Basel III pillar 3
Disclosure to the public

Situation as at 31 December 2020

MEDIOBANCA

Translation from the Italian original which remains the definitive version.

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

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Introduction

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

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

— Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No (EU) 575/2013 – (EBA GL/2016/11)

— Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013) – (EBA GL/2016/11), to improve and enhance the consistency and comparability of institutions' disclosures to be provided as part of Pillar III starting from 31 December 2017. These guidelines apply to institutions classifiable as G-SII (Globally Systemically Important Institutions) or O-SII (Other Systemically Important Institutions); the regulatory authority has not required them to be applied in full for other significant institutions (SI); 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).

- EBA Guidelines (EBA/GL/2018/10) on disclosure of non-performing and forborne exposures, applied for the first time at 31/12/19;
- EBA Guidelines (EBA/GL/2020/07) on Covid-19 measures, reporting and disclosure following the outbreak of the Covid-19 pandemic, applied for the first time at 30/6/20. The objective of the Guidelines is to ensure an appropriate understanding of institutions' risk profiles. The three templates instituted in these Guidelines have therefore been added to the Group's Disclosure to the Public in the section on "Credit Risk: credit quality";
- EBA Guidelines (EBA/GL/2020/11) on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the Covid-19 pandemic;
- EBA Guidelines (EBA/GL/2020/12) amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the Covid-19 pandemic.

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 interim consolidated financial statements (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 limited audit by PricewaterhouseCoopers S.p.A.) according to the criteria recommended by Consob under resolution no. 10867 of 31 July 1997, as well as the consolidated supervisory reporting. Also used in the preparation of this document were items in common with the capital adequacy process (i.e. the ICAAP and ILAAP reports for FY 2019/20). The contents are also consistent with the “Annual Statement on Corporate Governance and Ownership Structure”, and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

Figures are in €’000, unless otherwise specified.

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

References to regulatory disclosure requirements

The tables below provide an overview of where to find the information being disclosed to the market, as required by the EU regulations in force, in particular CRR 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";
- GL/2018/10 – "Guidelines on disclosure of non-performing and forborne exposures";
- GL/2020/07 – "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis";
- GL/2020/11 – "Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the Covid-19 pandemic";
- GL/2020/12 –"Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the Covid-19 pandemic".

References to information required by CRR ([1])

CRR Article	Reference to Pillar 3 section	Reference to other statutory information at 31/12/20
435 - Risk management policies and objectives	Section 1 - General disclosure requirement	Interim financial statements as at 31/12/20: Notes to the accounts - section E: information on risks and related hedging policies
436 – Scope of application	Section 2 - Scope of application	Interim financial statements as at 31/12/20: Notes to the accounts – section A: Accounting policies

[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 31/12/20
437 – Own funds	Section 3 - Composition of regulatory capital	Interim financial statements as at 31/12/20: Notes to the accounts – section F: Information on consolidated capital
438 – Capital requirements	Section 4 - Capital adequacy	Interim financial statements as at 31/12/20: Notes to the accounts – section F: Information on consolidated capital
439 – Exposure to counterparty credit risk	Section 8.1 - Counterparty risk: standard method Section 8.2 - Counterparty risk: AIRB method	Interim financial statements as at 31/12/20: Notes to the accounts – section E: information on risks and related hedging policies (section1.2, market risk)
440 – Capital buffers	Section 4 - Capital adequacy	N/A
441 – Indicators of global systemic importance	N/A	N/A
442 –Credit risk adjustments	Section 7.1 - Credit risk: general information for all banks and credit quality tables	Interim financial statements as at 31/12/20: Notes to the accounts – section E: information on risks and related hedging policies (section 1.1, credit risk)
443 – Unencumbered assets	Pillar III Annual Disclosure to the Public at 30 June 2020	N/A
444 – Use of ECAIs	Section 7.2 - Credit risk: use of ECAIs	N/A
445 – Exposure to market risk	Section 14 - Market risk	Interim financial statements as at 31/12/20: Notes to the accounts – section E: information on risks and related hedging policies (section1.2, market risk)
446 – Operational risk	Section 11 – Operational risk	Interim financial statements as at 31/12/20: 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 12 – 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 13 - Interest rate risk on banking book positions	Interim financial statements as at 31/12/20: Notes to the accounts – section E: information on risks and related hedging policies (section1.2, market risk)

