

Basel III pillar 3 Disclosure to the public

Situation as at 31 December 2019



MEDIOBANCA

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



Contents

Introduction	3
References to regulatory disclosure requirements	6
Section 1 – General disclosure requirement	12
Section 2 – Scope of application	37
Section 3 – Composition of regulatory capital	39
Section 4 – Capital adequacy	47
Section 5 – Financial leverage	52
Section 6 – Credit risk	57
6.1 General information	27
6.2 ECAIs	67
6.3 Credit risk: disclosure on portfolios subject to AIRB methods	70
Section 7 – Counterparty risk	80
7.1 Counterparty risk – Standard method	82
7.2 Counterparty risk – AIRB method	83
Section 8 – Risk mitigation techniques	84
Section 9 – Securitizations	88
Section 10 – Operational risk	93
Section 11 – Exposures to equities: information on banking book positions	95
Section 12 – Interest rate risk on banking book positions	96
Section 13 – Market risk	98
Section 14 – Remunerations and incentivization systems and practices	103
Declaration by Head of Company Financial Reporting	104

Annexes:

CRR mapping



Introduction

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

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

- Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No (EU) 575/2013 – (EBA GL/2016/11)
- Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 – (EBA GL/2016/11), to improve and enhance the consistency and comparability of institutions’ disclosures to be provided as part of Pillar III starting from 31 December 2017. These guidelines apply to institutions classifiable as G-SII (Globally Systemically Important Institutions) or O-SII (Other Systemically Important Institutions); the regulatory authority has not required them to be applied in full for other significant institutions (SI); accordingly, this structure, which conforms to part 8 of the CRR, is substantially up-to-date and unchanged from the previous publications of this document.
- “Guidelines On the information relating to the liquidity coverage ratio, to supplement the information on the management of liquidity risk pursuant to Article 435 of Regulation (EU) no. 575/2013” (EBA / GL / 2017/01 - Guidelines on LCR disclosure to the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013);
- “Guidelines on uniform information pursuant to Article 473 bis of Regulation (EU) no 575/2013 regarding transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds” (EBA / GL / 2018/01 - Guidelines on uniform disclosures under Article 473a of Regulation (EU) No



575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds).

According to the provisions of CRR2, banks are to publish the required information at least annually; the entities themselves are responsible for assessing whether or not the information requested needs to be published more often. The guidelines set out a minimum content consistent with the significance of the reporting entity, with reference in particular to the capital ratios, composition and adequacy of capital, leverage ratio, exposure to risks and the general characteristics of the systems adopted to identify, measure and manage the risks.

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

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

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

Much of the information in the document has been excerpted from the Group's consolidated financial statements for the six months ended 31 December 2019 (a document signed by the Head of Company Financial Reporting as required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 – the Italian Finance Act – and subject to external audit by PricewaterhouseCoopers S.p.A.) as well as the consolidated supervisory reporting. Also used in the preparation of this document were items in common with the capital adequacy process (i.e. the ICAAP and ILAAP reports for FY 2018/19). The contents are also



MEDIOBANCA

consistent with the “Annual Statement on Corporate Governance and Ownership Structure”, and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

Figures are in €'000, unless otherwise specified.

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



References to regulatory disclosure requirements

The tables below provide an overview of where to find the information being disclosed to the market, as required by the EU regulations in force, in particular CRR part VIII and the EBA Guidelines:

- GL/2016/11 – “Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013”;
- GL/2017/01 – “Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013”;
- GL/2018/01 – “Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds”.

References to information required by CRR¹

CRR Article	Reference to Pillar 3 section	Reference to other statutory information at 31/12/19
435 - Risk management policies and objectives	Section 1 - General disclosure requirement	Financial statements as at 31/12/19; Notes to the accounts - section E: information on risks and related hedging policies
436 – Scope of application	Section 2 - Scope of application	Financial statements as at 31/12/19; Notes to the accounts – section A: Accounting policies
437 – Own funds	Section 3 - Composition of regulatory capital	Financial statements as at 31/12/19; Notes to the accounts – section F: Information on consolidated capital
438 – Capital requirements	Section 4 - Capital adequacy	Financial statements as at 31/12/19; Notes to the accounts – section F: Information on consolidated capital
439 – Exposure to counterparty credit risk	Section 7.1 - Counterparty risk: standard method Section 7.2 - Counterparty risk: AIRB method	Financial statements as at 31/12/19; Notes to the accounts – section E: information on risks and related hedging policies (section 1.2, market risk)

¹ Attached is a detailed list of the CRR articles and corresponding tables stating the Group data.



CRR Article	Reference to Pillar 3 section	Reference to other statutory information at 31/12/19
440 – Capital buffers	Section 4 - Capital adequacy	N/A
441 – Indicators of global systemic importance	N/A	N/A
442 –Credit risk adjustments	Section 6.1 - Credit risk: general information for all banks and credit quality tables	Financial statements as at 31/12/19: Notes to the accounts – section E: information on risks and related hedging policies (section 1.1, credit risk)
443 – Unencumbered assets	Section 6.4 - Credit risk: Unencumbered assets	N/A
444 – Use of ECAs	Section 6.2 - Credit risk: use of ECAs	N/A
445 – Exposure to market risk	Section 13 - Market risk	Financial statements as at 31/12/19: Notes to the accounts – section E: information on risks and related hedging policies (section 1.2, market risk)
446 – Operational risk	Section 10 – Operational risk	Financial statements as at 31/12/19: Notes to the accounts – section E: information on risks and related hedging policies (section 1.4, Operational risks)
447 – Exposures in equities not included in the trading book	Section 11 – Exposure to equities: information on banking book positions	N/A
448 – Exposure to interest rate risk on positions not included in the trading book	Section 12 - Interest rate risk on banking book positions	Financial statements as at 31/12/19: Notes to the accounts – section E: information on risks and related hedging policies (section 1.2, market risk)
449 – Exposure to securitization positions	Section 9 - Securitizations	Financial statements as at 31/12/19: Notes to the accounts – section E: information on risks and related hedging policies (section 1.1, credit risk)
450 – Remuneration policy	Section 14 - Staff remuneration and incentivization systems and practices (annual disclosure)	Staff remuneration and incentivization systems and practices (annual disclosure disclosed in the website www.mediobanca.com), section Corporate governance: staff remuneration)



CRR Article	Reference to Pillar 3 section	Reference to other statutory information at 31/12/19
451- Financial leverage	Section 5 - Financial leverage	Financial statements as at 31/12/19; Notes to the accounts – section F: Information on consolidated capital
452 – Use of the IRB approach to credit risk	Section 6.3 - Credit risk: AIRB methodology, risk assets	Financial statements as at 31/12/19; Notes to the accounts – section E: information on risks and related hedging policies (section 1.1, Credit risk)
453 – Use of credit risk mitigation techniques	Section 8 - Risk mitigation techniques	Financial statements as at 31/12/19; Notes to the accounts – section E: information on risks and related hedging policies (section 1.1, Credit risk)
454 – Use of the Advanced Measurement Approaches to operational risk	N/A	N/A
455 – Use of Internal Market Risk models	N/A	N/A
471 – Exemption from deduction of equity holdings in insurance companies from Common Equity Tier 1 items	Section 3 – Composition of regulatory capital	Financial statements as at 31/12/19; Notes to the accounts – section F: Information on consolidated capital (section 2, Own funds and supervisory capital requirements for banks)



**References to EBA requisites
(EBA/GL/2016/11, EBA/GL/2018/01 and EBA/GL/2017/01)**

EBA GL/2016/11, EBA GL/2018/01, EBA GL/2017/01			Pillar III as at 31/12/19	
Section	Type of information	Section	Type of information	Section
Section 4.3 ** - Risk management, objectives and policies, sections A and B	Qualitative	EU OVA *	Section 1 - General disclosure requirement	
EBA/GL/2017/01	Quantitative	LIQ1 *	Section 1 - General disclosure requirement	Table 1.1 LIQ1
Section 4.4 - Information on the scope of application of the regulatory framework	Qualitative/ quantitative	EU LI1* EU LI2* EU LI3* EU LIA*	Section 2 - Scope of application	Table 2.1
Section 4.5 ** – Own funds	Qualitative	Reference to Regulation EU/1423/2013	Section 3 - Composition of regulatory capital	Table 3.1 Table 3.2 Table 3.3 Table 3.4
Section 4.6 – Capital requirements	Quantitative	EU OV1	Section 4 - Capital adequacy	Table 4.1 Table 4.3 EU OV1
EBA/GL/2018/01	Qualitative/ quantitative	IFRS9-FL		Table 4.2 IFRS9-FL
Section 4.10 - Credit risk and CRM in the IRB approach, section B	Quantitative			
Section 4.7 ** – Macro-prudential supervisory measures	Quantitative	Reference to Regulation EU/1555/2015		
Section 4.15 ** – Leverage ratio	Quantitative	Reference to Regulation EU/200/2016 LrCom LrSum LrSpl	Section 5 - Financial leverage	Table 5.1 Table 5.2 Table 5.3



EBA GL/2016/11, EBA GL/2018/01, EBA GL/2017/01			Pillar III as at 31/12/19	
Section	Type of information	Section	Type of information	Section
Section 4.8 – Credit risk and general information on CRM, sections A and B	Qualitative/quantitative	EU CRA* EU CRB-A EU CRB-B* EU CRB-C* EU CRB-D* EU CR1-A EU CR1-B EU CR1-C EU CR1-D EU CR1-E EUCR2-A EU CR2-B	Section 6.1 – Credit risk: general information and templates on credit quality	Table 6.1.6 CR1-A Table 6.1.7 CR1-B Table 6.1.8 CR1-C Table 6.1.9 CR1-D Table 6.1.10 CR1-E Table 6.1.11 CR2-A Table 6.1.12 CR2-B
Section 4.9 – Credit risk and CRM in the standardized approach, section A	Quantitative	EU CR4 EU CR5		Table 6.1.1 Table 6.1.2 EU CR4 Table 6.2.1 Table 6.2.2 EU CR5
Section 4.9 – Credit risk and CRM in the standardized approach, section A	Qualitative	EU CRD*	Section 6.2 – Credit risk: use of ECAIs	
Section 4.10 - Credit risk and CRM in the IRB approach, section B	Qualitative/quantitative	EU CRE EU CR6 EU CR7 EU CR8 EU CR9*	Section 6.3 – Credit risk: information on portfolios subject to AIRB method	Table 6.3.1 EU CR6 Table 6.3.2 EU CR7 Table 6.3.3 EU CR8
Section 4.12 ** – Unencumbered assets	Quantitative	Reference to EBA Guidelines EBA/GL/03/2014	Section 6.4 - Credit risk: Unencumbered assets	
Section 4.3 **– Risk management, objectives and policies, section B	Qualitative	EU CCRA *	Section 7.1 - Counterparty risk: standard method	Table 7.1.1 Table 7.1.2
Section 4.11 – CCR, section B	Quantitative	EU CCR4	Section 7.2 - Counterparty risk: IRB	Table 7.2.1 EU CCR4
Section 4.8 – Credit risk and general information on CRM, section C and D	Qualitative/quantitative	EU CRC * EU CR3	Section 8 - Risk mitigation techniques	Table 8.1 Table 8.3 EU CR3
			Section 9 - Securitizations	Table 9.1 Table 9.2 Table 9.3 Table 9.4



EBA GL/2016/11, EBA GL/2018/01, EBA GL/2017/01			Pillar III as at 31/12/19	
Section	Type of information	Section	Type of information	Section
			Section 10 - Operational risk	
			Section 11 – Exposure to equities: information on banking book positions	Table 11.1 Table 11.2
			Section 12 - Interest rate risk on banking book positions	Table 12.1
Paragraph 4.3 **- Risk management, objectives and policies, section B	Qualitative	EU MRA *	Section 13 - Market risk	Table 13.1 Table 13.2
Paragraph 4.11 – CCR, section B	Quantitative	EU CCR6	Section 13 - Market risk	Table 13.3 EU CCR6
Paragraph 4.13 – Market Risk, section A	Quantitative	EU MR1	Section 13 - Market risk	Table 13.4 EU MR1
Paragraph 4.14 ** - Remuneration	Qualitative	Reference to Directive EU/36/2013	Section 14 - Remuneration and incentivization systems and practices *	

* Annual disclosure.

** Disclosure required under point 8 of EBA/GL/2016/11; the other sections of the guidelines apply on a voluntary basis as and where appropriate.



Section 1 – General disclosure requirement

Qualitative information

Description of risk governance organization

The Mediobanca Group has equipped itself with a risk governance and control system which is structured across a variety of organizational units involved in the process, with a view to ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guarantee that all forms of operations are consistent with their own propensity to 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 Scheme for gradually extending the IRB approach across the whole Group, business and financial plans, budgets, risk management and internal control policies, and the Recovery Plan drawn up in accordance with the provisions of the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

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

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, with powers of consultation on matters of credit, issuer, operational and conduct risk, and executive powers on market risks; Lending and Underwriting committee, for credit, issuer and conduct



risk; Group ALM committee and Operational 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 Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments.

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

Risk Management is organized around local teams based at the various Group companies, in accordance with the principle of proportionality, under the coordination of the Risk Management unit at parent company Mediobanca S.p.A. (the Group Risk Management unit), which also performs specific activities for the parent company scope of risk, in the same way that the local teams do for their own companies. The Group Risk Management unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Group Enterprise Risk Management & Supervisory Relations, which manages the integrated Group processes (ICAAP, RAF, Recovery Plan, support in planning, etc.) and relations with the supervisory authorities, develops the quantitative methodologies for measuring and managing credit, market and counterparty risks, formulates the credit risk management policies, and carries out second-level controls; ii) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator; iii) Market and Liquidity Risk Management, which monitors market, counterparty, liquidity and interest rate risk on the banking book; iv) Operational Risk Management, responsible for



developing and maintaining the systems for measuring and managing operational risks; v) 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; vi) Wealth Risk Management, which manages risks related to the investment products and services offered to clients by the Wealth Management division; vii) 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 sub-units based at Mediobanca S.p.A.

Establishment of risk propensity and process for managing relevant risks

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

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

In the process of defining its risk appetite, Mediobanca:

- 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.

For the purposes of defining the RAF, based on the strategic positioning and risk profile which the Group has set itself the objective of achieving, the risk appetite statement is structured into metrics and risk thresholds, which are identified with reference to the four framework risk pillars, in line with best international practice: capital adequacy; liquidity; bank-specific factors; conduct/operational risk. 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 dimension analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the Group's general attitude towards risk, as defined in accordance with the strategic planning, ICAAP and risk management processes.

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

Credit risk

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

Details by individual business segment

Corporate lending (Mediobanca)

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. At the analysis stage, all relevant documentation is obtained 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, *inter alia* to obtain a positive impact on the Bank's capital ratios.

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 at least the same intervals.

Any risk profile worsening of the assignment and rating are promptly reported to the Management and to the aforementioned Committees.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning methodology to identify a list of counterparties (known as the "watchlist") requiring indepth analysis on account of their potential or manifest weaknesses. The exposures identified are then classified by level of alert (green, 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. 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 readings. The forward-looking component is factored in by applying the internal



scenarios defined to the PD readings. LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed.

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk.

Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of company).

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

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

Provisions for non-performing accounts are tested analytically to establish the relative estimated loss against the value of the security provided taken from the results of valuations updated regularly and revised downwards on a prudential basis, and/or any other form of real guarantees issued. Scenarios for sales strategies are also factored in. The portfolio of performing accounts is measured basis according to internal PD ratings and LGD parameters. To define the PD parameters, the through-the-cycle transition matrices for the management models based on internal data are used, which are then converted into point-in-time readings. The forward-looking component is factored in by applying the internal scenarios defined to the PD readings. The LGD readings for the exposures differ according to type of product (vehicle leasing, core goods, yachts and



property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

Consumer credit

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

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

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



Factoring

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

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

Non-performing exposures are quantified analytically, for corporate counterparties, based on similar clusters to those identified for retail exposures. The portfolio of performing assets is valued on the basis of PD and LGD parameters. To define the PD parameters, the revised indicators supplied by external providers are used, or indicators estimated internally based on the retail portfolio. For transactions valued by Mediobanca S.p.A. as part of its corporate business, the parameters set in the parent company's process apply.

NPL business

This business is performed by MBCredit Solutions, which operates on the NPLs market, acquiring non-performing loans on a no recourse basis at a price well below the nominal value. Credit risk is managed by a series of consolidated regulations, structures and instruments in line with the Group policies. The company pursues the objective of splitting up the client portfolio according to selective criteria which are consistent with the objectives in terms of capital and risk/return indicated to it by Mediobanca S.p.A.

The purchase price for the non-performing loans is arrived at by following well-established procedures which include appropriate sample-based or statistical analysis of the positions being sold, and take due account of projections in terms of the amounts recovered, expenses and margins anticipated. At each annual or interim reporting date the amounts expected to be collected for each individual position are compared systematically with the amounts actually collected. If



losses are anticipated at the operating stages, the collection is adjusted downwards on an individual basis. If there is objective evidence of possible losses of value due to the future cash flows being overestimated, the flows are recalculated and adjustments charged based on the difference between the scheduled value at the valuation date (amortized cost) and the discounted value of the cash flows expected, which are calculated by applying the original effective interest rate. The estimated cash flows take account of the expected collection times, the assumed realizable value of any guarantees, and the costs which it is considered will have to be incurred in order to recover the credit exposure.

Private banking

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

Loans themselves are normally guaranteed, i.e. backed by endorsements or real 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 and the type of finance involved. Such loans are reviewed on a regular basis.

Provisioning for all non-performing is made on an individual basis, and takes into account the value of the real guarantees provided. 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.



Mortgage lending

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

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

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

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. In cases where a borrower becomes insolvent (or in fundamentally similar situations), the property enforcement procedures are initiated through external lawyer. Procedurally mortgage loans with four or more unpaid instalments (not necessarily consecutive) or cases with persistent irregularities or interest suspended at the legal rate are designated as probable default accounts, and generally become non-performing once the ineffectiveness of the recovery actions has been certified.

Exposures for which concessions have been granted are defined as forbore exposures, i.e. exposures subject to tolerance measures, performing or non-performing for which the Bank grants amendments to the original terms and conditions of the contract in the event of the borrower finding itself in a state (proven or assumed) of financial difficulty, by virtue of which it is considered to be unlikely to be able to meet its borrowing obligations fully or regularly.

Provisioning is determined analytically for non-performing items and based on clusters of similar positions identified for probable default, other overdue and performing accounts. For the analytical provisions for non-performing items, account is taken of the official valuations of the assets (deflated on a prudential



basis), timescales and recovery costs. The PD parameters are obtained starting from through-the-cycle matrices used to develop the internal model, which are then converted to point-in-time readings. The forward-looking component is factored in by applying the internal scenarios to the PD readings. The LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The inclusion of forward-looking elements in this case is based on satellite models.

