Loans	—	—	—	—	—	—	—
- To clients	—	—	—	—	—	—	—
- To banks	—	—	—	—	—	—	—
<i>of which: impaired financial assets acquired or originated</i>	—	—	—	—	—	—	—
<b>Total</b>	<b>(4,805)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,805)</b>	<b>(779)</b>

<sup>1</sup> Includes the effect of the downgrade of Italian sovereign debt on securities (€2.0m).

## SECTION 10

### Heading 160: Administrative expenses

#### 10.1 Personnel costs: breakdown

Type of expense/Amounts	12 mths ended at 30/6/20	12 mths ended at 30/6/19
1) Employees	(214,541)	(229,251)
a) wages and salaries	(154,850)	(166,468)
b) social security contributions	(33,052)	(35,301)
c) severance pay (only for Italian legal entities)	(152)	(153)
d) social security costs	—	—
e) allocation to employees severance pay provision	(5,580)	(5,539)
f) provision for retirement and similar provisions	—	—
- defined contribution	—	—
- defined benefits	—	—
g) payments to external pension funds	(6,716)	(6,985)
- defined contribution	(6,716)	(6,985)
- defined benefits	—	—
h) expenses resulting from share based payments	(11,193)	(11,210)
i) other employees' benefits	(2,998)	(3,595)
2) Other staff	(4,296)	(4,641)
3) Directors and Statutory Auditors <sup>1</sup>	(2,846)	(3,367)
4) Early retirement costs	(1,595)	(4,649)
5) Recovery of expenses for employees seconded to other companies	1,353	1,093
6) Refunds of expenses for third party employees seconded to the company	—	—
<b>Total</b>	<b>(221,925)</b>	<b>(240,815)</b>

<sup>1</sup> The Chairman, CEO and Group General Manager all waived the emoluments due to them as Directors.

## 10.2 Average number of staff by category

	12 mths ended 30/6/20	12 mths ended 30/6/19
Employees		
a) Senior managers	264	259
b) Managers	564	550
c) Remaining employees staff	161	165
Other staff	85	105
Total	1,074	1,079

## 10.5 Other administrative expenses: breakdown

Type of expenses /Amounts	12 mths ended at 30/6/20	12 mths ended at 30/6/19
OTHER ADMINISTRATIVE EXPENSES		
- Legal, tax and professional services	(29,431)	(33,251)
- loan recovery activity	—	—
- marketing and communications	(3,841)	(4,395)
- property <sup>1</sup>	(4,773)	(10,179)
- EDP	(65,783)	(61,606)
- info provider	(22,325)	(19,991)
- bank charges, collection and payment fees	(2,911)	(1,995)
- operating expenses	(6,304)	(5,857)
- other staff expenses	(6,491)	(9,908)
- other costs <sup>2</sup>	(56,653)	(43,550)
- indirect and other taxes	(6,469)	(5,296)
Total other administrative expenses	(204,981)	(196,028)

<sup>1</sup> The reduction as at 30/6/20 was due to the effects of IFRS 16 first-time adoption.

<sup>2</sup> The item includes contributions to the various resolution funds: €39.4m for the year ended 30/6/20 (€29m for the year ended 30/6/19) plus contributions to various Covid-related charitable initiatives totalling €1.8m.

## SECTION 11

### Heading 170: Net transfers to provisions

#### 11.1 Net transfers for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

	12 mths ended 30/6/20		
	Provisions	Reallocation surplus	Total
Loan commitments	(4,130)	1,400	(2,730)
Financial guarantees given	(24,132)	6,080	(18,052)
Total	(28,262)	7,480	(20,782)

#### 11.3 Net transfers to other provisions: breakdown

	12 mths ended 30/6/20			12 mths ended 30/6/19
	Provisions	Reallocation surplus	Total	
1. Other provisions				
1.1 Legal disputes	—	—	—	—
1.2 Staff costs	—	—	—	—
1.3 Other	(2,150)	27,100	24,950	(276)
Total	(2,150)	27,100	24,950	(276)

## SECTION 12

### Heading 180: Net adjustments to tangible assets

#### 12.1 Net adjustments to tangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net result (a + b - c)
A. Property, equipment and investment property				
1 For operational use	(8,793)	(1,000)	20	(9,773)
- Owned	(2,729)	—	—	(2,729)
- Licences acquired through leases	(6,064)	(1,000)	20	(7,044)
2 Held for investment purpose	(421)	—	—	(421)
- Owned	(421)	—	—	(421)
- Licences acquired through leases	—	—	—	—
3 Inventories	X	—	—	—
Total	9,214	(1,000)	20	(10,194)

Following the introduction of IFRS 16, this heading now contains depreciation charges relating to rights of use. The RoU for the property housing the Frankfurt branch office has been written down by €1m following the decision to shut the office.

## SECTION 13

### Heading 190: Net adjustments to intangible assets

#### 13.1 Net adjustments to intangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(3,411)	—	—	(3,411)
- Generated internally by the company	—	—	—	—
- Other	(3,411)	—	—	(3,411)
A.2 Licenses acquired through lease	—	—	—	—
Total	(3,411)	—	—	(3,411)

## SECTION 14

### Heading 200: Other operating income (expense)

#### 14.1 Other operating expense: breakdown

Income-based components/values	12 mths ended 30/6/20	12 mths ended 30/6/19
a) Leasing activity	—	—
b) Sundry costs and expenses	(2,183)	(2,026)
Total	(2,183)	(2,026)

#### 14.2 Other operating income: breakdown

Income-based components/values	12 mths ended 30/6/20	12 mths ended 30/6/19
a) Amounts recovered from customers	19	181
b) Other income	17,143	16,447
Total	17,162	16,628

## SECTION 15

### Heading 220: Gain (loss) on equity investments

#### 15.1 Gains (losses) on equity investments: breakdown

Income/Value	12 mths ended at 30/06/20	12 mths ended at 30/06/19
A. Incomes	—	—
1. Revaluation	—	—
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	(50,937)	(4,225)
1. Writedowns	—	—
2. Impairment losses	(50,937)	—
3. Losses on disposal	—	(4,225)
4. Other expenses	—	—
Net profit	(50,937)	(4,225)

The heading contains the impairment charges taken on RAM of CHF 61.5m (€46.4m), which became necessary in view of the sharp reduction in the company's profitability, plus writedowns to the investment in Cairn Capital of GBP 3.9m (€4.5m) following the capital increase implemented to cover the operating losses incurred by the company during FY 2019.

## SECTION 18

### Heading 250: Gain (loss) on disposal of investments

#### 18.1 Gain (loss) on disposal of investments: breakdown

Income/Value	12 mths ended at 30/6/20	12 mths ended at 30/6/19
A. Assets	—	—
- Gains on disposal	—	—
- Losses on disposal	—	—
B. Other assets	—	(27)
- Gains on disposal	—	—
- Losses on disposal	—	(27)
Net profit	—	(27)

## SECTION 19

### Heading 270: Income tax for the year on ordinary activities

#### 19.1 Income tax for the year on ordinary activities: breakdown

Income/Value	Total 30/6/20	Total 30/6/19
1. Current tax expense (-)	(32,246)	(46,821)
2. Adjustment to current tax of prior periods (+/-)	—	—
3. Reduction in current tax for the period (+)	—	—
3. bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+)	—	—
4. Adjustment to deferred tax income (+/-)	1,677	(21,742)
5. Adjustment to deferred tax expense (+/-)	(5,431)	13,563
6. Tax expense for the year (-)	(36,000)	(55,000)

The item reflects the settlement reached with the Italian taxation authority regarding the dispute over application of funds transfer pricing between Mediobanca S.p.A. and Mediobanca International, in addition to the voluntary release of profit reserves by Mediobanca International itself.

#### 19.2 Reconciliation between theoretical and effective tax burden

Income/Value	12 mths ended 30/6/20	
	Amounts %	Absolute value
Total profit or loss before tax from current operations	100.00%	75,359
Theoretical tax rate	27.50%	20,724
Dividends (-)	-38.33%	(28,888)
Gains on disposals of equity investments (PEX) (-)	-0.29%	(216)
Tax sparing credit (-)	-0.37%	(280)
Impairment (+/-)	18.59%	14,008
Use of provision	-4.33%	(3,263)
Participation to transfer price assessment <sup>1</sup>	23.32%	17,571
MB International reserve redemption	15.32%	11,544
Other differences (+/-)	-2.26%	(1,700)
TOTAL IRES	39.15%	29,500
IRAP	8.63%	6,500
TOTAL HEADING <sup>2</sup>	47.77%	36,000

<sup>1</sup> The heading includes the IRES taxation effect as a result of the settlement reached with the Italian taxation authority referred to in the footnote for the following table.

<sup>2</sup> As compared with a tax rate last year of 12.46%; net of the effects of the settlement reached with the Italian taxation authorities, the tax rate would have been 25.7%.

## SECTION 22

### Earnings per share

#### *22.1 Average number of ordinary shares on a diluted basis*

	12 mths ended 30/6/20	12 mths ended 30/6/19
Net profit	39,359	386,245
Avg. no. of shares in issue	860,611,137	871,819,196
Avg. no. of potentially diluted shares	5,255,453	5,081,612
Avg. no. of diluted shares	865,866,590	876,900,808
Earnings per share	0.05	0.44
Earnings per share, diluted	0.05	0.44



## Part D - Comprehensive Profit and Loss Account

### Breakdown of Comprehensive Profit and Loss Constituents

Items	Before	Tax	After tax	After tax
	tax effect	effect	effect	effect
			30/06/2020	30/06/2019
<b>10. Net profit (loss) of the year</b>	X	X	<b>39,359</b>	<b>386,245</b>
Other comprehensive income not reclassified to profit or loss				
<b>20. Equity instruments designated at fair value through other comprehensive income:</b>	<b>3,426</b>	<b>(460)</b>	<b>2,966</b>	<b>10,533</b>
<i>a) fair value changes</i>	2,641	(460)	2,181	3,450
b) transfers to other shareholders' equity items	785	—	785	7,083
<b>30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):</b>	<b>(2,575)</b>	<b>851</b>	<b>(1,724)</b>	<b>—</b>
<i>a) fair value changes</i>	(2,575)	851	(1,724)	—
b) transfers to other shareholders' equity items	—	—	—	—
<b>40. Hedge accounting of equity instruments measured at fair value through other comprehensive income:</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
a) fair value change (hedged instrument)	—	—	—	—
b) fair value change (hedging instrument)	—	—	—	—
<b>50. Property, plant and equipment</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>60. Intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>70. Defined benefit plans</b>	<b>(360)</b>	<b>99</b>	<b>(261)</b>	<b>(415)</b>
<b>80. Non-current assets and disposal groups classified as held for sale</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>90. Part of valuation reserves from investments valued at equity method</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>100. Tax expenses (income) relating to items not reclassified to profit or loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Other comprehensive income reclassified to profit or loss	—	—	—	—
<b>110. Foreign investments hedging:</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<i>a) fair value changes</i>	—	—	—	—
b) reclassification to profit or loss	—	—	—	—
c) other changes	—	—	—	—
<b>120. Foreign exchange differences:</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
a) fair value changes	—	—	—	—
b) reclassification to profit or loss	—	—	—	—
c) other changes	—	—	—	—
<b>130. Cash flow hedging:</b>	<b>5,127</b>	<b>(1,695)</b>	<b>3,432</b>	<b>(4,074)</b>
<i>a) fair value changes</i>	5,127	(1,695)	3,432	(4,074)
b) reclassification to profit or loss	—	—	—	—
c) other changes	—	—	—	—
<i>of which: net position</i>	—	—	—	—
<b>140. Hedging instruments (not designated items):</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
a) fair value changes	—	—	—	—
b) reclassification to profit or loss	—	—	—	—
c) other changes	—	—	—	—
<b>150. Financial assets (different from equity instruments) at fair value through other comprehensive income:</b>	<b>(23,036)</b>	<b>7,647</b>	<b>(15,389)</b>	<b>(23,178)</b>
<i>a) fair value changes</i>	(6,274)	2,075	(4,199)	15,279
b) reclassification to profit or loss	(16,762)	5,572	(11,190)	(38,457)
- impairment losses	4,268	(1,411)	2,857	546
- gains/losses on disposals	(21,030)	6,983	(14,047)	(39,003)
c) other changes	—	—	—	—
<b>160. Non-current assets and disposal groups classified as held for sale:</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<i>a) fair value changes</i>	—	—	—	—
b) reclassification to profit or loss	—	—	—	—
c) other changes	—	—	—	—
<b>170. Part of valuation reserves from investments valued at equity method:</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<i>a) fair value changes</i>	—	—	—	—
b) reclassification to profit or loss	—	—	—	—
- impairment losses	—	—	—	—
- gains/losses on disposals	—	—	—	—
c) other changes	—	—	—	—
<b>180. Tax expenses (income) relating to items reclassified to profit or loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>190. Total other comprehensive income</b>	<b>(17,418)</b>	<b>6,442</b>	<b>(10,976)</b>	<b>(17,134)</b>
<b>200. Other comprehensive income (Item 10+190)</b>	<b>X</b>	<b>X</b>	<b>28,383</b>	<b>369,111</b>

## **Part E - Information on risks and related hedging policies**

### **INTRODUCTION**

With regards to the Bank's risks governance process, a key role is played by the Risk Management division, which identifies, measures and monitors all the risks to which the Group is subject, and manages and mitigates them in co-ordination with the various business areas. The division's main duties and responsibilities are described below, along with its characteristics in terms of independence, plus an indication of the role of the other company units in risk management.

### **SECTION 1**

#### **1.1 CREDIT RISKS**

#### **QUALITATIVE INFORMATION**

##### **1. General aspects**

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,<sup>1</sup> monitoring risks, and ascertaining that the various limits established for the various business lines are complied with.

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

<sup>1</sup> On 30 July 2020, the Board of Directors of Mediobanca approved a new version of the Group Policy on Risk Appetite Framework (RAF) Definition, which sets out the general principles, organizational model and implementation process for defining the Framework. In the RAF, based on the Strategic Plan and the maximum risk assumable that is set in it, the Group states the level and type of risks which it is intended to take, plus any tolerance thresholds and operating limits to be complied with in normal operating and/or stress conditions.

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, co-ordinating, rationalizing and ensuring the consistency of IT development activities within Risk Management; iv) Liquidity and IR 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 co-ordinating operations between the London front office teams and the various risk management.

The Bank 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 corporate portfolio.

## **2. Credit risk management policies**

### **2.1 Organizational aspects**

The Bank 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 Bank is or might be exposed are managed effectively, and at the same time guarantee that all forms of operations are consistent with their own appetite for risk.

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 Plan 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 the Bank, 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; 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.

## **2.2 Management, measurement and control systems**

In the process of defining its Risk Appetite Framework ("RAF"), the Bank 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 Bank 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 Bank:

- 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 Bank 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 analyzed, 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 S.p.A. 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 Bank 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 Bank 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 Bank’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 Bank’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.

## **2.3 Methods for measuring expected losses**

Under IFRS 9 “Financial Instruments”, assets which are recognized in the financial statements at fair value (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 reconvert 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 Bank 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 Bank 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.

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 Bank itself.<sup>2</sup>

In the absence of internal model ratings for a specific portfolio, the backstop indicators are used as qualitative criteria; qualitative factors taken into consideration for reclassification to Stage 2 include the counterparties being classified as “amber” or “red” in the watchlist.

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. 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

<sup>2</sup> 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”.

obtained from historical analysis of trends in the macroeconomic parameters used in the risk parameter conditioning models. In line with the ECB guidance,<sup>3</sup> issued in view of the Covid-19 emergency situation, the satellite model forecasts used in the IFRS 9 methodological framework to transmit macroeconomic effects to the risk parameters have in some cases been interpolated to factor in the increased risk of the current scenario without adding excessive volatility which would be unjustified given the expectations that the crisis is likely to diminish in the medium and/or long term. This has been done by applying a spline function to long-term trends (historical and future) in cases where the satellite model concerned gave excessively volatile results over the medium and/or short period. To date the function has been applied to the satellite models used for the PD and LGD parameters for the Wholesale Banking portfolio.

Reference is made to section 5 for specific details of the treatment applied to each business segment.

## **2.4 Credit risk mitigation techniques**

The Bank has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requisites for eligibility of collateral are set out in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the “CRR”). The Bank has also compiled specific criteria by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

The Bank also adopts risk mitigation policies through entering into netting and collateral agreements, checking to ascertain that the agreements are legally valid and meet the regulatory criteria in force to be recognized for prudential purposes.

Credit risk mitigation activities are governed by specific directives. In particular the phases of obtaining the collateral, checking, reporting on and assessing its eligibility may be performed by different units. However, the role of Risk Management in setting eligibility criteria for regulatory and management

<sup>3</sup> See in particular the following: 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”, containing guidelines on use of forecasts to estimate the expected credit loss during the pandemic.



purposes remains central. Controls of the mitigation instruments are included in the general risk control and management framework.

Monitoring of collateral consisting of financial instruments has been stepped up as a result of the high volatility witnessed on financial markets following the outbreak of the Covid-19 pandemic. For instance, in Private Banking the situations most at risk have been identified, and for “Lombard” credit in particular work has begun quickly on restoring the collateral margins typically associated with this form of credit. Due to the diversification of the portfolio of assets used as collateral, and the haircuts applied when the lending value is calculated, no particular risk situations have emerged.

### **3. Non-performing credit exposures**

The Bank 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 panorama. Our 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 Bank uses a single, like-for-like 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.

Also of relevance in this connection are the recent guidelines released by the regulatory and supervisory authorities in connection with the Covid-19 emergency, in particular the EBA recommendations of 25 March 2020 in its “Statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures”, which require banks to reassess the counterparty closely before reclassifying accounts when moratoria are granted (if a high number of moratoria with similar characteristics are granted, automatic mechanisms should be avoided and reclassifications made

only when the borrower's status has been closely scrutinized). The EBA also subsequently issued "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19", which detail the criteria to be fulfilled for moratoria not to be classified as forbearance measures or "distressed restructuring" which would result in their being categorized as in default. Also significant in this connection is the ECB's stance as set out in its "FAQs on ECB supervisory measures in reaction to the coronavirus" on 20 March 2020, whereby the use of a public guarantee issued in connection with the Covid-19 emergency is to be assessed with due flexibility as an indicator of default.

Provisioning is quantified individually, through valuations of discounted cash flows and balance-sheet multiples for companies which operate as going concerns, or asset valuations for companies entering liquidation.

At the monitoring stage the possible need to write off positions is also assessed, i.e. cases in which the credit may not be recoverable, in part or in whole. Accounts may be written off even before legal action to recover the asset is completed, and this does not necessarily entail waiving the Group's legal right to recover the amount due to it.

#### **4. Financial assets subject to commercial renegotiations and concessions**

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 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 or category association arrangements.

For an exposure to be classified as forborne, the Bank 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 business.

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. 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.

## **5. Details by individual business segment**

### **Corporate activity**

The Bank’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 to be 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 real and personal guarantees have the maximum mitigating effects on the exposures.

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 loans 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 “watch-list”) 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 watch-list is also used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as “amber” or “red” for watch-list 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 forward-looking component is factored in by applying the internal scenarios defined to the PD estimates. LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed.

The criterion for reclassifying positions to Stage 2, which is based on an increase in the PD indicator, has been supplemented with the additional specification that the internal rating for the position must have been downgraded by at least two notches from its original rating. This change has been introduced in order to capture the significant increase in risk as a result of the Covid-19 emergency, but the Group Chief Risk Officer and/or Lending and Underwriting Committee in any case have powers of discretion to revise the classification on prudential grounds.

### ***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 distinguished by counterparty and whether or not there are guarantees.

## **6. Impact of Covid-19**

### **6.1 Government and regulatory action following the Covid-19 pandemic**

In order to address the effects of the Covid-19 pandemic on the economy, the Italian government launched a substantial first package of measures contained in the "Cura Italia" Decree Law issued on 17 March 2020, with the aim of safeguarding citizens' health and supporting the country's productive system by keeping firms active and so preserving workers' jobs. This first package was soon followed by another, the "Liquidità" Decree Law issued on 8 April 2020, which added further measures to support businesses.

The "Relaunch" Decree Law of 19 May 2020 confirmed and reinforced the measures introduced by the "Cura Italia" Decree Law, extending their duration

to meet the needs resulting from the gradual reopening of the economy launched on 4 May 2020 (known as “Phase 2”). This Decree Law includes significant measures to bolster the liquidity and capitalization of firms, support the production sectors most affected by the emergency, and fund investment and innovation.

The EU institutions (notably the EBA, ESMA, ECB and IASB) also intervened in response to the medical crisis, introducing extraordinary measures described in more detail in Part A.

## **6.2 Moratoria granted to clients in connection with Covid-19**

In response to the economic crisis caused by the Covid-19 emergency, Mediobanca has adhered to all provisions contained in the “Cura Italia” Decree Law,<sup>4</sup> allowing SME clients with mortgages to benefit from suspension of repayments.<sup>5</sup> Such clients are however only residual in number, and as at 30 June 2020, only three counterparties had taken up this option, involving a total amount of €1.2m.<sup>6</sup>

The Bank has received around thirty waiver applications, only five of which to defer payments (involving a total amount by way of principal and interest of €12m. Given the temporary nature of the issues, and having ascertained that there are no structural problems with the counterparties’ liquidity, the majority of the waivers granted have not been classified as forbearance measures, meaning that only four positions have been reclassified as stage 2. Despite these reclassifications, the Stage 2 positions decreased from €527.9m to €437.2m (and account for 3.2% of total loans).

## **6.3 Macroeconomic scenario and Covid-related impact**

The provisioning as at 30 June 2020 reflects the most recent update to the macroeconomic scenario which incorporates the most recent estimates post-Covid-19. With reference to 30 June 2020, internal estimates have been

<sup>4</sup> Italian Decree Law 18/20 (known as “Cura Italia”), as converted into Italian Law 27/20.

<sup>5</sup> Article 54 of the “Cura Italia” Decree Law (“Fondo Gasparrini”) and Article 12 of the “Liquidità Decree”.

<sup>6</sup> Two loans classified as Stage 2 in an amount of €692,000, and one which remains classified as Stage 1 involving €508,000.

developed based on a more conservative scenario than the consensus, for the European geographies especially, which sees the economic slump continuing until 1Q 2021, at rates of contraction which are similar to those during lockdown; the recovery phase is assumed to begin only starting from 2Q 2021.

The macroeconomic scenario at end-June reflects a contraction in GDP for all world economies that is unprecedented in the last 90 years.

The estimates used by the Group for 2020 see GDP falling in Italy by 11.64%, in the EU area by 9.71%, and the United States by 10.77%. Equally, the figures show sharp rises in the unemployment rates: from 10% to 13.52% in Italy, dal 6.3% al 9.39% in Europe, and from 3.7% to 10.74% in the United States.

All these figures show substantial improvements for 2021 (GDP in Italy +0.82%; EU -0.11%; USA +7.64%), emphasizing the pro-cyclical effects which are characteristic of the point-in-time method used to calculate provisioning under IFRS 9. As mentioned in section 2.3 above, in line with the recommendations expressed by the regulators, the Bank has adopted methodologies for calculating and using forward-looking data that adequately reflect the specific features of the current macroeconomic scenario.

*Table 1 - Macroeconomic scenario parameters<sup>1</sup>*

<b>GDP forecasts</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Italy	-11.64%	0.82%	5.25%
EU	-9.71%	-0.11%	5.13%
USA	-10.77%	7.64%	6.03%
<b>Unemployment rate</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Italy	13.52%	14.20%	12.31%
EU	9.39%	10.46%	9.11%
USA	10.74%	7.34%	5.16%
<b>Interest rate government bonds (10 years)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Italy	1.66%	2.30%	2.83%
Germany	-0.38%	-0.31%	0.17%
USA	0.87%	0.65%	1.17%

<sup>1</sup> Taken from internal estimates based on a more conservative scenario than consensus for the European geographies in particular, according to which the economic slump could continue until 1Q 2021, at rates of contraction similar to those seen during lockdown; the recovery phase is assumed to begin only in 2Q 2021



As mentioned above, the contraction in the global economy is expected to recover only starting from 2021, returning to pre-Covid levels only from mid-2022. The estimated trend in the macroeconomic scenario will therefore be reflected in the trend in provisioning, which should gradually stabilize at lower values in line with the estimated recovery and with the six-monthly updates to the scenario.

Overall, the increase in loan loss provisioning for the twelve months attributable to Covid-19 is €44m (€42m of which in loans and guarantees issued including €7m of intercompany accounts), concentrated mainly in 4Q, in conjunction with the update to the scenario and the economic effects of the lockdown beginning to materialize.

Table 2 - Covid-related impact on earnings

Covid-19 impacts on Heading 130 and 170a) of the Income Statement	of which Covid-19 FY20	of which 4Q
Financial assets	36	36
Intercompany	8	8
<b>Total</b>	<b>44</b>	<b>44</b>

## QUANTITATIVE INFORMATION

### A. Credit quality

#### A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

##### A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolios/quality	Bad loans	Unlikely to pay	Non performing overdue exposures (NPLs)	Performing overdue exposures	Other not impaired exposures *	Total
1. Financial assets at amortized cost	—	281,550	2,061	14,849	43,412,704	43,711,164
2. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	3,485,940	3,485,940
3. Financial assets designated at fair value	—	—	—	—	51,002	51,002
4. Other financial assets mandatorily at fair value	27	3,584	—	—	52,760	56,371
5. Financial assets being sold	—	—	—	—	—	—
Total 30/6/20	27	285,134	2,061	14,849	47,002,406	47,304,477
Total 30/6/19	264	386,459	4	74,870	49,929,264	50,390,862

\* No performing exposures which are past due or subject to renegotiation under collective agreements.

Non-performing exposures refer exclusively to the Private Banking segment.

### A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Asset portfolio/quality	Non-performing loans				Performing loans			Total (Net exposure)
	Gross exposure	Accumulated impairment	Net exposure	Overall partial write-off	Gross exposure	Accumulated impairment	Net exposure	
1. Financial assets at amortized cost	395,968	112,357	283,611	—	43,508,646	81,093	43,427,553	43,711,164
2. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	3,492,048	6,108	3,485,940	3,485,940
3. Financial assets designated at fair value	—	—	—	—	X	X	51,002	51,002
4. Other financial assets mandatorily at fair value	72,770	69,159	3,611	—	X	X	52,760	56,371
5. Financial assets being sold	—	—	—	—	—	—	—	—
Total 30/6/20	468,738	181,516	287,222	—	47,000,694	87,201	47,017,255	47,304,477
Total 30/6/19	643,166	256,439	386,727	—	49,786,623	44,043	50,004,135	50,390,862

Asset portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	
1. Financial assets held for trading	—	—	7,199,937
2. Hedging Derivatives	—	—	471,648
Total 30/6/20	—	—	7,671,585
Total 30/6/19	—	—	7,718,081

## Information on sovereign debt exposures

### A.1.2a Exposures to sovereign debt securities by state, counterparty and portfolio\*

Portfolio/quality	Non performing loans				Performing			Total net exposure <sup>1</sup>
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(1,471,647)	(1,471,647)
Italy	—	—	—	—	X	X	136,036	136,036
Spain	—	—	—	—	X	X	(55,418)	(55,418)
Germany	—	—	—	—	X	X	(623,809)	(623,809)
France	—	—	—	—	X	X	(928,456)	(928,456)
2. Financial assets designated at fair value through other comprehensive income	—	—	—	—	2,613,617	—	2,613,617	2,613,617
Italy	—	—	—	—	1,739,967	—	1,739,967	1,739,967
United States	—	—	—	—	328,023	—	328,023	328,023
Germany	—	—	—	—	321,963	—	321,963	321,963
France	—	—	—	—	100,515	—	100,515	100,515
Others	—	—	—	—	123,149	—	123,149	123,149
3. Financial assets at amortized cost	—	—	—	—	2,134,435	—	1,826,114	1,826,114
Italy	—	—	—	—	1,512,487	—	1,293,082	1,293,082
France	—	—	—	—	366,527	—	350,877	350,877
Spain	—	—	—	—	110,317	—	100,018	100,018
Germany	—	—	—	—	62,666	—	50,110	50,110
Others	—	—	—	—	82,438	—	32,027	32,027
<b>Total 30/6/20</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,748,052</b>	<b>—</b>	<b>2,968,084</b>	<b>2,968,084</b>

(\*) Does not include financial or credit Derivatives.