CRR Article	Reference to Pillar 3 section	Reference to other statutory information at 31/12/20
449 – Exposure to securitization positions	Section 11 – Securitizations	Interim financial statements as at 31/12/20: Notes to the accounts – section E: information on risks and related hedging policies (section 1.1, credit risk)
450 – Remuneration policy	Section 15 - 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)
451- Financial leverage	Section 5 - Financial leverage	Interim financial statements as at 31/12/20: Notes to the accounts – section F: Information on consolidated capital
452 – Use of the IRB approach to credit risk	Section 7.3 - Credit risk: AIRB methodology, risk assets	Interim financial statements as at 31/12/20: 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 9 – Risk mitigation techniques	Interim financial statements as at 31/12/20: 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	Interim financial statements as at 31/12/20: 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/2017/01 EBA/GL/2018/01, EBA/GL/2018/10, EBA/GL/2020/07, EBA GL/2020/11, EBA GL/2020/12)

EBA/GL/2016/11, EBA/GL/2017/01 EBA/GL/2018/01, EBA/GL/2018/10, EBA/GL/2020/07, EBA GL/2020/11, EBA GL/2020/12			Pillar III as at 31/12/20	
Section	**Type of information**	**Section** (Table LG EBA / RTS EBA	**Type of information**	**Section**
EBA GL/2016/11 Section 4.3 ** - Risk management, objectives and policies, sezioni A e B	Qualitative	EU OVA *	Section 1 - General disclosure requirement	
EBA GL/2016/11 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
EBA GL/2016/11 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 Table 3.5
EBA GL/2016/11 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
EBA GL/2016/11 Section 4.10 - Credit risk and CRM in the IRB approach, section B	Quantitative			Table 4.4*
EBA GL/2016/11 Section 4.7 ** – Macroprudential supervisory measures	Quantitative	Reference to Regulation EU/1555/2015		Table 4.4* Table 4.5*
EBA GL/2016/11 Section 4.15 ** – Leverage ratio	Quantitative	Reference to Regulation EU/200/2016 LrCom LrSum LrSpl	Section 5 - Financial leverage	Table 5.1 LrCom Table 5.2 LrSum Table 5.3 LrSpl
EBA/GL/2017/01	Quantitative	LIQ1	Section 6 – Liquidity Risk	Table 6.1 LIQ1

EBA/GL/2016/11, EBA/GL/2017/01 EBA/GL/2018/01, EBA/GL/2018/10, EBA/GL/2020/07, EBA GL/2020/11, EBA GL/2020/12			Pillar III as at 31/12/20	
Section	**Type of information**	**Section**	**Type of information**	**Section**
EBA GL/2016/11 Section 4.8 – Credit risk and general information on CRM, sections A and B EBA GL/2018/10 EBA GL/2020/07	Qualitative/ Quantitative	EU CRA * EU CRB-A* EU CRB-B* EU CRB-C* EU CRB-D* EU CRB-E* EU CR1-A EUCR2-A EU CR2-B	Section 7.1 – Credit risk: general information and templates on credit quality	Table 7.1.7 Table 7.1.8 Table 7.1.9 Table 7.1.10 Table 7.1.11 Table 7.1.12 Table 7.1.13 CR1-A Table 7.1.14 CR2-A Table 7.1.15 CR2-B Template 1 Table 7.1.17 Template 2 Table 7.1.18 Template 3
EBA GL/2016/11 Section 4.9 – Credit risk and CRM in the standardised approach, section B	Quantitative	EU CR4 EU CR5		Table 7.1.1 Table 7.1.2 EU CR4 Table 7.2.1 Table 7.2.2 EU CR5
EBA GL/2016/11 Section 4.9 – Credit risk and CRM in the standardized approach, section A	Qualitative	EU CRD*	Section 7.2 – Credit risk: use of ECAIs	
EBA GL/2016/11 Section 4.10 – Credit risk and CRM in the standardized approach, section B	Qualitative/ Quantitative	EU CRE* EU CR6 EU CR7 EU CR8 EU CR9*	Section 7.3 – Credit risk: information on portfolios subject to AIRB method	Table 7.3.1 EU CR6 Table 7.3.2 Table 7.3.3 EU CR7 Table 7.3.4 EU CR8
EBA GL/2016/11 Section 4.12 ** – Unencumbered assets	Quantitative	Reference to guidelines EBA/GL/03/2014*		
EBA GL/2016/11 Section 4.3 **– Risk management, objectives and policies, section B	Qualitative	EU CCRA *	Section 9.1 - Counterparty risk: standard method	Table 9.1.1 Table 9.1.2
EBA GL/2016/11 Section 4.11 – CCR, section B	Quantitative	EU CCR4	Section 9.2 - Counterparty risk: IRB	Table 9.2.1 EU CCR4
EBA GL/2016/11 Section 4.8 – Credit risk and general information on CRM, section C and D	Qualitative/ Quantitative	EU CRC * EU CR3	Section 9 - Risk mitigation techniques	Table 10.1 Table 10.2 Table 10.3 EU CR3