Credit Value Adjustment ("CVA")

With reference to the capital requirement for CVA, defined as adjustment to the mid-market valuation of the portfolio of transactions with a counterparty, the Group has applied the standardized methodology provided for by Article 384 of the CRR, considering all counterparties with and without CSA.

Counterparty risk

Counterparty risk generated by market transactions with clients or institutional counterparties is measured in terms of potential future market value. For short-term collateralized derivative and lending products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon of up to 30 years. The scope of application regards all groups of counterparties which have relations with the Bank, taking into account the existence or otherwise 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 ceilings split by counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

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



Market risks

Mediobanca has instituted a set of controls for calculating metrics used to monitor the Bank's exposure to the financial risks generated by the positions held as part of the trading book on a daily basis.

This monitoring is focused on two main indicators:

- Sensitivity – which measures the change in value of financial assets and derivatives following changes in the main risk factors, providing a static representation of the market risk faced by the portfolio;
- Value-at-risk calculated using a methodology based on historical simulation weighted with scenarios that are updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

The risk control carried out through VaR and sensitivity is calculated daily to ensure that the operating limits governing the risk appetite established for the Bank's trading book are complied with. Stress tests are also carried out daily (for specific positions) and monthly (for the book as a whole) 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 historically.

Other complementary risk metrics are also calculated in addition to VaR and sensitivity, in order to capture other risks that are not fully measured by these indicators more effectively. In the six months under review, the positions which required the use of such metrics were extremely limited compared to the overall size of Mediobanca's trading book.

Further information on market risk is provided in section 13.

Operational risk

Operational 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.

Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operational risk, applying a margin of 15% to the three-year average for the relevant indicator.



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

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

Further information on operational risk is provided in section 10.

Interest rate risk on the banking book

This is defined as the risk arising from potential changes in interest rates on banking book securities.

The Mediobanca Group 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) and EBA (EBA/GL/2018/02).

All the scenarios present a floor set by the Basel Committee guidelines (BCBS) at minus 1% on the demand maturity with linear progression up to 0% at the 20 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 behavioural models, and Compass consumer credit items (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.

Hedge accounting

As for the IFRS 9 requirements on the new hedge accounting model, the new standard seeks to simplify the treatment by ensuring that the representation of the hedges in the accounts is more closely aligned with the risk management criteria on which such representation is based. In particular, the new model expands the hedge accounting rules in terms of the hedge instruments themselves and the related "eligible" risks. Although the new standard does provide for the possibility of using the hedging rules in force under IAS 39, the Group has nonetheless chosen to opt into the new general hedging criteria, with no significant impact as a result.

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).

– 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.



– *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 Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Financial leverage risk

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

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

Liquidity risk

In defining liquidity risk, a distinction is made between risks linked to short-term time horizons (known as "liquidity risk") and long-term risks ("funding risk"):

- Liquidity risk, the current or potential risk of an entity being unable to manage its own liquidity needs in the short term;
- Funding risk, the risk of the entity not having stable sources of funding available in the medium and long term, with the current or potential risk of it



not being able to meet its own financial commitments without an excessive increase in the cost of financing.

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

The Regulations set 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 internal liquidity and funding risk governance and management system is based on general principles set out in the Regulations, which all the Group companies must pursue:

- The strategic guidelines and the liquidity and funding risk governance policies are defined and approved by the Board of Directors of Mediobanca S.p.A., and represent, at Group level, the reference framework for, and restrictions on, operations by the units tasked with liquidity and funding risk management;
- The policies are revised in line with changes in the company's business and risk profile, and in the external scenario, and changes are clearly documented and communicated within the Group;
- The roles and responsibilities of the units and teams operating in the liquidity management and governance process are also clearly defined and documented;
- Risk management is performed from a current and forward-looking perspective, and entails the application of various scenarios, including stressed;



- The Bank must maintain over time a sufficient amount of liquid instruments, in accordance with the liquidity risk tolerance threshold defined at Group level, and this amount may not at any time be below the minimum level set by the regulatory authorities;
- A clear, precise action plan is drawn up, describing the strategies to be implemented in the event of liquidity tensions making it difficult to raise funding from various sources (Contingency Funding Plan);
- The commercial, lending and financial policies are co-ordinated with a view to maintaining a balanced structural liquidity profile for the Group and in such a way as to take into account multiple risk elements;
- The funds transfer pricing system is established by a team working separately from the business units, and includes the effect of the liquidity cost/benefit by means of a consolidated 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 legal entities are involved in the liquidity management process through their local units operating within the limits defined by the guidelines developed by Mediobanca S.p.A.

The Regulations assign various important duties to the Board of Directors, including the following:

- Defining and approving guidelines and strategic direction;
- Ensuring the complete reliability of the risk governance system;



- Reviewing the performance of liquidity and funding risk and the Group Risk Appetite Framework over time.

The issues most relevant to liquidity risk are discussed by the Group ALM Committee which defines the asset and liability structure and related risk taking, directing management in line with the commercial and financial objectives set in the budget and the Group RAF.

The parent company units responsible for ensuring that the Regulations are 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 unit, 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 compliance with the principles of separation and independence, is responsible for the Group's integrated control system 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 losses.

The Mediobanca Group short-term liquidity policy is intended to 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. To this end, the liquidity reserves should be seen as a risk mitigation and management instrument for these mismatches.

The metric adopted is the ratio between counterbalancing capacity (defined principally as the availability post-haircut of bonds and receivables eligible for



refinancing with the ECB and marketable securities) and the cumulative net cash outflows.

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months, with an early warning system if the limit is approached. The short-term liquidity monitoring is supplemented by stress testing which assumes three scenarios ("Italy downgrade", "Name crisis", and "Combined") described in the Regulations.

As at 31 December 2019 the balance of liquidity reserves that can be established at European Central Bank amounted to €5.4bn, €4.7bn of which in form of securities deliverable in cash at the ECB; the balance of liquidity reserves established at the European Central Bank amounted to approx. €4.4bn (unchanged in the six months), approx. €100m of which in the form of cash not used.

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

Throughout the six months under review, both indicators, short- and long-term, were at all times above the limits set in the Regulations.

The stress testing exercise performed last year (LiST 2019) confirmed that liquidity and funding risk management is solid, with a survival period even in severe stress scenarios which is comparable to the time horizon represented by the financial year.

In accordance with the Regulations, the Group monitors and records the LCR (Liquidity Coverage Ratio), ALMM (Additional Liquidity Monitoring Metrics) and NSFR (Net Stable Funding Ratio) regulatory indicators. Throughout the period under review, both the LCR and the NSFR, which form part of the Group's Risk Appetite Framework, remained well above the limits set under the regulation in force at all times. In particular, the LCR indicator measured at 31 December 2019 was 193%, compared to a regulatory minimum of 100%. Although the indicator shows a sufficient level of highly liquid assets, it remains concentrated on Level 1 assets issued by sovereign entities.



In order to manage and monitor foreign currency misalignment, the Mediobanca Group carries out regular checks to ascertain that liabilities held in a foreign currency are not equal to or higher than 5% of the total liabilities. If the limit set by Regulation (EU) 575/2013 is breached for a given currency, this means it qualifies as "significant" and that the entity is obliged to calculate the LCR in that currency. As at 31 December 2019, the currencies which qualify as "significant" at consolidated level are the Euro (EUR) and the US dollar (USD). Monitoring possible currency misalignments between highly liquid assets and net cash flows, shows that the Group is able to meet possible mismatches in part through its holding HQLAs denominated in USD and in part due to its easy access to the forex market to transform excess liquidity in EUR into USD.

The Mediobanca Group executes derivative contracts (both with central counterparties and OTC) which are sensitive to different types of risk factors. Changes in market conditions, influencing potential future exposures to this type of derivative contract, could introduce commitments in terms of liquidity, in respect of which collateral may be requested in cash or in other financial instruments to the occurrence of adverse market movements. The Group adopts the Historical Look Back Approach to quantify any increase in the collateral requested. The amounts thus determined are included among the additional outflows for the LCR indicator, thereby contributing to the determination of the Liquidity Buffer. The risk of incurring such outflows is mitigated by holding highly liquid assets to hedge them.

The sustainability of the LCR and NSFR indicators, which are included in the Group Risk Appetite Framework, is also analysed in preparing the Group Funding Plan, through future analysis over a three-year time horizon, with monitoring and half-yearly updates.

The Group Funding Plan guarantees that the funding structure is balanced relative to the planned uses of funds, and has the further objective of assessing the capability to access the capital markets and define a strategy to optimize the cost of funding.

The adequacy and the cost of funding are guaranteed by ongoing diversification. The main sources of funding for the Mediobanca Group consist of: (i) deposits deriving from the retail domestic market, (ii) funding from institutional clients, split between collateralized funding (secured financing transactions, covered bonds and ABS) and non-collateralized funding (debt securities, CD/CP



and deposits from institutional clients), and (iii) refinancing transactions with the Eurosystem.

The first six months of the financial year saw relatively low volatility on financial markets. The central banks continued with their accommodative policies, and in Italy the domestic political situation was more stable, impacting positively on credit spreads.

The Mediobanca Group was able to complete its funding plan by diversifying the sources of financing, and minimizing the cost of funding.

During the six months under review, against redemptions and buybacks of securities totalling €2.1bn, new deals worth €2.9bn were placed, €1.5bn of which senior unsecured, €600m in securitizations of Compass receivables, and €750m in covered bond with CheBanca! mortgages as the underlying instrument. Bank funding was also used in an amount of over €600m, with maturities of at least 24 months, €386m of which secured. ECB funding through refinancing transactions was unchanged at €4.3bn.

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 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 early warning indicator system.

In November 2019, the Mediobanca Group's governing bodies, as part of the ILAAP process, approved the Liquidity Adequacy Statement (or LAS), stating, by means of a self-assessment process, the degree of adequacy in managing liquidity risk and the liquidity position. In this self-assessment, the Mediobanca Group expresses a high level of confidence in the liquidity management process adopted, considering it to be adequate in order to govern the Group both to implement the business model adopted and to cope with any adverse events that should occur. The governing bodies have also expressed a high degree of satisfaction in their assessment of the liquidity profile assumed. On the basis of qualitative and quantitative analysis, indications have been provided to the relevant authority regarding the conformity of the liquidity position, current and future, to the strategies and risk tolerance expressed by the governing bodies.

The table below shows the quantitative information for the Group's Liquidity Coverage Ratio (LCR), measured in accordance with the European regulations (CRR and CRD IV) and subject to monthly reporting to the relevant authorities (this indicator includes the conservative estimate of "additional outflows for other products and services" in compliance with Article 23 of Commission Delegated Regulation (EU) 2015/61). The data have been calculated as the simple average of the month-end readings recorded in the twelve months prior to the end of each quarter.



Table 1.1 EU LIQ1 – Liquidity Coverage Ratio (LCR) disclosure template and additional information

Scope of consolidation (solo/consolidated) Currency and units (Euro milion) Quarter ending on Number of data points used in the calculation of averages		Unweighted amounts				Weighted amounts			
		31/3/2019	30/6/2019	30/9/2019	31/12/2019	31/3/2019	30/6/2019	30/9/2019	31/12/2019
		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid					7,409	7,753	7,753	6,477
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	16,555	16,957	17,204	17,292	1,310	1,353	1,378	1,382
3	Stable deposits	10,411	10,580	10,691	10,778	521	529	535	539
4	Less stable deposits	6,143	6,377	6,514	6,514	790	824	843	843
5	Unsecured wholesale funding	4,155	4,532	4,644	4,719	2,442	2,706	2,798	2,919
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	347	289	198	114	69	57	39	23
7	Non-operational deposits (all counterparties)	3,401	3,799	4,035	4,174	1,967	2,205	2,349	2,465
8	Unsecured debt	406	444	411	431	406	444	411	431
9	Secured wholesale funding					1,648	1,470	1,291	1,314
10	Additional requirements	7,401	6,948	6,564	6,585	1,746	1,692	1,607	1,580
11	Outflows related to derivative exposures and other collateral requirements	599	390	348	327	400	329	297	270
12	Outflows related to loss of funding on debt products	—	—	—	—	—	—	—	—
13	Credit and liquidity facilities	6,802	6,558	6,216	6,258	1,347	1,364	1,310	1,310
14	Other contractual funding obligations	1,739	1,837	1,886	1,993	727	706	556	522
15	Other contingent funding obligations	1,540	1,574	1,771	2,018	339	344	312	289
16	TOTAL CASH OUTFLOWS					8,214	8,271	7,943	8,007
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	2,652	2,849	2,849	3,053	911	810	790	830
18	Inflows from fully performing exposures	1,682	1,564	1,484	1,482	1,300	1,171	1,086	1,066
19	Other cash inflows	1,741	1,743	1,822	2,085	1,109	1,097	1,160	1,410
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	TOTAL CASH INFLOWS	6,076	6,156	6,155	6,620	3,321	3,078	3,036	3,306
EU-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU-20v	Inflows subject to 75% cap	7,986	8,364	8,683	9,032	4,232	3,888	3,827	4,135
21	LIQUIDITY BUFFER					7,409	7,753	7,237	6,477
22	TOTAL NET CASH OUTFLOWS					3,982	4,382	4,117	3,872
23	LIQUIDITY COVERAGE RATIO (%)¹					186%	177%	176%	167%

(1) simple average of the end-of-month observations recorded in the twelve months preceding the end of each quarter.

Other risks

As part of the process of assessing the current and future capital required for the company to perform its business (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, counterparty risk, market risk, interest rate risk, liquidity risk and operational risk):

- Concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties (“single name concentration risk”) or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- Strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions



- or inadequate execution of decisions taken (pure strategic risk);
- Risk from equity investments held as part of the “Hold to collect and sell” banking book (“HTCS”), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTCS portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);
 - Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;
 - Compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank’s reputation as a result of breaches of external laws and regulations or self-imposed regulations;
 - Reputational risk, defined as the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank’s image by customers, counterparties, shareholders, investors or regulatory authorities.

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



Section 2 – Scope of application

Qualitative information

The disclosure requirements which subtend this document apply to Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, entered in the register of banking groups, to which the data shown in the document refer.

Based on the combined provisions of IFRS 10 “Consolidated financial statements”, IFRS 11 “Joint arrangements” and IFRS 12 “Disclosure of interests in other entities”, the Group has proceeded to consolidate its subsidiaries on a line-by-line basis, and its associates and joint arrangements using the net equity method.

For regulatory purposes, the investment in Group company Compass RE (a reinsurance company incorporated under Luxembourg law) and Ricerche e Studi are among those which are deductible from own funds.

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

For equity-accounted companies, any differences in the carrying amount of the investment and investee company's net equity are reflected in the book value of the investment, the fairness of which is tested at the reporting date or when evidence emerges of possible impairment. The profit made or loss incurred by the investee company is recorded pro-rata in the profit and loss account under a specific heading.

The following events in the six months should be noted:

- A capital increase by Cairn Capital Group Limited was completed in December 2019. Mediobanca subscribed for its own share plus other rights not taking up, meaning its investment in the Group company increased to 63.5%;



- Activities connection with the liquidation of subsidiaries Prominvestment and CMB Wealth are on-going.

Quantitative information

Table 2.1 Area of consolidation

	Companies names	Registered office	Type of relationship (1)	Participation relationship		voting rights % (2)
				Investor company	% interest	
A.	Companies included in the consolidation area					
A.1	Line by line					
1	Mediobanca - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2	Prominvestment S.p.A. - in liquidation and arrangement with creditors	Milan	1	A.1.1	100.—	100.—
3	Spafid S.p.A.	Milan	1	A.1.1	100.—	100.—
4	Spafid Connect S.p.A.	Milan	1	A.1.5	100.—	100.—
5	Mediobanca Innovation Services - S.c.p.A.	Milan	1	A.1.1	100.—	100.—
6	Compagnie Monegasque de Banque - CMB S.A.M.	Montecarlo	1	A.1.1	100.—	100.—
7	C.M.G. Compagnie Monegasque de Gestion S.A.M.	Montecarlo	1	A.1.6	99.92	99.92
8	CMB Asset Management S.A.M.	Montecarlo	1	A.1.6	99.—	99.—
9	CMB Wealth Management Limited - in liquidation	London	1	A.1.1	100.—	100.—
10	Mediobanca International (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.—	99.—
			1	A.1.11	1.—	1.—
11	Compass Banca S.p.A.	Milan	1	A.1.1	100.—	100.—
12	CheBanca! S.p.A.	Milan	1	A.1.1	100.—	100.—
13	MBCredit Solutions S.p.A.	Milan	1	A.1.11	100.—	100.—
14	SelmaBipiemme Leasing S.p.A.	Milan	1	A.1.1	60.—	60.—
15	MB Funding Luxembourg S.A.	Luxembourg	1	A.1.1	100.—	100.—
16	Ricerche e Studi	Milan	1	A.1.1	100.—	100.—
17	Mediobanca Securities USA LLC.	New York	1	A.1.1	100.—	100.—
18	MB FACTA S.p.A.	Milan	1	A.1.1	100.—	100.—
19	Quarzo S.r.l.	Milan	1	A.1.11	90.—	90.—
20	Futuro S.p.A.	Milan	1	A.1.11	100.—	100.—
21	Quarzo CQS S.r.l.	Milan	1	A.1.20	90.—	90.—
22	Mediobanca Covered Bond S.r.l.	Milan	1	A.1.12	90.—	90.—
23	Compass RE (Luxembourg) S.A.	Luxembourg	1	A.1.11	100.—	100.—
24	Mediobanca International Immobiliere S.A R.L.	Luxembourg	1	A.1.10	100.—	100.—
25	Cairn Capital Group Limited	London	1	A.1.1	100.—(*)	63.5
26	Cairn Capital Limited	London	1	A.1.25	100.—	100.—
27	Cairn Capital North America Inc.	Stamford (USA)	1	A.1.25	100.—	100.—
28	Cairn Capital Guarantee Limited (non operativa)	London	1	A.1.25	100.—	100.—
29	Cairn Capital Investments Limited (non operativa)	London	1	A.1.25	100.—	100.—
30	Cairn Investment Managers Limited (non operativa)	London	1	A.1.25	100.—	100.—
31	Amplus Finance Limited (non operativa)	London	1	A.1.25	100.—	100.—
32	Spafid Family Office SIM	Milan	1	A.1.3	100.—	100.—
33	Spafid Trust S.r.l.	Milan	1	A.1.3	100.—	100.—
34	Mediobanca Management Company S.A.	Luxembourg	1	A.1.1	100.—	100.—
35	Mediobanca SGR S.p.A.	Milan	1	A.1.1	100.—	100.—
36	RAM Active Investments S.A.	Geneva	1	A.1.1	89.3 (**)	69.—
37	RAM Active Investments (Luxembourg) S.A.	Lussemburgo	1	A.1.36	100.—	100.—
38	MESSIER MARIS & ASSOCIES S.C.A.	Paris	1	A.1.1	100.— (***)	66.4
39	MESSIER MARIS & ASSOCIES LLC	New York	1	A.1.38	100.— (***)	50.—

* Taking into account the put and call option exercisable as from the third anniversary of the execution date of the transaction.