(<sup>1</sup>) The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €27m.

### A.1.2b Exposures to sovereign debt securities by portfolio

Portfolio/quality	Trading Book <sup>1</sup>			Banking Book <sup>2</sup>			
	Nominal value	Book Value	Duration	Nominal value	Book Value	Fair Value	Duration
Italy	148,812	136,036	3.15	3,008,269	3,033,049	3,055,246	4.24
Germany	(580,000)	(623,809)	4.24	365,000	372,073	372,193	1.61
Spain *	(53,932)	(55,418)	3.-	170,000	171,649	173,213	2.35
United States	—	—	—	325,951	328,023	328,023	0.28
France	(842,453)	(928,456)	2.88	450,000	451,392	452,812	0.85
Others	—	—	—	82,000	83,545	85,287	—
Total 30/6/20	(1,327,573)	(1,471,647)		4,401,220	4,439,731	4,466,774	

\* The figure does not include forward sales with a notional amount of €300m.

<sup>1</sup> Does not include sales of €139m on Bund/Bobl/Schatz futures (Germany), with a negative fair value of €3.7m; and sales of €60.0m on the BPT future (Italy) with a negative fair value of €0.2m. Net hedge buys of €1,030m have also not been included (virtually all of which allocated to France country risk).

<sup>2</sup> Item does not include Greek GDP-linkers securities in a notional amount of €127m.

### A.1.3 Financial assets by past-due buckets (book values)

Portfolios/stages of risk	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 to 30 days	From more than 30 days to 90 days	More than 90 days
1. Financial assets valued at amortized cost	9,364	—	1	100	4,811	573	—	2	3,940
2. Financial assets valued at fair value with impact taken to comprehensive income	—	—	—	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—	—	—	—
Total 30/6/20	9,364	—	1	100	4,811	573	—	2	3,940
Total 30/6/19	43,957	9,139	61	9,164	985	11,564	—	39,904	2,036

### A.1.4 Financial assets, commitments to disburse fund and financial guarantees given: trend in overall writedowns and provisions

Motivation/risk stages	Cumulative writedowns										Gross provisions on commitments to disburse funds and financial guarantees given			Total		
	Stage 1			Stage 2			Stage 3			Stage 1	Stage 2	Stage 3				
	Financial assets valued at fair value amortized with impact cost taken to other comprehensive income	of which: individual write-down	of which: collective write-down	Financial assets measured at fair value amortized with impact cost taken to other comprehensive income	of which: individual write-down	of which: collective write-down	Financial assets valued at fair value amortized with impact cost taken to other comprehensive income	of which: individual write-down	of which: collective write-down	of which: purchased or originated credit impaired exposures						
Starting balance	35,986	1,840	—	37,826	6,217	—	6,217	140,768	—	140,768	—	—	15,173	4,628	2,153	206,765
Increase variations due to acquired or originated financial assets	28,110	3,710	—	31,820	1,049	—	1,049	9	—	9	—	—	8,869	36	—	41,783
Derecognitions other than write-off	(12,245)	(647)	—	(12,892)	(1,002)	—	(1,002)	(399)	—	(399)	—	—	(5,560)	(651)	(50)	(20,554)
Net writedowns/writebacks due to credit risk(+/-)	15,084	1,205	—	16,289	7,944	—	7,944	(28,021)	—	(28,021)	—	—	6,085	7,132	4,723	14,102
Contractual modifications without derecognition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in estimating methodologies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-off not recognized directly in profit and loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other variations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Closing balance	66,885	6,108	—	72,993	14,208	—	14,208	112,357	—	112,357	—	—	24,567	11,145	6,826	242,096
Collection proceeds on financial assets subject to writedoffs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Writeoffs recognized directly in profit and loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

*A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)*

Portfolios/risk stages	Gross amounts/nominal values					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
	1. Financial assets valued at amortized cost	206,735	2,922	742	57,957	1,240
2. Financial assets valued at fair value with impact taken to other comprehensive income	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—
4. Commitments to disburse funds and financial guarantees given	124,056	—	12,729	3,912	4,572	47
Total 30/6/20	330,791	2,922	13,471	61,869	5,812	47
Total 30/6/19	299,968	74,869	53,242	—	76	18

*A.1.6 Cash and off-balance-sheet exposures to banks: gross and net values*

Type of exposure/assets	Gross exposures		Accumulated impairment and provisions	Net Exposure	Total partial write-off
	Non-performing loans	Performing loans			
A. Cash credit exposures					
a) Bad loans	—	X	—	—	—
- of wich: forborne exposures	—	X	—	—	—
b) Unlikely to pay	—	X	—	—	—
- of wich: forborne exposures	—	X	—	—	—
c) Overdue exposures (NPLs)	—	X	—	—	—
- of wich: forborne exposures	—	X	—	—	—
d) Overdue exposures (performing)	X	—	—	—	—
- of wich: forborne exposures	X	—	—	—	—
e) Other exposures (performing)	X	22,315,171	(20,351)	22,294,820	—
- of wich: forborne exposures	X	—	—	—	—
Total (A)	—	22,315,171	(20,351)	22,294,820	—
B. Off-balance-sheet exposures					
a) Non-performing	—	X	—	—	—
b) Performing	X	16,257,392	(2,414)	16,254,978	—
Total (B)	—	16,257,392	(2,414)	16,254,978	—
Total (A+B)	—	38,572,563	(22,765)	38,549,798	—

### A.1.7 Cash and off-balance-sheet exposures to customers: gross and net values

Type of exposure/assets	Gross exposures		Accumulated impairment and provisions	Net Exposure	Total partial write-off
	Non-performing	Performing			
A. Cash credit exposures					
a) Bad loans	11,019	X	(10,992)	27	—
- of which: forbore exposures	7,258	X	(7,231)	27	—
b) Unlikely to pay	455,497	X	(170,363)	285,134	—
- of which: forbore exposures	452,497	X	(169,526)	282,971	—
c) Overdue exposures (NPLs)	2,222	X	(161)	2,061	—
- of which: forbore exposures	—	X	—	—	—
d) Overdue exposures (performing)	X	14,860	(11)	14,849	—
- of which: forbore exposures	X	—	—	—	—
e) Other exposures (performing)	X	28,313,431	(66,838)	28,246,593	—
- of which: forbore exposures	X	221,983	(9,276)	212,707	—
Total (A)	468,738	28,328,291	(248,365)	28,548,664	—
B. Off-balance-sheet exposures					
a) Non-performing	31,300	X	(6,826)	24,474	—
b) Performing	X	19,936,167	(33,298)	19,902,869	—
Total (B)	31,300	19,936,167	(40,124)	19,927,343	—
Total (A+B)	500,038	48,264,458	(288,489)	48,476,007	—

### A.1.9 Cash exposures to customers: trend in gross non-performing exposures

Causal/category	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Opening balance (gross amount)			
	11,078	631,914	175
- Of which sold but not derecognised	—	—	—
B. Increases			
B.1 transfers from performing loans	—	—	3,948
B.2 entry from impaired financial assets acquired or originated	—	—	—
B.3 transfers from other non-performing exposures	—	—	—
B.4 contractual changes without cancellations	—	—	—
B.5 other increases	5	10,591	115
C. Decreases			
C.1 transfers to performing loans	—	124,328	3
C.2 write-off	—	—	—
C.3 recoveries	64	62,680	2,012
C.4 sales proceeds	—	—	—
C.5 losses on disposals	—	—	—
C.6 transfers to other non-performing exposures	—	—	—
C.7 contractual changes without cancellations	—	—	—
C.8 other decreases	—	—	1
D. Closing balance (gross amounts)			
	11,019	455,497	2,222
- Of which sold but not derecognised	—	—	—

*A.1.9bis Cash exposures to customers: trend in gross forborne exposures, by credit quality*

Causal/category	Non-performing Forborne exposures	Performing Forborne exposures
A. Opening balance (gross amount)	583,004	234,922
<i>- Of which sold but not derecognised</i>	—	—
B. Increases	63,758	246,909
B.1 transfers from performing not forborne exposures	—	115,601
B.2 transfers from performing forborne exposures	—	X
B.3 transfers from non-performing forborne exposures	X	124,327
B.4 transfers from non-performing not forborne exposures	53,732	—
B.5 other increases	10,026	6,981
C. Decreases	187,007	259,848
C.1 transfers to performing not forborne exposures	X	201,915
C.2 transfers to performing forborne exposures	124,327	X
C.3 transfers to non-performing exposures not forborne	X	—
C.4 write-off	—	—
C.5 recoveries	62,680	52,965
C.6 sales proceeds	—	—
C.7 losses on disposals	—	—
C.8 other decreases	—	4,968
D. Closing balance (gross amounts)	459,755	221,983
<i>- Of which sold but not derecognised</i>	—	—

As at 30 June 2020, gross non-performing exposures subject to forbearance measures <sup>7</sup> totalled €459,8m (30/6/19: €583m), with a coverage ratio of 38.4% (40.9%); while net NPLs totalled €283m (€344,7m).

Gross performing forborne exposures amount to €222m (€234,9m), with a coverage ratio of 4.2% (0.1%); which reduces to €212,7m (€234,6m) on a net basis.

Overall net non-performing forborne exposures represent 1.6% (1.9%) of total customer loans, while performing forborne exposures represent 1.2% (1.3%).

<sup>7</sup> Forbearance is defined as when a specific concession is offered to a client who is facing, or who risks facing, temporary financial difficulties in meeting their payment obligations.



### A.1.11 Non-performing cash exposures to customers: trend in overall writedowns

Description/Category	Bad loans		Unlikely to pay		Overdue exposures (NPLs)	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance overall amount of writedowns	10,814	4,041	245,454	234,286	171	—
- Of which sold but not derecognised	—	—	—	—	—	—
B. Increases	242	3,190	—	10,200	92	—
B.1 adjustments on acquired or originated impaired asset	—	X	—	X	—	X
B.2 other value adjustments	242	—	—	—	92	—
B.3 losses on disposal	—	—	—	—	—	—
B.4 transfer from other categories of non-performing	—	—	—	—	—	—
B.5 contractual changes without cancellations	—	—	—	—	—	—
B.6 other increases	—	3,190	—	10,200	—	—
C. Decreases	64	—	75,091	74,960	102	—
C.1 writebacks from assessments	64	—	65,971	65,840	53	—
C.2 writebacks from recoveries	—	—	9,120	9,120	45	—
C.3 gains on disposal	—	—	—	—	—	—
C.4 writeoffs	—	—	—	—	—	—
C.5 transfers to other categories of non-performing exposures	—	—	—	—	—	—
C.6 contractual changes without cancellations	—	—	—	—	—	—
C.7 other decreases	—	—	—	—	4	—
D. Closing overall amount of writedowns	10,992	7,231	170,363	169,526	161	—
- Of which sold but not derecognised	—	—	—	—	—	—

## A.2 Classification of credit exposures by internal and external ratings

### A.2.1 Financial assets, commitments to disburse fund and financial guarantees given by class of external ratings (gross values)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets valued at amortized cost	670,609	3,667,193	23,028,019	2,889,101	51,179	300,217	13,298,296	43,904,614
- First stage	670,609	3,667,193	23,028,016	2,847,792	51,179	300,217	12,538,914	43,103,920
- Second stage	—	—	3	41,309	—	—	363,414	404,726
- Third stage	—	—	—	—	—	—	395,968	395,968
B. Financial assets valued at fair value with impact taken to other comprehensive income	802,060	86,875	2,201,265	253,968	10,612	44,897	92,371	3,492,048
- First stage	802,060	86,875	2,201,265	253,968	10,612	44,897	92,371	3,492,048
- Second stage	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—
Total (A+B)	1,472,669	3,754,068	25,229,284	3,143,069	61,791	345,114	13,390,667	47,396,662
<i>of which: impaired financial assets acquired or originated</i>	—	—	—	—	—	—	—	—
C. Commitments and financial guarantees given								
- First stage	46,505	658,733	7,777,381	1,046,102	74,125	6,876	4,645,955	14,255,677
- Second stage	—	—	—	—	972	74,086	105,071	180,129
- Third stage	—	—	—	—	—	12,729	18,572	31,301
Total (C)	46,505	658,733	7,777,381	1,046,102	75,097	93,691	4,769,598	14,467,107
Total (A+B+C)	1,519,174	4,412,801	33,006,665	4,189,171	136,888	438,805	18,160,265	61,863,769

The Mediobanca Group adopts the Standard & Poor's ratings for all portfolios subject to assessment.

The table is compliant with the classification provided by Bank of Italy circular 262/05 (sixth update), which requires external ratings to be divided into six different classes of credit standing.

The first three risk classes (classes 1, 2 and 3) consist of investment grade exposures, with a Standard & Poor's rating of between AAA and BBB-, and represent 89% of the entire portfolio (93% last year), excluding unrated counterparties and non-performing loans.

The unrated exposures refer chiefly to Private Banking clients, portfolios that do not have an external rating.

*A.2.2 Financial assets, commitments to disburse funds and financial guarantees given by class of internal ratings (gross values)*

Exposures	Internal rating classes						Non-performing exposures	Unrated	Total
	Classe 1	Classe 2	Classe 3	Classe 4	Classe 5	Classe 6			
A. Financial assets valued at amortized cost									
- First stage	2,108,785	4,072,622	28,960,477	5,507,784	593,383	884		1,859,985	43,103,920
- Second stage	—	—	3	158,195	193,718	909		51,901	404,726
- Third stage	—	—	—	—	—	—		395,968	395,968
B. Financial assets valued at fair value with impact taken to other comprehensive income									
- First stage	802,060	106,813	2,232,630	250,599	44,897	—		55,049	3,492,048
- Second stage	—	—	—	—	—	—		—	—
- Third stage	—	—	—	—	—	—		—	—
Total (A+B)	2,910,845	4,179,435	31,193,110	5,916,578	831,998	1,793		395,968	47,396,662
<i>of which: impaired financial assets acquired or originated</i>									
	—	—	—	—	—	—		—	—
C. Commitments and financial guarantees given									
- First stage	97,953	1,116,550	9,105,431	2,949,516	288,516	—		697,711	14,255,677
- Second stage	—	—	—	9,448	165,800	3,912		969	180,129
- Third stage	—	—	—	—	—	—		31,300	31,300
Total (C)	97,953	1,116,550	9,105,431	2,958,964	454,316	3,912		31,300	14,467,107
Total (A+B+C)	3,008,798	5,295,985	40,298,541	8,875,542	1,286,314	5,705		427,269	61,863,769

Mediobanca uses models developed internally in the process of managing credit risk to assign ratings to each counterparty.

The models' different rating scales are mapped against a single Group master scale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P master scale.

### A.3 Distribution of secured exposures by type of security

#### A.3.1 Cash and off-balance sheet secured exposures to banks

	Gross exposure	Net exposure	Collaterals <sup>1</sup>			Personal guarantees <sup>2</sup>						Total (1)+(2)		
			Property - mortgages	Financial leasing - property	Securities	Other guarantees	Credit Derivatives			Signature loans				
							CLN	Central counter-parties	Other Banks	Other Derivatives Banks	Other financial companies		General governments	Other financial companies
1. Secured balance sheet credit exposures	2,923,707	2,922,423	—	—	2,858,371	—	—	—	—	—	—	—	—	2,858,371
1.1 totally secured	2,923,707	2,922,423	—	—	2,858,371	—	—	—	—	—	—	—	—	2,858,371
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 totally secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—

### A.3.2 Cash and off-balance sheet secured exposures to customers

	Gross exposure	Net exposure	Collaterals (1)			Personal guarantees (2)						Total (1)+(2)		
			Property - mortgages	Financial leasing - property	Securities	Other guarantees	Credit Derivatives			Signature loans				
							CLN	Central counter-parties	Other Derivatives	General governments	Banks		Other financial companies	Other entities
1. Secured balance sheet credit exposures	5,996,811	5,800,370	265,704	—	2,293,353	875,352	—	—	—	11,872	10,306	169,508	1,271,329	4,807,424
1.1. totally secured	4,694,724	4,575,375	265,704	—	2,126,091	851,246	—	—	—	11,872	10,306	26,230	1,271,329	4,562,778
- of which non-performing	85,234	41,815	39,911	—	565	1,339	—	—	—	—	—	—	—	41,815
1.2. partially secured	1,362,087	1,224,995	—	—	77,262	24,106	—	—	—	—	—	143,278	—	244,646
- of which non-performing	370,997	244,263	—	—	5,434	—	—	—	—	—	—	—	—	5,434
2. Secured off-balance sheet credit exposures	716,488	711,172	12,397	—	231,616	299,873	—	—	—	5,961	4,495	34,940	58,061	647,343
2.1. totally secured	621,075	618,976	12,397	—	231,115	299,873	—	—	—	5,961	4,495	—	58,061	611,902
- of which non-performing	1,001	1,001	—	—	737	264	—	—	—	—	—	—	—	1,001
2.2. partially secured	95,413	92,196	—	—	501	—	—	—	—	—	—	34,940	—	35,441
- of which non-performing	14,000	11,060	—	—	—	—	—	—	—	—	—	—	—	—

## B. Exposures distribution and concentration

### B.1 Cash and off-balance sheet exposures to customers by sector

Exposures/Counterparts	Public administration		Financial companies		Financial companies (of which insurance companies)		Non-financial companies		Households	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	27	(9,267)	—	—	—	(1,725)	—	—
- of which: <i>forborne exposures</i>	—	—	27	(7,231)	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	2,163	(837)	—	—	282,971	(169,526)	—	—
- of which: <i>forborne exposures</i>	—	—	—	—	—	—	282,971	(169,526)	—	—
A.3 Overdue exposures (NPLs)	—	—	66	(54)	1	(1)	29	(24)	1,965	(83)
- of which: <i>forborne exposures</i>	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	6,433,178	(3,987)	11,931,323	(18,845)	914,936	(3,423)	9,186,941	(42,155)	710,000	(1,862)
- of which: <i>forborne exposures</i>	—	—	30,707	(505)	—	—	177,419	(8,665)	4,581	(106)
Total (A)	6,433,178	(3,987)	11,933,579	(29,003)	914,937	(3,424)	9,469,941	(213,430)	711,965	(1,945)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	23,475	(6,826)	999
B.2 Performing exposures	1,162,709	—	7,911,734	(5,788)	1,385,851	(9)	10,530,995	(27,498)	297,431	(12)
Total (B)	1,162,709	—	7,911,734	(5,788)	1,385,851	(9)	10,554,470	(34,324)	298,430	(12)
Total (A+B) 30/6/20	7,595,887	(3,987)	19,845,313	(34,791)	2,300,788	(3,433)	20,024,411	(247,754)	1,010,395	(1,957)
Total (A+B) 30/6/19	11,893,211	(775)	21,247,459	(26,846)	1,641,672	(1,858)	19,218,180	(276,321)	1,038,150	(1,731)

*B.2 Cash and off-balance sheet exposures to customers by geography*

Exposures/Geographical Area	Italy		Other european countries		United States		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	27	(10,992)	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	243,843	(160,163)	41,291	(10,200)	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	2,059	(160)	2	(1)	—	—	—	—	—	—
A.4 Performing exposures	21,333,408	(54,308)	6,420,314	(12,346)	507,465	(195)	—	—	255	—
Total (A)	21,579,337	(225,623)	6,461,607	(22,547)	507,465	(195)	—	—	255	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	12,059	(2,941)	10,450	(2,278)	—	—	—	1,965	(1,607)	—
B.2 Performing exposures	7,378,012	(4,732)	10,843,909	(14,954)	1,524,454	(12,598)	155,264	(1,014)	1,230	—
Total (B)	7,390,071	(7,673)	10,854,359	(17,232)	1,524,454	(12,598)	157,229	(2,621)	1,230	—
Total (A+B) 30/6/20	28,969,408	(233,296)	17,315,966	(39,779)	2,031,919	(12,793)	157,229	(2,621)	1,485	—
Total (A+B) 30/6/19	34,858,874	(276,662)	16,073,466	(24,492)	2,291,211	(4,228)	170,189	(290)	3,260	(1)

### B.3 Cash and off-balance sheet exposures to banks by geography

Exposures/Geographical Area	Italy		Other european countries		United States		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	15,034,276	(16,384)	7,219,923	(3,944)	39,405	(20)	1,215	(3)	1	—
Total (A)	15,034,276	(16,384)	7,219,923	(3,944)	39,405	(20)	1,215	(3)	1	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	4,231,865	(21)	12,023,044	(2,393)	69	—	—	—	—	—
Total (B)	4,231,865	(21)	12,023,044	(2,393)	69	—	—	—	—	—
Total (A+B) 30/6/20	19,266,141	(16,405)	19,242,967	(6,337)	39,474	(20)	1,215	(3)	1	—
Total (A+B) 30/6/19	17,967,952	(10,247)	24,140,338	(6,503)	41,791	(10)	5,045	(2)	1	—



### B.4a Credit risk indicators

	30/6/20	30/06/19
a) Bad loans (Gross exposure) / Loans to customers	0.04%	0.05%
b) Unusual matches / Balance sheet credit exposures	1.64%	2.05%
c) Bad loans (Net exposure) / Regulatory capital	0.-%	0.-%

### B.4b Gross NPL Ratio<sup>8</sup>

	30/6/20	30/06/19
(€ m)		
Gross value (prudential scope of consolidation)		
Loans	30,290.1	28,319.9
NPLs	468.7	643.2
Loans and advances to customers by MBCredit Solutions	30,758.9	28,963.1
—	—	—
Treasury financial assets *	10,311.2	11,575.9
Total Loans and Receivables (FINREP)	41,070.1	40,539.-
Gross NPL ratio Finrep %	1.1%	1.6%

\* In line with the guidelines of the EBA Risk Dashboard, the calculation excludes cash and includes untied deposits held with central banks.

### B.4c Large risks

	30/06/20	30/06/19
a) Book value	11,368,066	12,663,699
b) Weighted value	8,974,253	9,172,281
c) No. of exposures	10	11

At the reporting date, aggregate exposures (including market risks and equity investments) to a total of ten groups of clients (one less than last year) were in excess of 10% of the regulatory capital, for a gross exposure of €11.4bn (€9bn, taking into account guarantees and weightings), lower than the respective figures at end-June 2019 (€12.7bn and €9.2bn respectively). In detail the ten exposures are to four industrial groups, one insurance company and five banking groups.

<sup>8</sup> The calculation of the Gross NPL ratio is defined in the EBA Risk Dashboard as the ratio between the gross book value of the NPL (loans and advances) on total loans and advances. Source: EBA Risk Dashboard, Risk Indicators in the Statistical Annex (AQT\_3.2).

## C. Securitizations

### QUALITATIVE INFORMATION

The bulk of the portfolio consists of the Group's senior securitizations, with €2,574.3m in Quarzo bonds with performing Compass receivables as the underlying instrument, down on the figure reported last year (30/6/19: €3,851.7m).

The Bank has portfolio of securities deriving from securitizations by other issuers totaling €214.7m, €185.8m of which as part of the banking book (almost all HTC recognized at amortized cost) and €28.9m as part of the trading book.

The contribution from senior securities held as part of the banking book declined from €152.3m to €129m, following the reduction in the exposure to deals with NPLs as underlying instrument, the amount of which fell from €142.6m to €80.7m, 79% of which involved domestic deals (Unicredit-Fino, Intesa-Belvedere and Prisma), against an increase in securities with performing loans and CLOs as the underlying, to €48.4m (€9.7m); the portfolio reflects an increase in the exposure to mezzanine tranches to €56.3m (€3.3m), almost entirely attributable to the contribution of securities with performing receivables as the underlying instrument (€41.2m), and to a lesser extent, new investments in CLOs (€14.1m). The share of junior notes remains decidedly low at €0.4m. Overall the portfolio contains CLOs totalling €22.1m, €14.1m of which are mezzanine.

The trading book reflects a sizeable reduction, from €91.4m to €28.9m, with virtually the entire portfolio renewed. The balance at 30 June 2020 reflects almost exclusively mezzanine securities, €20.9m of which involve securitizations of performing receivables (mostly Italian) and €8m in CLO tranches. Movements for the period include the transfer of €50m to a fund in which a share worth a nominal €75m was subscribed.

Mediobanca also has an exposure to:

- Cairn Loan Investments LLP (CLI and CLI II), Cairn-branded CLO management companies, which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invest in the junior tranches of the CLOs they manage, with investments of €26m and €13m respectively;

- Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A. which is currently invested in four securitizations (Valentine, Berenice, Cube and Este) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €28m;
- Negentropy RAIF - Debt Select Fund, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited; the fund has a NAV of €112.3m, with senior tranches of Italian NPLs as the underlying instrument, 45% of which consists of the initial transfer from the Belvedere deal; Mediobanca, which acted as advisor on the deal, currently has an investment of €76.4m.

The secondary ABS market saw a sudden widening of spreads following the Covid-19 emergency, with a liquidity freeze which was largely mitigated by the monetary policy initiatives promoted by the central banks. The fiscal policy instruments finalized by the various governments, meanwhile, have preserved the average quality of the underlying instruments for the moment. However, the flow of new deals has slowed significantly, reflecting the fact that market conditions are currently less advantageous than the terms offered by the new T-LTRO.

## QUANTITATIVE INFORMATION

### *C.2 Exposures from main customer securitizations by asset type/exposure*

Type of securitized asset/ Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns / writeback	Book value	Writedowns / writeback	Book value	Writedowns / writeback
A. NPLs Italy (residential mortgages and real estates)	63,733	—	1,024	(976)	283	(357)
B. NPLs Spain (residential mortgages and real estates)	16,924	—	—	—	—	—
C. Performing Loan Italy	26,809	—	52,995	(972)	—	—
D. Performing Loan Holland	13,530	—	3,083	(10)	187	(11)
E. Performing Loan Spain	—	—	945	(55)	—	—
F. Performing Loan Germany	—	—	5,090	—	—	—
G. Other receivables held by Group's entities	2,574,288	—	—	—	—	—
H. Other receivables	8,029	—	22,107	(843)	—	—
Total 30/6/20	2,703,313	—	85,243	(2,856)	470	(368)
Total 30/6/19	4,072,346	103	26,434	(6)	841	—

*C.4 Securitization SPVs not consolidated*

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

**D. Disclosure on unconsolidated structured entities other than securitization SPVs**

**QUALITATIVE INFORMATION**

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

**QUANTITATIVE INFORMATION**

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

## E. Asset disposals

### A. Financial assets sold but not entirely derecognized

#### E.1 Financial assets sold entirely recognized and related financial liabilities: book values

	Financial assets sold as a whole			Associated financial liabilities		
	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement
A. Financial assets held for trading						
1. Debt securities	1,866,258	—	1,866,258	1,740,442	—	1,740,442
2. Equities	1,539,228	—	1,539,228	1,421,918	—	1,421,918
3. Loans	327,030	—	327,030	318,524	—	318,524
4. Derivatives	—	—	—	—	—	—
B. Other financial assets mandatorily at fair value						
1. Debt securities	—	—	—	—	—	—
2. Equities	—	—	—	—	—	—
3. Loans	—	—	—	—	—	—
C. Financial assets designated at fair value						
1. Debt securities	—	—	—	—	—	—
2. Loans	—	—	—	—	—	—
D. Financial assets at fair value with impact taken to comprehensive income						
1. Debt securities	383,482	—	383,482	365,219	—	365,219
2. Equities	383,482	—	383,482	365,219	—	365,219
3. Loans	—	—	—	—	—	—
E. Financial assets measured at amortized cost						
1. Debt securities	868,216	—	868,216	675,535	—	675,535
2. Loans	654,112	—	654,112	588,892	—	588,892
Total 30/06/20	214,104	—	214,104	86,643	—	86,643
Total 30/06/19	3,117,956	—	3,117,956	2,781,196	—	2,781,196
	4,006,950	—	4,006,950	3,922,460	—	3,922,460

*E.3 Disposals related to financial liabilities with repayment exclusively based on assets sold and not fully derecognized: fair value*

	Fully booked	Partially booked	Total	
			30/6/20	30/6/19
A. Financial assets held for trading	1,866,258	—	1,866,258	3,147,167
1. Debt securities	1,539,228	—	1,539,228	2,312,251
2. Equities	327,030	—	327,030	834,916
3. Loans	—	—	—	—
4. Derivatives	—	—	—	—
B. Other financial assets mandatorily at fair value	—	—	—	—
1. Debt securities	—	—	—	—
2. Equities	—	—	—	—
3. Loans	—	—	—	—
C. Financial assets designated at fair value	—	—	—	—
1. Debt securities	—	—	—	—
2. Loans	—	—	—	—
D. Financial assets at fair value with impact taken to comprehensive income	383,482	—	383,482	529,449
1. Debt securities	383,482	—	383,482	529,449
2. Equities	—	—	—	—
3. Loans	—	—	—	—
E. Financial assets measured at amortized cost (fair value)	892,747	—	892,747	339,455
1. Debt securities	659,771	—	659,771	162,126
2. Loans	232,976	—	232,976	177,329
Total financial assets	3,142,487	—	3,142,487	4,016,071
Total associated financial liabilities	2,838,340	—	X	X
Net value 30/06/2020	304,147	—	3,142,487	X
Net value 30/06/2019	93,611	—	X	4,016,071

## **F. Models for measuring credit risk**

Mediobanca S.p.A. uses the IRB Advanced method, featuring the PD and LGD parameters, in order to quantify the capital requirement for credit risk on the Corporate portfolio. A plan has also been adopted to progressively roll out the internal models to cover other categories of credit asset as well (the “Roll-Out Plan”). For these exposures, for which the standardized methodology is currently used to calculate the regulatory capital requirements, the Bank has nonetheless developed internal credit risk models that are used for management purposes. The Bank has also developed a portfolio model to calculate the economic capital for credit risk, which allows concentration and diversification effects (geographical and sector) to be taken into consideration. For further details please see “Section 1.1 Credit risk” in Part E of the Notes to the Accounts.