EBA/GL/2016/11, EBA/GL/2017/01 EBA/GL/2018/01, EBA/GL/2018/10, EBA/GL/2020/07, EBA GL/2020/11, EBA GL/2020/12			Pillar III as at 31/12/20	
Section	**Type of information**	**Section**	**Section (Qualitative information)**	**Tabelle (Quantitative information)**
			Section 10 - Securitizations	Table 10.1 Sec1 Table 10.2 Sec2 Table 10.3 Sec3 Table 10.4 Sec4
			Section 11 - Operational risk	
			Section 12 – Exposure to equities: information on banking book positions	Table 12.1 Table 12.2
			Section 13 - Interest rate risk on banking book positions	Table 13.1
EBA GL/2016/11 Section 4.3 **- Risk management, objectives and policies, section B	Qualitative	EU MRA *	Section 14 - Market risk	Table 14.1 Table 14.2
EBA GL/2016/11 Section 4.11 – CCR, section B	Quantitative	EU CCR6	Section 14 - Market risk	Table 14.3 EU CCR6
EBA GL/2016/11 Section 4.13 – Market Risk, section A	Quantitative	EU MR1	Section 14 - Market risk	Table 14.4 EU MR1
EBA GL/2016/11 Section 4.14 ** - Remuneration	Qualitative	Reference to Directive EU/36/2013	Section 15 - Remuneration and incentivization systems and practices *	

* Annual tables.
** Disclosure required under point 8 of EBA/GL/2016/11; the remaining paragraphs apply on a voluntary basis where appropriate.

Section 1 – General disclosure requirement

Qualitative information

1.1 Description of risk governance organization

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

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

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

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, responsible for issuing guidance in respect of credit, issuer, operational and conduct risk, and with powers of approval on market risks, including trading book valuation ri; Lending and

Underwriting committee, for credit, issuer and conduct risk; Group ALM committee for monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate; the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models; the Operational risks committee, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions; the Group Wealth Investments committee, for defining market views and monitoring their track record; the Private & Affluent Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments.

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

Risk Management is organized around local teams based at the various Group companies, in accordance with the principle of proportionality, under the co-ordination of the Risk Management unit at parent company Mediobanca S.p.A. (the "Group Risk Management Unit"), which also performs specific activities for the parent company scope of risk, in the same way that the local teams do for their own companies. The Group Risk Management Unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Group Enterprise Risk Management & Supervisory Relations, which manages the integrated Group processes (ICAAP, RAF, Recovery Plan, support in planning, etc.) and relations with the supervisory authorities, develops the quantitative methodologies for measuring and managing credit, market and counterparty risks, formulates the credit risk management policies, and carries out second-level controls on the risk parameters used to quantify impairment charges and calculate RWAs; ii) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to

counterparties and the loss-given default indicator in the event of insolvency; iii) Market Risk Management and Risk Automation, which monitors market and counterparty risk and is responsible for developing, coordinating, rationalizing and ensuring the consistency of IT development activities within Risk Management; iv) Asset and Liability Risk Management, which monitors liquidity and interest rate risks on the banking book; v) Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks; vi) Group Internal Validation, which defines the methodologies, processes, instruments and reporting for use in internal validation activities, and is responsible for validating the Group's risk measurement systems; vii) Wealth Risk Management, which manages risks related to the investment products and services offered to clients by the Wealth Management division; and viii) Risk Management London Branch, which is responsible for controlling risks and coordinating operations between the London front office teams and the various risk management sub-units based at Mediobanca S.p.A.