** Taking into account the put and call options exercisable from the third to the tenth anniversary of the execution date of the transaction.

*** Taking into account the put and call options exercisable from the fifth to the tenth anniversary of the execution date of the transaction.



Section 3 – Composition of regulatory capital

Qualitative information

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently higher than those required by the regulatory guidelines, as shown by the comfortable margin emerging from the Internal Capital Adequacy Assessment Process (ICAAP) and the process performed by the regulator as part of the SREP 2018.² As of 31 December 2019, the authority has asked Mediobanca to maintain a CET ratio of 8.25% on a consolidated level (Total SREP Capital Requirement – TSCR –11.75%) which includes an additional Pillar 2 requirements (“P2R”) at 1.25%, unchanged from last June and the capital conservation buffer standing at 2.50%.

Based on the new body of supervisory and corporate governance rules for banks which consists of Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR-CRR2³) issued by the European Parliament in 2013 and enacted in Italy in Bank of Italy circular no. 285, 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 the CRR2 (which extended its transitional validity until 31 December 2024).⁴

Furthermore, in order to mitigate the effect of the new accounting principles on prudential ratios, Regulation (EU) 2017/2395 "Transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds", (which updates Regulation 575/2013 CRR by introducing the new Article 473-bis "Introduction of IFRS 9"), offers banks the possibility of spreading the impact of introducing IFRS 9 on own funds over a transitional period of five years, by including a decreasing amount of loan loss provisions in CET1 over that time. The Mediobanca Group has

² Based on the supervisory review and evaluation process (the “SREP 2019 Decision”) received on 25 November 2019, the authority has asked Mediobanca to maintain, as from 1 March 2020, a CET1 ratio of 8.25% on a consolidated basis (Total SREP Capital Requirement – “TSCR” – 11.75%), which includes a Pillar 2 Requirement (“P2R”) of 1.25%, unchanged from the previous year, as confirmation of the Group’s asset quality and the adequacy of its risk management, with a capital conservation buffer of 2.50% when fully operative.

³ The new Regulation was approved by the EU Parliament on 16 April and entered into force on 28 June 2019 after publication in the Official Journal.

⁴ Article 471 applies only to the book value at December 2012 and to the concentration limit with respect to the insurance group equal to 20% of the limit towards the related parties.



applied the static approach to neutralize the effect of the increase in loan loss provisions starting from the financial statements for the year ended 30 June 2018 (IFRS 9 FTA) and for the next five years thereafter.⁵

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves (including €1,258.7m of the positive FVOCI financial assets reserves, €12.1m of which in government securities and €1,154.8m deriving from Assicurazioni Generali being equity-consolidated) and the profit for the period (€467.6m,) net of the dividend accruing during the period (€234.4m, pro rata with the €0.52 per share dividend proposed for 2020), calculated based on the number of shares in issue). The deductions regard: treasury shares (€234m), including €166m already owned as at 31 December 2019 and commitments to buy totalling €68m to reach the maximum limit authorized by the ECB and approved by shareholders at the annual general meeting held in October 2018), intangible assets (€131m), goodwill of €778.2m, and other prudential adjustments of €48.3m in connection with the values of financial instruments (AVAs and DVAs). Interests in financial companies (banking and insurance) worth €2,477.2m were deducted, €2,209m of which in respect of the Assicurazioni Generali investment and €139.2m of Compass RE (respectively €1,704m and €121.2m as at 30 June 2019).

No Additional Tier 1 (AT1) instruments have been issued.

Tier 2 capital includes subordinated liabilities, down from €1,522.7m to €1,373.3m due to amortization. No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of CRR. The buffer, which consists of the higher accounting adjustments to cover the expected losses, totalled €39.2m slightly higher than last year (30/6/19: €38.5m).

⁵ Year 1: 95%; Year 2: 85%; Year 3: 70%; Year 4: 50%; Year 5: 25%.



Quantitative information

Table 3.1 – Bank equity

	31/12/2019	30/6/19
A. Common equity tier 1 (CET1) prior to application of prudential filters	9,994,749	9,351,118
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(15,949)	7,317
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	9,978,800	9,358,435
D. Items to be deducted from CET1	(4,312,819)	(3,834,987)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime ⁽¹⁾	994,561	1,000,929
F. Total common equity tier 1 (CET1) (C-D+/-E)	6,660,542	6,524,377
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to temporary provisions	—	—
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	1,412,473	1,561,228
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(182)	—
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)	1,412,291	1,561,228
Q. Total own funds (F+L+P)	8,072,833	8,085,605

⁽¹⁾ This heading includes only the (positive) adjustments deriving from application of the Danish Compromise, in line with table 3.1- Composition of capital.



Table 3.2 – Phase-in model for publication of information on own funds

Common Equity Tier 1 (CET1) capital: instruments and reserves		31/12/19	30/6/19
1	Capital instruments and the related share premium accounts	2,639,214	2,639,214
	of which: Instrument type 1	2,639,214	2,639,214
	of which: Instrument type 2	–	–
	of which: Instrument type 3	–	–
2	Retained earnings	6,499,153	6,300,886
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) ¹	1,045,564	597,504
3a	Funds for general banking risk	–	–
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	–	–
5	Minority Interests (amount allowed in consolidated CET1)	44,838	47,534
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	–	–
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,228,769	9,585,138
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(34,952)	(37,164)
8	Intangible assets (net of related tax liability) (negative amount)	(909,311)	(905,467)
9	Empty Set in the EU	–	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(55)	(55)
11	Fair value reserves related to gains or losses on cash flow hedges	32,397	55,628
12	Negative amounts resulting from the calculation of expected loss amounts	–	–
13	Any increase in equity that results from securitised assets (negative amount)	–	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(13,394)	(11,148)
15	Defined-benefit pension fund assets (negative amount)	–	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(234,020)	(234,020)
17	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	–	–
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(3,244,040)	(2,801,764)
20	Empty Set in the EU	–	–
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–	–
20b	of which: qualifying holdings outside the financial sector (negative amount)	–	–
20c	of which: securitisation positions (negative amount)	–	–
20d	of which: free deliveries (negative amount)	–	–
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	–	–
22	Amount exceeding the 15% threshold (negative amount)	(159,413)	(127,701)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(143,232)	(112,873)
24	Empty Set in the EU	–	–
25	of which: deferred tax assets arising from temporary differences	–	–
25a	Losses for the current financial year (negative amount)	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–	–
28	Total regulatory adjustments to Common equity Tier 1 (CET1) ²	994,561	1,000,929
29	Common Equity Tier 1 (CET1) capital	6,660,541	6,524,376

⁽¹⁾ The heading includes the deductions for significant investments without the benefit for the Assicurazioni Generali investment (the “Danish Compromise”).

⁽²⁾ This heading includes only the (positive) adjustments deriving from application of the Danish Compromise, in line with table 3.1- Composition of capital.



Table 3.2 (cont.)

Common Equity Tier 1 (CET1) capital: instruments and reserves		31/12/19	30/6/19
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	—	—
31	of which: classified as equity under applicable accounting standards	—	—
32	of which: classified as liabilities under applicable accounting standards	—	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	—	—
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	—
35	of which: instruments issued by subsidiaries subject to phase out	—	—
36	Additional Tier 1 (AT1) capital before regulatory adjustments	—	—
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	—	—
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	—	—
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—
41	Empty Set in the EU	—	—
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	—	—
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—	—
44	Additional Tier 1 (AT1) capital	—	—
45	Tier 1 capital (T1 = CET1 + AT1)	6,660,541	6,524,376
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1,373,272	1,522,724
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	—	—
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	—
49	of which: instruments issued by subsidiaries subject to phase out	—	—
50	Credit risk adjustments	39,201	38,504
51	Tier 2 (T2) capital before regulatory adjustments	—	—
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—	—
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(182)	—
56	Empty Set in the EU	—	—
57	Total regulatory adjustments to Tier 2 (T2) capital	—	—
58	Tier 2 (T2) capital	1,412,291	1,561,228
59	Total capital (TC = T1 + T2)	8,072,832	8,085,604
60	Total risk weighted assets	47,089,213	46,309,919



Table 3.2 (cont.)

Common Equity Tier 1 (CET1) capital: instruments and reserves		31/12/19	30/6/19
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.14%	14.09%
62	Tier 1 (as a percentage of risk exposure amount)	14.14%	14.09%
63	Total capital (as a percentage of risk exposure amount)	17.14%	17.46%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer expressed as a percentage of risk exposure amount)	3,324,508	3,255,207
65	of which: capital conservation buffer requirement	1,177,230	1,157,748
66	of which: countercyclical buffer requirement	28,263	13,513
67	of which: systemic risk buffer requirement	—	—
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	—	—
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	3,324,508	3,255,207
69	[non relevant in EU regulation]	—	—
70	[non relevant in EU regulation]	—	—
71	[non relevant in EU regulation]	—	—
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	777,177	806,356
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	906,943	845,291
74	Empty Set in the EU	—	—
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	100,116	111,044
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	—	—
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	—	—
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	39,201	38,504
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	66,799	66,991
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase out arrangements	—	—
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—	—
82	- Current cap on AT1 instruments subject to phase out arrangements	—	—
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—
84	- Current cap on T2 instruments subject to phase out arrangements	—	—
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—



Table 3.3.1 – Reconciliation of net equity and owns funds

Equity constituents	31/12/19	30/6/19
Share capital	460,241	460,238
Share premiums	2,197,454	2,197,454
Reserves	6,348,051	5,962,295
Equity instruments	—	—
(Treasury shares)	(175,848)	(141,989)
Valuation reserves:	1,043,068	594,679
- HTCs securities	73,647	60,415
- securities designated at Fair value	30,086	24,161
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign investment hedges	—	—
- Cash flow hedges	(26,395)	(47,769)
- Exchange rate differences	(402)	(5,086)
- Non-current assets being sold	—	—
- Actuarial profits (losses) on defined-benefit pension schemes	(8,348)	(7,269)
- Equity-accounted companies' share of valuation reserves	964,848	560,595
- Special revaluation laws	9,632	9,632
- Other	—	—
Profit (loss) for the period attributable to the Group and minorities	469,156	826,208
Net equity	10,342,122	9,898,885
Dividends	(234,439)	(409,732)
Share attributable to ineligible minorities	(45,313)	(38,940)
CET1 pre-application of prudential filters, phase-in adjustments and deductions	10,062,369	9,450,213
Prudential filters ¹	(992,936)	(997,300)
Phase-in adjustments ²	68,350	76,391
Deductions	(2,477,241)	(2,004,927)
CET1	6,660,542	6,524,377
Subordinated loans eligible as Tier 2 instruments	—	1,522,724
IRB Excess of provisions over expected losses eligible	1,373,272	38,504
Deductions	39,201	—
Tier 2 equity	(182)	1,561,228
Own funds	1,412,291	8,085,605

¹ This heading reflects the deduction of Mediobanca not yet bought back but which may potentially be bought back (€7.7m as at 31/12/19, €11.2m as at 30/6/19) up to the limits set in the buyback scheme authorized by the ECB in October 2018 (the maximum amount that can be bought back is equal to 3% of the share capital, for a total amount of €234m).

² The adjustments reflect application of the IFRS 9 phase-in provisions.



Table 3.4 – Subordinated issues included in the regulatory capital

Security issued	ISIN	Currency	31/12/2019		30/6/19	
			Nominal Value	Calculated value ¹	Nominal Value	Calculated value ¹
MB Subordinato Mar 29	XS1579416741	EUR	50,000	48,505	50,000	48,498
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	EUR	615,046	104,926	614,142	165,392
MB OPERA 3.75 2026	IT0005188351	EUR	299,750	291,624	299,820	291,228
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	EUR	394,260	112,397	391,365	151,501
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	EUR	499,715	490,476	500,000	490,881
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	EUR	496,451	325,344	496,617	375,223
Total Subordinated Debt Securities			2,355,222	1,373,272	2,351,944	1,522,724



Section 4 – Capital adequacy

Qualitative information

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

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analyses or stress tests are also carried out to assess the impact of particularly adverse economic conditions on the Group's capital requirements deriving from its exposure to the principal risks (stress testing), in order to appraise its capital resources even in extreme conditions.⁶

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

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

* * *

As at 31 December 2019, the Group's Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 14.14%, lower than at 31 December 2019 (14.09%): the growth due to retained earnings for the period (€234.7m) was offset by the higher deductions for the Assicurazioni Generali investment (which accounted for €117.7m net of the higher positive reserve for securities recognized at fair value through other comprehensive income) and growth of approx. €700m in RWAs, due chiefly to the higher volumes

⁶ The most recent stress testing exercise confirmed the Group's solidity, with an adverse impact on CET1 fully loaded of just 182 bps, one of the lowest levels among EU banks.



in CIB (up €270m, €165m of which in factoring), Consumer Banking (up €370m) and Wealth Management (up €160m, split between CheBanca! and CMB).

Conversely, the total capital ratio reduced from 18.11% to 17.46%, in part due to the amortization of the tier 2 instruments.

Fully-loaded and without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €908.5m, including the indirect effects) and with full application of the IFRS 9 effect (accounting for €86.1m, considering the higher deductions), the CET1 ratio was 12.93% and the total capital ratio 16.15%, lower than the figures reported at end-June 2019, which were 12.83% and 16.46% respectively.

Quantitative information

Table 4.1 – Capital

Categories/Values	Unweighted Amounts (¹)	Weighted amounts/requirements		
	31/12/19	30/6/19	31/12/19	30/6/19
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	68,683,034	66,599,488	39,819,397	39,194,427
1. Standardized methodology	41,775,108	40,763,545	28,623,936	27,909,222
2. Methodology based on internal ratings	26,817,918	25,679,325	11,133,088	11,165,086
2.1 Basic	—	—	—	—
2.2 Advanced	26,817,918	25,679,325	11,133,088	11,165,086
3. Securitizations	90,008	156,617	62,373	120,120
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,185,552	3,135,554
B.2 Credit value adjustment risk			36,419	42,695
B.3 Settlement risk				
B.4 Market risks			223,520	204,897
1. Standard methodology			223,520	204,897
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Operational risks			321,647	321,647
1. Basic method			321,647	321,647
2. Standardized method			—	—
3. Advanced method			—	—
B.6 Other prudential requirements			—	—
B.7 Total prudential requirements			3,767,137	3,704,793
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			47,089,213	46,309,918
C.2 CET1/RWAs (CET1 capital ratio)			14.14%	14.09%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			14.14%	14.09%
C.4 Total capital/RWAs (total capital ratio)			17.14%	17.46%

¹ For the standardized methodology, "unweighted amounts", as required by the regulations, refer to the exposure value net of the prudential filters, CRM techniques and CCFs. For the AIRB methodology, "unweighted amounts" refer to the Exposure At Default (EAD). For guarantees issued and commitments to disburse funds, calculation of the EAD also factors in the CCFs.



Table 4.2 – Own funds, capital and leverage ratios under IFRS 9/analogous ECLs transitional arrangements compared to fully loaded IFRS 9/analogous ECLs (EU IFRS9-FL)

	31/12/2019	30/9/19	30/6/19	31/3/19	31/12/2018
Available capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	6,660,542	6,340,845	6,524,376	6,504,324	6,586,572
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,574,472	6,254,646	6,427,766	6,407,523	6,489,722
3 Tier 1 capital	6,660,542	6,340,845	6,524,376	6,504,324	6,586,572
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,574,472	6,254,646	6,427,766	6,407,523	6,489,722
5 Total capital	8,072,833	7,819,858	8,085,605	8,146,822	8,268,755
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,986,763	7,733,658	7,988,995	8,050,021	8,171,905
Risk weighted assets (amounts)					
7 Total risk-weighted assets	47,089,213	45,878,421	46,309,919	46,390,386	47,487,589
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,023,649	45,812,376	46,235,105	46,314,869	47,411,887
Capital ratios					
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	14.14%	13.82%	14.09%	14.02%	13.87%
10 Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.98%	13.65%	13.90%	13.83%	13.69%
11 Tier 1 (as a percentage of risk exposure amount)	14.14%	13.82%	14.09%	14.02%	13.87%
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.98%	13.65%	13.90%	13.83%	13.69%
13 Total capital (as a percentage of risk exposure amount)	17.14%	17.04%	17.46%	17.56%	17.41%
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.98%	16.88%	17.28%	17.38%	17.24%
Leverage ratio					
15 Leverage ratio total exposure measure	81,693,502	82,252,317	77,964,817	77,885,589	77,541,097
16 Leverage ratio	8.15%	7.71%	8.37%	8.35%	8.49%
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.05%	7.60%	8.24%	8.23%	8.37%



Table 4.3 – EU OV1– Overview of RWAs

		RWAs		MINIMUM CAPITAL REQUIREMENTS
		31/12/19	30/6/19	31/12/19
	1 Credit risk (excluding CRR)	36,979	36,360	2,854
Art 438(c)(d)	2 Of which the standardised approach	26,097	25,410	1,984
Art 438(c)(d)	3 Of which the foundation IRB (FIRB) approach	—	—	—
Art 438(c)(d)	4 Of which the advanced IRB (AIRB) approach	10,882	10,950	871
Art 438(d)	5 Of which equity IRB under the simple risk-weighted approach of the IMA	—	—	—
Art 107, Art 438(c)(d)	6 CCR	1,018	1,134	186
Art 438(c)(d)	7 Of which mark to market	564	601	149
Art 438(c)(d)	8 Of which original exposure	—	—	—
	9 Of which the standardised approach	—	—	—
	10 Of which internal model method (IMM)	—	—	—
Art 438(c)(d)	11 Of which risk exposure amount for contributions to the default fund of a CCP	—	—	—
Art 438(c)(d)	12 Of which CVA	454	534	36
Art 438(e)	13 Settlement risk	—	—	—
Art 449(o)(i)	14 Securitisation exposures in the banking book (after the cap)	62	120	4
	15 Of which IRB approach	—	—	—
	16 Of which IRB supervisory formula approach (SFA)	—	—	—
	17 Of which internal assessment approach (IAA)	—	—	—
	18 Of which standardised approach	62	120	4
Art 438(e)	19 Market risk	2,632	2,507	212
	20 Of which the standardised approach	2,632	2,507	212
	21 Of which IMA	—	—	—
Art 438(e)	22 Large exposures	—	—	—
Art 438(f)	23 Operational risk	4,021	4,021	322
	24 Of which basic indicator approach	—	—	—
	25 Of which standardised approach	4,021	4,021	322
	26 Of which advanced measurement approach	—	—	—
Art 437(2), 48,60	27 Amounts below the thresholds for deduction (subject to 250% risk weight)	2,215	2,113	177
Art 500	28 Floor adjustment	—	—	—
	29 Other calculation items	162	54	13
	30 TOTAL	47,089	46,310	3,767