## SECTION 2

### Market Risks

#### 2.1 INTEREST RATE RISK AND PRICE RISK - SUPERVISORY TRADING BOOK

##### QUALITATIVE INFORMATION

The operating exposure to market risks generated by the positions held as part of the trading book are 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. 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.



The strong market correction which followed the Covid-19 crisis drove an increase in the use of market risk limits, which resulted in desk control and reporting activities being stepped up versus the committees, senior management and supervisors.

The aggregate value-at-risk on the trading book ranged from a low of €1.9m at end-September 2019 to a high of €7.7m in mid-March, with the average reading virtually unchanged at €4.2m (30/6/19: €4.3m); in mid-August the VaR reading was between €6m and €7m, in line with the figure at the reporting date. The closure of some large outright positions in mid-August caused a significant reduction VaR which fell abruptly, from €6m to €2m. VaR fluctuated from €2m at the start of February, before increasing progressively to reach €4m by the end of the month, as concerns began to rise over the outbreak of the Covid-19 pandemic. From the time when the first cases of Covid-19 were reported in Italy, market volatility and VaR rose quickly, reaching the high of €7.7m in mid-March mentioned above. Thereafter the VaR reading remained at high levels, albeit slightly lower, fluctuating between €5m and €6m due to the strong volatility that continues to affect markets. The point-in-time reading for VaR as at 30 June 2020 was €5.8m (€6.3m).

Like VaR, the expected shortfall also showed an average reading in line with the previous year, at around €5.4m.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) in the twelve months showed four occasions on which the VaR value was departed from, all of which occurred between 9 and 17 March 2020 due to the instability and high market volatility that erupted following the outbreak of Covid-19.

Tab.1: Value-at-risk and expected shortfall: trading book

Risk factors (€'000)	(€'000)				
	12 mths ended 30/6/20			12 mths ended 30/6/19	
	30/6	Min	Max	Avg.	Avg.
Interest rates	3,312	478	4,773	2,016	2,165
Credit	2,585	788	6,888	1,750	1,163
Share prices	6,194	815	8,782	3,291	1,632
Exchange rates	633	231	1,415	718	1,740
Inflation	581	125	780	256	170
Volatility	3,462	740	4,372	1,828	1,271
Diversification effect *	(10,968)			(5,654)	(3,824)
Total	5,799	1,917	7,649	4,205	4,317
<b>Expected Shortfall</b>	<b>6,766</b>	<b>2,488</b>	<b>19,803</b>	<b>5,385</b>	<b>5,376</b>

\* Due to mismatch between risk factors.

Apart from the general VaR limit on aggregate trading positions, a system of sub-limits is also in place, reflecting a greater degree of granularity for the individual business units involved. Each trading desk also has limits in terms of sensitivities to movements in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and equity volatility) which are monitored daily.

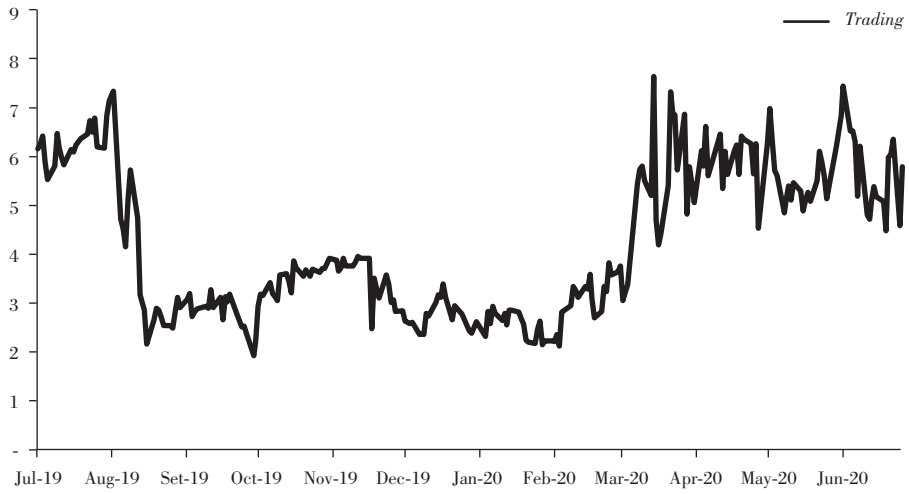
Compared to last year, the exposures to the various asset classes have not increased significantly. The average exposures to equities have increased, measured by both delta and vega, with marked fluctuation between highs and lows. The interest rate delta ranged from minus €361,000 to plus €806,000, with an average reading of around €23,000, and with more pronounced fluctuations between lows and highs than last year. Conversely, the exchange rate delta was lower than last year, ranging from a low of minus €187,000 to a high of €786,000 per percentage point (last year the high was €1.9m per percentage point).

Tab. 2: Summary of trend in main sensitivities for trading book

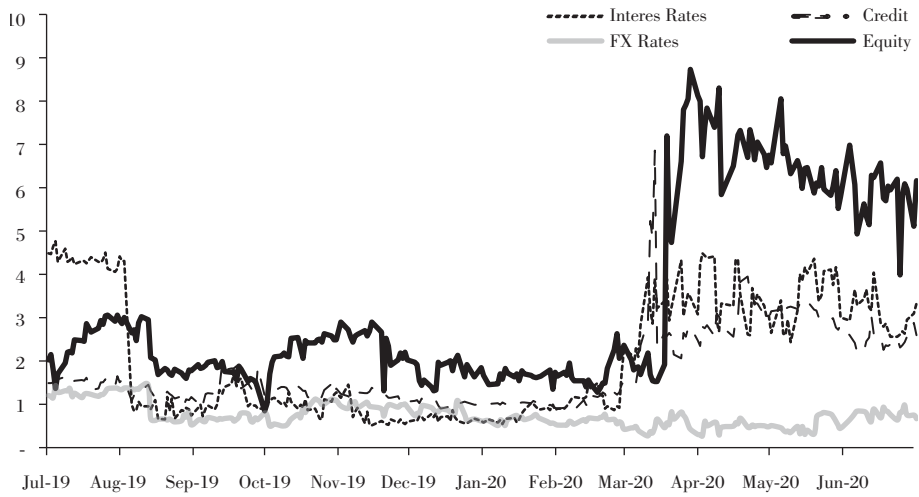
Risk factors (€'000)	(€'000)				
	12 mths ended 30/6/20			12 mths ended 30/6/19	
	30/6	Min	Max	Avg.	Media
Equity delta (+1%)	476,305	187,161	1,255,622	738,132	664,340
Equity vega (+1%)	589,060	(2,579,578)	1,748,192	858,604	618,926
Interest rate delta(+1bp)	70,398	(361,634)	806,332	23,621	323,109
Inflation delta (+1 bp)	61,533	13,360	75,255	34,296	13,743
Exchange rate delta (+1%) *	417,485	(186,596)	786,363	373,354	703,114
Credit delta (+1bp)	569,729	270,143	1,314,285	584,597	750,825

\* Refers to the Euro gaining versus other currencies

### Trends in VaR



### Trends in VaR constituents



## QUANTITATIVE INFORMATION

### 1. Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	3,327	166,190	250,769	221,535	1,966,865	253,916	672,488	—
1.1 Debt securities	3,327	166,190	250,769	221,535	1,966,865	253,916	672,488	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	3,327	166,190	250,769	221,535	1,966,865	253,916	672,488	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	35	84,684	115,729	414,796	1,993,573	52,219	276,648	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	35	84,684	115,729	414,796	1,993,573	52,219	276,648	—
3. Financial Derivatives								
3.1 With underlying securities								
- Options								
+ long positions	—	—	2,430,000	880,132	—	—	—	—
+ short positions	—	—	2,430,000	880,132	—	—	—	—
- Others								
+ long positions	—	330,564	—	20,000	214,664	104,380	—	—
+ short positions	—	330,564	—	20,000	214,664	104,380	—	—
3.2 Without underlying securities								
- Options								
+ long positions	—	68,143,493	53,338,332	2,903,586	3,862,509	2,514,942	1,031,820	—
+ short positions	—	68,143,493	53,338,332	2,903,586	3,862,509	2,514,942	1,031,820	—
- Others								
+ long positions	386,761	31,113,736	8,072,588	11,509,156	21,366,293	7,121,423	5,565,294	—
+ short positions	656,358	37,470,931	8,490,349	4,464,603	21,366,293	7,121,423	5,565,294	—

### 2. Regulatory trading book: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities <sup>1</sup>			
A.1 Shares	1,737,767	-	29,372
A.2 Innovative equity instruments	-	-	-
A.3 Other equity instruments	-	-	-
B. UCITS units			
B.1 Italian	-	-	2,526
- harmonized open	-	-	-
- non-harmonized open	-	-	-
- closed	-	-	2,526
- reserved	-	-	-
- speculative	-	-	-
B.2 Other EU states	20,114	-	-
- harmonized	15,572	-	-
- non-harmonized open	-	-	-
- non-harmonized closed	4,542	-	-
B.3 Non-EU states	-	-	-
- open	-	-	-
- closed	-	-	-
<b>Total</b>	<b>1,757,881</b>	<b>-</b>	<b>31,898</b>

(<sup>1</sup>) Net mismatch between trading assets and technical shortfalls booked as trading liabilities: over 87% of the net exposure is to EU member states.

## 2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

### QUALITATIVE INFORMATION

Mediobanca monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The former quantifies the impact of parallel and simultaneous 200 bps 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).

All the scenarios present a floor set by the EBA guidelines (EBA/GL/2018/02) 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 behavioral models, and consumer credit items and mortgages which reflect the possibility of early repayment).

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.

With reference to the Group's banking book positions at 30 June 2020, in the event of a parallel and simultaneous 200 basis point reduction in interest rates ("parallel down"), estimated net interest income would not decrease at all.

With reference to analysis of the discounted value of estimated cash flows on the banking book, a flattener shock generates a €22m.

## **Hedging**

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).<sup>1</sup>

### **A. 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.

<sup>1</sup> 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.

## **B. 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 hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Bank 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.

## **D. Hedging instruments**

## **E. Hedged instruments**

Hedged and hedging instruments are described in detail in the previous sections and at various points throughout the Annual Report.

## **Counterparty risk**

Counterparty risk generated by market transactions with clients or institutional counterparties is measured in terms of potential future exposure. As far as regards Derivatives and short-term loan collateralization products (Repos and securities lending), the calculation 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.

## QUANTITATIVE INFORMATION

### 1. Banking book by outstanding maturity (repricing date) of financial assets and liabilities

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	4,018,000	27,736,621	7,145,623	1,374,636	5,233,716	1,491,712	326,068	—
1.1 Debt securities	—	2,721,547	2,198,182	809,876	2,497,349	1,300,198	48,614	—
- with early repayment option								
- others		2,721,547	2,198,182	809,876	2,497,349	1,300,198	48,614	
1.2 Loans to banks	1,549,678	14,848,424	975,071	375,206	1,398,376	99,738	269,405	
1.3 Loans to customers	2,468,322	10,166,650	3,972,370	189,554	1,337,991	91,776	8,049	—
- current accounts	917,839							
- other loans	1,550,483	10,166,650	3,972,370	189,554	1,337,991	91,776	8,049	—
- with early repayment option								
- others	1,550,483	10,166,650	3,972,370	189,554	1,337,991	91,776	8,049	
2. Cash liabilities	21,451,138	8,709,978	2,732,836	4,334,770	8,599,656	3,835,140	866,648	—
2.1 Due to customers	5,575,184	264,783	204,023	79,698	803,231	—	599,985	—
- current accounts	4,984,420							
- other amounts due	590,764	264,783	204,023	79,698	803,231	—	599,985	—
- with early repayment option								
- others	590,764	264,783	204,023	79,698	803,231		599,985	
2.2 Due to banks	15,875,117	3,524,813	1,632,243	2,027,453	3,506,667	513	104,498	—
- current accounts	15,124,643							
- other amounts due	750,474	3,524,813	1,632,243	2,027,453	3,506,667	513	104,498	
2.3 Debt securities	837	4,920,382	896,570	2,227,619	4,289,758	3,834,627	162,165	—
- with early repayment option								
- others	837	4,920,382	896,570	2,227,619	4,289,758	3,834,627	162,165	
2.4 Other liabilities	—	—	—	—	—	—	—	—
- with early repayment option								
- others								
3. Financial derivative products								
3.1 With underlying securities								
- Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
- Others								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
- Options								
+ long positions	—	—	—	—	1,905,287	119,894	—	—
+ short positions	—	—	—	—	1,905,287	119,894	—	—
- Others								
+ long positions	—	7,841,006	3,757,164	11,136,325	3,327,954	1,730,500	27,500	—
+ short positions	—	21,576,153	1,190,000	318,342	2,977,954	1,730,500	27,500	—
4. Other OTC trades								
+ long positions	589,799	1,297,835	781,684	454,922	9,028,765	466,743	273,375	—
+ short positions	508,749	963,766	776,667	385,447	9,124,037	559,164	575,293	—



## 2. Banking book: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities <sup>1</sup>			
A.1 Shares	113,322	—	28,551
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	160,000
B. UCITS units			
B.1 Italian	30,081	—	116,060
- harmonized open	30,081	—	—
- non-harmonized open	—	—	—
- closed	—	—	107,068
- reserved	—	—	—
- speculative	—	—	8,992
B.2 Other EU states	255,376	—	234,942
- harmonized	—	—	—
- non-harmonized open	—	—	76,377
- non-harmonized closed	255,376	—	158,565
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
<b>Total</b>	<b>398,779</b>	<b>—</b>	<b>539,553</b>

<sup>1</sup> which 37% Italian and 53% other EU member states.

### 2.3 EXCHANGE RATE RISK

#### QUALITATIVE INFORMATION

##### A. General aspects, operating processes and measurements techniques

##### B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown on p. 212 is an effective representation of changes in the risks taken on the forex market, in view of the fact that exposures to foreign exchange rates are managed globally within the Finance area of Mediobanca S.p.A.

## QUANTITATIVE INFORMATION

### 1. Assets, liabilities and Derivatives by currency

Items	Currencies					
	US Dollar	Great Britain Pound	Japanese Yen	Swedish Krona	Swiss Franc	Other currencies
A. Financial assets	2,894,880	1,133,549	8,692	1,166	440,110	32,497
A.1 Debt securities	827,109	20,633	—	—	94,305	—
A.2 Equity securities	291,023	617,637	—	—	1,873	—
A.3 Due from banks	1,056,994	386,725	8,682	1,166	51,465	25,639
A.4 Due from customers	546,888	106,237	—	—	151,615	6,826
A.5 Other financial assets	172,866	2,317	10	—	140,852	32
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	3,517,971	570,183	73	369	299,452	32,780
C.1 Due to banks	1,333,396	484,392	3	201	232,501	32,548
C.2 Due to customers	95,754	50,959	—	168	—	117
C.3 Debt securities in issue	1,897,775	33,200	—	—	—	—
C.4 Other financial liabilities	191,046	1,632	70	—	66,951	115
D. Other liabilities	—	—	—	—	—	—
E. Financial Derivatives						
- Options						
+ Long positions	170,105	82,593	13,846	—	9,516	1,523
+ Short positions	163,982	91,788	20,496	—	9,721	—
- Other Derivatives						
+ Long positions	3,896,385	629,643	186,507	2,606	617,644	200,327
+ Short positions	3,272,997	1,191,250	195,076	16	758,603	189,127
Total assets	6,961,370	1,845,785	209,045	3,772	1,067,270	234,347
Total liabilities	6,954,950	1,853,221	215,645	385	1,067,776	221,907
Difference (+/-)	6,420	(7,436)	(6,600)	3,387	(506)	12,440

### 2. Internal models and other methodologies used for sensitivity analysis

Exposures to exchange rates for the principal currencies at the aggregate Group level showed major changes in balances for the first six months of the financial year, before remaining stably at high levels until February 2020, after which there was a marked decrease in the absolute figures until the reporting date. Volatility for all major currencies remained at low levels until the Covid-19 crisis, which caused it to increase suddenly. Equally, the VaR for the exchange rate component fluctuated at low levels until mid-March 2020, when it reached a high, before decreasing slightly by end-June 2020. The average reading for VaR was around €10m, slightly lower than last year (€11.7m); while the point-in-time reading at 30 June 2020 was €11.8m (30/6/19: €9.2m).

## SECTION 3

### Derivative instruments and hedging policies

#### 3.1 Trading Derivatives

In the following tables, the figures for certificates as at 30 June 2019 have been reclassified by underlying instrument, to enable better comparison with the data as at 30 June 2020.

##### A. Financial Derivatives

##### A.1 Trading financial Derivatives: average and reporting-date notional values

Underlying assets / Type of Derivatives	30/6/20				30/6/19			
	Over the counter			Established markets	Over the counter			Established markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with clearing arrangements	without clearing arrangements	with clearing arrangements		without clearing arrangements		
1. Debt securities and interest rate	42,145,449	45,099,677	1,421,512	122,834,994	32,013,915	52,535,529	927,838	99,014,423
a) Options	-	11,186,213	260,000	120,846,902	-	12,115,937	280,000	96,703,913
b) Swap	42,145,449	31,368,420	1,161,512	-	32,013,915	32,309,212	647,838	-
c) Forward	-	389,044	-	-	-	124,380	-	-
d) Futures	-	-	-	1,988,092	-	-	-	2,310,510
e) Others	-	2,156,000	-	-	-	7,986,000	-	-
2. Equities and stock indexes	-	21,548,112	2,010,092	18,380,123	-	14,442,921	2,910,398	14,158,852
a) Options	-	19,730,713	603,365	17,881,937	-	12,289,056	2,182,737	13,822,601
b) Swap	-	1,665,996	-	-	-	2,002,462	-	-
c) Forward	-	151,403	-	-	-	151,403	-	-
d) Futures	-	-	-	498,186	-	-	-	336,251
e) Others <sup>1</sup>	-	-	1,406,727	-	-	-	727,661	-
3. Currencies and gold	-	8,668,772	739,268	-	-	9,473,310	108,554	-
a) Options	-	654,466	1,233	-	-	1,534,191	-	-
b) Swap	-	3,125,183	379,295	-	-	3,137,018	105,448	-
c) Forward	-	4,889,123	358,740	-	-	4,802,101	7,418	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42,145,449</b>	<b>75,316,561</b>	<b>4,170,872</b>	<b>141,215,117</b>	<b>32,013,915</b>	<b>76,451,760</b>	<b>3,946,790</b>	<b>113,173,275</b>

<sup>1</sup> Regards exclusively certificates issued.

## A.2 Trading financial Derivatives: positive and negative fair values by product

Types of Derivatives	30/6/20				30/6/20			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties		Without clearing arrangements		Central counterparties		Without clearing arrangements	
	Counterparts	With clearing arrangements		Counterparts	With clearing arrangements			
1. Positive fair value								
a) Options	—	1,168,381	2,717	824,337	—	571,984	3,820	487,169
b) Interest rate swap	220	1,002,609	70,326	—	2,489	993,648	66,165	—
c) Cross currency swap	—	155,455	12,491	—	—	326,406	10,067	—
d) Equity swap	—	139,911	—	—	—	9,181	—	—
e) Forward	—	45,214	10,037	—	—	45,221	6,165	—
f) Futures	—	—	—	43,620	—	—	—	10,352
g) Others	—	—	—	—	—	—	—	—
Total	220	2,511,570	95,571	867,957	2,489	1,946,440	86,217	497,521
2. Negative fair value								
a) Options	—	1,062,855	16,385	1,232,182	—	677,781	60,315	629,169
b) Interest rate swap	493,683	451,225	14,086	—	228,968	655,970	7,544	—
c) Cross currency swap	—	114,747	—	—	—	99,056	—	—
d) Equity swap	—	25,574	—	—	—	20,436	—	—
e) Forward	—	160,064	3,450	—	—	166,527	885	—
f) Futures	—	—	—	10,490	—	—	—	20,479
g) Others <sup>1</sup>	—	—	1,184,888	—	—	—	713,336	—
Total	493,683	1,814,465	1,218,809	1,242,672	228,968	1,619,770	782,080	649,648

<sup>1</sup> Regards exclusively certificates issued.

### A.3 OTC trading financial Derivatives: notional values, positive and negative fair values by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	70,000	269,086	1,082,426
- positive fair value	X	55,662	6,414	9,155
- negative fair value	X	87	14,156	3,817
2) Equities and stock indexes				
- notional value <sup>1</sup>	X	1,918,270	91,802	20
- positive fair value	X	6,490	643	3,044
- negative fair value <sup>1</sup>	X	1,197,564	91	1,995
3) Currencies and gold				
- notional value	X	220,679	14,434	504,154
- positive fair value	X	534	42	13,586
- negative fair value	X	831	130	138
4) Commodities				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	42,145,449	30,133,761	8,875,883	6,090,033
- positive fair value	220	811,282	165,852	334,199
- negative fair value	493,683	421,432	337,537	45,362
2) Equities and stock indexes				
- notional value	—	12,272,080	7,524,014	1,752,018
- positive fair value	—	449,106	293,217	255,575
- negative fair value	—	536,547	311,197	9,994
3) Currencies and gold				
- notional value	—	5,328,533	1,843,349	1,496,890
- positive fair value	—	80,907	67,327	54,108
- negative fair value	—	85,045	15,833	51,518
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

<sup>1</sup> Of which certificates with a notional value of 1,406,727 and a fair value of 1,184,888.

#### A.4 Outstanding life of OTC financial Derivatives: notional amounts

Underlying/residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates	19,674,823	43,828,533	25,163,282	88,666,638
A.2 Financial derivative contracts on equity securities and stock indexes	8,071,439	14,455,940	1,030,825	23,558,204
A.3 Financial Derivatives on currencies and gold	5,820,800	3,051,430	535,810	9,408,040
A.4 Financial Derivatives on goods	—	—	—	—
A.5 Other financial Derivatives	—	—	—	—
Total 30/6/20	33,567,062	61,335,903	26,729,917	121,632,882
Total 30/6/19	29,997,284	57,254,165	25,161,016	112,412,465

## B. Credit Derivatives

#### B.1 Trading credit Derivatives: average and reporting-date notional values

Type of transaction	Trading Derivatives	
	with a single counterparty	with more than one counterparty (basket)
1. Protection purchases		
a) Credit default products	3,906,332	22,413,129
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other <sup>1</sup>	167,600	—
Total 30/6/20	4,073,932	22,413,129
Total 30/6/19	5,365,395	17,549,942
2. Security sales		
a) Credit default products	2,635,022	22,442,171
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other	—	—
Total 30/6/20	2,635,022	22,442,171
Total 30/6/19	2,652,999	17,549,944

<sup>1</sup> Regards exclusively certificates issued.

The column headed “Basket” shows the positions in skew that hedge issues open, both benchmark index and with single-name underlying, and are balanced between buys and sales. The derivative embedded in the issues, for the hedge buys, is represented by individual constituents, with notional value equal to the nominal value of the issues.

### B.2 Trading credit Derivatives: positive and negative fair values by product

Types of Derivatives	30/6/20	30/6/19
1. Positive fair value		
a) Credit default products	185,611	490,192
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other	—	—
<b>Total</b>	<b>185,611</b>	<b>490,192</b>
2. Negative fair value		
a) Credit default products	247,133	551,263
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other <sup>1</sup>	172,228	151,403
<b>Total</b>	<b>419,361</b>	<b>702,366</b>

(<sup>1</sup>) Regards exclusively certificates issued.

### B.3 Trading book OTC credit Derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparts	Bank	Other financial companies	Other subjects
Contracts not covered by clearing agreements				
1) Purchase protection				
– notional value <sup>1</sup>	X	930,951	678,992	—
– positive fair value	X	23,426	7,154	—
– negative fair value <sup>1</sup>	X	173,123	—	—
2) protection sale				
– notional value	X	14,526	—	—
– positive fair value	X	2,306	—	—
– negative fair value	X	623	—	—
Contracts covered by clearing agreements				
1) Purchase protection				
– notional value	3,676,182	9,814,263	11,386,674	—
– positive fair value	—	37,513	14,501	—
– negative fair value	3,611	94,244	75,719	—
2) protection sale				
– notional value	3,626,146	10,254,063	11,182,458	—
– positive fair value	—	52,185	48,526	—
– negative fair value	14,009	42,309	15,721	—

<sup>1</sup> Of which certificates with a notional value of €167,600 and a fair value of €172,228.