Table 4.4 – Risk-weighted assets and requirements by strategic business area

Business Line	31/12/19											
	Group Capital Requirements	CIB Requirements	%	WM Requirements	%	Consumer Requirements	%	PI Requirements	%	HF Requirements	%	
Total requirement	3,767,138	1,626,614		375,377		1,034,952		459,705		270,490		
of which: Credit and Counterparty Risk	3,221,971	1,312,896	40.75%	299,201	9.29%	890,827	27.65%	459,705	14.27%	259,341	8.05%	
of which: Market Risk	223,521	219,034	97.99%	4,486	2.01%	—	—	—	—	—	—	
of which: Operational Risk	321,647	94,683	29.44%	71,690	22.29%	144,124	44.81%	—	—	11,149	3.47%	
Regulatory Capital	47,089,225	20,332,675	43.18%	4,692,208	9.96%	12,936,895	27.47%	5,746,318	12.20%	3,381,129	7.18%	

Business Line	30/6/19											
	Group Capital Requirements	CIB Requirements	%	WM Requirements	%	Consumer Requirements	%	PI Requirements	%	HF Requirements	%	
Total requirement	3,704,793	1,605,262		362,700		1,005,130		451,326		280,374		
of which: Credit and Counterparty Risk	3,178,249	1,310,588	41.24%	286,104	9.00%	861,006	27.09%	451,326	14.20%	269,225	8.47%	
of which: Market Risk	204,897	199,990	97.61%	4,907	2.39%	—	—	—	—	—	—	
of which: Operational Risk	321,647	94,683	29.44%	71,690	22.29%	144,124	44.81%	—	—	11,149	3.47%	
Regulatory Capital	46,309,918	20,065,775	43.33%	4,533,755	9.79%	12,564,129	27.13%	5,641,578	12.18%	3,504,681	7.57%	

Table 4.5 – Amount of the specific countercyclical capital buffer of the institution

Row	Description	31/12/2019	30/6/2019
010	Total risk exposure amount	47,089,213	46,309,919
020	Specific countercyclical ratio of the institution	0.06%	0.03%
030	Specific countercyclical capital buffer requirement of the institution	28,263	13,513



Section 5 – Financial leverage

Qualitative information

In January 2015, the Basel Committee introduced the leverage ratio as an indicator to keep down borrowings and reduce excessive recourse financial leverage in the banking sector. The indicator is calculated from the ratio between regulatory Tier 1 capital and the Group's overall aggregate exposure, which includes assets net of any deductions from Tier 1, and the off-balance-sheet exposures as well. The minimum regulatory level set by the Committee is 3%.

The ratio is calculated on a quarterly basis, point-in-time at the end of the three months, on an individual and consolidated basis, and is subject to monitoring having been identified as one of the reference metrics in the Risk Appetite Framework for managing risks and preserving the Group's capital adequacy.

CRR/CRR2 and Commission Delegated Regulation (EU) 62/2015 (introduced in order to harmonize the methods used for calculating the leverage ratio) lay down the means by which the ratio is to be calculated, stipulating in particular that:

- Derivative contracts must be valued using the Current Exposure Method, i.e. the sum between net market value, if positive, and potential future exposure, with the possibility if certain conditions are met of deducting the margin of change in cash from the value of the exposure; for credit derivatives sold, the ratio can be measured on the basis of the gross notional amount rather than at fair value, with the possibility of deducting the changes in fair value recorded through the profit and loss account from the notional amount (as negative components); protection sold can also be offset by protection acquired if given criteria are respected;
- In secured financing transactions real guarantees received cannot be used to reduce the value of the exposure for such transactions, whereas cash receivables and payables deriving from such transactions can be offset if certain very strict criteria are met and providing the transaction are with the same counterparty;



- The other off-balance-sheet exposures reflect the credit conversion factors;
- The other exposures are recognized at the book value remaining following application of the specific loan loss provisions, supplementary value adjustments and other reductions to own funds in respect of the asset item.

Since 30 June 2016, the Mediobanca Group has published its leverage ratio in this document based on the provisions contained in the Commission Delegated Regulation, and since 30 September 2016 (first reference date, six months after the regulation was published in the Official Journal of the European Union), the reporting flows have also been produced in accordance with the provision of the Commission Delegated Regulation and the Commission Implementing Regulation.

Quantitative information

The table below shows the readings for the Mediobanca Group leverage ratio as at 31 December 2019, stated in accordance with the principles set forth in the CRR, the provisions of Commission Delegated Regulation 62/2015 and Commission Implementing Regulation EU 200/2016.



Table 5.1 – LRCom – Leverage ratio common disclosure

On-balance-sheet exposures (excluding derivatives and SFTs)		31/12/19	30/6/19
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	71,701,740	67,887,712
2	Asset amounts deducted in determining Basel III Tier 1 capital - phase-in regime	(2,477,241)	(2,004,927)
3	Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	69,224,499	65,882,786
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,076,297	95,408
5	Add-on amount for PFE associated with all derivatives transactions (mark-to-market method)	1,346,311	128,070
EU-5a	Exposure determined under Original Exposure Method	—	—
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	—	—
7	(Deduction of receivables assets for cash variation margin provided in derivatives transactions)	(384,317)	(26,427)
8	(Exempted CCP leg of client-cleared trade exposures)	—	—
9	Adjusted effective notional amount of written credit derivatives	—	—
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	—	—
11	Total derivative exposures (sum of lines 4 to 10)	2,038,291	1,930,051
Securities financing transaction exposures (SFTs)			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	8,020,071	7,016,174
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(4,181,310)	(3,688,865)
14	CCR exposure for SFT assets	2,322,134	3,051,918
EU-14a	Exemption for SFTs: CCR exposure pursuant to Article 429-ter, para. 4, and Article 222 of regulation EU 575/2013	—	—
15	Agent transaction exposures	—	—
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	—	—
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	6,160,896	6,398,228
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross notional amount	9,320,951	8,548,211
18	(Adjustments for conversion to credit equivalent amounts)	(5,051,135)	(4,604,468)
19	Off-balance-sheet items (sum of lines 17 and 18)	4,269,816	3,943,753
(Exposures exempt pursuant to Article 429, paras. 7 and 14 of EU regulation 575/2013 (on- and off-balance-sheet))			
EU-19a	Intra-group exposures (solo basis) exempted pursuant to Article 429, para. 7 of EU regulation 575/2013 (on- and off-balance-sheet)	—	—
EU-19b	Exposures exempted pursuant to Article 429, para. 14 of EU regulation 575/2013 (on- and off-balance-sheet)	—	—
Capital and total exposures			
20	Tier 1 capital	6,660,542	6,524,377
21	Total exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	81,693,502	77,964,817
Leverage ratio			
22	Basel III leverage ratio	8.15%	8.37%
Choice of transitional arrangements and amount of derecognized fiduciary items			
EU-23	Choice of transitional arrangements for definition of capital measure	Tier1 capital with Danish Compromise and transitional arrangements for IFRS9	Tier1 capital with Danish Compromise
EU-24	Amount of derecognized fiduciary items pursuant to Article 429, para. 11 of EU regulation 575/2013	—	—



The leverage ratio as at 31 December 2019, calculated in accordance with the new provisions of Commission Delegated Regulation 62/2015, and those for defining the measurement of capital (Tier 1 capital with Danish Compromise), was 8.2%. The reduction from the 8.4% at 30 June 2019 was due to the increase in exposures due chiefly to Wholesale Banking and Private Banking.

The fully-loaded ratio (i.e. without the Assicurazioni Generali investment being weighted at 370% for purposes of calculating Tier 1 capital) remained at 7%, in line with the figure reported at the balance-sheet date.

Table 5.2 – LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

Summary comparison of accounting assets vs leverage ratio exposure		31/12/19	30/6/19
1	Total consolidated assets as per published financial statements	82,459,063	78,244,729
2	Adjustment for investments that are consolidated for accounting purposes but outside the scope of regulatory consolidation *	87,085	119,323
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure pursuant to Article 429 (13) of EU regulation 575/2013 (CRR)	—	—
4	Adjustment for derivative financial instruments	(2,265,917)	(1,449,888)
5	Adjustment for securities financing transactions (SFTs)	(379,304)	(888,173)
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	4,269,816	3,943,753
EU-6a	(Adjustment for intra-group exposures excluded from calculation of financial leverage pursuant to Article 429 (7) of EU regulation no. 575/2013)	—	—
EU-6b	(Adjustment for exposures excluded from calculation of financial leverage pursuant to Article 429 (14) of EU regulation no. 575/2013)	—	—
7	Other exposures **	(2,477,241)	(2,004,927)
8	Leverage ratio exposure	81,693,502	77,964,817

The difference in scope is chiefly due to Compass RE, not being included in the Banking Group definition.

** The heading entitled "Other adjustments" includes the amounts in respect of assets deducted from the calculation of Tier1 capital- with Danish compromise.



Table 5.3 – LRSpl – Split-up of on-balance-sheet exposures (without derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures 31/12/19	CRR leverage ratio exposures 30/6/19
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	69,224,499	65,692,786
EU-2	Trading book exposures	9,237,055	7,058,784
EU-3	Banking book exposures, of which:	59,987,444	58,634,002
EU-4	Covered bonds	259,726	279,449
EU-5	Exposures treated as sovereigns	5,784,182	5,777,680
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	30,405	20,572
EU-7	Institutions	3,705,018	3,972,163
EU-8	Secured by mortgages of immovable properties	10,416,485	9,208,406
EU-9	Retail exposures	14,727,522	14,252,374
EU-10	Corporate	18,849,441	18,779,028
EU-11	Exposures in default	815,728	725,438
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	5,398,938	5,618,890



Section 6 – Credit risk

6.1 General information

Qualitative information

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

The Group has combined the concepts of “default” provided for by the regulatory capital requisites, “non-performing” required for the supervisory statistical reporting, and “stage 3 (or credit-impaired) assets” instituted by the accounting standards in force into a single, standardized definition. The definition incorporates the following documents in this connection: EBA Guidelines on 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 European Central Bank of 21 November 2018. This approach is then adopted differently within the individual Group companies, which, depending on the specific monitoring processes they have implemented, may choose to prioritize analytical methods for detecting impairment of individual positions not yet ninety days overdue, or systems based on automatic algorithms. Equally, the accounting treatment by which impaired exposures are represented may either reflect analysis of individual positions, or be based on identifying clusters of similar positions, depending on the specific nature of the Group company's own business.

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 are written off 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.

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 completes the notion of forbearance measure, occurs, in accordance with the specific regulations on this issue, when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client.

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



6.1.1 Description of methodologies adopted to determine loan loss provisions

The internal rating models are the baseline instrument for establishing the risk parameters to be used in calculating the expected losses, subject to the regulatory indicators in particular being adjusted to make allowance for characteristics which do not lend themselves to direct use in an accounting environment (for example, reconverting the data to reflect a point-in-time approach). Indeed, the calculation of expected losses required under IFRS 9 derives from the product of the PD, LGD and EAD metrics. The calculation is based on the outstanding duration of the instruments for which the risk has undergone significant impairment ("Stage 2") or which show objective signs of impairment ("Stage 3") and on a time horizon over twelve months for the instruments not included in the previous two categories ("Stage 1").

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are also 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. In accordance with the provisions of IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for identifying positions to be classified as Stage 2. The Group has verified that twelve-month PD is a reasonable proxy of increases in risk on a lifetime basis, and monitors the validity of this assumption over time. The change in PD selected to determine reclassification to Stage 2 is specific to each Group company but on average reflects the reading at least trebling since the initial recognition date.

The qualitative factors considered by the Group for reclassification to Stage 2 include: a) Mediobanca Corporate and Financial Institutions counterparties being classified in the watchlist as "amber" and "red"; b) indicators of a delay in payments for retail exposures.

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 represented in the previous sections, an account being assigned the status of "forborne" is considered to be incompatible with its being classified as Stage 1. For this reason, the minimum periods of time that an exposure can be assigned the "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.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months or to 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 updated once every six months. In particular, the Group defines the estimates for the baseline scenario, compiling the economic variables using an external macroeconomic model which factors in the internal expectations



regarding interest rates. Levels of deviation from the baseline scenario are defined in order to determine the mild-negative and mild-positive scenarios.

6.1.2 Exposure to sovereign credit risk

The securities portfolio chiefly consists of financial instruments with Italy country risk worth €3.1bn, 84% of the total, with an average maturity of approx. 3.3 years). Trading operations include short selling (that is to say, the sale of a security without owing the asset), conventionally indicated with the minus sign.

Quantitative information

Table 6.1.1 – Credit and counterparty risk: exposures by portfolio – standard method

Portfolios	Amounts as at 31/12/19				
	Value of exposure gross of CRM ¹	Exposure values net of CRM ²	Unweighted amounts ³	Guaranteed exposures	
				Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	5,776,708	6,163,441	6,116,228	—	—
Exposures to or guaranteed by regional entities	6,136	6,136	6,136	—	—
Exposures to or guaranteed by non-profit-making or public-sector entities	28,243	28,243	28,241	—	—
Exposures to or guaranteed by multilateral development banks	—	—	—	—	—
Exposures to or guaranteed by international organizations	83,473	83,473	83,473	—	—
Exposures to or guaranteed by regulated intermediaries	23,707,805	8,505,282	8,504,118	15,275,091	463,197
Exposures to or guaranteed by companies	10,035,180	6,478,745	6,025,844	3,510,818	430,416
Retail exposures	16,235,243	15,899,371	14,675,998	218,604	117,268
Exposures guaranteed by properties	861,665	854,599	850,578	187	6,878
Overdue exposures	819,620	812,512	811,574	3,482	3,626
High-risk exposures	311,116	311,116	311,116	—	—
Exposures in the form of guaranteed bank debt securities	259,726	259,726	259,726	—	—
Short-term exposures to companies	—	—	—	—	—
Exposures to OICRs	265,223	265,223	265,223	—	—
Exposures to equity instruments	1,948,183	1,948,183	1,948,183	—	—
Other exposures	1,888,706	1,888,706	1,888,669	—	—
Total cash risk assets	37,144,339	35,451,611	35,451,611	1,314,560	1,006,879
Total guarantees issued and commitments to disburse funds	4,187,841	2,430,734	701,084	1,763,106	14,507
Total derivatives contracts	1,519,095	1,134,778	1,134,778	384,317	—
Total SFIs and trades with long-term settlement	19,375,753	4,487,635	4,487,635	15,546,199	—
Grand Total	62,227,028	43,504,758	41,775,108	19,008,182	1,021,386

¹ The value of the exposure is equal to the original gross exposure net of adjustments.

² The value of the exposure is equal to the original gross exposure net of the prudential filters, CRM techniques and CCFs for off-balance-sheet exposures.

³ The value of the exposure is equal to the original gross exposure net of the prudential filters, CRM techniques and CCFs for off-balance-sheet exposures.

The comparative data as at 30 June 2019 are shown below:



Portfolios	Amounts as at 30/6/19				
	Value of exposure gross of CRM ¹	Exposure values net of CRM ²	Unweighted amounts ³	Guaranteed exposures	
				Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	5,894,322	6,355,173	6,305,505	—	—
Exposures to or guaranteed by regional entities	4,469	4,469	4,469	—	—
Exposures to or guaranteed by non-profit-making or public-sector entities	24,175	24,175	24,174	—	—
Exposures to or guaranteed by multilateral development banks	—	—	—	—	—
Exposures to or guaranteed by international organizations	83,891	83,891	83,891	—	—
Exposures to or guaranteed by regulated intermediaries	24,869,107	8,268,128	8,267,991	16,649,120	363,412
Exposures to or guaranteed by companies	8,925,556	6,261,849	5,956,072	2,660,018	219,978
Retail exposures	15,741,548	15,448,414	14,257,612	206,227	86,907
Exposures guaranteed by properties	446,945	441,186	441,186	199	5,560
Overdue exposures	729,008	724,585	723,810	2,457	1,966
High-risk exposures	321,839	316,973	316,973	4,865	—
Exposures in the form of guaranteed bank debt securities	279,449	279,449	279,449	—	—
Short-term exposures to companies	—	—	—	—	—
Exposures to OICRs	293,460	293,460	293,460	—	—
Exposures to equity instruments	1,916,704	1,916,704	1,916,704	—	—
Other exposures	1,892,009	1,892,009	1,891,983	—	—
Total cash risk assets	36,306,557	34,922,939	34,922,939	1,277,408	665,456
Total guarantees issued and commitments to disburse funds	6,087,718	2,210,490	663,306	3,888,221	12,366
Total derivatives contracts	17,563,428	1,218,350	1,218,350	246,427	—
Total SFTs and trades with long-term settlement	17,563,428	3,958,685	3,958,685	14,110,830	—
Grand Total	61,422,480	42,310,464	40,763,280	19,522,887	677,822

Table 6.1.2 – Credit risk: exposures by portfolio – standard method (CR4)

	Amounts as at 31/12/19					
	Exposure amount gross of CRM and CCF ⁽¹⁾		Exposure amount net of CRM and CCF ⁽²⁾		RWA and RWA density	
	Cash	Off-balance	Cash	Off-balance	RWA	RWA density
Central governments or central banks	5,700,708	76,000	6,069,016	47,212	926	—
Regional government or local authorities	6,136	—	6,136	—	1,227	20%
Public-sector entities	24,269	3	24,269	1	11,520	47%
Multilateral development banks	—	—	—	—	—	—
International organizations	83,473	—	83,473	—	—	—
Regulated intermediaries	3,705,018	1,190,931	3,243,009	28,641	1,290,313	39%
Companies	6,591,716	1,366,680	5,227,659	414,448	5,327,731	94%
Retail	14,727,522	1,507,722	14,506,597	169,401	10,894,938	74%
Secured by mortgages on immovable property	856,638	5,027	849,573	1,005	329,144	39%
Exposures in default	815,728	1,655	808,748	589	1,030,355	127%
Exposures associated with particularly high risk	272,163	38,953	272,163	38,953	466,674	150%
Covered bonds	259,726	—	259,726	—	31,803	—
Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
Collective investment undertakings	264,399	824	264,399	824	600,610	226%
Equity	1,948,183	—	1,948,183	—	5,410,182	278%
Other items	1,888,660	46	1,888,660	9	1,614,600	85%
Grand Total	37,144,339	4,187,841	35,451,611	701,083	27,010,023	75%

¹ The value of the exposure is equal to the original gross exposure net of the prudential filters.