### B.4 Outstanding life of OTC trading credit Derivatives: notional values

Underlying / residual	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1. Sale protection	1,084,304	23,498,167	494,722	25,077,193
2. Buy protection	549,768	25,450,034	487,260	26,487,062
Total 30/06/20	1,634,072	48,948,201	981,982	51,564,255
Total 30/06/19	1,554,766	38,227,205	3,336,309	43,118,280

## 3.2 Hedging policies

### A. Financial hedging Derivatives

#### A.1 Financial hedging Derivatives: reporting-date notional value

Underlying assets/Type of Derivatives	30/6/20				30/6/19			
	Over the counter		Established markets	Over the counter		Established markets		
	Central Counterparts	without central counterparties		Central Counterparts	without central counterparties			
		with clearing arrangements	without clearing arrangements		with clearing arrangements	without clearing arrangements		
1. Debt securities and interest rate	23,863,465	5,668,716	—	—	18,787,256	6,038,647	—	—
a) Options	—	2,025,181	—	—	—	130,000	—	—
b) Swap	23,863,465	3,643,535	—	—	18,787,256	5,808,647	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	100,000	—	—
2. Equities and stock indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	—	—	—	—	—	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
3. Currencies and gold	—	313,449	—	—	—	308,436	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	313,449	—	—	—	308,436	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
<b>Total</b>	<b>23,863,465</b>	<b>5,982,165</b>	<b>—</b>	<b>—</b>	<b>18,787,256</b>	<b>6,347,083</b>	<b>—</b>	<b>—</b>



## A.2 Financial hedging Derivatives: positive and negative fair values by product

Types of Derivatives	positive and negative fair values								Change in the value used to calculate the ineffectiveness of the hedge	
	30/6/20				30/6/19				30/6/20	30/6/19
	Over the counter		Organized markets	Over the counter		Organized markets				
	Central Counterparts	Without central counterparties		Central Counterparts	Without central counterparties					
	With clearing arrangements	Without clearing arrangements			With clearing arrangements	Without clearing arrangements				
1. Positive fair value										
a) Options	—	5,093	—	—	—	6,505	—	—	—	—
b) Interest rate swap	416,547	49,644	—	—	305,510	96,710	—	—	241,478	356,659
c) Cross currency swap	—	365	—	—	—	1,138	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	—	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>416,547</b>	<b>55,102</b>	<b>—</b>	<b>—</b>	<b>305,510</b>	<b>104,353</b>	<b>—</b>	<b>—</b>	<b>241,478</b>	<b>356,659</b>
2. Negative fair value										
a) Options	—	3,140	—	—	—	14,209	—	—	—	—
b) Interest rate swap	56,317	68,094	—	—	50,302	120,038	—	—	141,854	85,399
c) Cross currency swap	—	—	—	—	—	101	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	—	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>56,317</b>	<b>76,234</b>	<b>—</b>	<b>—</b>	<b>50,302</b>	<b>134,348</b>	<b>—</b>	<b>—</b>	<b>141,854</b>	<b>85,399</b>

### A.3 OTC financial hedging Derivatives: notional values, positive and negative fair values by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
2) Equities and stock indexes				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
3) Currencies and gold				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
4) Commodities				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	23,863,465	5,065,787	602,929	—
- positive fair value	416,547	44,348	10,388	—
- negative fair value	56,317	72,112	4,122	—
2) Equities and stock indexes				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional value	—	298,268	15,181	—
- positive fair value	—	331	35	—
- negative fair value	—	—	—	—
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

#### A.4 Outstanding life of OTC financial hedging Derivatives: notional values

Underlying / residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates	7,535,427	15,567,909	6,428,845	29,532,181
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currency and gold	—	313,449	—	313,449
A.3 Financial derivative on goods	—	—	—	—
A.5 Other financial Derivatives	—	—	—	—
Total 30/06/20	7,535,427	15,881,358	6,428,845	29,845,630
Total 30/06/19	6,216,016	13,650,138	5,268,185	25,134,339

### C. Non Derivatives hedging instruments

#### C.1 Hedging instruments other than Derivatives: breakdown by accounting portfolio and hedge type

	Book value			Change in the value used to relieve the ineffectiveness of the hedge		
	Fair value hedges	Coverage of financial flows	Coverage of foreign investment	Fair value hedges	Coverage of financial flows	Coverage of foreign investment
Financial assets other than Derivatives	—	—	—	—	—	—
<i>of which: trading activities</i>	—	—	—	—	—	—
<i>of which: other assets mandatorily measured at fair value</i>	—	—	—	—	—	—
<i>of which: assets designated at fair value</i>	—	—	—	—	—	—
Total 30/06/20	—	—	—	—	—	—
Total 30/06/19	—	—	—	—	—	—
Financial liabilities other than Derivatives	—	—	—	—	—	—
Trading liabilities	—	—	—	—	—	—
Liabilities designated at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	—	—	—	—
Total 30/06/20	—	—	—	—	—	—
Total 30/06/19	—	—	—	—	5,417	—

## D. Hedged instruments

### D.1 Fair value hedges

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific hedges Accumulated changes in fair value of hedging instrument	Specific hedges Ending of hedge: residual accumulated value of residual changes in fair value	Change in value used to relieve hedging ineffectiveness	Generic hedges: book value
A. Assets						
1. Financial assets at fair value with impact taken to comprehensive income - hedges of:	1,080,087	—	9,557	—	333	—
1.1 Debt securities and interest rate	1,080,087	—	9,557	—	333	X
1.2 Equity securities and stock price indices	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Credits	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
2. Financial assets measured at amortized cost - hedges of:	3,581,404	—	17,958	—	10,864	—
2.1 Debt securities and interest rate	3,581,404	—	17,958	—	10,864	X
2.2 Equity securities and stock price indices	—	—	—	—	—	X
2.3 Currencies and gold	—	—	—	—	—	X
2.4 Credits	—	—	—	—	—	X
2.5 Other	—	—	—	—	—	X
Total 30/06/20	4,661,491	—	27,515	—	11,197	—
Total 30/06/19	4,647,306	—	24,557	—	30,100	—
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedges of:	23,229,975	—	383,679	—	102,781	—
1.1 Debt securities and interest rate	23,229,975	—	383,679	—	102,781	X
1.2 Currencies and gold	—	—	—	—	—	X
1.3 Other	—	—	—	—	—	X
Total 30/06/20	23,229,975	—	383,679	—	102,781	—
Total 30/06/19	14,731,229	—	304,272	—	270,791	—

### 3.3 Other information on derivative instruments (trading and hedging instruments)

#### A. Financial and credit Derivatives

##### A.1 OTC financial and credit Derivatives: net fair value by counterparty

	Central counterparty	Banks	Other financial companies	Other entities
A. Financial Derivatives				
1) Debt securities and interest rates				
- notional amount	66,008,914	35,269,548	9,747,897	7,172,459
- positive fair value	416,767	911,292	182,653	343,355
- negative fair value	550,000	493,631	355,815	49,179
2) Equity instrument and stock index				
- notional amount	—	14,190,349	7,615,817	1,752,038
- positive fair value	—	455,596	293,860	258,618
- negative fair value	—	1,734,111	311,287	11,989
3) Currency and gold				
- notional amount	—	5,847,480	1,872,964	2,001,044
- positive fair value	—	81,772	67,404	67,694
- negative fair value	—	85,876	15,963	51,656
4) Goods				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Other				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
B. Credit Derivatives				
1) Hedge purchase				
- notional amount	3,676,182	10,745,213	12,065,666	—
- positive fair value	—	60,939	21,654	—
- negative fair value	3,611	267,367	75,719	—
2) Hedge sale				
- notional amount	3,626,146	10,268,589	11,182,458	—
- positive fair value	—	54,491	48,526	—
- negative fair value	14,009	42,932	15,721	—

## 4. LIQUIDITY RISK

### QUALITATIVE INFORMATION

Banks are naturally exposed to liquidity risk as a result of the role they perform in the maturity transformation process which is a typical part of banking activity.

Liquidity risk has different timing profiles:

- 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 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 which is sufficient to cope with a period of severe stress (combining Bank-specific and systemic stress factors) lasting three months.

The Group Liquidity Risk Management Policy (the “Policy”) approved by the Board of Directors of Mediobanca S.p.A. sets the objective of having an adequate level of highly liquid assets to cover the cash flows to be maintained over the short and medium/long term.

The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics in use, the guidelines for carrying out the stress testing process, the funds transfer pricing system, and the contingency funding plan.

The Policy assigns various important duties to the Board of Directors, including definition and approval of the guidelines and strategic direction, responsibility for ensuring that the risk governance system is fully reliable, and 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.

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. The results of the risk profile adequacy assessment and the overall self-assessment are presented annually to the governing bodies.

The liquidity governance process for the Mediobanca Group as a whole is centralized at the parent company level, where the strategy and guidelines are devised which the Group companies must comply with, thereby ensuring that the liquidity position is managed and controlled at the consolidated level.

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 Group's objective is to maintain a level of liquidity that will allow it to meet the payment obligations it has undertaken, ordinary and extraordinary, at the established maturities, while at the same time keeping the costs involved to a minimum and hence without incurring non-recurring losses. The Mediobanca Group 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.

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. In response to the Covid-19 pandemic, in March 2020 the European Central Bank introduced temporary measures to increase banks' reserves in order to help address the crisis. Banks were therefore allowed to let their liquidity indicators fall to below the regulatory limits, and measures were adopted to relax the criteria for collateral eligibility at the Eurosystem level, to help credit institutions maintain and mobilize sufficient collateral to take part in the liquidity injection operations. These measures, which were adopted by the ECB's Governing Council on 7 April 2020, were then reinforced on 22 April 2020 in order to mitigate the adverse impact of possible rating downgrades due to the economic consequences of Covid-19 on the availability of collateral for the Eurosystem.

Alongside the previous indicators, an event governance model has also been provided known as the Contingency Funding Plan (described in the Regulations) to be implemented in the event of a crisis by following a procedure 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.

To summarize, the liquidity risk mitigation factors adopted by the Mediobanca Group are as follows:

- 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, through a reliable pre-alarm indicator system.

## QUANTITATIVE INFORMATION

### 1. Financial assets and liabilities by contractual outstanding life

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	3,928,526	187,158	903,710	1,385,612	2,094,365	4,478,276	4,290,139	25,915,088	7,819,700	219,721
A.1 Government securities		788	1,623	2,351	7,150	532,155	341,583	3,368,689	1,511,466	
A.2 Other debt securities	1,338	26,867	5,523	26,626	290,196	1,454,604	1,732,322	2,792,806	957,902	
A.3 UCITS units										
A.4 Loans and advances	3,927,188	159,503	896,564	1,356,635	1,797,019	2,491,517	2,216,234	19,753,593	5,350,332	219,721
- to banks	1,549,859	81,383	399,285	111,589	725,884	1,079,109	1,068,569	9,737,123	4,692,108	219,721
- to customers	2,377,329	78,120	497,279	1,245,046	1,071,135	1,412,408	1,147,665	10,016,470	638,224	
Cash liabilities	21,451,174	126,861	734,585	477,762	602,874	2,408,002	4,474,063	16,910,848	5,977,829	
B.1 Deposits and current accounts	20,109,063									
- to banks	15,124,643									
- to customers	4,984,420									
B.2 Debt securities	837	136	13,338	5,647	127,261	782,032	1,537,827	9,377,908	4,350,999	
B.3 Other liabilities	1,341,274	126,725	721,247	472,115	475,613	1,625,970	2,936,236	7,532,940	1,626,830	
Off-balance-sheet transactions										
C.1 Financial Derivatives with exchange of principal	435,946	178,737	116,898	2,762,274	994,245	997,340	602,785	2,398,873	267,905	
- long positions	103,405	174,587	129,856	2,085,622	789,404	2,922,299	522,353	3,506,512	267,905	
- short positions										
C.2 Financial Derivatives without principal exchange of										
- long positions	2,164,541	6,999	10,180	2,985	28,788	43,892	103,967			
- short positions	2,019,587	4,051	2,731	6,733	16,525	31,485	72,397			
C.3 Deposits and loans for collection	508,749	121,256	370,128	46,939	84,952	217,695	75,049	109,381	343,281	
- long positions				44,651	81,557	168,649	73,747	822,266		
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions	589,799	76,011	420,347	282,154	61,150	219,486	72,856	911,348	737,621	
- short positions								108,671		
C.5 Financed guarantees issued										
C.6 Financial guarantees received										
C.7 Credit Derivatives with exchange of principal										
- long positions					4,000	438,650	90,186	2,103,653	246,241	
- short positions					4,000	444,650	120,186	2,275,931	37,963	
C.8 Credit Derivatives without exchange of principal	200,882									
- long positions	283,511									
- short positions										

\* This item does not include hedge sales perfectly matched by buys of the same amount.

## 5. OPERATIONAL RISK

### QUALITATIVE INFORMATION

#### Definition

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.

#### Capital requirement for operational risks

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. Based on this method of calculation, the capital requirement as at 30 June 2020 was 109,0m (117,3m last year).

#### Risk mitigation

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.

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

The operating losses recorded in the course of the financial year have been low and account for under 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	% on Total Loss
Execution, delivery and process management	80%
Employment practices and workplace safety	14%
Clients, products and business practices	3%
Other	3%
Total	100%

Potential operational risks (based on estimates), operational risks are higher than they have been in the past because of launch of the Wealth Management business. The potential risk of low frequency/high severity events remains high inherent in businesses which feature non-standard and large-sized transactions, such as CIB and in part Wealth Management. Operational risks have been mitigated and continue to be mitigated on an ongoing basis through an increase in the risk assessment and monitoring framework and enhancement of the governance and first-level controls.

With reference to IT risk in particular, an IT Governance unit has been set up 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 at Group level.

With regard to the IT incidents generated by the outsourcer responsible for managing the Group's technology infrastructure, a series of activities are currently in progress which, pending a more wide-ranging revision of the contract in force, include measures to strengthen governance of the service provided, and schedule actions in the short and medium term to guarantee the systems' levels of resilience still further.

### **Litigation risk: risks deriving from cases outstanding**

For a description of the claims currently pending against Mediobanca S.p.A., please see Section B - Liabilities on pp. 137-140.

### **Other risks**

For a more in-depth description of the other risks, reference is made to Part E-Market Risks - Other Risks in the Notes to the Consolidated Accounts.

## Part F – Information on capital

### SECTION 1

### Capital of the company

#### QUANTITATIVE INFORMATION

##### *B.1 Net equity: compositio*

Voci/Valori	30/06/20	30/06/19
1. Share capital	443,617	443,608
2. Share premium reserve	2,195,606	2,195,606
3. Reserves	2,192,792	2,217,665
- earnings	2,053,976	2,076,320
a) legal	88,722	88,704
b) statutory	1,029,580	1,157,437
c) treasury shares	231,538	141,989
d) others	704,136	688,190
- others	138,816	141,345
4. Equity instruments	—	—
5. Treasury shares	(231,538)	(141,989)
6. Valuation reserves:	73,982	85,744
- Equity instruments valued at fair value with impact taken to comprehensive income	61,743	59,562
- Hedging of equity instruments valued at fair value with impact taken to comprehensive income	—	—
- Financial assets (other than equity instruments) valued at fair value with impact taken to comprehensive income	8,771	24,161
- Tangible assets	—	—
- Intangible assets	—	—
- Hedging of foreign investments	—	—
- Hedging of cash flows	—	(3,432)
- Hedging instruments [not designated instruments]	—	—
- Exchange differences	—	—
- Non-current assets and group of assets being sold	—	—
- Financial liabilities designated at fair value with impact taken to profit and loss (variation of own credit risk)	(1,724)	—
- Actuarial gains (losses) on defined benefits pension schemes	(4,440)	(4,179)
- Valuation reserves share of equity-accounted interests	—	—
- Extraordinary revaluation laws	9,632	9,632
Net profit (loss) for the period	39,359	386,245
Total	4,713,818	5,186,879

For further information, please see Section 14 “Capital of the company - Headings 110, 130, 140, 150, 160, 170 and 180”.

*B.2 Valuation reserves for financial assets recognized at FVOCI: composition*

Assets/Values	30/6/20		30/6/19	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	19,410	(10,639)	30,585	(6,424)
2. Equity securities	64,851	(3,108)	60,278	(716)
3. Loans	—	—	—	—
Total	84,261	(13,747)	90,863	(7,140)

*B.3 Valuation reserves for financial assets recognized at FVOCI: movements during the period*

	Debt securities	Equity securities	Loans
1. Opening balance	24,161	59,562	—
2. Increases	14,793	21,260	—
2.1 Increases in fair value	11,311	21,260	—
2.2 Credit risk writedowns	3,178	X	—
2.3 P&L recycling of negative reserves due to realization	304	X	—
2.4 Transfers to other net equity components (equity instruments)	—	—	—
2.5 Other variations	—	—	—
3. Decreases	30,184	19,078	—
3.1 Reductions in fair value	15,384	19,078	—
3.2 Credit risk writebacks	321	—	—
3.3 P&L recycling of positive reserves:	14,479	—	—
-due to realization	14,479	—	—
3.4 Transfers to other net equity components (equity instruments)	—	—	—
3.5 Other variations	—	—	—
4. Closing balance	8,770	61,744	—

## SECTION 2

### Own funds and supervisory capital requirements for banks

Since its inception, one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently higher than those required by the regulatory guidelines. The surplus capital is justified by the type of operations performed by the Bank on the corporate market.

#### 2.1 *Own funds*

##### Scope of application for regulations

Based on the new body 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,<sup>1</sup> the Group has applied the phase-in regime, and in particular, having received the relevant authorizations, has weighted the Assicurazioni Generali investment at 370% as permitted by Article 471 of CRR2, which extended the effectiveness of the phase-in period until 31 December 2024.<sup>2</sup>

Furthermore, in order to mitigate the effect of the new accounting standards on banks' prudential ratios, since last year last year (IFRS 9 first-time adoption) the Group has applied the static approach provided by Regulation (EU) 2017/2395, "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds", which updates Regulation (EU) 575/2013 ("CRR") by incorporating a new version of Article 473a "Introduction of IFRS 9", offers banks the possibility of neutralizing the effect of the increase in loan loss provisions for performing loans for a transitional period of five years,<sup>3</sup> by including a decreasing amount of loan loss provisions in CET1 over that time.

<sup>1</sup> Including the recent updates in response to the current economic situation contained in the "Quick Fix" banking package approved by the European Parliament and Commission on 19 June 2020.

<sup>2</sup> Application of Article 471 is limited to the book value recorded in December 2012 and compliance with the concentration limit versus large insurance groups. 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.

<sup>3</sup> Year 1: 95%; Year 2: 85%; Year 3: 70%; Year 4: 50%; Year 5: 25%.

For the moment the Group has decided not to take up the option to extend the phase-in regime (for another five years) to mitigate the impact on own funds of higher IFRS 9-related adjustments due to Covid-19, and to neutralize the impact deriving from changes in the valuation reserves for sovereign debt securities and the filter for excluding certain exposures to central banks from the those used to calculate the leverage ratio.

## QUALITATIVE INFORMATION

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves (including €70.5m of the positive FVOCI financial assets reserves, €1.5m in government securities), plus profit for the period (€39.4m) which has been included in full in the calculation of CET1 following the ECB Recommendation not to pay dividends during the Covid-19 pandemic.

The deductions regard:

- Treasury shares as to €267.1m;
- Intangible assets as to €32.4m, slightly lower than last year (€35.7m);
- Prudential changes to the valuation of financial instruments (AVA and DVA) amounting to €45.6m (30/6/19: €47.5m);
- Interests in financial companies (banking and insurance firms) exceeding the limits set, totalling €22.3m, lower than the figure reported at end-June 2019 (€144.9m) due to the new concentration limit versus Assicurazioni Generali.

No Additional Tier 1 (AT1) instruments have been issued.

Tier 2 capital includes subordinated liabilities, down in the twelve months from €1,522.7m to €1,225.1m due to prudential amortization, plus the buffer consisting of the difference between the higher value adjustments booked and the prudential expected losses linked to the AIRB models, which reflect a surplus of €49.4 m (versus €2.6 m last year).



No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Issue	30/6/20		
	ISIN	Gross nominal value	Book value*
MB Subordinato Mar 29	XS1579416741	50,000	48,502
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	615,308	45,194
MB OPERA 3.75 2026	IT0005188351	299,577	291,632
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	394,970	73,713
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	500,000	490,129
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,177	275,975
<b>Total subordinated debt securities</b>		<b>2,359,032</b>	<b>1,225,145</b>

\*The value calculated differs from the book value due to the items recognized at fair value and amortized cost and to buyback commitments entered into.

## QUANTITATIVE INFORMATION

	30/6/20	30/6/19
A. Common equity tier 1 (CET1) prior to application of prudential filters <i>of which: CET1 instruments subject to phase-in regime</i>	4,713,818	4,678,052
B. CET1 prudential filters (+/-)	(43,843)	(44,088)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	4,669,975	4,633,964
D. Items to be deducted from CET1	(841,325)	(959,383)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime*	789,098	781,643
F. Total common equity tier 1 (CET1) (C-D+E)	4,617,748	4,456,224
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime <i>of which: AT1 instruments subject to temporary provisions</i>	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L. Total additional tier 1 (AT1) (G-H+I)	—	—
M. Tier 2 (T2) gross of items to be deducted and effects of phase-in regime <i>of which: T2 instruments subject to phase-in regime</i>	1,274,512	1,525,335
N. Items to be deducted from T2	(203,186)	(313,084)
O. Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	—	—
P. Total T2 (M-N+O)	1,071,326	1,212,251
Q. Total own funds (F+L+P)	5,689,074	5,668,475

\* Adjustments include application of the phase-in provisions for the introduction of IFRS 9

## 2.2 Capital adequacy

### A. QUALITATIVE INFORMATION

As at 30 June 2020, the Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 14.81%, higher than last year (14.37%) due to the entire profit for the year being included in the calculation (adding 15 bps), plus the lower deductions relating to the investment in Assicurazioni Generali as a result of the change in the concentration limit (which added 35 bps, including the changes to the other significant investments), which was only in part offset by the increase in RWAs (down 5 bps, from €31,006m to €31,179m).

The total capital ratio was stable at 18.25% (18.28%).

Fully-loaded and without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (accounting for €786.6m, including the indirect effects) and with full application of the IFRS 9 effect (which accounted for -€2.5m, considering the indirect effects), the CET1 ratio was 13.72% and the total capital ratio 17.56%, also higher than the figures reported at end-June last year, which were 13.09% and 17.41% respectively.

The Leverage Ratio, calculated without taking advantage of the temporary possibility allowed by the regulator to exclude reserves held with central banks from the exposures, was 8.5% (30/6/19: 7.9%), well above the regulatory limit set (3%). Fully-loaded, the ratio declines to 7% (6.5%).

## B. QUANTITATIVE INFORMATION

Categories/Values	Unweighted amounts*		Weighted amounts/requirements	
	30/6/20	30/6/19	30/6/20	30/6/19
<b>A. RISK ASSETS</b>				
A.1 Credit and counterparty risk	63,568,870	62,062,073	26,789,357	26,417,930
1. Standard methodology	46,478,456	46,695,828	17,454,541	17,714,112
2. Internal rating methodology	16,954,307	15,209,628	9,145,650	8,583,698
2.1 Basic	16,954,307	15,209,628	9,145,650	8,583,698
2.2 Advanced	—	—	—	—
3. Securitization	136,107	156,617	189,167	120,120
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
B.1 Credit and counterparty risk			2,143,148	2,113,434
B.2 Credit valuation risk			43,764	49,712
B.3 Settlement risk			—	—
B.4 Market risk			198,459	199,990
1. Standard methodology			198,459	199,990
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			108,980	117,328
1. Basic Indicator Approach (BIA)			108,980	117,328
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			2,494,351	2,480,464
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>				
C.1 Risk-weighted assets			31,179,392	31,005,802
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			14.81%	14.37%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			14.81%	14.37%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			18.25%	18.28%

(\*) For the standardized methodology, the “un-weighted amounts”, as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the AIRB ratings methodology, the “un-weighted amounts” correspond to the “exposure at default” (EAD). For guarantees issued and commitments to disburse funds, credit conversion factors are also included in the EAD calculation.

## **Part G – Combinations involving Group companies or business units**

### **SECTION 1: TRANSACTIONS COMPLETED DURING THE PERIOD**

No new business combinations were completed during the twelve months.

However, the purchase price allocation process for acquisition of a controlling interest in Messier Maris & Associés executed in April 2019 was completed during the year under review.

### **SECTION 2: TRANSACTIONS COMPLETED SINCE THE REPORTING DATE**

No transactions have taken place since the reporting date.

### **SECTION 3: RETROSPECTIVE ADJUSTMENTS**

No adjustments have been made to the accounts in connection with previous business combinations for the period under review.

## Part H – Related party disclosure

### 1. Board member and senior management remuneration

*Remuneration paid to directors, statutory auditors and management with strategic responsibilities*

*(pursuant to Consob resolution no. 18049 of 23 December 2011)*

	Compensation			
	Emoluments payable in connection to post	Non-cash benefits*	Bonuses and other incentives	Other compensations
BOARD OF DIRECTORS <sup>1</sup>	1,845.0	1,086.3	1,592.3	5,100.0
<i>of which: management</i>	—	<i>1,086.3</i>	<i>1,592.3</i>	<i>5,100.0</i>
MANAGEMENT with strategic responsibilities <sup>2</sup>	—	346.3	1,238.2	4,085.8
STATUTORY AUDIT COMMITTEE <sup>3</sup>	368.0	—	—	—

\* Includes the value of fringe benefits (according to which items are taxable), including insurance policies and complementary pension schemes, and hence does not include costs in respect of equity payments equal to €3.1m

<sup>1</sup> Includes fifteen directors in office at 30 June 2020.

<sup>2</sup> Includes eight strategic managers at 30 June 2020.

<sup>3</sup> Includes three statutory auditors in office at 30 June 2020.

### 2. Related party disclosure

In January 2011 the Group adopted its own related parties procedure, in pursuance of Consob resolution no. 17221 issued on 12 March 2010. The purpose of the procedure is to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has incorporated the Bank of Italy's most recent instructions on this subject to this procedure, which introduce prudential limits for risk activities versus related parties. The new version of the procedure came into force on 31 December 2012 and was updated in June 2019 and last July. The full document is published on the Bank's website at [www.mediobanca.com](http://www.mediobanca.com).

For the definition of related parties adopted, please see part A of the notes to the accounts (Accounting Policies).

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management's compensation are provided in a footnote to the table.

## 1.1 Regular financial disclosure: most significant transactions

There were no such transactions to report during the financial year under review.

## 1.2 Quantitative information

The exposure to non-Group companies (representing the sum of assets plus guarantees and commitments) decreased during the year under review, from €1.4bn to €1.1bn, following the exit of the Unicredit Group due to the sale of its investment in Mediobanca. The contribution to the total assets therefore decreases from 2.1% to 1.7% as well as the contribution to net interest income (from 3.4% to 1.7%).

### Situation as at 30 June 2020

	Group companies	Directors, statutory auditors and strategic management	Associates	Other related party	Total
Assets	22,868.3	—	326.2	707.8	23,902.3
<i>of which: other assets</i>	5,900.2	—	70.4	516.8	6,487.4
<i>loans and advances</i>	16,968.1	—	255.8	191.0	17,414.9
Liabilities	17,579.3	—	0.1	28.3	17,607.7
Guarantees and commitments	7,534.2	—	14.0	22.8	7,571.0
Interest income	300.7	—	7.1	5.2	313.0
Interest expense	(226.9)	—	—	(0.2)	(227.1)
Net fee income	17.0	—	0.9	1.2	19.1
Other income (cost)	136.2	(22.5) <sup>1</sup>	(0.1)	(11.1)	102.5

<sup>1</sup> Of which: short-term benefits amounting to €19.3m and performance shares worth €3.1m. The figure refers to the eight staff members included in the definition of management with strategic responsibilities

### Situation as at 30 June 2019

	Group companies	Directors, statutory auditors and strategic management	Associates	Other related party	Total
Assets	23,337.8	—	355.1	1,007.7	24,700.6
<i>of which: other assets</i>	6,880.5	—	138.8	771.7	7,791.0
<i>loans and advances</i>	16,457.3	—	216.3	236.0	16,909.6
Liabilities	18,557.9	—	0.1	389.9	18,947.9
Guarantees and commitments	8,656.9	—	10.0	—	8,666.9
Interest income	335.2	—	8.9	15.2	359.3
Interest expense	(223.2)	—	—	—	(223.2)
Net fee income	14.0	—	0.5	7.0	21.5
Other income (cost)	241.8	(21.2) <sup>1</sup>	0.3	(21.2)	199.7

<sup>1</sup> Of which: short-term benefits amounting to €18.1m and performance shares worth €3m. The figure refers to the eight staff members included in the definition of management with strategic responsibilities

## Part I - Share-based payment schemes

### A. QUALITATIVE INFORMATION

#### 1. Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments

The increases in the Bank's share capital for use in connection with the stock option, performance stock option and performance share schemes approved reflect the following situation:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising option	No. of options and performance shares awarded
<i>Stock options schemes</i>				
28 october 2004	15,000,000	28 ottobre 2009	1 luglio 2020	12,765,000
<i>Of which: to directors<sup>1</sup></i>	<i>4,000,000</i>	<i>28 ottobre 2009</i>	<i>1 luglio 2020</i>	<i>3,375,000<sup>2</sup></i>
27 october 2007	40,000,000	27 giugno 2012	1 luglio 2022	15,536,000
<i>Performance shares schemes</i>				
28 october 2015	20,000,000	X	28 ottobre 2020	5,255,453 <sup>3</sup>

<sup>1</sup> At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Board members.

<sup>2</sup> Of these, 2,000,000 were granted to one former director.

<sup>3</sup> In respect of awards made in 2015, 2016, 2017, 2018, 2019 and 2020

#### 2. Description of stock option and performance stock option schemes

The stock option and performance stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of eight years and a vesting period of thirty-six months.

The schemes were launched with a dual purpose: encouraging loyalty retention among key staff members, i.e. persuading employees with essential and/or critical roles within the Group to stay with Mediobanca; and making the remuneration package offered to them more diversified and flexible.

The choice of beneficiaries and decisions as to the number of options to be allocated are taken in view of the role performed by the person concerned with the company's organization and their importance in terms of creating value.

Awards of stock options finished with the financial year ended 30 June 2012, and the vesting ended in June 2015; hence the remaining shares from the resolution adopted by shareholders in general meeting cannot be used.

### *3. Description of performance share scheme*

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has also chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2019 (in renewal of the scheme approved by shareholders in annual general meeting on 28 October 2015).

Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

- Bring the Bank's remuneration structure into line with the regulations requiring that a share of the variable remuneration component be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;
- Align the interests of Mediobanca's management with those of shareholders to create value over the medium/long term.

In connection with this proposal, a resolution to increase the company's share capital was adopted by shareholders at the annual general meeting referred to above, with up to 20 million new Mediobanca shares being issued; the 26,611,288 treasury shares owned by the Bank may also be used for this purpose.

On 19 December 2019, the Board of Directors approved the Long-Term Incentive (LTI) plan, addressed to the Mediobanca Chief Executive Officer and Group General Manager and to the Chief Executive Officer of Compass and CheBanca!. The beneficiaries of the LTI plan were awarded up to 338,841 Mediobanca shares, to be attributed over a five-year period after the finalization of the plan itself, from the performance shares approved by shareholders in Annual General Meeting.

During the period under review a total of 1,736,547 performance shares were awarded of which 276,093 as part of LTI 19/23 plan and 1,460,454, as part of staff variable remuneration for the 2019 financial year; the shares, which are conditional upon certain performance targets being met over a three- and/or five-year time horizon, will be made available (for Board members and other employees with more strategic functions) in tranches FY 2021/22 (up to 698,539), FY 2022/23 (up to 401,034), FY 2023/24 (up to 283,556) and FY 2024/25 (up to 77,325).



Beneficiaries were also awarded a total of 1,640,426 shares, all treasury shares.

After the reporting date, as part of staff variable remuneration for the 2019 financial year, a total of 1,235,209 performance shares were awarded, at notional cost of €7.4m in connection with the variable component only; the shares, which are conditional upon certain performance targets being met over a five-year time horizon, will be made available in tranches in November 2021 (up to 598,598), November 2022 (up to 155,810), November 2023 (up to 263,802), November 2024 (up to 109,007) and November 2025 (up to 107,992).

## QUANTITATIVE INFORMATION

### 1. Changes to stock option scheme during the period

	30/6/20			30/6/19		
	No. of option	Avg. price	Avg. maturity	No. of option	Avg. price	Avg. maturity
A. Balance at start of period	—	—	0	642,500	6.51	Ottobre 2019
B. Additions						
B.1 New issues			X	—	—	X
B.2 Other additions			X	—	—	X
C. Reductions						
C.1 Performance shares canceled			X	—	—	X
C.2 Performance shares made available	—	—	X	642,500	6.43	X
C.3 Performance shares expired			X	—	—	X
C.4 Other reductions			X	—	—	X
D. Balance at end of period	—	—	—	—	—	—
E. Performance shares exercisable as at reporting date	—	—	X	—	—	X

### 2. Changes to performance share scheme during the period

	30/6/20		30/6/19	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	4,659,074	6.80	4,777,174	6.67
B. Additions				
B.1 New issues	1,736,547	7.38	1,639,456	6.73
B.2 Other additions			—	—
C. Reductions				
C.1 Performance shares canceled			—	—
C.2 Performance shares made available	1,640,426	6.99	1,757,556	6.36
C.3 Performance shares expired			—	—
C.4 Other reductions	30,391	6.82	—	6.99
D. Balance at end of period	4,724,804	6.95	4,659,074	6.80

## **Part M - Disclosure on leasing**

### **SECTION 1**

#### **Lessor**

##### **QUALITATIVE INFORMATION**

With reference to IFRS 16 coming into force and the contracts which fall within its scope of application, virtually the only leases the Mediobanca Group has outstanding in this connection are for properties and company cars, plus some hardware leases for only a residual amount. The property leases mostly involve premises used as offices. Such leases normally have durations of more than twelve months, and typically contain renewal or termination clauses which both lessor and lessee can exercise in accordance with the provisions of law and/or specific contractual arrangements, if any. Generally speaking such leases do not contain an option to buy at expiry or entail substantial reinstatement costs for the Group. As for the car leases, these are long-term agreements for the fleet of company cars available for use by staff members for work-related purposes in accordance with Group policy in this area.

At the first-time adoption stage for IFRS 16, some simplifications have been used. In particular, leases with duration of twelve months or less (“short-term leases”) have been excluded, as have those involving amounts of less than €5,000 (“low value leases”), and those for intangibles. It has also been decided not to strip out the service component from the lease proper; hence the full contract has been recognized. The discount rate used has been derived from the Funds Transfer Pricing curve used in treasury management by the Group Treasury unit.

In cases where the original lease has been replicated with another counterparty (i.e. sub-leased), the related liability is matched by an amount receivable from the counterparty at the date rather than by its value in use. Sub-leasing arrangements involve only negligible amounts.

## QUANTITATIVE INFORMATION

For quantitative information on the impact on the Group's financial and earnings situation, reference is made to the contents of the following sections of the Notes to the Accounts:

- Information on rights of use acquired, in “Notes to the consolidated balance sheet – Assets – Section 8”;
- Information on amounts due under leases, in the “Notes to the consolidated balance sheet – Liabilities – Section 1”;
- For the effects on earnings, “Part C Notes to the consolidated profit and loss account”, in particular the headings for interest income and expense and net adjustments to tangible assets.

The value in use recorded in the balance sheet at 30 June 2020 was €22,717,000, broken down as follows:

- Value in use of properties: €18,518,000;
- Value in use of vehicles: €4,105,000;
- Value in use of other assets: €94,000;

The increase in assets on the balance sheet had a 1 bps impact on RWAs at 30 June 2020.

## SECTION 2

### Lessee

## QUALITATIVE INFORMATION

With reference to contracts covered by the new IFRS 16, the only ones that are relevant for Mediobanca are sub-leasing contracts for properties. These contracts, which form part of finance lease operations, are not recurring and involve negligible amounts (€2.3m as at end-June 2020).

## QUANTITATIVE INFORMATION

For quantitative information on the impact on the Group's financial and earnings situation, reference is made to the contents of the relevant sections of the Notes to the Accounts:

- for information on amounts due under sub-leases, “Part B Notes to the balance sheet – Assets – Section 4”
- for the effects on earnings, “Part C Notes to the profit and loss account”, specifically under the items interest income and interest expense and net adjustments to tangible assets.

### 1. Balance-sheet and earnings data

### 2. Finance leases

#### *2.1 Maturity analysis of lease payments receivable by timing bracket and reconciliation of undiscounted lease payments to the net investment in the lease*

Time bands	30/06/20
	<b>Lease payment to be received</b>
Up to 1 year	454
Between 1 and 2 years	453
Between 2 and 3 years	450
Between 3 and 4 years	444
Between 4 and 5 years	444
Over 5 years	112
<b>Total lease payments to be received</b>	<b>2,357</b>
<b>Reconciliation with loans</b>	<b>(65)</b>
Not accrued gains (+)	(65)
Unguaranteed residual value (-)	—
<b>Loans for leases</b>	<b>2,292</b>

As permitted by IFRS 16, the Group has decided not to restate comparative data in connection with the first-time adoption of the new standard. Accordingly, the table does not contain the equivalent balances as at 30 June 2019.

The table provides a maturity analysis of the lease payments receivable, and a reconciliation of the undiscounted lease payments to the net investment in the lease, as required by IFRS 16, paragraph 94. In particular it should be

noted that the payments receivable under the lease, which consist of the sum of minimum payments due by way of principal and interest, are stated net of any provisions and the discounted unguaranteed residual value due to the lessor. These are reconciled with the net investment in the lease, recognized in the balance sheet under financial assets recognized at amortized cost, by subtracting financial profits not accrued and adding the unguaranteed residual value. Non-performing leases acquired are not included.

### **3. *Operating leases***

The Group currently has no operating leases outstanding.

# ANNEXES



**Mediobanca S.p.A.:**  
**Reconciliation of**  
**Financial Statements**

## **Mediobanca S.p.A. financial statements**

### **Comparison between restated balance sheet and format recommended by Bank of Italy circular no. 262/05, sixth update**

As for Assets, the balance sheet shown in the Review of operations reflects the following restatements:

- The heading “Treasury financial assets” includes “Cash and cash equivalents” (heading 10); receivables in respect of current accounts and untied deposits, repos and other deposits in connection with securities lending operations and derivatives booked as “Financial assets at amortized cost: due from banks and due from customers” (headings 40a and 40b respectively), plus certain items booked as “Other assets” (heading 130);
- The heading “Banking book securities” includes the debt securities booked as “Financial assets recognized at fair value with impact taken to comprehensive income” (heading 30), as “Financial assets at amortized cost” (heading 40c) and as “Financial assets recognized at fair value with impact taken to profit and loss” both designated at fair value and classified compulsorily as such (headings 20b and 20c);
- The balance of “Equity investments” includes the equities accounted for as “Financial assets recognized at fair value with impact taken to comprehensive income” (heading 30), the “Equity investments” (heading 70) themselves, and the funds mandatorily recognized at fair value of heading 20c “Financial assets recognized at fair value with impact taken to profit and loss”;
- The heading “Customer loans” includes loans and receivables booked as “Financial assets at amortized cost: due from banks and due from customers” (headings 40a and 40b respectively) including those recognized mandatorily at fair value with impact taken to profit and loss booked under heading 20c) net of the “Adjustment of hedging financial assets” (heading 60) for loans and receivables;
- The heading “Other assets” includes the amounts booked under headings 130 “Other assets”, 110 “Tax assets” and 50 “Hedging derivatives”, and the sundry debtor items booked as “Financial assets at amortized cost: due from banks and due from customers” (headings 40a and 40b);



As for Liabilities:

- The heading “Funding” includes the “Financial liabilities at amortized cost – a) Due to banks, b) Due to customers and c) Debt securities in issue” different from those amounts booked as “Treasury financial liabilities”, “Other liabilities” and “Financial liabilities designated at fair value” (heading 30);
- The heading “Treasury financial liabilities” includes amounts payable in respect of current accounts and untied deposits, repos and other deposits in connection with securities lending operations and derivatives booked as “Financial liabilities at amortized cost – a) Due to banks” and “b) Due to customers” (heading 10);
- The heading “Other liabilities” includes the headings 40 “Hedging derivatives”, 60 “Tax liabilities” and 110 “Insurance reserves”, plus the sundry creditor items booked as “Financial liabilities at amortized cost”.

## Mediobanca S.p.A.: comparison between restated balance sheet and format recommended by Bank of Italy circular no. 262/05, sixth update

*Balance sheet as at 30 June 2020*

(€m)

Assets	Financial assets held for trading	Treasury financial assets	Banking book securities	Customer loans	Equity Investments	Tangible and intangible assets	Other assets	Total assets
<b>10.</b> Cash and cash equivalents	—	3,102.0	—	—	—	—	—	3,102.0
<b>20.</b> Financial assets at fair value with impact taken to profit and loss	9,214.7	—	53.1	54.3	639.3	—	—	9,961.4
<i>a) Financial assets held for trading</i>	9,214.7	—	—	—	—	—	—	9,214.7
<i>b) Financial assets designated at fair value</i>	—	—	51.0	—	—	—	—	51.0
<i>c) Other financial assets mandatorily at fair value</i>	—	—	2.1	54.3	639.3	—	—	695.7
<b>30.</b> Financial assets at fair value with impact taken to comprehensive income	—	—	3,485.9	—	299.0	—	—	3,784.9
<b>40.</b> Financial assets at amortized cost	—	7,204.8	6,053.2	30,453.1	—	—	—	43,711.1
<b>50.</b> Hedging Derivatives	—	—	—	—	—	—	471.6	471.6
<b>60.</b> Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	—
<b>70.</b> Equity investments	—	—	—	—	3,150.7	—	—	3,150.7
<b>80.</b> Property, plant and equipments	—	—	—	—	—	139.2	—	139.2
<b>90.</b> Intangible assets	—	—	—	—	—	29.2	—	29.2
<b>100.</b> Tax assets	—	—	—	—	—	—	277.3	277.3
<b>110.</b> Assets classified as held for sale	—	—	—	—	—	—	—	—
<b>120.</b> Other assets	—	—	—	—	—	—	210.5	210.5
<b>Total assets</b>	<b>9,214.7</b>	<b>10,306.8</b>	<b>9,592.2</b>	<b>30,507.4</b>	<b>4,089.0</b>	<b>168.4</b>	<b>959.4</b>	<b>64,837.9</b>

Balance sheet as at 30 June 2020

(€m)

Liabilities and net equity	Funding	Treasury financial liabilities	Financial liabilities held for trading	Other liabilities	Provisions	Net equity and minority interests	Total liabilities and net equity
10. Financial liabilities at amortized cost	46,057.9	4,614.1	—	26.3	—	—	50,698.3
<i>a) Due to banks</i>	23,266.6	3,433.0	—	4.4	—	—	26,704.0
<i>b) Due to customers</i>	6,324.2	1,181.1	—	21.8	—	—	7,527.1
<i>c) Debt securities in issue</i>	16,467.2	—	—	0.2	—	—	16,467.4
20. Trading financial liabilities	—	—	8,351.7	—	—	—	8,351.7
30. Financial liabilities designated at fair value	216.0	—	—	—	—	—	216.0
40. Hedging Derivatives	—	—	—	132.6	—	—	132.6
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—	—	—
60. Tax liabilities	—	—	—	351.4	—	—	351.4
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	—
80. Other liabilities	—	—	—	252.4	—	—	252.4
90. Staff severance indemnity provision	—	—	—	—	7.7	—	7.7
100. Provisions	—	—	—	—	113.9	—	113.9
110. Revaluation reserves	—	—	—	—	—	74.0	74.0
120. Redeemable shares repayable on demand	—	—	—	—	—	—	—
130. Equity instruments repayable on demand	—	—	—	—	—	—	—
140. Reserves	—	—	—	—	—	2,192.8	2,192.8
150. Share premium reserve	—	—	—	—	—	2,195.6	2,195.6
160. Share capital	—	—	—	—	—	443.6	443.6
170. Treasury share (-)	—	—	—	—	—	(231.5)	(231.5)
180. Profit/(loss) for the period (+/-)	—	—	—	—	—	39.4	39.4
<b>Total liabilities and net equity</b>	<b>46,273.9</b>	<b>4,614.1</b>	<b>8,351.7</b>	<b>762.7</b>	<b>121.6</b>	<b>4,713.9</b>	<b>64,837.9</b>

## **Comparison between restated profit and loss account and format recommended by Bank of Italy circular no. 262/05, sixth update**

The profit and loss account shown on p. 14 reflects the following restatements:

- “Net interest income” includes the items stated under headings 10 “Interest and similar income”, 20 “Interest and similar expense”, the margins on derivatives trading stated under heading 80 “Net trading income”, and the net profit or loss on hedges of customer loans and funding stated under heading 90 “Net hedging income”;
- “Net treasury income” contains the amounts stated under heading 70 “Dividends and similar income”, heading 80 “Net trading income” (except for amounts booked as Net interest income and considering that the heading includes €18.1m of Banking Book changes in Forex), the net profit or loss on banking book securities stated under heading 100 “Net gains (losses) on disposals/repurchases”, the share of securities lending transactions stated under headings 40 “Fee and commission income” and 50 “Fee and commission expense”, and the share of heading 110 “Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss” not related to lending funds;
- The heading “Net fee and commission income” contains the amounts stated under heading 60 “Net fee and commission income”, the operating income stated under heading 230 “Other operating income (expense)”, and the writebacks due to collections on NPLs acquired stated under heading 130 “Net write-offs (write-backs) for credit risk” and the “Net profit from insurance activities” of headings 160 and 170;
- The heading “Loan loss provisions” contains the amounts relating to loans stated under headings 130 “Net value adjustments for credit risk” (net of the writebacks to NPLs), 100 “Net gains (losses) on disposals/repurchases”, 110 “Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss” and 140 “Gain (losses) from contractual modifications without derecognition” and the share of heading 200 “Net transfers to provisions – a) commitments and guarantees issued” related to leasing;

- The heading “Gains (losses) on disposal of equity holdings” contains the earnings effects of the Group’s holdings in equity investments stated under headings 250 “Gains (losses) on equity investments” while the effects of securities and funds stated under heading 110 “Net gains (losses) on other financial assets and liabilities recognized mandatorily at fair value” are reclassified under heading “Provisions for other financial assets”;
- The heading “Operating costs” includes amounts booked under heading 190 “Administrative expenses”, net transfers to provisions (heading 200), net adjustments to tangible and intangible assets and other operating income or expenses of heading 230, excluding those amounts reclassified as net fee and commission income;
- The heading “Other income (losses)” contains the non-recurring costs stated under heading 190 “Administrative expenses”, in particular contributions to the Single Resolution Fund and Deposit Guarantee scheme, amounts set aside in respect of refurbishments, and depreciation/amortization of tangible and/or intangible assets.

## Profit and loss account as at 30 June 2020

Profit-and-loss account	Net interest income	Net treasury income	Net fee and commission income	Dividends on investments	Operating costs	Gains (losses) on disposal of equity holdings	Loan loss provisions	Impairment on financial assets	Other income (losses)	Income tax for the period	Net profit
10. Interest and similar income	706.6	1.1	—	—	—	—	—	—	—	—	707.7
20. Interest expense and similar charges	(617.6)	(7.6)	—	—	—	—	—	—	(3.3)	—	(628.5)
<b>30. Net interest income</b>	<b>89.0</b>	<b>(6.5)</b>	—	—	—	—	—	—	<b>(3.3)</b>	—	<b>79.2</b>
40. Fee and commission income	5.6	12.1	246.2	—	—	—	—	—	—	—	263.9
50. Fee and commission expense	(0.1)	(13.4)	(30.6)	—	—	—	—	—	—	—	(44.1)
<b>60. Net fee and commission income</b>	<b>5.5</b>	<b>(1.3)</b>	<b>215.6</b>	—	—	—	—	—	—	—	<b>219.8</b>
70. Dividends and similar income	—	87.3	—	104.2	—	—	—	—	—	—	191.5
80. Net trading income	7.6	(20.3)	—	—	—	—	—	(10.5)	—	—	(23.2)
90. Net hedging income (expense)	(2.2)	—	—	—	—	—	—	—	—	—	(2.2)
100. Gain (loss) on disposal/repurchase	—	65.6	—	—	—	—	—	—	—	—	65.6
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	2.3	—	—	—	—	42.4	(11.3)	—	—	33.4
<b>120. Total income</b>	<b>99.9</b>	<b>127.1</b>	<b>215.6</b>	<b>104.2</b>	—	—	<b>42.4</b>	<b>(11.3)</b>	<b>(3.3)</b>	—	<b>564.1</b>
130. Net writeoffs (writebacks) for credit risk	—	—	—	—	—	—	(5.9)	(10.5)	—	—	(16.4)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	—	—	—	—	—
<b>150. Net income from financial operations</b>	<b>99.9</b>	<b>127.1</b>	<b>215.6</b>	<b>104.2</b>	—	—	<b>36.5</b>	<b>(21.8)</b>	<b>(3.3)</b>	—	<b>547.7</b>
160. Administrative expenses	—	—	(1.0)	—	(306.2)	—	—	—	(39.7)	—	(426.9)
170. Net transfers to provisions	—	—	—	—	(0.7)	—	(20.8)	—	25.7	—	4.2
180. Net adjustments to tangible assets	—	—	—	—	(10.2)	—	—	—	—	—	(10.2)
190. Net adjustments to intangible assets	—	—	—	—	(3.4)	—	—	—	—	—	(3.4)
200. Other operating income (expense)	—	—	17.1	—	(2.2)	—	—	—	—	—	14.9
<b>210. Operating costs</b>	—	—	<b>16.1</b>	—	<b>(402.7)</b>	—	<b>(20.8)</b>	—	<b>(14.0)</b>	—	<b>(421.4)</b>
220. Gain (loss) on equity investments	—	—	—	—	—	—	—	(50.9)	—	—	(50.9)
230. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
240. Goodwill writeoffs	—	—	—	—	—	—	—	—	—	—	—
250. Gain (loss) on disposal of investments	—	—	—	—	—	—	—	—	—	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>99.9</b>	<b>127.1</b>	<b>231.7</b>	<b>104.2</b>	<b>(402.7)</b>	—	<b>15.7</b>	<b>(21.8)</b>	<b>(17.3)</b>	—	<b>75.4</b>
270. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	(22.4)	(13.6)	(36.0)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>99.9</b>	<b>127.1</b>	<b>231.7</b>	<b>104.2</b>	<b>(402.7)</b>	—	<b>15.7</b>	<b>(21.8)</b>	<b>(39.7)</b>	<b>(13.6)</b>	<b>39.4</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—	—	—	—	—	—	—
<b>300. Net profit (loss) for the period</b>	<b>99.9</b>	<b>127.1</b>	<b>231.7</b>	<b>104.2</b>	<b>(402.7)</b>	—	<b>15.7</b>	<b>(21.8)</b>	<b>(39.7)</b>	<b>(13.6)</b>	<b>39.4</b>

Table A

## Asset Revaluation Statement

Revalued assets	Original revaluation	Decrease due to disposal or writedown	Current revaluation
(€)			
– property in Piazzetta Enrico Cuccia 1 <i>(formerly Via Filodrammatici 6-8-10)</i>			
<i>revaluation effected under Law no. 576 of 2 december 1975</i>	2,609,651.24	—	2,609,651.24
<i>revaluation effected under Law no. 72 of 19 march 1983</i>	11,620,280.23	—	11,620,280.23
<i>revaluation effected under Law no. 413 of 30 december 1991</i>	4,174,707.04	—	4,174,707.04
			<b>18,404,638.51</b>
– property in Piazza Paolo Ferrari 6			
<i>revaluation effected under Law no. 72 of 19 march 19832</i>	815,743.67	—	815,743.67
			<b>815,743.67</b>

## Balance sheets and profit and loss accounts of investments in Group undertakings (including indirect investments)

### Banks (IAS/IFRS)

Table B

#### BALANCE SHEET

	COMPAGNIE MONEGASQUE DE BANQUE S.A. (*)	CheBanca! S.p.A.	COMPASS BANCA S.p.A.
	(€/000)	(€/000)	(€/000)
<b>ASSETS</b>			
10. Cash and cash equivalents	3,722	108,475	5,791
20. Financial assets at fair value with impact taken to profit and loss	39,707	20,253	—
<i>a) Financial assets held for trading</i>	37,510	—	—
<i>b) Financial assets designated at fair value</i>	—	—	—
<i>c) Other financial assets mandatorily at fair value</i>	2,197	20,253	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	2,590
40. Financial assets at amortized cost	5,316,001	22,946,108	11,909,150
<i>a) Due from banks</i>	3,303,358	12,168,404	22,066
<i>b) Due from customers</i>	2,012,643	10,777,704	11,887,084
50. Hedging Derivatives	527	—	1,923
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	648	69	105,681
80. Property, plant and equipments	20,068	119,559	72,103
90. Intangible assets	13,318	9,814	354,449
<i>of which:</i>			
<i>goodwill</i>	—	—	354,033
100. Tax assets	—	43,597	506,972
<i>a) current</i>	—	511	38,390
<i>b) deferred</i>	—	43,086	468,582
110. Assets classified as held for sale	—	—	—
120. Other assets	22,258	218,186	70,900
<b>TOTAL ASSETS</b>	<b>5,416,249</b>	<b>23,466,061</b>	<b>13,029,559</b>

(\*) Table compiled in accordance with the provisions Article 15 of Consob's Market Regulation and Article 2, 6, 2 of Borsa Italiana's Market Rules (pro forma, as at 30 June 2020, drawn up for purposes of the Group's financial statements).



## Banks (IAS/IFRS)

Table B

### BALANCE SHEET

	COMPAGNIE MONEGASQUE DE BANQUE S.A. (*)	CheBanca! S.p.A.	COMPASS BANCA S.p.A.
	(€/000)	(€/000)	(€/000)
<b>LIABILITIES</b>			
10. Financial liabilities at amortized cost	4,536,023	22,373,108	10,624,133
<i>a) Due to banks</i>	325,141	6,982,333	7,008,152
<i>b) Due to customers</i>	4,210,882	15,390,775	3,615,981
<i>c) Debt securities in issue</i>	—	—	—
20. Trading financial liabilities	1,129	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging Derivatives	900	329,274	38,866
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	7,254	43,198
<i>a) current</i>	—	5,283	39,765
<i>b) deferred</i>	—	1,971	3,433
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Other liabilities	39,948	206,712	144,704
90. Staff severance indemnity provision	—	2,192	8,075
100. Provisions	3,849	19,696	5,993
<i>a) commitments and financial guarantees</i>	—	265	2,840
<i>b) post-employment and similar benefits</i>	—	—	—
<i>c) other provisions</i>	3,849	19,431	3,153
110. Revaluation reserves	—	(645)	(24,973)
120. Redeemable shares	—	—	—
130. Equity instruments	—	160,000	—
140. Reserves	690,900	(113,957)	1,356,528
150. Share premium reserves	4,573	233,750	—
160. Share capital	111,110	226,250	587,500
170. Treasury shares	—	—	—
180. Profit (loss) for the period (+/-)	27,817	22,427	245,535
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>5,416,249</b>	<b>23,466,061</b>	<b>13,029,559</b>

(\*) Table compiled in accordance with the provisions Article 15 of Consob's Market Regulation and Article 2, 6, 2 of Borsa Italiana's Market Rules (pro forma, as at 30 June 2020, drawn up for purposes of the Group's financial statements).

## Banks (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	COMPAGNIE MONEGASQUE DE BANQUE S.A. (*)	CheBanca! S.p.A.	COMPASS BANCA S.p.A.
	(€/000)	(€/000)	(€/000)
10. Interest and similar income	64,333	340,202	1,052,660
<i>of which: interest income calculated according to the effective interest method</i>	—	169,868	1,051,675
20. Interest expense and similar charges	(18,893)	(125,126)	(151,468)
<b>30. Net interest income</b>	<b>45,440</b>	<b>215,076</b>	<b>901,192</b>
40. Fee and commission income	53,158	144,973	41,268
50. Fee and commission expense	(8,256)	(43,930)	(36,085)
<b>60. Net fee and commission income</b>	<b>44,902</b>	<b>101,043</b>	<b>5,183</b>
70. Dividends and similar income	2,414	—	12
80. Net trading income	4,839	1,371	—
90. Net hedging income (expense)	—	23	—
100. Gain (loss) on disposal/repurchase:	—	(717)	(7,091)
<i>a) financial assets measured at amortized cost</i>	—	(717)	(7,091)
<i>b) financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
<i>c) financial liabilities</i>	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	(15)	32	—
<i>a) financial assets and liabilities designated at fair value</i>	—	—	—
<i>b) other financial assets mandatorily valued at fair value</i>	(15)	32	—
<b>120. Total income</b>	<b>97,580</b>	<b>316,828</b>	<b>899,296</b>
130. Net writeoffs (writebacks) for credit risk:	(587)	(20,538)	(314,476)
<i>a) financial assets measured at amortized cost</i>	(587)	(20,538)	(314,476)
<i>b) financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	(169)	(83)
<b>150. Net income from financial operations</b>	<b>96,993</b>	<b>296,121</b>	<b>584,737</b>
160. Administrative expenses:	(64,316)	(275,812)	(308,916)
<i>a) personnel costs</i>	(44,323)	(115,728)	(96,810)
<i>b) other administrative expenses</i>	(19,993)	(160,084)	(212,106)
170. Net transfers to provisions:	(2,661)	(2,662)	334
<i>a) commitments and financial guarantees</i>	—	(109)	1,305
<i>b) other sums set aside (net)</i>	(2,661)	(2,553)	(971)
180. Net adjustments to tangible assets	(2,205)	(18,819)	(12,906)
190. Net adjustments to intangible assets	(2,156)	(6,415)	(187)
200. Other operating income (expense)	6,074	41,634	103,558
<b>210. Operating costs</b>	<b>(65,264)</b>	<b>(262,074)</b>	<b>(218,117)</b>
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill writeoffs	—	—	—
250. Gain (loss) on disposal of investments	—	13	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>31,729</b>	<b>34,060</b>	<b>366,620</b>
270. Income tax for the year on ordinary activities	(3,912)	(11,633)	(121,085)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>27,817</b>	<b>22,427</b>	<b>245,535</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
<b>300. Net profit (loss) for the period</b>	<b>27,817</b>	<b>22,427</b>	<b>245,535</b>

(\*) Table compiled in accordance with the provisions Article 15 of Consob's Market Regulation and Article 2, 6, 2 of Borsa Italiana's Market Rules (pro forma, as at 30 June 2020, drawn up for purposes of the Group's financial statements).