² The value of the exposure is equal to the original gross exposure net of the prudential filters, CRM techniques and CCFs for off-balance-sheet exposures.



Table 6.1.6 - EU CR1-A: Credit quality of exposures by exposures class and instrument

31/12/19	a		b		c	d	e	f	g
	Gross carrying of		Specific credit risk adjustment (*)	General credit risk adjustment					
Defaulted exposures	Non-defaulted exposures								
Central governments or central banks	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—	—	—
Corporates	443,208	18,787,762	(158,183)	—	—	—	(18,538)	19,072,787	
- Of which: Specialised lending	—	—	—	—	—	—	—	—	
- Of which: SMEs	—	—	—	—	—	—	—	—	
Retail	175,010	9,634,411	(109,863)	—	—	—	6,623	9,699,558	
Secured by real estate property	175,010	9,634,411	(109,863)	—	—	—	6,623	9,699,558	
- SMEs	—	—	—	—	—	—	—	—	
- Non-SMEs	175,010	9,634,411	(109,863)	—	—	—	6,623	9,699,558	
Qualifying revolving	—	—	—	—	—	—	—	—	
Other retail	—	—	—	—	—	—	—	—	
- SMEs	—	—	—	—	—	—	—	—	
- Non-SMEs	—	—	—	—	—	—	—	—	
Equity	—	—	—	—	—	—	—	—	
Total IRB approach	618,218	28,422,173	(268,046)	—	—	—	(11,915)	28,772,345	
Central governments or central banks	—	5,778,681	(1,973)	—	—	—	63	5,776,708	
Regional governments or local authorities	—	6,168	(33)	—	—	—	18	6,135	
Public sector entities	—	24,389	(117)	—	—	—	(28)	24,272	
Multilateral development banks	—	—	—	—	—	—	—	—	
International organisations	—	83,485	(12)	—	—	—	(1)	83,473	
Institutions	—	4,897,621	(1,672)	—	—	—	(4,055)	4,895,949	
Corporates	—	7,969,121	(10,725)	—	—	—	(2,689)	7,958,396	
- Of which: SMEs	—	272,018	986	—	—	—	(44)	273,004	
Retail	—	16,620,065	(384,822)	—	(391)	—	58,314	16,235,243	
- Of which: SMEs	—	762,325	4,600	—	(4)	—	395	766,925	
Secured by mortgages on immovable property	—	864,120	(2,455)	—	—	—	91	861,665	
- Of which: SMEs	—	262,194	1,623	—	—	—	(22)	263,817	
Exposures in default	1,509,393	—	(692,009)	—	—	(12,928)	86,816	817,384	
Items associated with particularly high risk	—	311,338	(223)	—	—	—	(4)	311,115	
Covered bonds	—	259,802	(76)	—	—	—	(18)	259,726	
Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	
Collective investments undertakings	—	265,223	—	—	—	—	—	265,223	
Equity exposures	—	1,948,500	(317)	—	—	—	58	1,948,183	
Other exposures	—	1,874,821	(4)	—	—	—	763	1,888,706	
Total standardised approach	1,509,393	40,917,223	(1,094,438)	—	(13,319)	—	139,328	41,332,178	
Total	2,127,611	69,339,396	(1,362,484)	—	(13,319)	—	127,413	70,104,523	
Of which: Loans	2,104,692	56,781,031	(1,297,291)	—	(7,296)	—	110,596	30,793,754	
Of which: Debt securities	2,278	7,037,524	(6,491)	—	—	—	1,466	6,630,674	
Of which: Off-balance-sheet exposures	20,641	5,520,841	(58,702)	—	—	—	707	9,065,811	

(*) the column includes specific adjustments on non-performing and portfolio assets on non-impaired assets.

(**) the column includes partial and total write-offs.

(***) net value adjustments (+) or writebacks (-) related to the year.



Table 6.1.7 - EU CR1-B: Credit quality of exposures by industry or counterparty types

31/12/19	a		b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment (*)	Generic credit risk adjustment	Accumulated write-offs (**)	Credit risk adjustment charges (***)	Net values (a+b-c-d)	
	Defaulted exposures	Non-defaulted exposures						
Agriculture, forestry and fishing	1.183	35.815	(306)	—	1	(9)	36.692	
Mining activities	110	20.339	(76)	—	—	(104)	20.373	
Manufacturing activities	390.733	5.476.369	(129.175)	—	(1.194)	(1.275)	5.737.927	
Electricity, gas, steam and air conditioning supply	18.913	1.006.458	(5.541)	—	—	(19.999)	1.019.830	
Water supply	3.423	74.491	(1.689)	—	(3)	360	76.225	
Buildings	32.132	747.577	(10.303)	—	(3.687)	824	769.406	
Wholesale and retail trade	96.610	1.772.577	(29.644)	—	(112)	980	1.839.543	
Transport and storage	8.627	1.417.573	(2.969)	—	(6)	(950)	1.423.231	
Accommodation and catering services	7.028	269.922	(2.141)	—	—	498	274.809	
Information and communication	12.370	1.855.020	(5.176)	—	—	(250)	1.862.214	
Public administrations and central banks	20.252	783.371	(5.614)	—	(61)	1.099	798.009	
Financial corporations	33.570	10.914.367	(25.452)	—	—	(1.410)	10.922.485	
Families	1.394.292	25.377.613	(1.108.670)	—	(7.202)	145.663	25.663.235	
Real estate activities	49.782	1.641.975	(15.845)	—	(748)	2.047	1.675.912	
Professional, scientific and technical activities	7.180	4.950.697	(9.122)	—	—	(355)	4.948.755	
Administrative activities and support services	6.241	402.814	(3.244)	—	(302)	(58)	405.811	
Public administration and defense, compulsory social insuranc	1	502.831	(47)	—	—	—	502.785	
Instruction	59	7.740	(132)	—	—	138	7.667	
Health services and social assistance activities	1.252	258.909	(1.051)	—	(1)	(69)	259.110	
Art, shows and free time	1.816	4.503	(186)	—	—	11	6.133	
Other services	37.134	9.097.120	(6.071)	—	(4)	272	9.128.183	
Other activities	4.903	2.721.315	(30)	—	—	—	2.726.188	
Total	2,127,611	69,339,396	(1,362,484)	—	(13,319)	127,413	70,104,523	

(*) the column includes specific adjustments on non-performing and portfolio assets on non-impaired assets.

(**) the column includes partial and total write-offs.

(***) net value adjustments (+) or writebacks (-) related to the year.

Table 6.1.8 - EU CR1-C: Credit quality of exposures by geography

31/12/19	Gross carrying values of		Specific credit risk adjustment (*)	Generic credit risk adjustment	Accumulated write-offs (**)	Credit risk adjustment charges (***)	Net values
	Defaulted exposures	Non-defaulted exposures					
EUROPE	2,08,08	66,322,686	(1,365,51)	—	(8,38)	126,78	66,02,281
- Of which: FRANCE	55,784	3,954,261	(1,306)	—	—	271	3,999,680
- Of which: GERMANY	98	1875,820	(2,844)	—	—	612	1872,989
- Of which: ITALY	2,042,328	49,979,431	(1,307,9)	—	(8,38)	22,784	50,710,46
- Of which: LUXEMBOURG	9,280	1,472,874	(6,733)	—	—	2,036	1,465,431
- Of which: NETHERLANDS	577	1,300,974	(3,529)	—	—	711	1,300,222
- Of which: UNITED KINGDOM	5,664	2,347,339	(6,844)	—	—	442	2,346,159
- Of which: SPAIN	92	1,772,752	(6,9)	—	—	366	1,772,216
- Of which: Other European countries	2,228	2,593,516	(2,032)	—	—	(424)	2,593,761
AMERICA	736	2,803,304	(2,842)	—	—	119	2,791,198
- Of which: USA	666	2,226,397	(2,454)	—	—	1025	2,243,628
REST OF THE WORLD	749	129,406	(3,131)	—	—	(504)	127,104
Total	2,127,611	69,339,396	(1,362,484)	—	(13,319)	127,413	70,104,523

(*) the column includes specific adjustments on non-performing and portfolio assets on non-impaired assets.

(**) the column includes partial and total write-offs.

(***) net value adjustments (+) or writebacks (-) related to the year.



Table 6.1.9 - EU CR1-D: Ageing of past-due exposures

31/12/19	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	355,577	111,330	43,241	122,805	93,754	490,601
Debt securities	—	—	—	—	—	—
Total Exposures	355,577	111,330	43,241	122,805	93,754	490,601

Table 6.1.10 - EU CR1-E: Non-performing and forborne exposures

31/12/19		Gross carrying values of performing and non-performing exposures						
			Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which non-performing			
					Of which defaulted	Of which impaired	Of which forborne	
010	Debt securities	6,550,434	400	—	2,278	2,278	2,278	—
020	Loans and advances	56,663,241	121,562	396,675	2,182,960	2,182,960	2,182,960	910,263
030	Off-balance-sheet exposures	10,854,730	—	1,644	20,610	20,610	20,610	18,821

31/12/19		Accumulated impairment and provisions and negative fair value adjustments due to credit risk					Collaterals and financial guarantees received	
			On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
				Of which forborne		Of which forborne		
010	Debt securities	7,651	6,079	—	1,572	—	—	—
020	Loans and advances	2,457,862	1,470,390	32,804	987,472	471,075	289,641	297,996
030	Off-balance-sheet exposures	14,755	11,582	28	3,173	3,021	—	1,419



Table 6.1.11 – EU CR2-A: Changes in the stock of general and specific credit risk as at 31 December 2019

	Accumulated specific credit risk adjustment
Opening balance (1/7/19)	1,083,073
Increases due to amounts set aside for estimated loan losses during the period	196,870
Decreases due to amounts reversed for estimated loan losses during the period	(124,414)
Decreases due to amounts taken against accumulated credit risk adjustments	(43,789)
Transfers between credit risk adjustments	—
Impact of exchange rate differences	—
Business combinations, including acquisitions and disposals of subsidiaries	—
Other adjustments	(122,693)
Closing balance (31/12/19)	989,047
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	1,954
Specific credit risk adjustments directly recorded to the statement of profit or loss	(26,901)

Table 6.1.12- EU CR2-B: Changes in the stock of defaulted and impaired loans and debt securities

31/12/19	Gross carrying value defaulted exposures
Opening balance (1/7/19)	2,279,855
Loans and debt securities that have defaulted or impaired since the last reporting period	437,426
Returned to non-defaulted status	(145,330)
Amounts written off	(36,907)
Other changes	(349,802)
Closing balance (31/12/19)	2,185,242



6.2 ECAIs

Qualitative information

Mediobanca uses the following external ratings agencies (or “ECAIs”⁷) in order to determine risk weightings in connection with the standardized method:

- Moody’s Investors Service;
- Standard & Poor’s Rating Services;
- Fitch Ratings.

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

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

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

⁷ External Credit Assessment Institution.



Quantitative information

Table 6.2.1 – Standardized methodology: risk assets

Portfolios	Amounts as at 31/12/19			Amounts as at 30/6/19		
	Value of exposure*	Exposures guaranteed		Value of exposure*	Exposures guaranteed	
		Real guarantee	Personal guarantee		Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	5,776,708	—	—	5,894,322	—	—
credit rating class 1	5,775,612	—	—	5,889,176	—	—
credit rating class 2	—	—	—	—	—	—
credit rating class 3	340	—	—	520	—	—
credit rating classes 4 and 5	756	—	—	4,626	—	—
credit rating class 6	—	—	—	—	—	—
Exposures to or guaranteed by regional entities	6,136	—	—	4,469	—	—
credit rating class 1	—	—	—	—	—	—
credit rating class 2	6,136	—	—	4,469	—	—
credit rating class 3	—	—	—	—	—	—
credit rating classes 4 and 5	—	—	—	—	—	—
credit rating class 6	—	—	—	—	—	—
Exposures to or guaranteed by non-profit-making or public-sector entities	28,243	—	—	24,175	—	—
credit rating class 1	—	—	—	—	—	—
credit rating class 2	15,938	—	—	2,908	—	—
credit rating class 3	0	—	—	—	—	—
credit rating classes 4 and 5	12,305	—	—	21,267	—	—
credit rating class 6	—	—	—	—	—	—
Exposures to or guaranteed by Banche multilateral development banks	—	—	—	—	—	—
credit rating class 1	—	—	—	—	—	—
credit rating class 2	—	—	—	—	—	—
credit rating class 3	—	—	—	—	—	—
credit rating classes 4 and 5	—	—	—	—	—	—
credit rating class 6	—	—	—	—	—	—
Exposures to or guaranteed by international organizations	83,473	—	—	83,891	—	—
Exposures to or guaranteed by regulated intermediaries	23,707,805	15,275,091	463,197	24,869,106	16,649,120	363,412
credit rating class 1	1,532,480	—	—	3,937,858	—	—
credit rating class 2	19,197,805	—	—	18,153,018	—	—
credit rating class 3	1,771,132	—	—	1,467,179	—	—
credit rating classes 4 and 5	1,163,118	—	—	1,311,050	—	—
credit rating class 6	43,270	—	—	1	—	—
Exposures to or guaranteed by companies	10,035,180	3,510,818	430,416	8,925,556	2,660,018	219,978
credit rating class 1	271,616	—	—	148,127	—	—
credit rating class 2	283,322	—	—	158,880	—	—
credit rating classes 3 and 4	9,480,242	—	—	8,618,505	—	—
credit rating classes 5 and 6	1	—	—	44	—	—
Retail exposures	16,235,244	218,604	117,268	15,741,548	206,227	86,907
Exposures guaranteed by properties	861,665	187	6,878	446,945	199	5,540
Overdue exposures	819,420	3,482	3,626	729,008	2,457	1,966
High-risk exposures	311,116	—	—	321,839	4,865	—
Exposures in the form of guaranteed bank debt securities	259,726	—	—	279,449	—	—
Short-term exposures to companies	—	—	—	—	—	—
Exposures to UCITs	265,223	—	—	293,460	—	—
credit rating class 1	—	—	—	—	—	—
credit rating class 2	—	—	—	—	—	—
credit rating classes 3 to 4	236,059	—	—	264,278	—	—
credit rating classes 5 to 6	29,164	—	—	29,182	—	—
Exposures to equity instruments	1,948,183	—	—	1,916,704	—	—
Other exposures	1,888,704	—	—	1,892,009	—	—
Total cash risk assets	37,144,339	1,314,560	1,006,879	36,306,557	1,277,408	665,456
Total guarantees issued and commitments to disburse funds	4,187,841	1,763,106	14,507	6,087,718	3,888,221	12,366
Total derivatives contracts	1,519,095	384,317	—	1,464,777	246,427	—
Total SFIs and trades with long-term settlement	19,375,753	15,546,199	—	17,563,428	14,110,830	—
Grand total	62,227,028	19,008,182	1,021,386	61,422,479	19,522,887	677,822

(1) The value of the exposure is equal to the original gross exposure net of the prudential filters.



Table 6.2.2 – Credit risk – standardised approach (EU CR5)

31/12/19 EXPOSURE CLASSES	RISK WEIGHT								
	0%	2%	4%	10%	20%	35%	50%	70%	75%
Central government or central banks	6,115,132	—	—	—	—	—	340	—	—
Regional government or local authorities	—	—	—	—	6,136	—	—	—	—
Public sector entities	—	—	—	—	15,936	—	—	—	—
Multilateral development banks	—	—	—	—	—	—	—	—	—
International organisations	83,473	—	—	—	—	—	—	—	—
Institutions	41	27,477	—	—	1,561,747	—	1,453,203	—	—
Corporates	—	—	—	—	271,616	—	85,475	—	—
Retail	—	—	—	—	—	—	—	—	14,675,998
Secured by mortgages on immovable property	—	—	—	—	—	433,445	417,133	—	—
Exposures in default	—	—	—	—	—	—	—	—	—
Higher-risk categories	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	234,638	14,017	—	11,071	—	—
Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—
Collective investment undertakings	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—
Other items	207,048	—	—	—	218,215	—	—	—	—
Total	6,405,694	27,477	—	234,638	2,087,667	433,445	1,967,222	—	14,675,998

EXPOSURE CLASSES	RISK WEIGHT							Total	Of which Unrated
	100%	150%	250%	370%	1250%	Others	Deducted		
Central government or central banks	756	—	—	—	—	—	—	6,116,228	1,108,495
Regional government or local authorities	—	—	—	—	—	—	—	6,136	6,130
Public sector entities	8,333	—	—	—	—	—	—	24,270	24,269
Multilateral development banks	—	—	—	—	—	—	—	—	—
International organisations	—	—	—	—	—	—	—	83,473	—
Institutions	185,913	43,270	—	—	—	—	—	3,271,650	755,057
Corporates	5,285,016	1	—	—	—	—	—	5,642,107	3,999,092
Retail secured by mortgages on immovable property	—	—	—	—	—	—	—	14,675,998	14,639,944
Exposures in default	367,302	442,035	—	—	—	—	—	809,337	807,685
Higher-risk categories	—	311,116	—	—	—	—	—	311,116	310,675
Covered bonds institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	259,726	—
Collective investment undertakings	236,059	—	—	—	29,164	—	—	265,223	262,630
Equity	272,097	—	2,258,923	1,894,405	—	—	(2,477,241)	1,948,183	221,600
Other items	1,391,705	—	71,701	—	—	—	—	1,888,669	1,785,576
Total	7,747,181	796,422	2,330,624	1,894,405	29,164	—	(2,477,241)	36,152,694	24,340,527



6.3 Credit risk: disclosure on portfolios subject to IRB methods

Qualitative information

6.3.1 Authorization and plans to extend internal models

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

These models are scheduled to be revised in the course of 2020 to ensure they are completely aligned with the new ECB guidelines on internal models.

In accordance with the Roll-Out Plan, the next step consists of requesting authorization for the Compass consumer credit and credit card portfolios; the application will be made after the new definition of default has been incorporated into the development of the models.

6.3.2 Scope of application for AIRB model

As at 31 December 2019, the following companies are using internal models:

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



6.3.3 Corporate rating model structure

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

The model consists of:

- A quantitative module, which provides a score obtained on the basis of the individual borrower's balance-sheet data;
- A qualitative module which provides a score obtained on the basis of qualitative information resulting from structured and indepth analysis performed by the credit analysts.