## Banks (IAS/IFRS)

continued Table B

### BALANCE SHEET

	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.
	(€/000)
<b>ASSETS</b>	
10. Cash and cash equivalents	1
20. Financial assets at fair value with impact taken to profit and loss	121,304
<i>a) Financial assets held for trading</i>	121,304
<i>b) Financial assets designated at fair value</i>	—
<i>c) Other financial assets mandatorily at fair value</i>	—
30. Financial assets at fair value with impact taken to comprehensive income	—
40. Financial assets at amortized cost	6,228,743
<i>a) Due from banks</i>	2,086,446
<i>b) Due from customers</i>	4,142,297
50. Hedging Derivatives	38,813
60. Adjustment of hedging financial assets (+/-)	—
70. Equity investments	4,150
80. Property, plant and equipments	268
90. Intangible assets	—
<i>of which:</i>	
<i>goodwill</i>	—
100. Tax assets	10,631
<i>a) current</i>	7,239
<i>b) deferred</i>	3,392
110. Assets classified as held for sale	—
120. Other assets	24,687
<b>TOTAL ASSETS</b>	<b>6,428,597</b>
<b>LIABILITIES</b>	
10. Financial liabilities at amortized cost	5,967,482
<i>a) Due to banks</i>	2,696,499
<i>b) Due to customers</i>	133,305
<i>c) Debt securities in issue</i>	3,137,678
20. Trading financial liabilities	118,768
30. Financial liabilities designated at fair value	—
40. Hedging Derivatives	—
50. Adjustment of hedging financial liabilities (+/-)	—
60. Tax liabilities	3,187
<i>a) current</i>	3,187
<i>b) deferred</i>	—
70. Liabilities included in disposal groups classified as held for sale	—
80. Other liabilities	7,333
90. Staff severance indemnity provision	—
100. Provisions	1,142
110. Revaluation reserves	—
120. Redeemable shares	—
130. Equity instruments	—
140. Reserves	331,470
150. Share premium reserves	—
160. Share capital	10,000
170. Treasury shares	—
180. Profit (loss) for the period (+/-)	(10,785)
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6,428,597</b>

## Banks (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.
	(€000)
10. Interest and similar income	95,003
<i>of which: interest income calculated according to the effective interest method</i>	—
20. Interest expense and similar charges	(89,630)
<b>30. Net interest income</b>	<b>5,373</b>
40. Fee and commission income	15,112
50. Fee and commission expense	(9,407)
<b>60. Net fee and commission income</b>	<b>5,705</b>
70. Dividends and similar income	—
80. Net trading income	(275)
90. Net hedging income (expense)	(90)
100. Gain (loss) on disposal/repurchase:	1,279
<i>a) financial assets measured at amortized cost</i>	115
<i>b) financial assets valued at fair value with impact taken to comprehensive income</i>	—
<i>c) financial liabilities</i>	1,164
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
<i>a) financial assets and liabilities designated at fair value</i>	—
<i>b) other financial assets mandatorily valued at fair value</i>	—
<b>120. Total income</b>	<b>11,992</b>
130. Net writeoffs (writebacks) for credit risk:	(13,896)
<i>a) financial assets measured at amortized cost</i>	(13,896)
<i>b) financial assets valued at fair value with impact taken to comprehensive income</i>	—
140. Gains (losses) from contractual modifications without derecognition	—
<b>150. Net income from financial operations</b>	<b>(1,904)</b>
160. Administrative expenses:	(9,569)
<i>a) personnel costs</i>	(2,484)
<i>b) other administrative expenses</i>	(7,085)
170. Net transfers to provisions:	(404)
180. Net adjustments to tangible assets	(239)
190. Net adjustments to intangible assets	—
200. Other operating income (expense)	(1,074)
<b>210. Operating costs</b>	<b>(11,286)</b>
220. Gain (loss) on equity investments	—
230. Net result from fair value valuation of tangible and intangible assets	—
240. Goodwill writeoffs	—
250. Gain (loss) on disposal of investments	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>(13,190)</b>
270. Income tax for the year on ordinary activities	2,405
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>(10,785)</b>
290. Gain (loss) of ceded operating assets, net of tax	—
<b>300. Net profit (loss) for the period</b>	<b>(10,785)</b>

## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	FUTURO S.p.A.	MBCREDIT SOLUTIONS S.p.A.
	(€/000)	(€/000)
<b>ASSETS</b>		
10. Cash and cash equivalents	—	1
20. Financial assets at fair value with impact taken to profit and loss	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—
40. Financial assets at amortized cost	1,599,853	373,546
<i>a) Due from banks</i>	200	14,413
<i>b) Due from financial companies</i>	—	339
<i>c) Due from customers</i>	1,599,653	358,794
50. Hedging Derivatives	126	—
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	9	500
80. Property, plant and equipments	2,873	6,179
90. Intangible assets	24	610
100. Tax assets	9,569	16,523
<i>a) current</i>	2,925	2,968
<i>b) deferred</i>	6,644	13,555
110. Assets classified as held for sale	—	—
120. Other assets	5,289	19,034
<b>TOTAL ASSETS</b>	<b>1,617,743</b>	<b>416,393</b>
<b>LIABILITIES</b>		
10. Financial liabilities at amortized cost	1,424,126	235,594
<i>a) Due to</i>	1,424,126	235,594
20. Trading financial liabilities	—	—
30. Financial liabilities designated at fair value	—	—
40. Hedging Derivatives	10,510	—
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	2,692	1,858
<i>a) current</i>	2,674	1,858
<i>b) deferred</i>	18	—
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Other liabilities	19,290	9,262
90. Staff severance indemnity provision	143	4,961
100. Provisions	2,112	1,806
<i>a) commitments and financial guarantees</i>	77	284
<i>b) post-employment and similar benefits</i>	—	—
<i>c) other provisions</i>	2,035	1,522
110. Share capital	14,800	32,500
120. Treasury shares (-)	—	—
130. Equity instruments	—	—
140. Share premium reserve	—	—
150. Reserves	136,357	119,829
160. Valuation reserves	(6,895)	(857)
180. Profit (loss) for the period	14,608	11,440
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,617,743</b>	<b>416,393</b>

## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	FUTURO S.p.A.	MBCREDIT SOLUTIONS S.p.A.
	(€/000)	(€/000)
10. Interest and similar income	69,685	35,926
<i>of which: interest income calculated according to the effective interest method</i>	69,625	—
20. Interest expense and similar charges	(26,286)	(3,178)
<b>30. Net interest income</b>	<b>43,399</b>	<b>32,748</b>
40. Fee and commission income	1,337	24,078
50. Fee and commission expense	(3,346)	(7,338)
<b>60. Net fee and commission income</b>	<b>(2,009)</b>	<b>16,740</b>
70. Dividends and similar income	—	—
80. Net trading income	—	9
90. Net hedging income (expense)	—	—
100. Gain (loss) on disposal/repurchase:	—	1,918
<i>a) Financial assets recognized at amortized cost</i>	—	1,918
<i>b) Financial assets recognized at fair value through other comprehensive income</i>	—	—
<i>c) Financial liabilities</i>	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
<b>120. Total income</b>	<b>41,390</b>	<b>51,415</b>
130. Net writeoffs (writebacks) for credit risk:	(4,017)	7,495
<i>a) Financial assets valued at amortized cost</i>	(4,017)	7,495
140. Gains (losses) from contractual modifications without derecognition	—	—
<b>150. Net income from financial operations</b>	<b>37,373</b>	<b>58,910</b>
160. Administrative expenses:	(14,187)	(43,564)
<i>a) personnel costs</i>	(4,960)	(14,929)
<i>b) other administrative expenses</i>	(9,227)	(28,635)
170. Net transfers to provisions:	(891)	(254)
<i>a) commitments and financial guarantees</i>	79	(284)
<i>b) other sums set aside (net)</i>	(970)	30
180. Net adjustments to tangible assets	(285)	(726)
190. Net adjustments to intangible assets	(52)	(525)
200. Other operating income (expense)	(425)	2,694
<b>210. Operating costs</b>	<b>(15,840)</b>	<b>(42,375)</b>
220. Gain (loss) on equity investments	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—
240. Goodwill writeoffs	—	—
250. Gain (loss) on disposal of investments	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>21,533</b>	<b>16,535</b>
270. Income tax for the year on ordinary activities	(6,925)	(5,095)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>14,608</b>	<b>11,440</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—
<b>300. Net profit (loss) for the period</b>	<b>14,608</b>	<b>11,440</b>

## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	SELMABIPIEMME LEASING S.p.A. (€/000)
<b>ASSETS</b>	
10. Cash and cash equivalents	4
20. Financial assets at fair value with impact taken to profit and loss	—
30. Financial assets at fair value with impact taken to comprehensive income	—
40. Financial assets at amortized cost	1,829,726
<i>a) Due from banks</i>	11,693
<i>b) Due from financial companies</i>	15,006
<i>c) Due from customers</i>	1,803,027
50. Hedging Derivatives	—
60. Adjustment of hedging financial assets (+/-)	—
70. Equity investments	—
80. Property, plant and equipments	55,865
90. Intangible assets	689
100. Tax assets	40,511
<i>a) current</i>	1,340
<i>b) deferred</i>	39,171
110. Assets classified as held for sale	—
120. Other assets	25,824
<b>TOTAL ASSETS</b>	<b>1,952,619</b>
<b>LIABILITIES</b>	
10. Financial liabilities at amortized cost	1,692,108
<i>a) Due to</i>	1,692,108
20. Trading financial liabilities	303
30. Financial liabilities designated at fair value	—
40. Hedging Derivatives	8,925
50. Adjustment of hedging financial liabilities (+/-)	—
60. Tax liabilities	9,630
<i>a) current</i>	1,250
<i>b) deferred</i>	8,380
70. Liabilities included in disposal groups classified as held for sale	—
80. Other liabilities	17,133
90. Staff severance indemnity provision	1,632
100. Provisions	10,117
<i>a) commitments and financial guarantees</i>	69
<i>b) post-employment and similar benefits</i>	—
<i>c) other provisions</i>	10,048
110. Share capital	41,305
120. Treasury shares (-)	—
130. Equity instruments	—
140. Share premium reserve	4,620
150. Reserves	170,736
160. Valuation reserves	(5,730)
180. Profit (loss) for the period	1,840
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,952,619</b>

## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	SELMABIPIEMME LEASING S.p.A. (€/000)
10. Interest and similar income	47,371
<i>of which: interest income calculated according to the effective interest method</i>	<i>47,371</i>
20. Interest expense and similar charges	(10,263)
<b>30. Net interest income</b>	<b>37,108</b>
40. Fee and commission income	2,352
50. Fee and commission expense	(1,131)
<b>60. Net fee and commission income</b>	<b>1,221</b>
70. Dividends and similar income	—
80. Net trading income	(17)
90. Net hedging income (expense)	14
100. Gain (loss) on disposal/repurchase:	—
<i>a) Financial assets recognized at amortized cost</i>	—
<i>b) Financial assets recognized at fair value through other comprehensive income</i>	—
<i>c) Financial liabilities</i>	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
<i>a) Financial assets and liabilities recognized at fair value</i>	—
<i>b) Other financial assets mandatorily recognized at fair value</i>	—
<b>120. Total income</b>	<b>38,326</b>
130. Net writeoffs (writebacks) for credit risk:	(9,632)
<i>a) Financial assets valued at amortized cost</i>	<i>(9,632)</i>
<i>b) Financial assets recognized at fair value through other comprehensive income</i>	—
140. Gains (losses) from contractual modifications without derecognition	(1)
<b>150. Net income from financial operations</b>	<b>28,693</b>
160. Administrative expenses:	(25,108)
<i>a) personnel costs</i>	<i>(16,681)</i>
<i>b) other administrative expenses</i>	<i>(8,427)</i>
170. Net transfers to provisions:	(674)
<i>a) commitments and financial guarantees</i>	<i>(25)</i>
<i>b) other sums set aside (net)</i>	<i>(649)</i>
180. Net adjustments to tangible assets	(2,318)
190. Net adjustments to intangible assets	—
200. Other operating income (expense)	1,567
<b>210. Operating costs</b>	<b>(26,533)</b>
220. Gain (loss) on equity investments	—
230. Net result from fair value valuation of tangible and intangible assets	—
240. Goodwill writeoffs	—
250. Gain (loss) on disposal of investments	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>2,160</b>
270. Income tax for the year on ordinary activities	(320)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>1,840</b>
290. Gain (loss) of ceded operating assets, net of tax	—
<b>300. Net profit (loss) for the period</b>	<b>1,840</b>



## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	PROMINVESTMENT (under liquidation and arrangement with customers) S.p.A. (€/000)	MEDIOBANCA INTERNATIONAL IMMOBILIARE S.a.r.l. (€/000)	MB FUNDING LUX S.A. (€/000)	CAIRN CAPITAL LIMITED GROUP LTD (*) (€/000)	CMB WEALTH MANAGEMENT LTD (under liquidation) (*) (**) (€/000)
<b>ASSETS</b>					
10. Cash and cash equivalents	—	—	18	—	—
20. Financial assets at fair value with impact taken to profit and loss	—	—	—	1,527	—
<i>a) Financial assets held for trading</i>	—	—	—	—	—
<i>b) Financial assets designated at fair value</i>	—	—	—	—	—
<i>c) Other financial assets mandatorily at     fair value</i>	—	—	—	1,527	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	—
40. Financial assets at amortized cost	390	237	850,000	2,447	116
<i>a) Due from banks</i>	197	237	850,000	2,447	116
<i>b) Due from financial companies</i>	—	—	—	—	—
<i>c) Due from customers</i>	193	—	—	—	—
50. Hedging Derivatives	—	—	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—
70. Equity investments	—	—	—	—	—
80. Property, plant and equipments	—	1,626	—	332	—
90. Intangible assets	—	—	—	—	—
<i>of which:</i>					
<i>goodwill</i>	—	—	—	—	—
100. Tax assets	5	2	—	—	—
<i>a) current</i>	5	2	—	—	—
<i>b) deferred</i>	—	—	—	—	—
110. Assets classified as held for sale	—	—	—	—	—
120. Other assets	29	11	1,473	10,105	—
<b>TOTAL ASSETS</b>	<b>424</b>	<b>1,876</b>	<b>851,491</b>	<b>14,411</b>	<b>116</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

(\*\*) The company has not published any individual financial statements due to the ongoing liquidation process.

## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	PROMINVESTMENT (under liquidation and arrangement with customers) S.p.A. (€000)	MEDIOBANCA INTERNATIONAL IMMOBILIERE S.a.r.l. (€000)	MB FUNDING LUX S.A. (€000)	CAIRN CAPITAL LIMITED GROUP LTD (*) (€000)	CMB WEALTH MANAGEMENT LTD (under liquidation) (*) (**) (€000)
<b>LIABILITIES</b>					
10. Financial liabilities at amortized cost	—	—	850,185	6,671	—
<i>a) Due to</i>	—	—	—	6,671	—
<i>b) Securities in issue</i>	—	—	850,185	—	—
20. Trading financial liabilities	—	—	—	66	—
30. Financial liabilities designated at fair value	—	—	—	—	—
40. Hedging Derivatives	—	—	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—
60. Tax liabilities	—	7	15	1,226	—
<i>a) current</i>	—	7	15	1,226	—
<i>b) deferred</i>	—	—	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—
80. Other liabilities	1,067	2	379	1,550	5
90. Staff severance indemnity provision	—	—	—	—	—
100. Provisions	—	—	—	—	—
<i>a) commitments and financial guarantees</i>	—	—	—	—	—
<i>b) post-employment and similar benefits</i>	—	—	—	—	—
<i>c) other provisions</i>	—	—	—	—	—
110. Share capital	743	40	831	—	1800
120. Treasury shares (-)	—	—	—	—	—
130. Equity instruments	—	—	—	—	—
140. Share premium reserve	—	—	—	9,500	—
150. Reserves	(1,342)	1,759	60	(238)	(1,683)
160. Valuation reserves	—	—	—	—	—
180. Profit (loss) for the period	(44)	68	21	(4,364)	(6)
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>424</b>	<b>1,876</b>	<b>851,491</b>	<b>14,411</b>	<b>116</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

(\*\*) The company has not published any individual financial statements due to the ongoing liquidation process.

## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	PROMINVESTMENT (under liquidation and arrangement with customers) S.p.A.	MEDIOBANCA INTERNATIONAL IMMOBILIARE S.a.r.l.	MB FUNDING LUX S.A.	CAIRN CAPITAL LIMITED GROUP LTD (*)	CMB WEALTH MANAGEMENT LTD (under liquidation) (**) (***)
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
10. Interest and similar income	—	—	7,713	13	—
<i>of which: interest income calculated according to the effective interest method</i>	—	—	—	—	—
20. Interest expense and similar charges	—	—	(7,704)	(210)	—
<b>30. Net interest income</b>	—	—	<b>9</b>	<b>(197)</b>	—
40. Fee and commission income	—	—	—	16,220	—
50. Fee and commission expense	—	—	—	—	—
<b>60. Net fee and commission income</b>	—	—	—	<b>16,220</b>	—
70. Dividends and similar income	—	—	—	158	—
80. Net trading income	—	—	—	(135)	—
90. Net hedging income (expense)	—	—	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—	—	—
<i>c) Financial liabilities</i>	—	—	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—	(299)	—
<i>a) financial assets designated at fair value</i>	—	—	—	—	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—	—	—	(299)	—
<b>120. Total income</b>	—	—	<b>9</b>	<b>15,747</b>	—
130. Net writeoffs (writebacks) for credit risk:	—	—	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—
<b>150. Net income from financial operations</b>	—	—	<b>9</b>	<b>15,747</b>	—
160. Administrative expenses:	(44)	—	(420)	(19,656)	(8)
<i>a) personnel costs</i>	(16)	(25)	—	(13,590)	—
<i>b) other administrative expenses</i>	(28)	—	(420)	(6,076)	(8)
170. Net transfers to provisions:	—	(25)	—	—	—
<i>a) commitments and financial guarantees</i>	—	—	—	—	—
<i>b) other sums set aside (net)</i>	—	—	—	—	—
180. Net adjustments to tangible assets	—	—	—	(1,114)	—
190. Net adjustments to intangible assets	—	(73)	—	—	—
200. Other operating income (expense)	—	—	435	—	2
<b>210. Operating costs</b>	<b>(44)</b>	<b>171</b>	<b>15</b>	<b>(20,770)</b>	<b>(6)</b>
220. Gain (loss) on equity investments	—	73	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—
240. Goodwill writeoffs	—	—	—	—	—
250. Gain (loss) on disposal of investments	—	—	—	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>(44)</b>	—	<b>24</b>	<b>(5,023)</b>	<b>(6)</b>
270. Income tax for the year on ordinary activities	—	73	(3)	659	—
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>(44)</b>	<b>(5)</b>	<b>21</b>	<b>(4,364)</b>	<b>(6)</b>
290. Gain (loss) of ceded operating assets, net of tax	—	68	—	—	—
<b>300. Net profit (loss) for the period</b>	<b>(44)</b>	—	<b>21</b>	<b>(4,364)</b>	<b>(6)</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

(\*\*) The company has not published any individual financial statements due to the ongoing liquidation process.

## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	COMPAGNIE MONEGASQUE DE GESTION S.A. (*)	RAM ACTIVE INVESTMENTS S.A. (*)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. (*)
	(€/000)	(€/000)	(€/000)
<b>ASSETS</b>			
10. Cash and cash equivalents	—	—	—
20. Financial assets at fair value with impact taken to profit and loss	—	255	—
<i>a) Financial assets held for trading</i>	—	255	—
<i>b) Financial assets designated at fair value</i>	—	—	—
<i>c) Other financial assets mandatorily at fair value</i>	—	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—
40. Financial assets at amortized cost	1,893	17,639	6,943
<i>a) Due from banks</i>	1,493	17,639	6,943
<i>b) Due from financial companies</i>	—	—	—
<i>c) Due from customers</i>	400	—	—
50. Hedging Derivatives	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	—	793	—
80. Property, plant and equipments	—	1,064	71
90. Intangible assets	—	181	5
<i>of which:</i>			
<i>goodwill</i>	—	—	—
100. Tax assets	—	283	—
<i>a) current</i>	—	144	—
<i>b) deferred</i>	—	139	—
110. Assets classified as held for sale	—	—	—
120. Other assets	2,628	9,891	2,534
<b>TOTAL ASSETS</b>	<b>4,521</b>	<b>30,106</b>	<b>9,553</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	COMPAGNIE MONEGASQUE DE GESTION S.A. (*)	RAM ACTIVE INVESTMENTS S.A. (*)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. (*)
	(€/000)	(€/000)	(€/000)
<b>LIABILITIES</b>			
10. Financial liabilities at amortized cost	—	—	—
<i>a) Due to</i>	—	—	—
<i>b) Securities in issue</i>	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging Derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	465	360
<i>a) current</i>	—	465	360
<i>b) deferred</i>	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Other liabilities	3,220	2,345	5,011
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
<i>a) commitments and financial guarantees</i>	—	—	—
<i>b) post-employment and similar benefits</i>	—	—	—
<i>c) other provisions</i>	—	—	—
110. Share capital	600	1,000	782
120. Treasury shares (-)	—	(4,277)	—
130. Equity instruments	—	500	—
140. Share premium reserve	—	—	—
150. Reserves	(1,279)	27,063	2,830
160. Valuation reserves	—	—	(43)
180. Profit (loss) for the period	1,980	3,010	613
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>4,521</b>	<b>30,106</b>	<b>9,553</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	COMPAGNIE MONEGASQUE DE GESTION S.A. (*)	RAM ACTIVE INVESTMENTS S.A. (*)	RAM ACTIVE INVESTMENTS (LUXEMBOURG S.A. (*)
	(€/000)	(€/000)	(€/000)
10. Interest and similar income	—	—	2
<i>of which: interest income calculated according to the effective interest method</i>	—	—	—
20. Interest expense and similar charges	—	(176)	(60)
<b>30. Net interest income</b>	—	(176)	(58)
40. Fee and commission income	12,228	25,559	8,470
50. Fee and commission expense	(6,668)	(2,849)	(5,344)
<b>60. Net fee and commission income</b>	<b>5,560</b>	<b>22,710</b>	<b>3,126</b>
70. Dividends and similar income	—	—	—
80. Net trading income	—	39	(26)
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
<i>c) Financial liabilities</i>	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
<i>a) financial assets designated at fair value</i>	—	—	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—	—	—
<b>120. Total income</b>	<b>5,560</b>	<b>22,573</b>	<b>3,042</b>
130. Net writeoffs (writebacks) for credit risk:	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
<b>150. Net income from financial operations</b>	<b>5,560</b>	<b>22,573</b>	<b>3,042</b>
160. Administrative expenses:	(2,728)	(18,414)	(2,286)
<i>a) personnel costs</i>	(1,765)	(14,169)	(1,499)
<i>b) other administrative expenses</i>	(963)	(4,245)	(787)
170. Net transfers to provisions:	—	—	—
<i>a) commitments and financial guarantees</i>	—	—	—
<i>b) other sums set aside (net)</i>	—	—	—
180. Net adjustments to tangible assets	—	(144)	(17)
190. Net adjustments to intangible assets	—	(32)	—
200. Other operating income (expense)	—	274	2
<b>210. Operating costs</b>	<b>(2,728)</b>	<b>(18,316)</b>	<b>(2,301)</b>
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill writeoffs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>2,832</b>	<b>4,257</b>	<b>741</b>
270. Income tax for the year on ordinary activities	(852)	(1,247)	(128)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>1,980</b>	<b>3,010</b>	<b>613</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
<b>300. Net profit (loss) for the period</b>	<b>1,980</b>	<b>3,010</b>	<b>613</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

## Financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	Messier Maris et associés S.C.A. (*)	Messier Maris et associés L.L.C. (*)
	(€/000)	(€/000)
<b>ASSETS</b>		
10. Cash and cash equivalents	—	—
20. Financial assets at fair value with impact taken to profit and loss	—	—
<i>a) Financial assets held for trading</i>	—	—
<i>b) Financial assets designated at fair value</i>	—	—
<i>c) Other financial assets mandatorily at fair value</i>	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—
40. Financial assets at amortized cost	13,112	158
<i>a) Due from banks</i>	13,112	158
<i>b) Due from financial companies</i>	—	—
<i>c) Due from customers</i>	—	—
50. Hedging Derivatives	—	—
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	751	—
80. Property, plant and equipments	311	—
90. Intangible assets	17,006	—
<i>of which:</i>		
<i>goodwill</i>	—	—
100. Tax assets	386	242
<i>a) current</i>	386	—
<i>b) deferred</i>	—	242
110. Assets classified as held for sale	—	—
120. Other assets	14,882	—
<b>TOTAL ASSETS</b>	<b>46,448</b>	<b>400</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.

## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	Messier Maris et associés S.C.A. (*)	Messier Maris et associés L.L.C. (*)
	(€/000)	(€/000)
<b>LIABILITIES</b>		
10. Financial liabilities at amortized cost	12,531	2,114
<i>a) Due to</i>	12,531	2,114
<i>b) titoli in circolazione</i>	—	—
20. Trading financial liabilities	—	—
30. Financial liabilities designated at fair value	—	—
40. Hedging Derivatives	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	2,433	—
<i>a) current</i>	2,433	—
<i>b) deferred</i>	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Other liabilities	8,846	—
90. Staff severance indemnity provision	—	—
100. Provisions	—	—
<i>a) commitments and financial guarantees</i>	—	—
<i>b) post-employment and similar benefits</i>	—	—
<i>c) other provisions</i>	—	—
110. Share capital	50	211
120. Treasury shares (-)	—	—
130. Equity instruments	—	—
140. Share premium reserve	17,732	—
150. Reserves	(2,547)	(1,403)
160. Valuation reserves	—	—
180. Profit (loss) for the period	7,403	(522)
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>46,448</b>	<b>400</b>

(\*) Pro forma as at 30 June 2020, used for purposes of preparing the consolidated financial statements.



## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	Messier Maris et associés S.C.A. (*)	Messier Maris et associés L.L.C. (*)
	(€/000)	(€/000)
10. Interest and similar income	—	—
of which: interest income calculated according to the effective interest method	—	—
20. Interest expense and similar charges	—	—
<b>30. Net interest income</b>	<b>—</b>	<b>—</b>
40. Fee and commission income	33,755	—
50. Fee and commission expense	—	—
<b>60. Net fee and commission income</b>	<b>33,755</b>	<b>—</b>
70. Dividends and similar income	—	—
80. Net trading income	(2)	—
90. Net hedging income (expense)	—	—
100. Gain (loss) on disposal/repurchase:	—	—
a) <i>Financial assets valued at amortized cost</i>	—	—
b) <i>Financial assets valued at fair value with impact taken to comprehensive     income</i>	—	—
c) <i>Financial liabilities</i>	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
a) <i>financial assets designated at fair value</i>	—	—
b) <i>Other financial assets mandatorily valued at fair value</i>	—	—
<b>120. Total income</b>	<b>33,753</b>	<b>—</b>
130. Net writeoffs (writebacks) for credit risk:	—	—
a) <i>Financial assets valued at amortized cost</i>	—	—
b) <i>Financial assets valued at fair value with impact taken to comprehensive     income</i>	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—
<b>150. Net income from financial operations</b>	<b>33,753</b>	<b>—</b>
160. Administrative expenses:	(23,400)	(1,999)
a) <i>personnel costs</i>	(16,421)	(1,513)
b) <i>other administrative expenses</i>	(6,979)	(486)
170. Net transfers to provisions:	—	—
a) <i>commitments and financial guarantees</i>	—	—
b) <i>other sums set aside (net)</i>	—	—
180. Net adjustments to tangible assets	(88)	—
190. Net adjustments to intangible assets	—	—
200. Other operating income (expense)	13	1,236
<b>210. Operating costs</b>	<b>(23,475)</b>	<b>(763)</b>
220. Gain (loss) on equity investments	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—
240. Goodwill writeoffs	—	—
250. Gain (loss) on disposal of investments	4	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>10,282</b>	<b>(763)</b>
270. Income tax for the year on ordinary activities	(2,879)	241
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>7,403</b>	<b>(522)</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—
<b>300. Net profit (loss) for the period</b>	<b>7,403</b>	<b>(522)</b>

## Other financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	MBFACTA S.p.A.	SPAFID S.p.A.	SPAFID FAMILY OFFICE SIM S.p.A.
	(€/000)	(€/000)	(€/000)
<b>ASSETS</b>			
10. Cash and cash equivalents	—	2	1
20. Financial assets at fair value with impact taken to profit and loss	—	—	—
<i>a) Financial assets held for trading</i>	—	—	—
<i>b) Financial assets designated at fair value</i>	—	—	—
<i>c) Other financial assets mandatorily at fair value</i>	—	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—
40. Financial assets at amortized cost	1,819,376	37,731	1,282
<i>a) Due from banks</i>	59,332	31,423	551
<i>b) Due from financial companies</i>	237,570	114	168
<i>c) Due from customers</i>	1,522,474	6,194	563
50. Hedging Derivatives	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	—	2,350	—
80. Property, plant and equipments	1,110	2,773	212
90. Intangible assets	—	7,219	37
<i>of which:</i>			
<i>goodwill</i>	—	—	—
100. Tax assets	10,550	1,526	80
<i>a) current</i>	9,036	431	—
<i>b) deferred</i>	1,514	1,095	80
110. Assets classified as held for sale	—	—	—
120. Other assets	7,851	5,547	232
<b>TOTAL ASSETS</b>	<b>1,838,887</b>	<b>57,148</b>	<b>1,844</b>
<b>LIABILITIES</b>			
10. Financial liabilities at amortized cost	1,653,993	2,763	214
<i>a) Due to</i>	1,653,993	2,763	214
<i>b) Securities in issue</i>	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging Derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	7,216	—	22
<i>a) current</i>	7,183	—	22
<i>b) deferred</i>	33	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Other liabilities	10,866	6,932	445
90. Staff severance indemnity provision	277	994	83
100. Provisions	168	—	118
<i>a) commitments and financial guarantees</i>	53	—	—
<i>b) post-employment and similar benefits</i>	—	—	—
<i>c) other provisions</i>	115	—	118
110. Share capital	120,000	6,100	1,000
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	—
140. Share premium reserve	—	3,500	—
150. Reserves	31,809	36,956	(116)
160. Valuation reserves	(59)	(130)	—
170. Profit (loss) for the period	14,617	33	78
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,838,887</b>	<b>57,148</b>	<b>1,844</b>

## Other financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	MBFACTA S.p.A.	SPAFID S.p.A.	SPAFID FAMILY OFFICE SIM S.p.A.
	(€000)	(€000)	(€000)
10. Interest and similar income	55,561	—	—
<i>of which: interest income calculated according to the effective interest method</i>	55,561	—	—
20. Interest expense and similar charges	(8,912)	(36)	—
<b>30. Net interest income</b>	<b>46,649</b>	<b>(36)</b>	<b>—</b>
40. Fee and commission income	7,102	10,067	1,669
50. Fee and commission expense	(2,823)	(1,405)	(314)
<b>60. Net fee and commission income</b>	<b>4,279</b>	<b>8,662</b>	<b>1,355</b>
70. Dividends and similar income	—	—	—
80. Net trading income	103	—	—
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
<i>c) Financial liabilities</i>	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
<i>a) financial assets designated at fair value</i>	—	—	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—	—	—
<b>120. Total income</b>	<b>51,031</b>	<b>8,626</b>	<b>1,355</b>
130. Net writeoffs (writebacks) for credit risk:	(18,633)	(700)	—
<i>a) Financial assets valued at amortized cost</i>	(18,633)	(700)	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
<b>150. Net income from financial operations</b>	<b>32,398</b>	<b>7,926</b>	<b>1,355</b>
160. Administrative expenses:	(10,859)	(8,459)	(1,207)
<i>a) personnel coss</i>	(3,814)	(5,463)	(773)
<i>b) other administrative expenses</i>	(7,045)	(2,996)	(434)
170. Net transfers to provisions:	(106)	—	38
<i>a) commitments and financial guarantees</i>	(37)	—	—
<i>b) other sums set aside (net)</i>	(69)	—	38
180. Net adjustments to tangible assets	(143)	(400)	(24)
190. Net adjustments to intangible assets	—	(327)	(18)
200. Other operating income (expense)	447	1,324	—
<b>210. Operating costs</b>	<b>10,661</b>	<b>7,862</b>	<b>1,211</b>
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill writeoffs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>21,737</b>	<b>64</b>	<b>144</b>
270. Income tax for the year on ordinary activities	7,120	31	66
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>14,617</b>	<b>33</b>	<b>78</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
<b>300. Net profit (loss) for the period</b>	<b>14,617</b>	<b>33</b>	<b>78</b>

## Other financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	MEDIOBANCA SGR S.p.A. (€/000)
<b>ASSETS</b>	
10. Cash and cash equivalents	1
20. Financial assets at fair value with impact taken to profit and loss	—
<i>a) Financial assets held for trading</i>	—
<i>b) Financial assets designated at fair value</i>	—
<i>c) Other financial assets mandatorily at fair value</i>	—
30. Financial assets at fair value with impact taken to comprehensive income	—
40. Financial assets at amortized cost	38,680
<i>a) Due from banks</i>	—
<i>b) Due from financial companies</i>	—
<i>c) Due from customers</i>	38,680
50. Hedging Derivatives	—
60. Adjustment of hedging financial assets (+/-)	—
70. Equity investments	—
80. Property, plant and equipments	437
90. Intangible assets	—
<i>of which:</i>	
<i>goodwill</i>	—
100. Tax assets	64
<i>a) current</i>	—
<i>b) deferred</i>	64
110. Assets classified as held for sale	—
120. Other assets	8,162
<b>TOTAL ASSETS</b>	<b>47,344</b>
<b>LIABILITIES</b>	
10. Financial liabilities at amortized cost	1,732
<i>a) Due to</i>	1,732
<i>b) Securities in issue</i>	—
20. Trading financial liabilities	—
30. Financial liabilities designated at fair value	—
40. Hedging Derivatives	—
50. Adjustment of hedging financial liabilities (+/-)	—
60. Tax liabilities	1,425
<i>a) current</i>	1,388
<i>b) deferred</i>	37
70. Liabilities included in disposal groups classified as held for sale	—
80. Other liabilities	6,786
90. Staff severance indemnity provision	404
100. Provisions	245
<i>a) commitments and financial guarantees</i>	—
<i>b) post-employment and similar benefits</i>	—
<i>c) other provisions</i>	245
110. Share capital	10,330
120. Treasury shares (-)	—
130. Equity instruments	—
140. Share premium reserve	—
150. Reserves	18,418
160. Valuation reserves	28
170. Profit (loss) for the period	7,976
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>47,344</b>

## Other financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	MEDIOBANCA SGR S.p.A. (€000)
10. Commission income	29,645
20. Commission expenses	(4,071)
<b>30. Net fee and commission</b>	<b>25,574</b>
40. Dividends and similar income	—
50. Interest and similar income	—
<i>of which: interest income calculated according to the effective interest method</i>	—
60. Interest and similar charges	(2)
70. Net trading income	—
80. Net hedging income (expense)	—
90. Gain (loss) on disposal/repurchase:	—
<i>a) Financial assets valued at amortized cost</i>	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—
<i>c) Financial liabilities</i>	—
100. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
<i>a) financial assets designated at fair value</i>	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—
<b>110. Total income</b>	<b>25,572</b>
120. Net writeoffs (writebacks) for credit risk:	—
<i>a) Financial assets valued at amortized cost</i>	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—
<b>130. Net income from financial operations</b>	<b>25,572</b>
140. Administrative expenses:	(14,088)
<i>a) personnel costs</i>	(8,405)
<i>b) other administrative expenses</i>	(5,683)
150. Net transfers to provisions:	—
160. Net adjustments to tangible assets	(237)
170. Net adjustments to intangible assets	—
180. Other operating income (expense)	11
<b>190. Operating costs</b>	<b>(14,314)</b>
200. Gain (loss) on equity investments	—
210. Net result from fair value valuation of tangible and intangible assets	—
220. Goodwill writeoffs	—
230. Gain (loss) on disposal of investments	—
<b>240. Profit (loss) on ordinary activity before tax</b>	<b>11,258</b>
250. Income tax for the year on ordinary activities	(3,282)
<b>260. Profit (loss) on ordinary activities after tax</b>	<b>7,976</b>
270. Gain (loss) of ceded operating assets, net of tax	—
<b>280. Net profit (loss) for the period</b>	<b>7,976</b>

## Other financial companies (IAS/IFRS)

continued Table B

### BALANCE SHEET

	MEDIOBANCA COVERED BOND S.r.l.	QUARZO S.r.l.	QUARZO CQS S.r.l.
	(€/000)	(€/000)	(€/000)
<b>ASSETS</b>			
10. Cash and cash equivalents	—	—	—
20. Financial assets at fair value with impact taken to profit and loss	—	—	—
<i>a) Financial assets held for trading</i>	—	—	—
<i>b) Financial assets designated at fair value</i>	—	—	—
<i>c) Other financial assets mandatorily at fair value</i>	—	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—
40. Financial assets at amortized cost	100	10	10
<i>a) Due from banks</i>	100	10	10
<i>b) Due from financial companies</i>	—	—	—
<i>c) Due from customers</i>	—	—	—
50. Hedging Derivatives	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	—	—	—
80. Property, plant and equipments	—	—	—
90. Intangible assets	—	—	—
<i>of which:</i>			
<i>goodwill</i>	—	—	—
100. Tax assets	—	—	—
<i>a) current</i>	—	—	—
<i>b) deferred</i>	—	—	—
110. Assets classified as held for sale	—	—	—
120. Other assets	530	564	37
<b>TOTAL ASSETS</b>	<b>630</b>	<b>574</b>	<b>47</b>
<b>LIABILITIES</b>			
10. Financial liabilities at amortized cost	—	—	—
<i>a) Due to</i>	—	—	—
<i>b) Securities in issue</i>	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging Derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	1	—
<i>a) current</i>	—	1	—
<i>b) deferred</i>	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Other liabilities	554	560	37
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
<i>a) commitments and financial guarantees</i>	—	—	—
<i>b) post-employment and similar benefits</i>	—	—	—
<i>c) other provisions</i>	—	—	—
110. Share capital	100	10	10
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	—
140. Share premium reserve	—	—	—
150. Reserves	(24)	3	—
160. Valuation reserves	—	—	—
170. Profit (loss) for the period	—	—	—
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>630</b>	<b>574</b>	<b>47</b>

## Other financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	MEDIOBANCA COVERED BOND S.r.l.	QUARZO S.r.l.	QUARZO CQS S.r.l.
	(€000)	(€000)	(€000)
10. Interest and similar income	—	—	—
<i>of which: interest income calculated according to the effective interest method</i>	—	—	—
20. Interest expense and similar charges	—	—	—
<b>30. Net interest income</b>	<b>—</b>	<b>—</b>	<b>—</b>
40. Fee and commission income	—	—	—
50. Fee and commission expense	—	—	—
<b>60. Net fee and commission income</b>	<b>—</b>	<b>—</b>	<b>—</b>
70. Dividends and similar income	—	—	—
80. Net trading income	—	—	—
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
<i>c) Financial liabilities</i>	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
<i>a) financial assets designated at fair value</i>	—	—	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—	—	—
<b>120. Total income</b>	<b>—</b>	<b>—</b>	<b>—</b>
130. Net writeoffs (writebacks) for credit risk:	—	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
<b>150. Net income from financial operations</b>	<b>—</b>	<b>—</b>	<b>—</b>
160. Administrative expenses:	(74)	(177)	(103)
<i>a) personnel costs</i>	—	(11)	(13)
<i>b) other administrative expenses</i>	(74)	(166)	(90)
170. Net transfers to provisions:	—	—	—
<i>a) commitments and financial guarantees</i>	—	—	—
<i>b) other sums set aside (net)</i>	—	—	—
180. Net adjustments to tangible assets	—	—	—
190. Net adjustments to intangible assets	—	—	—
200. Other operating income (expense)	74	178	103
<b>210. Operating costs</b>	<b>—</b>	<b>1</b>	<b>—</b>
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill writeoffs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>—</b>	<b>1</b>	<b>—</b>
270. Income tax for the year on ordinary activities	—	(1)	—
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>—</b>	<b>—</b>	<b>—</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
<b>300. Net profit (loss) for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>

## Banks

continued Table B

### BALANCE SHEET

	Compagnie Monégasque de Banque 31.12.2019 S.A.
	(€/000)
<b>ASSETS</b>	
10. Cash and cash equivalents	270,061
20. Financial assets at fair value with impact taken to profit and loss	31,570
<i>a) Financial assets held for trading</i>	—
<i>b) Financial assets designated at fair value</i>	—
<i>c) Other financial assets mandatorily at fair value</i>	31,570
30. Financial assets at fair value with impact taken to comprehensive income	590,939
40. Financial assets at amortized cost	4,103,253
<i>a) Due from banks</i>	2,469,934
<i>b) Due from customers</i>	1,633,319
70. Equity investments	6,988
80. Property, plant and equipments	185,483
90. Intangible assets	9,578
100. Tax assets	—
<i>a) current</i>	—
<i>b) deferred</i>	—
110. Assets classified as held for sale	—
120. Other assets	25,078
<b>TOTAL ASSETS</b>	<b>5,222,950</b>
<b>LIABILITIES</b>	
10. Financial liabilities at amortized cost	4,178,966
<i>a) Due to banks</i>	220,028
<i>b) Due to customers</i>	3,958,938
<i>c) Securities in issue</i>	—
20. Trading financial liabilities	—
30. Financial liabilities designated at fair value	—
40. Hedging Derivatives	—
60. Tax liabilities	—
<i>a) current</i>	—
<i>b) deferred</i>	—
80. Other liabilities	56,010
90. Staff severance indemnity provision	—
100. Provisions	19,499
<i>a) commitments and financial guarantees</i>	—
<i>b) post-employment and similar benefits</i>	—
<i>c) other provisions</i>	19,499
110. Valuation reserves	—
120. Redeemable shares	—
130. Equity instruments	—
140. Reserves	840,083
150. Share premium reserve	4,573
160. Shares capital	111,110
170. Treasury shares (-)	—
180. Profit (loss) for the year	12,709
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>5,222,950</b>



## Banks

continued Table B

### PROFIT AND LOSS

	Compagnie Monégasque de Banque 31.12.2019 S.A.
	(€/000)
10. Interest and similar income	65,760
<i>of which: interest income calculated according to the effective interest method</i>	—
20. Interest expense and similar charges	(22,514)
<b>30. Net interest income</b>	<b>43,246</b>
40. Fee and commission income	56,803
50. Fee and commission expense	(4,549)
<b>60. Net fee and commission income</b>	<b>52,254</b>
70. Dividends and similar income	1,814
80. Net trading income	1,844
90. Net hedging income (expense)	—
100. Gain (loss) on disposal/repurchase:	2,297
<i>a) Financial assets valued at amortized cost</i>	2,297
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—
<i>c) Financial liabilities</i>	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
<i>a) financial assets designated at fair value</i>	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—
<b>120. Total income</b>	<b>101,455</b>
130. Net writeoffs (writebacks) for credit risk:	(984)
<i>a) Financial assets valued at amortized cost</i>	(984)
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—
140. Gains (losses) from contractual modifications without derecognition	—
<b>150. Net income from financial operations</b>	<b>100,471</b>
160. Administrative expenses:	(58,527)
<i>a) personnel costs</i>	(39,296)
<i>b) other administrative expenses</i>	(19,231)
170. Net transfers to provisions:	2,250
<i>a) commitments and financial guarantees</i>	—
<i>b) other sums set aside (net)</i>	2,250
180. Net adjustments to tangible assets	(3,470)
190. Net adjustments to intangible assets	(18,850)
200. Other operating income (expense)	(4,278)
<b>210. Operating costs</b>	<b>(82,875)</b>
220. Gain (loss) on equity investments	—
230. Net result from fair value valuation of tangible and intangible assets	—
240. Goodwill writeoffs	—
250. Gain (loss) on disposal of investments	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>17,596</b>
270. Income tax for the year on ordinary activities	(4,887)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>12,709</b>
290. Gain (loss) of ceded operating assets, net of tax	—
<b>350. Net profit (loss) for the period</b>	<b>12,709</b>

## Financial companies

continued Table B

### BALANCE SHEET

	MEDIOBANCA SECURITIES LLC
	(\$'000)
<b>ASSETS</b>	
10. Cash and cash equivalents	—
20. Financial assets at fair value with impact taken to profit and loss	—
<i>a) Financial assets held for trading</i>	—
<i>b) Financial assets designated at fair value</i>	—
<i>c) Other financial assets mandatorily at fair value</i>	—
30. Financial assets at fair value with impact taken to comprehensive income	—
40. Financial assets at amortized cost	6,595
<i>a) Due from banks</i>	6,595
<i>b) Due from financial companies</i>	—
<i>c) Due from customers</i>	—
50. Hedging Derivatives	—
60. Adjustment of hedging financial assets (+/-)	—
70. Equity investments	—
80. Property, plant and equipments	—
90. Intangible assets	—
<i>of which:</i>	—
<i>goodwill</i>	—
100. Tax assets	222
<i>a) current</i>	—
<i>b) deferred</i>	222
110. Assets classified as held for sale	—
120. Other assets	155
<b>TOTAL ASSETS</b>	<b>6,972</b>
<b>LIABILITIES</b>	
10. Financial liabilities at amortized cost	30
<i>a) Due to</i>	30
<i>b) Securities in issue</i>	—
20. Trading financial liabilities	—
30. Financial liabilities designated at fair value	—
40. Hedging Derivatives	—
50. Adjustment of hedging financial liabilities (+/-)	—
60. Tax liabilities	—
<i>a) current</i>	—
<i>b) deferred</i>	—
70. Liabilities included in disposal groups classified as held for sale	—
80. Other liabilities	1,077
90. Staff severance indemnity provision	—
100. Provisions	—
<i>a) commitments and financial guarantees</i>	—
<i>b) post-employment and similar benefits</i>	—
<i>c) other provisions</i>	—
110. Share capital	2,250
120. Treasury shares (-)	—
130. Equity instruments	—
140. Share premium reserve	—
150. Reserves	3,483
160. Valuation reserves	—
180. Profit (loss) for the period	132
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6,972</b>

## Financial companies

continued Table B

### PROFIT AND LOSS

	MEDIOBANCA SECURITIES LLC
	(\$'000)
10. Interest and similar income	1
<i>of which: interest income calculated according to the effective interest method</i>	—
20. Interest expense and similar charges	—
<b>30. Net interest income</b>	<b>1</b>
40. Fee and commission income	1,882
50. Fee and commission expense	—
<b>60. Net fee and commission income</b>	<b>1,882</b>
70. Dividends and similar income	—
80. Net trading income	—
90. Net hedging income (expense)	—
100. Gain (loss) on disposal/repurchase:	—
<i>a) Financial assets valued at amortized cost</i>	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—
<i>c) Financial liabilities</i>	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
<i>a) financial assets designated at fair value</i>	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—
<b>120. Total income</b>	<b>1,883</b>
130. Net writeoffs (writebacks) for credit risk:	—
<i>a) Financial assets valued at amortized cost</i>	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—
140. Gains (losses) from contractual modifications without derecognition	—
<b>150. Net income from financial operations</b>	<b>1,883</b>
160. Administrative expenses:	(2,541)
<i>a) personnel costs</i>	(1,703)
<i>b) other administrative expenses</i>	(838)
170. Net transfers to provisions:	—
<i>a) commitments and financial guarantees</i>	—
<i>b) other sums set aside (net)</i>	—
180. Net adjustments to tangible assets	—
190. Net adjustments to intangible assets	—
200. Other operating income (expense)	857
<b>210. Operating costs</b>	<b>(1,684)</b>
220. Gain (loss) on equity investments	—
230. Net result from fair value valuation of tangible and intangible assets	—
240. Goodwill writeoffs	—
250. Gain (loss) on disposal of investments	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>199</b>
270. Income tax for the year on ordinary activities	(67)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>132</b>
290. Gain (loss) of ceded operating assets, net of tax	—
<b>350. Net profit (loss) for the period</b>	<b>132</b>

## Financial companies

continued Table B

### BALANCE SHEET

	CMB Asset Management S.A.M. 31.12.2019	Compagnie Monégasque de Gestion 31.12.2019
	(€000)	(€000)
<b>ASSETS</b>		
10. Cash and cash equivalents	757	5,778
20. Financial assets at fair value with impact taken to profit and loss	—	—
<i>a) Financial assets held for trading</i>	—	—
<i>b) Financial assets designated at fair value</i>	—	—
<i>c) Other financial assets mandatorily at fair value</i>	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	400
40. Financial assets at amortized cost	—	—
<i>a) Due from banks</i>	—	—
<i>b) Due from financial companies</i>	—	—
<i>c) Due from customers</i>	—	—
50. Hedging Derivatives	—	—
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	—	—
80. Property, plant and equipments	—	—
90. Intangible assets	—	—
<i>of which:</i>		
<i>goodwill</i>	—	—
100. Tax assets	288	170
<i>a) current</i>	288	170
<i>b) deferred</i>	—	—
110. Assets classified as held for sale	—	—
120. Other assets	29	3,374
<b>TOTAL ASSETS</b>	<b>1,074</b>	<b>9,722</b>
<b>LIABILITIES</b>		
10. Financial liabilities at amortized cost	—	—
<i>a) Due to</i>	—	—
<i>b) Securities in issue</i>	—	—
20. Trading financial liabilities	—	—
30. Financial liabilities designated at fair value	—	—
40. Hedging Derivatives	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	53	—
<i>a) current</i>	53	—
<i>b) deferred</i>	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Other liabilities	790	6,645
90. Staff severance indemnity provision	—	—
100. Provisions	—	—
<i>a) commitments and financial guarantees</i>	—	—
<i>b) post-employment and similar benefits</i>	—	—
<i>c) other provisions</i>	—	—
110. Share capital	150	600
120. Treasury shares (-)	—	—
130. Equity instruments	—	—
140. Share premium reserve	—	—
150. Reserves	77	109
160. Valuation reserves	—	—
180. Profit (loss) for the period	4	2,368
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,074</b>	<b>9,722</b>

## Financial companies

continued Table B

### PROFIT AND LOSS

	CMB Asset Management S.A.M. 31.12.2019	Compagnie Monégasque de Gestion 31.12.2019
	(€/000)	(€/000)
10. Interest and similar income	—	—
<i>of which: interest income calculated according to the effective interest method</i>	—	—
20. Interest expense and similar charges	—	—
<b>30. Net interest income</b>	—	—
40. Fee and commission income	1,672	12,673
50. Fee and commission expense	—	—
<b>60. Net fee and commission income</b>	<b>1,672</b>	<b>12,673</b>
70. Dividends and similar income	—	—
80. Net trading income	—	—
90. Net hedging income (expense)	—	—
100. Gain (loss) on disposal/repurchase:	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—
<i>c) Financial liabilities</i>	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
<i>a) financial assets designated at fair value</i>	—	—
<i>b) Other financial assets mandatorily valued at fair value</i>	—	—
<b>120. Total income</b>	<b>1,672</b>	<b>12,673</b>
130. Net writeoffs (writebacks) for credit risk:	—	—
<i>a) Financial assets valued at amortized cost</i>	—	—
<i>b) Financial assets valued at fair value with impact taken to comprehensive income</i>	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—
<b>150. Net income from financial operations</b>	<b>1,672</b>	<b>12,673</b>
160. Administrative expenses:	(2,403)	(9,223)
<i>a) personnel costs</i>	(1,211)	(1,046)
<i>b) other administrative expenses</i>	(1,192)	(8,177)
170. Net transfers to provisions:	—	—
<i>a) commitments and financial guarantees</i>	—	—
<i>b) other sums set aside (net)</i>	—	—
180. Net adjustments to tangible assets	—	—
190. Net adjustments to intangible assets	—	—
200. Other operating income (expense)	737	(18)
<b>210. Operating costs</b>	<b>(1,666)</b>	<b>(9,241)</b>
220. Gain (loss) on equity investments	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—
240. Goodwill writeoffs	—	—
250. Gain (loss) on disposal of investments	—	—
<b>260. Profit (loss) on ordinary activity before tax</b>	<b>6</b>	<b>3,432</b>
270. Income tax for the year on ordinary activities	(2)	(1,064)
<b>280. Profit (loss) on ordinary activities after tax</b>	<b>4</b>	<b>2,368</b>
290. Gain (loss) of ceded operating assets, net of tax	—	—
<b>350. Net profit (loss) for the period</b>	<b>4</b>	<b>2,368</b>

## Financial companies

continued Table B

### BALANCE SHEET

	CAIRN CAPITAL GROUP LTD 31.12.2019 (£/000)	CAIRN CAPITAL LTD 31.12.2019 (£/000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	—	—
Tangible assets	211	—
Equity interests	1,688	—
<b>Total non-current assets</b>	<b>1,899</b>	<b>—</b>
<b>Current assets</b>		
Trade receivables	9,442	4,719
Cash and liquid assets	6,951	5,828
Financial assets/liabilities	—	—
<b>Total current assets</b>	<b>16,393</b>	<b>10,547</b>
<b>TOTAL ASSETS</b>	<b>18,292</b>	<b>10,547</b>
<b>LIABILITIES</b>		
Share capital	—	10,200
Share premium reserve	9,500	—
Legal reserve	—	—
Other reserves	(266)	—
Gains (losses) carried forward	(3,077)	1,773
Gain (loss) for the period	(542)	(6,089)
<b>Total net equity</b>	<b>5,615</b>	<b>5,884</b>
Trade payable	12,439	3,663
Financial liabilities	—	1,000
Provisions	238	—
<b>Total current liabilities</b>	<b>12,677</b>	<b>4,663</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>18,292</b>	<b>10,547</b>

## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	CAIRN CAPITAL GROUP LTD 31.12.2019	CAIRN CAPITAL LTD 31.12.2019
	(£/000)	(£/000)
Commission income	3,451	11,327
Dividends and similar income	147	—
<b>Revenues</b>	<b>3,598</b>	<b>11,327</b>
Administrative expenses	(4,079)	(18,529)
<i>a) personnel costs</i>	(2,955)	—
<i>b) other administrative expenses</i>	(1,124)	(18,529)
Other income and costs	(252)	(53)
Net writedowns/writebacks on tangible assets	(19)	—
<b>Operating result</b>	<b>(752)</b>	<b>(7,255)</b>
Interest and similar income	120	4
Interest expense and similar charges	—	(102)
<b>Gain (loss) for the period before tax</b>	<b>(632)</b>	<b>(7,353)</b>
Income tax	90	1,264
<b>Gain (loss) for the period after tax</b>	<b>(542)</b>	<b>(6,089)</b>