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

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

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

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

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



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

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

6.3.4 Structure of the mortgage rating systems

The CheBanca! mortgage rating system is applied to the retail non-SME portfolio secured by real estate. In particular, the AIRB scope includes exposures to private customers secured by residential and non-residential real estate guarantees eligible for credit risk mitigation purposes. The AIRB scope of application does not include exposures to French customers, a portfolio currently in run-off and with non-material size (these are exposures were originated before 2009 by the CheBanca! French branches). For this portfolio, permanent exemption from application of the AIRB method has been applied for and obtained.

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

- Acceptance PD model for exposures with a seniority of less than 6 months;
- Behavioural PD model for exposures with a seniority over 6 months;
- LGD model.

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



- Accepted category: this consists of the exposures actually originated by CheBanca!;
- Rejected category; this consists of rejected practices and therefore has no observed performance;
- Declined category; this consists of those practices that, although approved by CheBanca!, were not originated and therefore do not have an observed performance.

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

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

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

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

LGD estimates are determined by combining different model components, which depend on the status of the exposure (performing or non-performing). In



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

6.3.5 Rating system uses

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

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

Risk-adjusted pricing

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

Delegated powers to approve, reject and renew credit

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



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

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

Credit Monitoring

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

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

Internal reporting

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



the watchlist are regularly submitted to the attention of the Group Risks Management Committee.

Value adjustments for impairment

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

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

ICAAP and Risk Appetite Framework

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

6.3.6 Control and review of the internal models

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

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



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

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

Quantitative information

Table 6.3.1 – Credit risk exposures by class and PD scale (CR6)

31/12/19		a	b	c	d	e	f	g	h	i	j	k	l
AIRB Exposure class	PD scale	Original on balance-sheet gross exposure	Offbalancesheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provision
Exposures to corporates - Others	0.00 to <0.15	1,659,175	2,044,854	49%	2,670,491	0.07%	29	37.9%	2.50	562,159	21%	710	
	0.15 to <0.25	2,212,584	1,391,762	57%	2,999,470	0.17%	44	37.4%	2.50	1,061,024	35%	1,908	
	0.25 to <0.50	5,504,118	2,149,692	53%	6,646,852	0.40%	116	40.3%	2.50	3,831,583	58%	10,450	
	0.50 to <0.75	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	0.75 to <2.50	2,653,251	533,715	50%	2,905,275	0.97%	75	39.6%	2.50	2,444,221	84%	11,174	
	2.50 to <10.00	915,874	112,737	56%	978,741	3.19%	47	39.6%	2.50	1,185,185	121%	11,943	
	10.00 to <100.00	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	100.00 (Default)	424,387	18,821	50%	433,798	100.00%	6	29.4%	2.50	96,780	22%	115,978	
Sub-totale		13,349,389	6,251,582	52%	16,634,627	3.17%	317	39.0%	2.50	9,180,953	55%	152,160	158,183
Retail exposures: secured by residential properties	0.00 to <0.15	6,572,805	28,506	100%	6,601,310	0.11%	56,867	30.3%	n.a.	522,046	8%	2,186	
	0.15 to <0.25	—	—	0%	—	0.00%	—	0.0%	n.a.	—	0%	—	
	0.25 to <0.50	1,420,638	8,766	100%	1,429,404	0.38%	13,645	30.5%	n.a.	297,717	21%	1,685	
	0.50 to <0.75	932,743	2,734	100%	935,478	0.67%	11,175	27.7%	n.a.	262,930	28%	1,741	
	0.75 to <2.50	—	—	0%	—	0.00%	—	0.0%	n.a.	—	0%	—	
	2.50 to <10.00	579,210	798	100%	580,008	3.97%	7,372	24.7%	n.a.	441,945	76%	5,680	
	10.00 to <100.00	88,210	94	100%	88,304	32.32%	1,111	23.7%	n.a.	128,952	146%	6,763	
	100.00 (Default)	174,902	15	100%	174,917	100.00%	1,968	41.2%	n.a.	47,034	27%	68,297	
Sub-totale		9,768,509	40,913	100%	9,809,421	2.50%	92,138	29.9%	n.a.	1,700,624	17%	86,352	109,863
Total (*)		23,137,898	6,292,494	n.a.	26,444,048	n.a.	n.a.	n.a.	n.a.	10,881,577	41%	238,512	268,046



Table 6.3.2 – Effect of credit derivatives used as part of credit risk mitigation techniques on RWAs (CR7)

31/12/19	a	b
	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB		
Central governments and central banks	—	—
Institutions	—	—
Corporates – SMEs	—	—
Corporates – Specialised lending	—	—
Corporates – Other	—	—
Exposures under AIRB		
Central governments and central banks	—	—
Institutions	—	—
Corporates – SMEs	—	—
Corporates – Specialised lending	—	—
Corporates – Other	9,180,953	9,180,953
Retail – Secured by real estate SMEs	—	—
Retail – Secured by real estate nonSMEs	1,700,625	1,700,625
Retail – Qualifying revolving	—	—
Retail – Other SMEs	—	—
Retail – Other non-SMEs	—	—
Equity IRB	—	—
Other non-credit obligation assets	—	—
Total	11,133,088	11,133,088



Table 6.3.3 – CR8 – RWA flow statements of credit risk exposures under the IRB approach

The table below shows the changes in RWAs calculated with application of the IRB in the three months to end-June and end-September 2019, and between end-September 2019 and end-December 2019, plus a breakdown by the reasons for such changes.

Some variations may be noted due to changes in methodology, disposals of part of the portfolio and for other reasons. All these changes refer to the CheBanca! Italian mortgage loan book. In particular, in 1Q the model underwent fine-tuning (new calibration), a new definition of default was adopted (entailing reclassification of certain positions), and a minor portion of the NPL portfolio was sold (consisting of mortgages originated in the past by Micos Banca). By contrast, in 2Q there was a change in the CCF parameter. All these changes are in any case minor in size.

Finally, there were no material changes in terms of either exposure or credit quality.

Change in quarterly RWAs and capital requirements	a	b
	RWA amounts	Capital requirements
RWAs as at the end of the previous reporting period (30 June 19)	10,949,957	875,997
Asset size	(66,040)	(5,283)
Asset quality	(24,977)	(1,998)
Model updates	(11,347)	(908)
Methodology and policy	—	—
Acquisitions and disposals	(30,582)	(2,447)
Foreign exchange movements	35,906	2,873
Other	(1,253)	(100)
RWAs as at the end of the reporting period (30 September 19)	10,851,665	868,133
RWAs as at the end of the previous reporting period (30 September 19)	10,851,665	868,133
Asset size	-37,092	-2,967
Asset quality	73,183	5,855
Model updates	3,466	277
Methodology and policy	—	—
Acquisitions and disposals	—	—
Foreign exchange movements	(9,645)	(772)
Other	—	—
RWAs as at the end of the reporting period (31 December 19)	10,881,577	870,526



Section 7 – Counterparty risk

Qualitative information – wrong-way risk managerial methodology

For transactions with wrong-way risk, a deep-dive analysis is performed in order to conservatively calculate the managerial exposure. The analysis is focused on the correlation between the derivative counterparty and the asset underlying the transaction or the correlation between a collateralized financing transaction (repo or securities lending) and the collateral received. For derivatives, rather than the standard potential future market value calculation, a percentage of the notional amount is assigned to the transaction (up to 100% in the event of full correlation). Similarly, for repo or collateralized securities lending transactions a specific and more prudent counterparty risk calculation methodology is adopted which relates the counterparty's default to that of the collateral's issuer. The wrong-way risk occurrence is limited to just six positions.

Management valuation adjustments

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

Mediobanca downgrade effects

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

- As for Credit Support Annexes to ISDA Master Agreements, there are two CSA containing provisions which could force Mediobanca to provide another collateral valued €52.5m as at 31 December 2019.
- With regards to four ISDA contracts (two of which with exposures of zero) provide for the contracts to be closed following events in which



Mediobanca's rating is downgraded (Additional Termination Event: one below BB-, the other below BBB-), the impact of which is confined to the costs of replacing the contract, which may be debited if the counterparty (only two have an exposure other than zero) decides to exercise their termination rate, which is highly unlikely.

Fair Value Adjustment (FVA)

Fair Value Adjustment is the correction made to the price observed on the market or to the theoretical price generated by the model in order to obtain the sale price of an actually possible market transaction. Such adjustments reflect the difficulty of valuing or selling particular instruments by quantifying counterparty risk, internal funding spread risk and other uncertainty factors on estimates generated by marking-to-model (changes in financing rates, illiquid products being held, uncertain market parameters or models chosen).

In particular the adjustments involve:

- Bilateral Credit Value Adjustment (CVA or DVA), i.e. the risk of default by the counterparty (Credit Value Adjustment - CVA) and by the Bank itself (Debit Value Adjustment - DVA), as well as a Funding Value Adjustment (FVA) component linked to cash borrowed or lent;
- Uncertainty over the liquidity of the market parameters;
- Possible model risks;
- Implicit costs for the investment and/or financing;
- Risks associated with the liquidity of the product and with the possibility of early closure.

The Bank has implemented quantitative calculation methods to cover all these risks, which are illustrated in more detail in Part A.4, "Information on fair value" of the Notes to the financial statements.



7.1 Counterparty risk – Standard method

Qualitative Information

For regulatory purposes, counterparty and CVA risk (see Part 3 Title VI, CRR) is calculated by applying the methodologies stipulated in Section 6. The following methodologies in particular have been used to calculate the exposure:

- The “current value” method for financial and credit derivative instruments traded OTC and for trades with long-term settlements;
- The “integral” method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities.

The standardized methodology for calculating the capital requirement in respect of credit value adjustment, considering all counterparties, with or without CSA.

Quantitative information

Table 7.1.1 - Counterparty risk – real guarantees held

Counterparty risk - Real guarantees held	Amounts as at 31/12/19	Amounts as at 30/6/19
Standardized approach		
- derivatives contracts	384,317	246,427
- SFTs and trades with long-term settlement	15,546,199	14,110,830
IRB approaches		
- derivatives contracts	30,147	34,726
- SFTs and trades with long-term settlement	—	7,112

Table 7.1.2 – Counterparty risk– risk assets

Counterparty risk - EAD value	Amounts as at 31/12/19	Amounts as at 30/6/19
Standardized approach		
- derivatives contracts	1,134,778	1,218,350
- SFTs and trades with long-term settlement	4,487,635	3,958,685
IRB approaches		
- derivatives contracts	523,894	470,774
- SFTs and trades with long-term settlement	—	7,112



7.2 – Counterparty risk –AIRB method

Table 7.2.1 - IRB: CCR exposures by portfolio and PD scale (EU CCR4)

AIRB exposure class	PD scale	a EAD post CRM	b Average PD	c Number of obligors	d Average LGD	e Average maturity	f RWAs	g RWA density
Exposures to corporates - Others	0.00 to <0.15	80,161	0.09%	10	30.5%	2.50	16,227	20%
	0.15 to <0.25	71,879	0.17%	11	35.8%	2.50	24,363	34%
	0.25 to <0.50	286,083	0.31%	42	38.2%	2.50	142,061	50%
	0.50 to <0.75	—	—	—	—	—	0.00	—
	0.75 to <2.50	71,402	0.85%	21	34.8%	2.50	50,744	71%
	2.50 to <10.00	14,369	2.60%	6	43.3%	2.50	18,116	126%
	10.00 to <100.00	—	—	—	—	—	—	—
	100.00 (Default)	—	—	—	—	—	—	—
Sub-totale		523,894	0.39%	90	36.4%	2.50	251,511	48%
Totale		523,894	0.39%	90	36.4%	2.50	251,511	48%

As at 31 December 2019, the only portfolio for which Mediobanca applies the AIRB approach is the Large Corporate segment, in the class “Exposures to Corporates - Other”.



Section 8 – Risk mitigation techniques

Qualitative information

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

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

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

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

Policies and processes for valuing and managing real guarantees

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

- Mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves



the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;

- Pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

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

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

Information on market or credit risk concentrations in connection with credit risk mitigation techniques adopted

As at 31 December 2019, 81% of the guarantees received (€15.5bn) involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees; there is also €384m (approx. 2% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.



Quantitative information

Table 8.1 - Risk mitigation techniques: standard method

Exposures to	Amounts as at 31/12/19			Amounts as at 30/6/19		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Exposures to or guaranteed by central administrations and central banks	—	—	—	—	—	—
Exposures to or guaranteed by regional entities	—	—	—	—	—	—
Exposures to or guaranteed by non-profit-making and public sector entities	—	—	—	—	—	—
Exposures to or guaranteed by multilateral development banks	—	—	—	—	—	—
Exposures to or guaranteed by international organizations	—	—	—	—	—	—
Exposures to or guaranteed by regulated intermediaries	15,275,091	—	463,197	16,649,120	—	363,412
Exposures to or guaranteed by companies	3,509,633	—	430,416	2,660,018	—	219,978
Retail exposures	218,604	—	117,268	206,227	—	86,907
Exposures guaranteed by properties	187	—	6,878	199	—	5,560
Overdue exposures	3,482	—	3,626	2,457	—	1,966
High-risk exposures	—	—	—	—	4,865	—
Exposures in the form of guaranteed bank obligations	—	—	—	—	—	—
Short-term exposures to companies and other subjects	—	—	—	—	—	—
Exposures to OICRs	—	—	—	—	—	—
Exposures to equity instruments	—	—	—	—	—	—
Other exposures	—	—	—	—	—	—
Total	19,006,997	—	1,021,385	19,518,022	4,865	677,822



Table 8.2 - Risk mitigation techniques: AIRB method

Exposures to	Amount as at 31/12/19			Amount as at 30/6/19		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
METHODOLOGY BASED ON INTERNAL RATINGS - BASIC						
Exposures to or guaranteed by central administrations and central banks	-	-	-	-	-	-
Exposures to or guaranteed by central administrations, public entities, regional entities and other subjects	-	-	-	-	-	-
Exposures to or guaranteed by companies - SME	-	-	-	-	-	-
Exposures to or guaranteed by companies - Specialized lending	-	-	-	-	-	-
Exposures to or guaranteed by companies - Other companies	-	-	-	-	-	-
METHODOLOGY BASED ON INTERNAL RATINGS - ADVANCED						
Exposures to or guaranteed by central administrations and central banks	-	-	-	-	-	-
Exposures to or guaranteed by central administrations, public entities, regional entities and other subjects	-	-	-	-	-	-
Exposures to or guaranteed by companies - SME	-	-	-	-	-	-
Exposures to or guaranteed by companies - Specialized lending	-	-	-	-	-	-
Exposures to or guaranteed by companies - Other companies	188,165	-	17,833	131,348	-	159,651
Retail exposures secured by immovable properties: SME	-	-	-	-	-	-
Retail exposures secured by immovable properties: Physical persons	-	9,801,460	-	-	9,105,480	-
Qualified revolving retail exposures	-	-	-	-	-	-
Other retail exposures: SME	-	-	-	-	-	-
Other retail exposures: Physical persons	-	-	-	-	-	-
METHODOLOGY BASED ON INTERNAL RATINGS - ADVANCED						
PD/LGD method: Risk assets	-	-	-	-	-	-
Internal ratings method: Risk assets	-	-	-	-	-	-
Simplified weighting method: Risk assets	-	-	-	-	-	-
Total	188,165	9,801,460	17,833	131,348	9,105,480	159,651

Table 8.3 - Risk mitigation techniques (CR3) – AIRB method

	Amount as at 31/12/19					Amount as at 30/6/19				
	Exposure gross of CRM - UNSECURED	Exposure gross of CRM - TO BE SECURED	Guaranteed exposures			Exposure gross of CRM - UNSECURED	Exposure gross of CRM - TO BE SECURED	Guaranteed exposures		
			from real financial guarantees	from other guarantees	from personal guarantees and credit derivatives			from real financial guarantees	from other guarantees	from personal guarantees and credit derivatives
Total receivables	18,649,733	175,851	175,851	-	-	18,330,355	159,651	159,651	-	-
Total debt securities	405,386	-	-	-	-	447,627	-	-	-	-
Total exposures	19,055,119	175,851	175,851	-	-	18,777,982	159,651	159,651	-	-
<i>of which: defaulted</i>	443,208	-	-	-	-	530,612	-	-	-	-



Section 9 – Securitizations

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

Qualitative information

The Group's portfolio of securities deriving from securitizations by other issuers totalled €239.5m, €136.9m of which as part of the banking book (almost all HTC recognized at amortized cost) and €102.6m as part of the trading book (recognized at fair value through profit and loss).

The banking book decreased from €156.4m to €136.9m, and consists of €132.8m in senior deals, the main ones of which were: Unicredit-FINO, €46.9m, Towers, with Intesa receivables as the underlying instrument (€43.5m), Menorca (€18.8m) and Belvedere (€14.5m). The banking book also includes mezzanine deals worth €3.3m and junior deals of €0.8m, which are the retention shares of transactions in which Mediobanca acted as sponsor.

The trading book increased in value from €91.4m to €102.6m: during the six months under review virtually the whole book was renewed (acquisitions totalling €151.9m, sales and redemptions of €142.9m), including transfer of the Belvedere securities in the Negentropy fund organized by Mediobanca. The senior tranches amount to €44.8m, the main ones of which include Banna (UK performing loans of €14.8m) and Sunri (Italian performing loans of €10m); the mezzanine securities total €20.2m (mainly Italian performing loans), while the junior securities are worth €5.8m (€3.4m of which domestic and €2.4m by Spanish issuers). The total includes a portfolio of CLOs amounting to €31.8m (€28.7m of which in the form of mezzanine and €3.1m junior tranches).

Mediobanca also has exposures to:



- Cairn Loan Investments LLP (CLI and CLI II), a Cairn-branded CLO management company, which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invests in the junior tranches of the CLOs it manages, with an initial investment of approx. €34m, €4m of which paid in during the six months under review;
- Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by Quaestio Capital Management SGR, 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, to which the shares in the senior Belvedere tranches held by Mediobanca were transferred (€110m) in order to expand the investor base; as at 31 December 2019 the direct investment in the fund had reduced to €75.6m.



Quantitative information

Standardized methodology: positions in securitizations

Table 9.1 - Banking book securitizations (HTC portfolio)

Risk weighting classes	Amounts as at 31/12/19									
	Cash risk assets				Off-balance-sheet risk assets ⁽¹⁾				Early repayment clauses ⁽¹⁾	
	Own securitizations		Third-party securitizations		Own securitizations		Third-party securitizations		Own securitizations	
	Cash risk assets	Synthetic	Cash risk assets	Synthetic	Cash risk assets	Synthetic	Cash risk assets	Synthetic	Cash risk assets	Synthetic
Weighting 20%	—	—	—	—	—	—	—	—	—	—
Weighting 50%	—	—	—	—	—	—	—	—	—	—
Weighting 100%	—	—	33,230	—	—	—	—	—	—	—
Weighting 350%	—	—	—	—	—	—	—	—	—	—
Weighting 1250% - with rating	—	—	—	—	—	—	—	—	—	—
Weighting 1250% - without rating	—	—	8,000	—	—	—	—	—	—	—
Look-through - second loss in ABCP	—	—	—	—	—	—	—	—	—	—
Look-through - other	—	—	5,697	—	—	—	—	—	—	—
SEC-ERBA New Framework ABS	—	—	15,445	—	—	—	—	—	—	—
Total	—	—	62,373	—	—	—	—	—	—	—

(1) In continuity with 30 June 2019 there are no off-balance sheet risk assets and own securitizations.