## Financial companies

continued Table B

### BALANCE SHEET

	RAM ACTIVE INVESTMENTS S.A. 31.12.2019 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31.12.2019 (CHF/000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	179	5
Tangible assets	1,124	82
Equity interests	1,087	—
<b>Total non-current assets</b>	<b>2,390</b>	<b>87</b>
<b>Current assets</b>		
Trade receivables	11,395	2,348
Cash and liquid assets	17,606	5,947
Financial assets/liabilities	2,157	669
<b>Total current assets</b>	<b>31,158</b>	<b>8,964</b>
<b>TOTAL ASSETS</b>	<b>33,548</b>	<b>9,051</b>
<b>LIABILITIES</b>		
Share capital	1,000	782
Statutory retained earnings	500	—
Treasury shares	(4,198)	—
Revaluation reserve	—	(34)
Legal reserve	—	120
Other reserves	1,021	421
<b>Equity instruments</b>	<b>500</b>	<b>—</b>
Gains (losses) carried forward	20,725	1,804
Gain (loss) for the period	6,596	961
<b>Total net equity</b>	<b>26,144</b>	<b>4,054</b>
Provisions	—	7
Trade payable	2,011	923
Financial liabilities	—	3,380
Provisions	1,486	—
Other liabilities	3,907	687
<b>Total current liabilities</b>	<b>7,404</b>	<b>4,997</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>33,548</b>	<b>9,051</b>



## Financial companies (IAS/IFRS)

continued Table B

### PROFIT AND LOSS

	RAM ACTIVE INVESTMENTS S.A. 31/12/2019	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31/12/2019
	(CHF/000)	(CHF/000)
Revenues	30,206	10,986
Personnel costs	(16,226)	(1,548)
Other administrative expenses	(4,937)	(8,067)
<b>Operating result</b>	<b>9,043</b>	<b>1,371</b>
Net adjustments to tangible assets	(146)	(16)
Interest and similar income	98	9
Interest expense and similar charges	(149)	(64)
Non-operational income	180	11
Extraordinary costs	—	(74)
<b>Gain (loss) for the period before tax</b>	<b>9,026</b>	<b>1,237</b>
Income tax	(2,430)	(276)
<b>Gain (loss) for the period after tax</b>	<b>6,596</b>	<b>961</b>

## Financial companies

continued Table B

### BALANCE SHEET

	Messier Maris et Associés S.C.A. 31/12/2019	Messier Maris et Associés L.L.C. 31/12/2019
	(€/000)	(USD/000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	17,054	—
Tangible assets	299	—
Equity interests	858	—
<b>Total non-current assets</b>	<b>18,211</b>	<b>—</b>
<b>Current assets</b>		
Trade receivables	14,870	—
Cash and liquid assets	9,198	139
Financial assets/liabilities	—	—
<b>Total current assets</b>	<b>24,068</b>	<b>139</b>
<b>TOTAL ASSETS</b>	<b>42,279</b>	<b>139</b>
<b>LIABILITIES</b>		
Share capital	17,781	199
Treasury shares	—	—
Revaluation reserve	—	—
Legal reserve	4	—
Other reserves	—	—
Equity instruments	—	—
Gains (losses) carried forward	65	9
Gain (loss) for the period	2,945	(75)
<b>Total net equity</b>	<b>20,796</b>	<b>133</b>
Provisions	—	—
Trade receivables (current accounts)	7,985	6
Due to Group societies	—	—
Tax liabilities	11,172	—
Other liabilities	2,326	—
<b>Total current liabilities</b>	<b>21,483</b>	<b>6</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>42,279</b>	<b>139</b>

## Financial companies

continued Table B

### PROFIT AND LOSS

	Messier Maris et Associés S.C.A. 31/12/2019	Messier Maris et Associés L.L.C. 31/12/2019
	(€000)	(USD/000)
Revenues	34,135	2,225
Personnel costs	(9,916)	(1,536)
Other administrative expenses	(18,080)	(714)
<b>Operating result</b>	<b>6,139</b>	<b>(75)</b>
Adjustments to tangible assets and other writedowns	(88)	—
Interest and similar income	—	—
Interest expense and similar charges	(193)	—
Foreign exchange gains (losses)	3	—
Contributions to provisions	(14)	—
Other gains (losses)	(1,731)	—
<b>Gain (loss) for the period before tax</b>	<b>4,116</b>	<b>(75)</b>
Income tax	(1,171)	—
<b>Gain (loss) for the period after tax</b>	<b>2,945</b>	<b>(75)</b>

## Non-financial undertakings

continued Table B

### BALANCE SHEETS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT S.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS S.r.l.
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
<b>ASSETS</b>						
<b>Non-current assets</b>						
Intangible assets	—	25,131	888	—	2	57
Tangible assets	—	35,610	7	—	6	49
Other non-current financial assets	—	9,000	—	—	—	—
Advance tax assets	—	260	—	24	—	11
<b>Total non-current assets</b>	<b>—</b>	<b>70,001</b>	<b>895</b>	<b>24</b>	<b>8</b>	<b>117</b>
<b>Current assets</b>						
Trade receivables	19	—	—	—	—	—
Other receivables	1	5,833	3,107	332	6,011	—
Sundry receivables and other current assets	445	16,886	102	9	44	10
Current tax assets	12	229	2,142	28	—	—
Other current financial assets	—	—	—	—	—	—
Cash and liquid assets	895	183	1,362	1,104	7,368	500
<b>Total current assets</b>	<b>1,372</b>	<b>23,131</b>	<b>6,713</b>	<b>1,473</b>	<b>13,423</b>	<b>510</b>
<b>TOTAL ASSETS</b>	<b>1,372</b>	<b>93,132</b>	<b>7,608</b>	<b>1,497</b>	<b>13,431</b>	<b>627</b>
<b>LIABILITIES</b>						
<b>A) Shareholders' equity</b>						
Share capital	100	35,000	6,000	500	500	500
Reserves	—	—	—	—	1,077	—
Share premium reserve	—	—	—	—	—	—
Gains (losses) carried forward	—	2,503	—	845	5,134	—
Legal reserve	3	—	—	70	50	—
Gain (loss) for the period	1	(2,451)	(1,007)	(61)	1,300	(33)
<b>Total shareholders' equity</b>	<b>104</b>	<b>35,052</b>	<b>4,993</b>	<b>1,354</b>	<b>8,061</b>	<b>467</b>
<b>Non-current liabilities</b>						
Provisions	573	450	—	—	—	—
Staff severance	196	1,424	173	58	—	—
Deferred tax liabilities	—	556	—	—	841	—
Other non-current liabilities	—	—	—	—	—	—
<b>Total non-current liabilities</b>	<b>769</b>	<b>2,430</b>	<b>173</b>	<b>58</b>	<b>841</b>	<b>—</b>
<b>Current liabilities</b>						
Due to banks	—	—	—	—	—	—
Trade payables	17	9,594	2,288	18	1,419	14
Due to associates	—	—	—	5	—	146
Current tax liabilities	54	—	17	19	—	—
Current financial liabilities	—	42,591	—	—	—	—
Other current liabilities	428	3,465	137	43	3,110	—
<b>Total current liabilities</b>	<b>499</b>	<b>55,650</b>	<b>2,442</b>	<b>85</b>	<b>4,529</b>	<b>160</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,372</b>	<b>93,132</b>	<b>7,608</b>	<b>1,497</b>	<b>13,431</b>	<b>627</b>

## Non-financial undertakings

continued Table B

### PROFIT AND LOSS ACCOUNTS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT S.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS S.r.l.
	(€000)	(€000)	(€000)	(€000)	(€000)	(€000)
Revenues	2,331	108,785	2,477	659	20,050	—
Production costs	(506)	(72,177)	(1,562)	(485)	(16,136)	(44)
Employees' costs	(1,810)	(12,814)	(846)	(244)	(918)	—
Other operating costs	—	(8,051)	—	—	(4)	—
Sundry costs	4	—	—	—	(1,275)	—
Adjustments to tangible assets	—	(13,331)	(1,592)	—	—	—
Adjustments to intangible assets	—	(2,481)	(4)	—	—	—
Other writedowns	—	—	—	(14)	—	—
Writedowns of current receivables	—	—	(60)	—	—	—
<b>Operating result</b>	<b>19</b>	<b>(69)</b>	<b>(1,587)</b>	<b>(84)</b>	<b>1,718</b>	<b>(44)</b>
Financial gains	—	10	—	—	—	—
Financial expenses	—	(20)	—	—	—	—
Other gains	—	89	—	—	25	—
Other expenses	—	(2,471)	(3)	(1)	—	—
<b>Profit (loss) before taxes</b>	<b>19</b>	<b>(2,461)</b>	<b>(1,590)</b>	<b>(85)</b>	<b>1,743</b>	<b>(44)</b>
Fiscal gain (expense)	(18)	10	583	24	(443)	11
<i>Taxes for the period</i>	<i>(18)</i>	<i>10</i>	—	—	<i>(443)</i>	—
<i>Deferred and advance taxes</i>	—	—	583	24	—	11
<b>Net profit (loss) for the period</b>	<b>1</b>	<b>(2,451)</b>	<b>(1,007)</b>	<b>(61)</b>	<b>1,300</b>	<b>(33)</b>

# Insurance companies

continued Table B

## BALANCE SHEETS

	COMPASS RE S.A. (€000)
<b>ASSETS</b>	
<b>A) Amounts due from shareholderes by way of unpaid amounts on capital call</b>	—
<b>B) Intangible assets</b>	—
<b>C) Fixed assets</b>	<b>367,621</b>
I) Lands and PPEs	—
II) Investments in affiliated undertakings and participating interests	
3) Loans to enterprises	353,497
a) parent company	123,000
e) others	230,497
III) Other financial investments	14,124
6) Banks deposits	14,124
<b>D) Investments for the benefit of insured parties (life)</b>	—
<b>E) Receivables</b>	<b>48</b>
II Receivables arising out of reinsurance operations	4
III Other receivables	44
<b>F) Other assets</b>	<b>19,984</b>
II Cash at bank and in hand	19,984
<b>G) Accrued income and deferred expenses</b>	<b>16,685</b>
1. Due to interests	2,887
3. Others	13,798
<b>TOTAL ASSETS</b>	<b>404,338</b>
<b>LIABILITIES</b>	
<b>A) Shareholders' equity</b>	<b>103,460</b>
I Share capital	15,000
IV Legal reserve	1,500
VIII Gains (losses) carried forward	61,721
IX Net gain (loss) for the period	25,239
<b>B) Subordinated liabilities</b>	
<b>C) Technical reserves</b>	<b>294,082</b>
I Non-life business	
1. Premiums reserve	147,192
2. Claims reserve	10,052
3. Equalization reserve	136,838
<b>D) Technical reserves where risk is borne by insured party</b>	—
<b>E) Provisions</b>	<b>33</b>
2) Taxation-related provisions	33
<b>F) Deposits received from reinsurers</b>	
<b>G) Payables and other liabilities</b>	<b>6,278</b>
VII Other payables	
3. Due to social agencies	6,278
<b>H) Accrued income and deferred expenses</b>	<b>485</b>
3. Others accruals and deferrals	485
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>404,338</b>

## Insurance companies

continued Table B

### PROFIT AND LOSS ACCOUNTS

	COMPASS RE S.A.
	(€000)
<b>I) TECHNICAL ACCOUNT</b>	
Gross premiums written	42,521
Change in the gross provision for unearned premiums	15,011
<b>Total net premiums written</b>	<b>57,532</b>
Gains arising from non-technical accounts investments	—
<b>1) TOTAL REVENUES</b>	<b>57,532</b>
Claims incurred, net of reinsurance (Gross amount)	(9,040)
Change in the provision for claims (Gross amount)	(1,417)
Acquisition costs	(4,264)
Change in deferred acquisition costs	(1,070)
Administrative expenses	(753)
<b>2) TOTAL COSTS</b>	<b>(16,544)</b>
Change in deferred acquisition costs	(7,757)
<b>Technical-account profit (loss)</b>	<b>33,231</b>
<b>II) NON-TECHNICAL ACCOUNT</b>	
Income from other investments	6,063
Gains on the realisation of investments	—
Investment management charges, including interest	(198)
Value adjustments on investments	(4,826)
Losses on the realisation of investments	—
<b>Underwriting profit (loss)</b>	<b>1,040</b>
<b>PROFIT (LOSS) FOR THE PERIOD BEFORE TAX</b>	<b>34,270</b>
Income taxes for the period	(8,587)
Other taxes not shown under the preceding items	(444)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>25,239</b>

## Associate companies

Table C

### BALANCE SHEETS

	ASSICURAZIONI GENERALI S.P.A. 31.12.2019 (€/000)
<b>ASSETS</b>	
<b>A) Subscribed capital unpaid</b>	—
<b>B) Total intangible assets</b>	<b>32,963</b>
<b>C) Investments</b>	
I) Land and buildings (total)	94,614
II) Investments in Group and other undertakings (total)	31,202,525
III) Other financial investments	
1) Shares and stock units	37,380
2) Mutual fund units	3,133,387
3) Bonds and other fixed-income securities	1,406,424
4) Loans	683
6) Deposits with banks	145,997
7) Other financial investments	441
Total other financial investments	4,724,312
IV) Deposits with reinsurers	4,453,378
<b>Total investments (C)</b>	<b>40,474,829</b>
<b>D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)</b>	<b>228,576</b>
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	609,110
II) Life business (total)	1,210,592
<b>Total reinsurers' share of technical reserves (Dbis)</b>	<b>1,819,702</b>
<b>E) Accounts receivable</b>	
I) Amounts due in respect of primary insurances (total)	240,581
II) Amount due in respect of reinsurances (total)	604,836
III) Other accounts receivable	1,140,357
<b>Total accounts receivable (E)</b>	<b>1,985,774</b>
<b>F) Other assets</b>	
I) Tangible assets and inventories (total)	2,775
II) Cash (total)	467,385
IV) Other assets (total)	265,487
<b>Total other assets (F)</b>	<b>735,647</b>
<b>G) Accruals and prepayments (total)</b>	<b>144,254</b>
<b>TOTAL ASSETS (A+B+C+D+Dbis+E+F+G)</b>	<b>45,421,745</b>



## Associate companies

continued **Table C**

### BALANCE SHEETS

	ASSICURAZIONI GENERALI S.P.A. 31.12.2019 (€/000)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,569,773
II-VII) Reserves (total)	11,997,543
IX) Profit (loss) for year	1,514,628
X) Negative reserve for treasury shares in portfolio	(3,040)
<b>Total shareholders' equity (A)</b>	<b>15,078,904</b>
B) Subordinated liabilities	7,834,489
C) Technical reserves	
I) General business (total)	2,550,106
II) Life business (total)	6,091,608
<b>Total technical reserves (C)</b>	<b>8,641,714</b>
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	266,411
E) Provisions for risks and charges (total)	78,624
F) Deposits received from reinsurers	498,532
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	43,151
II) Amounts payable in respect of reinsurance	289,431
III) Bond issues	3,133,885
IV) Amounts payable to banks and financial institutions	1,017,062
VI) Loans and other debt	4,875,339
VII) Staff termination indemnity provision	1,566
VIII) Other accounts payable	3,003,068
IX) Other liabilities	391,515
<b>Total accounts payable and other liabilities (G)</b>	<b>12,755,017</b>
H) Accruals and deferrals (total)	268,054
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)</b>	<b>45,421,745</b>

## Associate companies

continued **Table C**

### PROFIT AND LOSS ACCOUNTS (non-technical account)

	ASSICURAZIONI GENERALI S.P.A. 31.12.2019 (€000)
1) Underwriting profit (loss) from general business	190,325
2) Underwriting profit (loss) from life business	152,756
3) Investment income in general business	
a) Dividends	1,275,797
b) Other investment income (total)	79,501
c) Writebacks in book value of investments	7,629
d) Gain on disposal of investments	7,666
Total investment income in general business (3)	1,370,593
4) (+) Portion of investment income transferred from technical accounts of life business	1,044,531
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid	3,796
b) Writedowns to investments	110,808
c) Loss on disposal of investments	11,423
Total operating and financial expenses in general business (5)	126,027
6) (-) Portion of investment income transferred from technical accounts of general business	172,360
7) Other income	240,848
8) Other expenditure	1,622,376
9) Profit (loss) on ordinary operations	1,078,290
10) Extraordinary income	184,799
11) Extraordinary expenditure	16,246
12) Net extraordinary income (expenditure) (10-11)	168,553
13) Earnings before tax	1,246,843
14) Taxation for the year	(267,785)
<b>15) Profit (loss) for the year (13-14)</b>	<b>1,514,628</b>

## Associate companies

continued Table C

### BALANCE SHEETS

	BURGO GROUP S.P.A. 31.12.2019 (€000)
<b>ASSETS</b>	
<b>Non-current assets</b>	<b>1,011,561</b>
<b>Tangible assets</b>	<b>460,194</b>
Property, plant and equipment	456,756
Real-estate investments	336
Real estate investments	3,102
<b>Intangible assets</b>	<b>13,208</b>
Goodwill and other long-term intangible assets	10,837
Other intangible assets with defined life	2,371
<b>Investments in subsidiaries, associates and other non-current</b>	<b>464,760</b>
Investments in subsidiaries	451,160
Investments in associates	—
Other investments	13,600
<b>Other non-current financial assets</b>	<b>10,036</b>
Financial receivables from subsidiaries	5,410
Non-current financial receivables	4,626
<b>Anticipated-taxes assets</b>	<b>63,363</b>
<b>Current assets</b>	<b>382,146</b>
Inventories	106,977
Trade receivables	123,527
Sundry receivables and other current assets	33,139
Available-for-sale financial assets	1,030
Other current financial assets	73,265
Cash and liquid assets	44,208
<b>TOTAL ASSETS</b>	<b>1,393,707</b>
<b>LIABILITIES</b>	
<b>Shareholders' equity</b>	<b>408,236</b>
Share capital	20,000
Reserves	350,516
Gains (losses) carried forward	26,000
Gain (loss) for the period	11,720
<b>Non-current liabilities</b>	<b>586,141</b>
Non-current financial liabilities	527,290
Severance provision and other employees-related provisions	21,347
Provisions	37,504
Non-current trade payable	—
<b>Current liabilities</b>	<b>399,330</b>
Financial current liabilities	84,446
Trade payables	283,814
Current-taxes liabilities	3,956
Other payables and other current liabilities	27,114
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,393,707</b>

## Associate companies

continued Table C

### PROFIT AND LOSS ACCOUNTS

	BURGO GROUP S.P.A. 31.12.2019 (€000)
Revenues	1,119,375
Other gains	36,164
<b>Total revenues and operating gains</b>	<b>1,155,539</b>
Raw-materials and services-related costs	(963,218)
Employees costs	(87,307)
Other operating costs	(23,931)
Variation in inventories (±)	(9,774)
Costs for improvements, capitalized	563
<b>Total operating costs</b>	<b>(1,083,667)</b>
<b>Earnings before depreciations, amortizations and non-recurring restructuring expenses</b>	<b>71,872</b>
Depreciations	(48,348)
Writeoffs (writebacks) on tangible assets	(10,805)
Proceeds from sale of plants and equipments	(1,457)
Net non-recurring income/expenses	(577)
Restructuring expenses	(1,800)
<b>Operating result before financial items</b>	<b>8,885</b>
Financial expenses	(25,845)
Proceeds from investments	25,301
<b>Gain (loss) before taxes</b>	<b>8,341</b>
Taxes	3,379
<b>Gain (loss) for the period</b>	<b>11,720</b>

## Associate companies

continued Table C

### BALANCE SHEETS

	GB HOLDING S.R.L. 31.12.2019 (€000)
<b>ASSETS</b>	
<b>B) Fixed assets:</b>	
I) Intangible	—
II) Tangible	—
III) Financial	6,042
<b>Total B</b>	<b>6,042</b>
<b>C) Current assets:</b>	
II) Receivables:	
Due w/i 12 months	2
Due over 12 months	—
Total receivables	2
IV) Cash and liquid assets	17
<b>Total C</b>	<b>19</b>
<b>TOTAL ASSETS</b>	<b>6,061</b>
<b>LIABILITIES</b>	
<b>A) Shareholders' equity:</b>	
I) Share capital	97
II) Share-premium reserve	5,846
IV) Legal reserve	19
VII) Other reserves	—
IX) Gain (loss) for the period	96
<b>Total A</b>	<b>6,058</b>
D) Payables:	
Due w/i 12 months	3
Due over 12 months	—
Total payables	3
<b>Total D</b>	<b>3</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>6,061</b>

## Associate companies

continued Table C

### PROFIT AND LOSS ACCOUNTS

	GB HOLDING S.R.L. 31.12.2019 (€000)
A) Revenues:	
Other gains	—
<b>Total revenues and other gains (A)</b>	<b>—</b>
B) Production costs:	
7) Services-related	9
Total production costs (B)	—
<b>Operating result (A-B)</b>	<b>9</b>
<b>Differenza tra valori e costo della produzione (A-B)</b>	<b>(9)</b>
C) Financial gains (expenses)	
15) Proceeds from investments	333
16) Interest and similar income	—
17) Interest expense and similar charges	—
<b>Total financial gains (expenses) (C)</b>	<b>333</b>
D) Writedowns on financial assets	
19) Writedowns	
a) on investments	228
<b>Total writedowns on financial assets (D)</b>	<b>228</b>
<b>Gain (loss) before taxes (A - B ± C ± D)</b>	<b>96</b>
20) Income tax for the year (current, deferred and advance)	—
<b>Gain (loss) for the period</b>	<b>96</b>

## Associate companies

continued Table C

### BALANCE SHEETS

	ISTITUTO EUROPEO DI ONCOLOGIA 31.12.2019 S.r.l. (€000)
<b>ASSETS</b>	
A) SUBSCRIBED CAPITAL UNPAID	—
B) FIXED ASSETS	
I - INTANGIBLE ASSETS	
3) Industrial patents right-of-use	—
4) Concessions, licences, brands and similar rights	2,262
6) Work-in-progress investments and advances	1,175
7) Others	664
<b>TOTAL INTANGIBLE ASSETS</b>	<b>4,101</b>
II - TANGIBLE ASSETS	
1) Lands and buildings	21,654
2) Plants and equipments	5,909
3) Industrial and commercial machineries	26,647
4) Other goods	3,949
5) Work-in-progress investments and advances	11,404
<b>TOTAL TANGIBLE ASSETS</b>	<b>69,563</b>
III - FINANCIAL ASSETS	
1) Investments in:	
a) Subsidiaries	58,142
d-bis) Others	345
Total investments	58,487
2) Receivables	
d-bis) Others	1,043
Total receivables	1,043
3) Other securities	
Total other securities	—
<b>TOTAL FINANCIAL ASSETS</b>	<b>59,530</b>
<b>TOTAL INVESTMENTS (B)</b>	<b>133,194</b>
C) CURRENT ASSETS	
I - INVENTORIES	
1) Raw-materials and consumable goods	9,229
<b>TOTAL INVENTORIES</b>	<b>9,229</b>
II - RECEIVABLES	
1) From customers	56,483
2) From subsidiaries	318
3) From associates	—
5-bis) Tax-related receivables	84
5-quater) From others	4,763
<b>TOTAL RECEIVABLES</b>	<b>61,648</b>
III - NON-FIXED FINANCIAL ASSETS	
6) Other securities	507
<b>TOTAL NON-FIXED FINANCIAL ASSETS</b>	<b>507</b>
IV - CASH AND LIQUID ASSETS	
1) Bank and postal deposits	31,605
3) Cash in hands	99
<b>TOTAL CASH AND LIQUID ASSETS</b>	<b>31,704</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>103,088</b>
D) Prepaid income and deferred expenses	
Prepaid income	2,125
Deferred expenses	1,803
<b>TOTAL PREPAID INCOME AND DEFERRED EXPENSES (D)</b>	<b>3,928</b>
<b>TOTAL ASSETS (A + B + C + D)</b>	<b>240,210</b>

## Associate companies

continued Table C

### BALANCE SHEETS

	ISTITUTO EUROPEO DI ONCOLOGIA 31.12.2019 S.r.l
	(€000)
<b>LIABILITIES</b>	
A) SHAREHOLDERS' EQUITY	
I - Share capital	80,579
IV - Legal reserve	6,573
V - Statutory reserve	—
- Research and development allowance	37,967
IX - Gain (loss) for the period	8,367
<b>TOTAL SHAREHOLDERS' EQUITY (A)</b>	<b>133,486</b>
B) PROVISIONS	
- Other	7,624
<b>TOTAL PROVISIONS (B)</b>	<b>7,624</b>
<b>EMPLOYEES SEVERANCE PROVISION (C)</b>	<b>5,438</b>
D) PAYABLES	
7) To suppliers	47,614
9) To subsidiaries	5,059
10) To associates	—
12) Fiscal liabilities	3,603
13) To social-securities entities and other social entities	4,955
14) Other payables	20,102
<b>TOTAL PAYABLES (D)</b>	<b>81,333</b>
E) DEFERRED INCOME AND ACCRUED EXPENSES	
Deferred income	64
Accrued expenses	12,265
<b>TOTAL DEFERRED INCOME AND ACCRUED EXPENSES (E)</b>	<b>12,329</b>
<b>TOTAL LIABILITIES AND NET EQUITY (A + B + C + D + E)</b>	<b>240,210</b>



## Associate companies

continued Table C

### PROFIT AND LOSS ACCOUNTS

	ISTITUTO EUROPEO DI ONCOLOGIA 31.12.2019 S.r.l. (€000)
A) REVENUES	
1) Revenues from sales and services	211,849
5) Other gains:	40,964
- Sums received for research programmes	24,347
- Other proceeds	16,617
<b>TOTAL REVENUES (A)</b>	<b>252,813</b>
B) PRODUCTION COSTS	
6) Raw-materials and other goods	59,739
7) Services-related	56,892
8) Third-parties goods and services	7,579
9) Employees costs:	89,437
a) Remunerations	70,553
b) Social costs	15,266
c) Staff-severance	3,508
e) Other costs	110
10) Depreciations, amortizations and writedowns:	11,674
a) Amortizations	1,298
b) Depreciations	9,576
d) Writedowns of current financial assets and other liquid assets	800
11) Variations of inventory for raw-materials, consumables and other goods (±)	48
12) Contributions to provisions	4,318
14) Other operating expenses	16,862
<b>TOTAL OPERATING COSTS (B)</b>	<b>246,549</b>
<b>OPERATING RESULT (A - B)</b>	<b>6,264</b>
C) FINANCIAL GAINS (EXPENSES)	
15) Gains on equity investments	
- dividends and other income from other entity	215
16) Other financial gains	
d) gains other than preceding	
- interests on current accounts and other deposits	234
17) Interests and other financial expenses	
- others	180
17-bis) Gains and expenses on foreign exchange rates (±)	(3)
<b>TOTAL FINANCIAL GAINS (EXPENSES) (C)</b>	<b>266</b>
D) WRITEDOWNS ON FINANCIAL ASSETS	
18) Writebacks:	
a) on investments	3,155
19) Writedowns:	
a) on investments	—
<b>TOTAL WRITEDOWNS (D)</b>	<b>3,155</b>
<b>GAIN (LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)</b>	<b>9,685</b>
22) Taxes for the period (current, deferred and advance)	
- Current taxes	1,318
<b>GAIN (LOSS) FOR THE PERIOD</b>	<b>8,367</b>

**Table D**

**FEEs PAID FOR AUDITING AND SUNDRY OTHER SERVICES**  
(pursuant to Article 149-duodecies of Consob resolution 11971/99)

(€/000)

Type of service	Mediobanca		Group companies (*)	
	Pricewaterhouse Coopers S.p.A.	Pricewaterhouse Coopers S.p.A. network	Pricewaterhouse Coopers S.p.A.	Pricewaterhouse Coopers S.p.A. networks
Auditing	585	—	610	465
Statements	203	—	43	129
Other services	—	—	—	—
<i>Observation and analysis of the administrative/accounting internal control system</i>	—	—	—	—
<i>– Other</i>	—	—	—	—
<b>Total</b>	<b>788</b>	<b>—</b>	<b>653</b>	<b>594</b>

(\*) Group companies and other companies consolidated line-by-line.

Figures shown above do not include VAT, expenses and the supervisory contribution paid to Consob.