There is also a third-party securitization, fully state-guaranteed, for an amount of €46.9m with no weighting.

Comparative data as at 30 June 2019 are shown below:

Risk weighting classes	Amounts as at 30/6/19									
	Cash risk assets				Off-balance-sheet risk assets ⁽¹⁾				Early repayment clauses ⁽¹⁾	
	Own securitizations		Third-party securitizations		Own securitizations		Third-party securitizations		Own securitizations	
	Cash risk assets	Synthetic	Cash risk assets	Synthetic	Cash risk assets	Synthetic	Cash risk assets	Synthetic	Cash risk assets	Synthetic
Weighting 20%	—	—	1,937	—	—	—	—	—	—	—
Weighting 50%	—	—	—	—	—	—	—	—	—	—
Weighting 100%	—	—	87,411	—	—	—	—	—	—	—
Weighting 350%	—	—	675	—	—	—	—	—	—	—
Weighting 1250% - with rating	—	—	16,181	—	—	—	—	—	—	—
Weighting 1250% - without rating	—	—	8,033	—	—	—	—	—	—	—
Look-through - second loss in ABCP	—	—	—	—	—	—	—	—	—	—
Look-through - other	—	—	5,882	—	—	—	—	—	—	—
Total	—	—	120,120	—	—	—	—	—	—	—



Table 9.2 - Banking book securitizations (by underlying instruments)

Type of underlying assets/Exposures	RWA 31/12/19
	Securitization Banking Book
A. NPLs Italy (mortgage loans and real estate)	28,149
B. NPLs Spain (mortgage loans and real estate)	18,779
C. NPLs Ireland (mortgage loans and real estate)	—
D. Performing Loans Italy	6,525
E. Performing Loans Netherlands	8,920
F. Performing Loans Spain	—
G. Performing Loans UK	—
I. Others credits	—
Total	62,373

Table 9.3 - Trading book transactions

Risk weighting classes	Amounts as at 31/12/19			
	Cash risk assets (*)			
	Own securitizations		Third-party securitizations	
	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	—	—	—	—
Weighting 50%	—	—	—	—
Weighting 100%	—	—	—	—
Weighting 350%	—	—	—	—
Weighting 1250% - with rating	—	—	—	—
Weighting 1250% - without rating	—	—	—	—
Look-through - second loss in ABCP	—	—	—	—
Look-through - other	—	—	—	—
Weighting 650%	—	—	—	—
SEC-ERBA New Framework ABS	—	—	146,377	—
Total	—	—	146,377	—

(*)There are no off-balance assets



Comparative data as at 30 June 2019 are shown below:

Risk weighting classes	Amounts as at 30/6/19			
	Cash risk assets *			
	Own securitizations		Third-party securitizations	
	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	—	—	—	—
Weighting 50%	—	—	—	—
Weighting 100%	—	—	58,821	—
Weighting 350%	—	—	—	—
Weighting 1250% - with rating	—	—	—	—
Weighting 1250% - without rating	—	—	—	—
Look-through - second loss in ABCP	—	—	—	—
Look-through - other	—	—	—	—
Weighting 650%	—	—	—	—
Total ¹	—	—	58,821	—

Table 9.4 - Trading book transactions (by underlying instruments)

Type of underlying assets/Exposures	RWA 31/12/19
	Securitization Trading Book
A. NPLs Italy (mortgage loans and real estate)	—
B. NPLs Spain (mortgage loans and real estate)	—
C. NPLs Ireland (mortgage loans and real estate)	6,965
D. Performing Loans Italy	76,684
E. Performing Loans Netherlands	—
F. Performing Loans Spain	5,081
G. Performing Loans UK	2,969
I. Others credits	54,689
Total	146,389



Section 10 – Operational risk

Qualitative information

The processes of identifying, assessing, collecting and analysing loss data and mitigating operational risks are defined and implemented as defined in the Operational Risk management policy at the parent company 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.

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

Quantitative information

Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operational 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 31 December 2019 was €321.6m (unchanged from the balance-sheet date).

The operating losses recorded in the course of the six months under review account for 1.4% of the Group's total revenues.

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



Event Type	%
Clients, products and business practices	63%
Execution, delivery and process management	31%
External fraud	3%
Employment practices and workplace safety	2%
Other	0,4%

More than half of the operating losses were due to the “Clients, products and business practices” event type, which includes losses deriving from complaints or litigation by retail clients in connection with financial terms or interest rates applied to financing products in particular in cases which involve early repayments (where there have been changes to the regulations). More than one-quarter of the losses was due to process risks (“Execution, delivery and process management”), whereas the other classes regard external fraud on retail financing products (fake documentation and/or cards) and employment practices.

Potential operational risks (estimates) remain high due to the growth in the Wealth Management and Consumer Banking businesses, the commercial networks and the higher number of potential instances of risk, such as cyber risk. The Group remains exposed to potential low frequency/high severity events inherent in businesses which feature non-standard transactions of large size, such as CIB and in part Wealth Management in particular. All operational risks are mitigated by stronger governance and enhanced first-level controls, and by stepping up monitoring activity and valuation capability.



Section 11 – Exposures to equities: information on banking book positions

Table 11.1 – Banking book: cash exposures in equities and UCITS

Items	Amounts as at 31/12/19							
	Book value		Fair value		Realized gain/losses and impairment		Gain/loss not realized and recorded in Balance Sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Gains	Losses
A. Equity stakes	3,789,911	40,894	3,728,915	40,894	—	—	X	X
B. Financial assets recognized at FVOCI	117,299	35,398	117,299	35,398	X	X	14,331	(35)
C. Other financial assets mandatorily at fair value	324,159	298,310	—	2,383	—	—	X	X

Comparative data as at 30 June 2019 are shown below:

Items	Amounts as at 30/6/19							
	Book value		Fair value		Realized gain/losses and impairment		Gain/loss not realized and recorded in Balance Sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Gains	Losses
A. Equity stakes	3,219,257	40,516	3,356,936	40,516	—	—	X	X
B. Financial assets recognized at FVOCI	105,770	32,838	105,770	32,838	X	X	9,951	(5,798)
C. Other financial assets mandatorily at fair value	338,431	243,491	—	2,330	—	—	X	X

* The figure includes gains deriving from the pro rata investment in Assicurazioni Generali

Table 11.2 – Banking book: equity instruments

Category	Amount as at 31/12/19		Amount as at 30/6/19	
	Weighted amount		Weighted amount	
	Standard method	IRB method	Standard method	IRB method
Private equity instruments	1,063,165	—	1,027,972	—
Equity instruments listed on markets	5,014,047	—	4,846,868	—
Other equity instruments	72,883	—	71,998	—
Total equity instruments	6,150,094	—	5,946,838	—



Section 12 – Interest rate risk on banking book positions

With reference to the Group's banking book positions at 31 December 2019, in the event of a parallel and simultaneous 200 basis point reduction in interest rates ("parallel down"), there would be no reduction in estimated net interest income due to the impact of the floor introduced by the EBA, unlike six months ago and one year previously, when the reductions would have been €35m and €34m respectively.

As for the analysis of the discounted value of future cash flows on the Group's banking book, the shock that determines the worst scenario occurs if short-term rates increase and long-term rates decline ("flattener"). In this scenario, estimated net interest income would reduce by some €73m, due chiefly to the reduction by CheBanca! (€33m) and Mediobanca (€45m), against an increase by Compass of €5m. In the previous half-year period, the maximum reduction in a "parallel up" scenario would have been €65m.

This data is summarized in the table below:

Table 12.1 – Sensitivity analysis

The data as at 31 December 2019 are shown below:

Data in € mln	Data as at 31/12/19					
	Limit scenario	Goup	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of Interest income margin	<i>Parallel Down</i>	27	56	(7)	(11)	(11)
Sensitivity of Expected Cash Flows present values	<i>Steepener</i>	(73)	(45)	(33)	5	(1)

Comparative figures as at 30 June 2019 are shown below:

Data in € mln	Data as at 30/6/19					
	Limit scenario	Goup	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of Interest income margin	<i>Parallel Down</i>	(35)	(13)	(4)	(9)	(9)
Sensitivity of Expected Cash Flows present values	<i>Steepener</i>	(65)	65	(70)	(52)	(9)



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



Section 13 – Market risk

Quantitative – market risk with managerial methodology

The risk control carried out is calculated daily using managerial metrics to ensure that the exposures taken are compliant with the operating limits governing the risk appetite established for the Bank's trading book.

The aggregate Value-at-Risk on the trading book and General Manager's book showed an average reading of €3.8m in the six months, down sharply on the preceding six-month period (when the average reading was €5.2m, compared with a point-in-time reading of €6.3m at end-June 2019). In the month of July and the first half of August, the high risk levels witnessed during the previous six months continued, with readings of between €6m and €7m. Midway through August, however, some substantial management positions for the most part linked to interest rates were closed as a result of the stop-loss limits being breached, triggering a material reduction in the VaR reading from approx. €6m to just €2m. The VaR reading then varied between €2m and €4m for the rest of the period, with a point-in-time reading at end-December 2019 of €2.4m.

The expected shortfall also showed a sharp reduction in the average reading, from €6.7m to €4.6m, after the positions referred to above were reduced.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) did not show any departures from VaR during the six months under review.



Table 13.1 - Value-at-risk and expected shortfall: trading book

Trading-portfolio Value at Risk and Expected Shortfall factors (data in €1000)	12 mths to 31/12/19				12 mths to 30/6/19*
	31/12/19	Min	Max	Average	Average
Interest rates	545	478	4,773	1,532	2,807
Credit	943	865	1,933	1,258	1,035
Shares prices	1,635	815	3,053	2,110	1,641
Exchange rates	578	465	1,415	880	2,271
Inflation	144	125	289	187	245
Volatility	1,747	935	2,855	1,486	1,694
Diversification effect **	(3,223)	(2,167)	(5,973)	(3,666)	(4,440)
Total	2,369	1,917	7,348	3,787	5,255
Expected Shortfall	3,018	2,488	14,649	4,626	6,651

(*) Refers to six months ended 30/06/19.

(**) 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. 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. Average exposures have generally increased during the year, with the exception of the equity component, which reflects pronounced swings between highs and lows consistent with the directional positions taken. The delta on interest rates also ranged from minus €283,000 and €806,000, with an average value of around €66,000, while the equity delta was stably long during the six months under review, ranging from a low of €187,000 to a high of €1.1m per percentage point. The fluctuation in the exchange rate delta was also pronounced, ranging from a low of minus €187,000 to a high of €587,000 per percentage point.



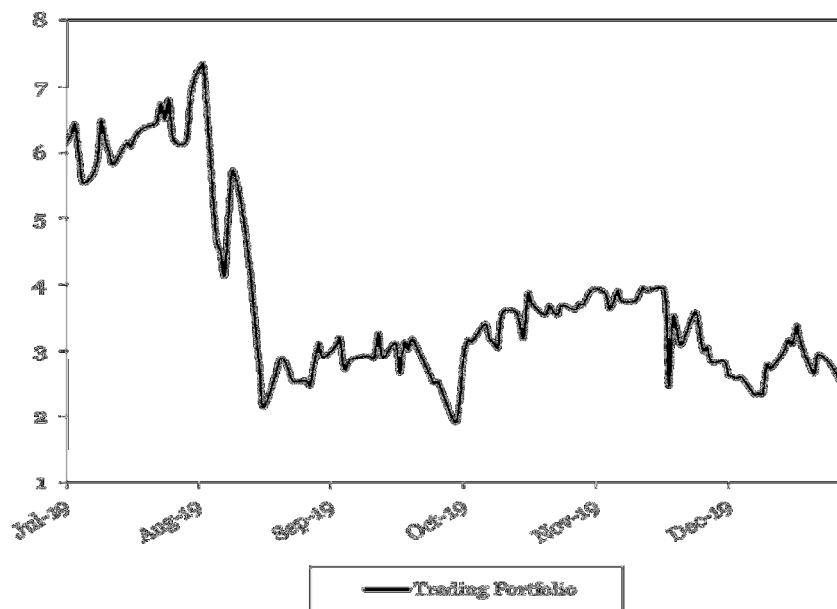
Table 13.2 - Overview of trends in main sensitivities for trading book

Risk factors	12 months to 31/12/19				12 mths to 30/6/19*
	31-dic-19	Min	Max	Average	Average
Equity delta (+1%)	468	187	1,086	699	599
Equity vega (+1%)	1,079	(26)	1,478	853	1,083
Interest rate delta (+1bp)	(124)	(283)	806	66	456
Inflation delta (+1 bp)	30	13	53	32	26
Exchange rate delta (+1%)**	177	(187)	587	346	1,162
Credit delta (+1bp)	501	315	1,314	611	875

(*) Refers to six months ended 30/06/19.

(**) Refers to the Euro gaining versus other currencies.

Trend in VaR on the trading book





Trends in VaR constituents (trading book)

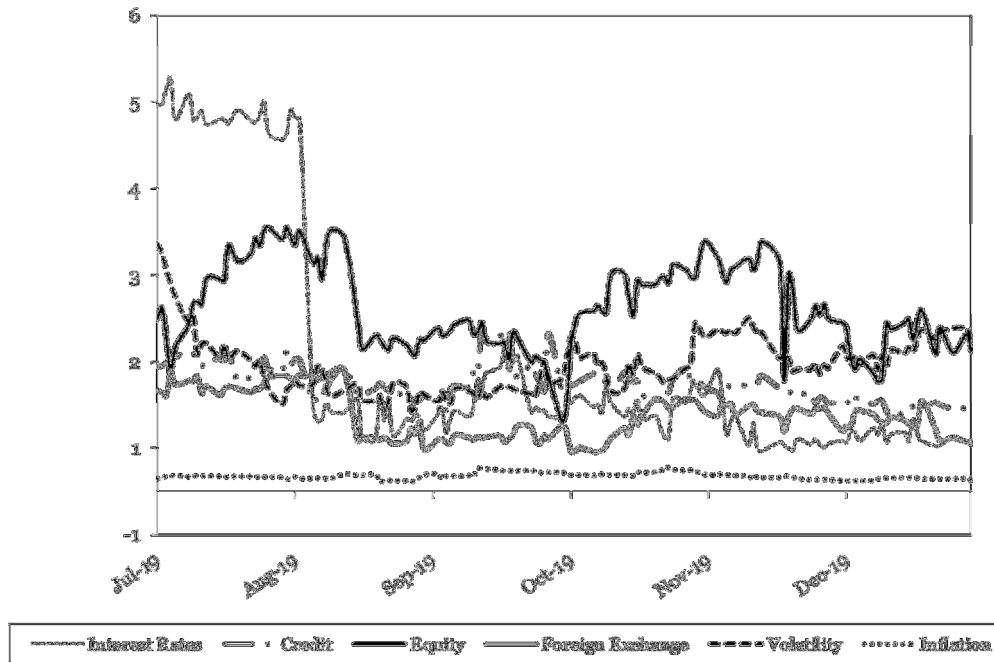


Table 13.3 - EU CCR6: Credit derivatives exposures

	a	b	c
	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional			
Credit default products	—	—	44,807,196
Credit spreads products	—	—	—
Total rate of return swap	—	—	—
Other credit derivatives	—	—	1,206,038
Total notionals	—	—	46,013,234
Positive fair value (asset)			
Fair values	—	—	760,067
Negative fair value (liability)	—	—	2,074,242



Table 13.4 - EU MR1: Market risk under the standardized approach

	31/12/19		30/6/19	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements
Outflight products	1,858,867	148,709	1,846,079	147,686
1 Interest rate risk (general and specific)	1,575,263	126,021	1,609,043	128,723
2 Equity risk (general and specific)	283,605	22,688	237,036	18,963
3 Foreign exchange risk	—	—	—	—
4 Commodity risk	—	—	—	—
Options	935,129	74,810	715,137	57,211
5 Simplified approach	—	—	—	—
6 Delta-plus method	788,752	63,100	602,581	48,207
7 Scenario approach	—	—	—	—
8 Securitisation (specific risk)	146,377	11,710	112,556	9,004
9 Total	2,793,996	223,520	2,561,217	204,897



Section 14 – Remuneration and incentivization systems and practices

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

The Mediobanca Group's remuneration policy is drawn up in accordance with Italian and European legislation, in view of the new documents published by the supervisory authorities. In particular:

- The Bank of Italy's Supervisory Instructions on "Remuneration and Incentivization Policies and Practices" published on 18 November 2014 implementing CRD IV directive dated 26 June 2013;
- The European Commission regulation of 4 March 2014 which establishes the methods for identifying the most strategic personnel (Identified Staff), based on qualitative and quantitative criteria;
- The EBA Guidelines on remuneration policies published on 21 December 2015 was also considered, as was the Opinion on the application of the principle of proportionality to the remuneration provisions in Directive 2013/36/EU addressed to the European Commission, for submission to the European Council and Parliament for possible revision of CRD IV and the related regulation. The new guidelines came into force on 1 January 2017 and the approved policies already are substantially in line with them.



MEDIOBANCA

Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Milan, 6 February 2020

Head of Company
Financial Reporting
Emanuele Flappini



MEDIOBANCA

ANNEX

CRR MAPPING



Article	Brief Description	Section	Table	Pages	Other documents
435. Risk management objectives and policies					
435.1	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to under this Title. These disclosures shall include:				
435.1.a	(a) the strategies and processes to manage those risks;	General disclosure requirement		14-15.	
435.1.b	(b) the structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements;	General disclosure requirement		12-14.	
435.1.c	(c) the scope and nature of risk reporting and measurement systems;	General disclosure requirement		16-40.	
435.1.d	(d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	General disclosure requirement		16-40.	
435.1.e	(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	Disclosure in the annual Pillar III at 30 June 2020.			
435.1.f	(f) a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.	Disclosure in the annual Pillar III at 30 June 2020.			
435.2	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.				
435.2.a	The number of directorships held by members of the management body;				https://www.medioBANCA.com/en/corporate-governance/board-of-directors/posts-held-directors.html
435.2.b	The recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;				"Statement on corporate governance and ownership structure" https://www.medioBANCA.com/static/upload/5--/5--corporate-governance-2019_english_final_.pdf



Article	Brief Description	Section	Table	Pages	Other documents
435.2.c	The policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved;				
435.2.d	Whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;				
435.2.e	The description of the information flow on risk to the management body.				
436. Scope of application of the requirements					
436	Institutions shall disclose the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 2013/36/EU:				
436.a	The name of the institution to which the requirements of this Regulation apply;	Scope of application		40-42.	
436.b (i-iv)	An outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: i. fully consolidated; ii. proportionally consolidated; iii. deducted from own funds; iv. neither consolidated nor deducted;	Scope of application		40-42.	
436.c	Any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;	Scope of application		40-42.	
436.d	The aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries;	Scope of application		40-42.	
436.e	If applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	Scope of application		40-42.	
437. Own funds					
437.1	1. Institutions shall disclose the following information regarding their own funds:				
437.1.a	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	Composition of regulatory capital	Table 3.3.1	49.	
437.1.b	A description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Composition of regulatory capital	Table 3.4	45-50.	
437.1.c	The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Disclosure in the annual Pillar III at 30 June 2020.			



Article	Brief Description	Section	Table	Pages	Other documents
437.1.d (i-iii)	A separate disclosure of the nature and amounts of the following: i. each prudential filter applied pursuant to Articles 32 to 35; ii. Each deduction made pursuant to Articles 36, 56 and 66; iii. Items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	Composition of regulatory capital	Table 3.2	46-48.	
437.1.e	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	Composition of regulatory capital	Table 3.1	43-45.	
437.1.f	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Capital adequacy		51	
438. Capital requirements					
438	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation and in Article 73 of Directive 2013/36/EU:				
438.a	A summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities;	Composition of regulatory capital – Capital adequacy		43,44,50,51.	
438.b	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	Composition of regulatory capital – Capital adequacy		43,50,51.	
438.c	For institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112;	Capital adequacy	Tables 4.1 and EU OV1	53-55.	
438.d	For institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. For the retail exposure class, this requirement applies to each of the categories of exposures to which the different correlations in Article 154 (1) to (4) correspond.	Credit risk	Tables CR6 and CR8	84-85.	
438.e	Own funds requirements calculated in accordance with points (b) and (c) of Article 92(3)	Capital adequacy	Table EU OV1	55.	



Article	Brief Description	Section	Table	Pages	Other documents
438.f	Own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	Capital adequacy	Table EU OVI	55.	
438 last paragraph	The institutions calculating the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2) shall disclose the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight mentioned in Article 155 (2).	Exposures to equities; information on banking book positions		101-102.	
439. Exposure to counterparty credit risk					
439	Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three, Title II, Chapter 6:				
439.a	A discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	Counterparty risk		86-87.	
439.b	A discussion of policies for securing collateral and establishing credit reserves;	Counterparty risk – Risk mitigation techniques		86,87,90,91.	
439.c	A discussion of policies with respect to Wrong-Way risk exposures;	Counterparty risk		86.	
439.d	A discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	Counterparty risk		86-87.	
439.e	Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	Counterparty risk	Tables 7.1.1 and 7.1.2	88.	
439.f	A measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable;	Counterparty risk	Tables 7.1.1, 7.1.2 and 7.2.1	88-89.	
439.g	The notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure;	Counterparty risk		86-87.	
439.h	The notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;	Counterparty risk – Risk mitigation techniques		86,87,90,91.	
439.i	The estimate of a if the institution has received the permission of the competent authorities to estimate a.	N.A.			



Article	Brief Description	Section	Table	Pages	Other documents
440. Capital buffers					
440	An institution shall disclose the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU:				
440.a	the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;	Disclosure in the annual Pillar III at 30 June 2020.			
440.b	the amount of its institution specific countercyclical capital buffer.	Disclosure in the annual Pillar III at 30 June 2020.			
441. Indicators of global systemic importance					
441	Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	N.A.			
442. Credit risk adjustments					
442	Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk:				
442.a	the definitions for accounting purposes of 'past due' and 'impaired';	Credit risk		62.	
442.b	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Credit risk		62-66.	
442.c	the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	Disclosure in the annual Pillar III at 30 June 2020.	Table EU CRB-B disclosure in the annual Pillar III at 30 June 2020.		
442.d	the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate;	Credit risk	Table EU CR1-C. Table EU CRB-C disclosure in the annual Pillar III at 30 June 2020.	71.	
442.e	the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	Credit risk	Table EU CR1-B. Table EU CRB-D disclosure in the annual Pillar III at 30 June 2020.	70.	



Article	Brief Description	Section	Table	Pages	Other documents
442.f	the residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate;	Disclosure in the annual Pillar III at 30 June 2020.	Table EU CRB-E disclosure in the annual Pillar III at 30 June 2020.		
442.g (i-iii)	by significant industry or counterparty type, the amount of: i. impaired exposures and past due exposures, provided separately; ii. specific and general credit risk adjustments; iii. charges for specific and general credit risk adjustments during the reporting period;	Credit risk	Tables EU CR1-A, EU CR1-B, EU CR1-C, EU CR1-D, EU CR1-E.	69-72.	
442.h	the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	Credit risk	Tables EU CR1-A, EU CR1-B, EU CR1-C, EU CR1-D, EU CR1-E.	69-72.	
442.i (i-v)	the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately.	Credit risk	Tables EU CR1-E, EU CR2-A and EU CR2-B.	72-73.	
443. Unencumbered assets					
443	Disclosures of unencumbered assets.	Disclosure in the annual Pillar at 30 June 2020.			
444. Use of ECAs					
444	For institutions calculating the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2, the following information shall be disclosed for each of the exposure classes specified in Article 112:				
444.a	the names of the nominated ECAs and ECAs and the reasons for any changes;	Credit risk		74.	
444.b	the exposure classes for which each ECAI or ECA is used;	Credit risk		74.	
444.c	a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	Credit risk		74.	
444.d	the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;	N.A.			
444.e	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	Credit risk		74.	



Article	Brief Description	Section	Table	Pages	Other documents
445. Exposure to market risk					
445	The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	Market risk	Table MR1	104-109.	
446. Operational risk					
446	Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	Operational risk		98-99.	
447. Exposures in equities not included in the trading book					
447	Institutions shall disclose the following information regarding the exposures in equities not included in the trading book:				
447.a	The differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices;	Exposures to equities: information on banking book position	Tables 11.1 and 11.2	100	
447.b	The balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value;	Exposures to equities: information on banking book position	Tables 11.1 and 11.2	100	
447.c	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures;	Exposures to equities: information on banking book position	Tables 11.1 and 11.2	100	
447.d	the cumulative realised gains or losses arising from sales and liquidations in the period;	Exposures to equities: information on banking book position	Tables 11.1 and 11.2	100	
447.e	the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in Common Equity Tier 1 capital.	Exposures to equities: information on banking book position	Tables 11.1 and 11.2	100	



Article	Brief Description	Section	Table	Pages	Other documents
448. Exposures in equities not included in the trading book					
448	Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book:				
448.a	the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk;	General disclosure requirement		27.	
448.b	the variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	Interest rate risk on banking book positions	Table 12.1	101-102.	
449. Exposure to securitisation position					
449	Institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose the following information, where relevant, separately for their trading and non-trading book:				
449.a	a description of the institution's objectives in relation to securitisation activity;	Securitized assets		94-95.	
449.b	the nature of other risks including liquidity risk inherent in securitised assets;	General disclosure requirement – Market risk		36,104	
449.c	the type of risks in terms of seniority of underlying securitisation positions and in terms of assets underlying those latter securitisation positions assumed and retained with resecuritisation activity;	Securitized assets		94-95.	
449.d	the different roles played by the institution in the securitisation process;	Securitized assets		94-95.	
449.e	an indication of the extent of the institution's involvement in each of the roles referred to in point (d)	N.A.			
449.f	a description of the processes in place to monitor changes in the credit and market risk of securitisation exposures including, how the behaviour of the underlying assets impacts securitisation exposures and a description of how those processes differ for re-securitisation exposures;	N.A.			
449.g	a description of the institution's policy governing the use of hedging and unfunded protection to mitigate the risks of retained securitisation and re-securitisation exposures, including identification of material hedge counterparties by relevant type of risk exposure;	N.A.			



Article	Brief Description	Section	Table	Pages	Other documents
449.h	the approaches to calculating risk-weighted exposure amounts that the institution follows for its securitisation activities including the types of securitisation exposures to which each approach applies;	Securitized	Tables 9.1 and 9.2	96-97.	
449.i	the types of SSPE that the institution, as sponsor, uses to securitise third-party exposures including whether and in what form and to what extent the institution has exposures to those SSPEs, separately for on- and off-balance sheet exposures, as well as a list of the entities that the institution manages or advises and that invest in either the securitisation positions that the institution has securitised or in SSPEs that the institution sponsors;	N.A.			
449.j	a summary of the institution's accounting policies for securitisation activities	N.A.			
449.k	the names of the ECAs used for securitizations and the types of exposure for which each agency is used;	Credit risk		73.	
449.l	Full description of Internal Assessment Approach.	N.A.			
449.m	an explanation of significant changes to any of the quantitative disclosures in points (n) to (q) since the last reporting period;	N.A.			
449.n	separately for the trading and the non-trading book, the following information broken down by exposure type:	Securitized		94-97.	
449.n.i	the total amount of outstanding exposures securitized by the institution, separately for traditional and synthetic securitizations and securitizations for which the institution acts only as sponsor;	Securitized		94-97.	
449.n.ii	the aggregate amount of on-balance sheet securitisation positions retained or purchased and off-balance sheet securitisation exposures;	Securitized		94-97.	
449.n.iii	the aggregate amount of assets awaiting securitisation;	N.A.			
449.n.iv	for securitized facilities subject to the early amortisation treatment, the aggregate drawn exposures attributed to the originator's and investors' interests respectively, the aggregate capital requirements incurred by the institution against the originator's interest and the aggregate capital requirements incurred by the institution against the investor's shares of drawn balances and undrawn lines;	N.A.			
449.n.v	the amount of securitisation positions that are deducted from own funds or risk-weighted at 1250 %;	N.A.			
449.n.vi	a summary of the securitisation activity of the current period, including the amount of exposures securitized and recognised gain or loss on sale;	Securitized		94-97.	
449.o	separately for the trading and the non-trading book, the following information:	N.A.			



Article	Brief Description	Section	Table	Pages	Other documents
449.o.i	the aggregate amount of securitisation positions retained or purchased and the associated capital requirements, broken down between securitisation and re-securitisation exposures and further broken down into a meaningful number of risk-weight or capital requirement bands, for each capital requirements approach used;	N.A.			
449.o.ii	the aggregate amount of re-securitisation exposures retained or purchased broken down according to the exposure before and after hedging/insurance and the exposure to financial guarantors, broken down according to guarantor credit worthiness categories or guarantor name;	N.A.			
449.p	for the non-trading book and regarding exposures securitised by the institution, the amount of impaired/past due assets securitised and the losses recognised by the institution during the current period, both broken down by exposure type;	N.A.			
449.q	for the trading book, the total outstanding exposures securitised by the institution and subject to a capital requirement for market risk, broken down into traditional/ synthetic and by exposure type;	N.A.			
449.r	where applicable, whether the institution has provided support within the terms of Article 248(1) and the impact on own funds	N.A.			
450. Remuneration Policy					
450.1	Institutions shall disclose at least the following information, regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile:				Relazione sulla remunerazione 2019 https://www.mediobanca.com/static/upload/rel/relazione_sulla_remunerazione_2019_ita.pdf
450.1.a	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;				Remuneration Policy: - Section 1: Governance p. 4 and ss - Section 2: Governance p. 33



Article	Brief Description	Section	Table	Pages	Other documents
450.1.b	information on link between pay and performance;				Remuneration Policy, - Section 1: Chapter 5 Incentivization System, p. 13 and ss. - Section 2: Incentivization system: determination of variable remuneration and allocation using riskadjusted metrics based on sustainable results over time p. 34 and ss.
450.1.c	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;				Remuneration Policy, - Section 1: Chapter 4 Remuneration structure p. 9 and ss. - Section 1: Chapter 5 Incentivization System p. 13 and ss. - Section 2: Incentivization system: determination of variable remuneration and allocation using riskadjusted metrics based on sustainable results over time p. 34 and ss.
450.1.d	the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;				Remuneration Policy, - Section 1: Chapter 4 Remuneration structure - III) Limit on variable remuneration p. 10 and ss
450.1.e	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;				Remuneration Policy, - Section 1: Chapter 5 Incentivization System p. 13 and ss.
450.1.f	the main parameters and rationale for any variable component scheme and any other non-cash benefits;				Remuneration Policy, - Section 1: Chapter 5 Incentivization System p. 13 and ss.
450.1.g	aggregate quantitative information on remuneration, broken down by business area;				Remuneration Policy, - Section 3: Tables with quantitative data (details on p. 45)



Article	Brief Description	Section	Table	Pages	Other documents
450.1.h	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution;				Remuneration Policy, - Section 3: Tables with quantitative data (details on p. 45 and ss)
450.1.i	the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;				Remuneration Policy, - Section 3: Tables with quantitative data (details on p. 45)
450.1.j	(j) Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.				Remuneration Policy, - Section 3: Tables with quantitative data (details on p. 39 and ss.)
450.2	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public at the level of members of the management body of the institution.				Remuneration Policy, - Section 3: Tables with quantitative data (details on p. 39 and ss.)
451. Leverage					
451.1	Institutions shall disclose the following information regarding their leverage ratio calculated in accordance with Article 429 and their management of the risk of excessive leverage:				
451.1.a	the leverage ratio and how the institution applies Article 499(2) and (3);	Financial leverage		57-58.	
451.1.b	a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Financial leverage	Tables LRCom, LRSum and LRSpl.	59-61.	
451.1.c	where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);	N.A.			
451.1.d	a description of the processes used to manage the risk of excessive leverage;	Financial leverage		57.	
451.1.e	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	Financial leverage		60.	



Article	Brief Description	Section	Table	Pages	Other documents
452. Use of IRB approach to credit risk					
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose the following information:				
452.a	the competent authority's permission of the approach or approved transition;	Credit risk		76,84.	
452.b	an explanation and review of: i. the structure of internal rating systems and relation between internal and external ratings; ii. the use of internal estimates other than for calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 3; iii. the process for managing and recognising credit risk mitigation; iv. the control mechanisms for rating systems including a description of independence, accountability, and rating systems review;	Credit risk		76-82.	
452.c	Description of ratings processes for each IRB asset class, provided separately.	Credit risk		76-82.	
452.d	the exposure values for each of the exposure classes specified in Article 147. Exposures to central governments and central banks, institutions and corporates where institutions use own estimates of LGDs or conversion factors for the calculation of risk-weighted exposure amounts, shall be disclosed separately from exposures for which the institutions do not use such estimates;	Credit risk	Table CR6	84.	
452.e	for each of the exposure classes central governments and central banks, institutions, corporates and equity, and across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk, institutions shall disclose: total exposure, separating loans and undrawn exposures where applicable, and exposure-weighted average risk weight.	Credit risk – Counterparty risk p. 89.	Tables CR6 and CCR4	84,89.	
452.f	For the retail exposure class and for each of the categories set out in point (c)(iv), either the disclosures outlined in point (e) , or an analysis of exposures against a sufficient number of EL grades to allow for a meaningful differentiation of credit risk ;	Credit risk	Table CR6	84.	
452.g	the actual specific credit risk adjustments in the preceding period for each exposure class	Credit risk	Table CR6	84.	
425.h	a description of the factors that impacted on the loss experience in the preceding period;	Disclosure in the annual Pillar III at 30 June 2020.			



Article	Brief Description	Section	Table	Pages	Other documents
452.i	the institution's estimates against actual outcomes over a longer period. At a minimum, this shall include information on estimates of losses against actual losses in each exposure class over a period sufficient to allow for a meaningful assessment of the performance of the internal rating processes for each exposure class. Where appropriate, the institutions shall further decompose this to provide analysis of PD and, for the institutions using own estimates of LGDs and/or conversion factors, LGD and conversion factor outcomes against estimates provided in the quantitative risk assessment disclosures set out in this Article;	Disclosure in the annual Pillar III at 30 June 2020.			
452.j	for all exposure classes specified in Article 147 and for each category of exposure to which the different correlations in Article 154 (1) to (4) correspond:	Disclosure in the annual Pillar III at 30 June 2020.			
452.j.i	for the institutions using own LGD estimates for the calculation of risk-weighted exposure amounts, the exposure-weighted average LGD and PD in percentage for each relevant geographical location of credit exposures;	Disclosure in the annual Pillar III at 30 June 2020.			
452.j.ii	for the institutions that do not use own LGD estimates, the exposure-weighted average PD in percentage for each relevant geographical location of credit exposures.	Disclosure in the annual Pillar III at 30 June 2020.			
453. Use of credit risk mitigation techniques					
453	The institutions applying credit risk mitigation techniques shall disclose the following information:				
453.a	the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting;	Risk mitigation techniques		90.	
453.b	the policies and processes for collateral valuation and management;	Risk mitigation techniques		90-91.	
453.c	a description of the main types of collateral taken by the institution;	Risk mitigation techniques		90-91.	Financial statements as at 31/12/19; Notes to the accounts – section E: information on risks and related hedging policies
453.d	the main types of guarantor and credit derivative counterparty and their creditworthiness;	Risk mitigation techniques		90-91.	



Article	Brief Description	Section	Table	Pages	Other documents
453.e	information about market or credit risk concentrations within the credit mitigation taken;	Risk mitigation techniques		90-91.	
453.f	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral;	N.A.			
453.g	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	Risk mitigation techniques	Tables 8.1, 8.2 and CR3.	92-93.	
454. Use of Advanced Measurement Approaches to operational risk					
454	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of the use of insurances and other risk transfer mechanisms for the purpose of mitigation of this risk.	N.A.			
455. Use of Internal Market Risk Model					
455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	N.A.			
455.a	for each sub-portfolio covered:	N.A.			
455.a.i	the characteristics of the models used;	N.A.			
455.a.ii	where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model;	N.A.			
455.a.iii	a description of stress testing applied to the sub-portfolio;	N.A.			



Article	Brief Description	Section	Table	Pages	Other documents
455.a.iv	a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	N.A.			
455.b	the scope of permission by the competent authority	N.A.			
455.c	a description of the extent and methodologies for compliance with the requirements set out in Articles 104 and 105;	N.A.			
455.d	the highest, the lowest and the mean of the following: VaR, SVaR and incremental risk charge.	N.A.			
455.e	the elements of the own funds requirement as specified in Article 364;	N.A.			
455.f	the weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	N.A.			
455.g	a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	N.A.			