Establishment of risk appetite and process for managing relevant risks

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

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

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

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

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

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

costs at the same time. The Group's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

Financial leverage risk

The leverage ratio, which is calculated as the ratio between an entity's CET1 equity and its aggregate borrowings, measures the extent to which capital is able to cover its total exposures (including cash exposures net of any deductions from CET equity and off-balance-sheet exposures); the 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.

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

Liquidity risk

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

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

The Group's liquidity governance process is centralized at Mediobanca S.p.A. The legal entities are involved in the liquidity management process via the local

units which operate within the limits set by the guidelines issued at parent company level.

Further information on liquidity risk is shown in Section 6.

Credit risk

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

Further information on credit risk is shown in Section 7.

Counterparty risk

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

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.

With reference to the capital requirements for CVA, i.e. the intermediate market valuation adjustment for deals involving a counterparty, the Group has applied the standardized methodology provided for by Article 384 of CRR II, considering all counterparties with or without CSA agreements in place.

Further information on counterparty risk is shown in Section 9.

Operational risk

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

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

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

The processes of identifying, assessing, collecting and analysing loss data and supporting the risk mitigation activity are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies. Further information on operational risk is shown in Section 11.

Interest rate risk on the banking book

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

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. 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 the EBA Guidelines (EBA/GL/2018/02).

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

For both sensitivities, the balance-sheet items have been treated based on their contractual profile, apart from current account deposits for retail clients, which have been treated on the basis of proprietary behavioural models, and consumer credit items and mortgages which reflect the possibility of early repayment).

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.

Further information on interest rate risk is shown in Section 13.

Market risks

The capital requirement for market risk is measured using the standardized methodology (CRR, Articles 326-61). In this connection, the disclosure as at 31 December 2020 reflects a change in the calculation method compared to the previous readings: namely, the generic interest rate risk requirement is now calculated using the financial duration approach in accordance with

Article 340, as opposed to the previous financial duration approach under Article 339.

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

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

Trading exposures are monitored daily through VaR and sensitivity, to ensure that the operating limits approved to reflect the risk appetite established by the Bank for its trading book, are complied with. In the case of VaR they also serve to assess the model's resilience through back-testing. Stress tests are also carried out daily (on specific positions) and monthly (on the rest of the trading book) on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of extreme changes in market variables.

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

The reduced volatility which has affected all asset classes during the six months under review caused the risk indicators to fall, meaning that, unlike in 1H 2020, no desk recorded breaches of its stop loss limits, and no desk reported breaches of its market risk limit either.

Further information on market risk is shown in Section 14.

Other risks

As part of the process of assessing the current and future capital required for the company to perform regular banking activity (ICAAP), the Group has identified the following main types of risk as relevant (in addition to those previously described, i.e. credit and counterparty risk, market risk, interest rate risk, liquidity 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, i.e. exposure to current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);

- Risk from equity investments held as part of the "Hold to collect and sell" banking book ("HTC&S"), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTCS portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);

- Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;

- Compliance risk, attributable to the possibility of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;

— Reputational risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

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

Section 2 – Scope of application

Qualitative information

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

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

The following events in the six months should be noted:

- on 6 October 2020, the deed for the merger of Futuro S.p.A. into Compass Banca S.p.A. was formalized, effective in legal terms from 1 November 2020, and in accounting terms from 1 July 2020; the company was removed from the Companies' Register on 5 November 2020;
- also in October 2020, Mediobanca exercised a call option to increase its holding in Cairn Capital Group Limited to 75.6%;
- activities relating to the composition procedure involving Group company Prominvestment were completed on 31 December 2020; the process of formalizing the deposit of the relative documents in court is ongoing, while the winding-up process are still to be defined. Activities relating to the liquidation of CMB Wealth Management also continue.

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

Under the equity method of accounting, any difference between the investee company's net equity (including profits or losses) at the time when the acquisition

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is made are included in the book value of the investment (which is initially recognized at cost); this value is also reduced if the investment distributes dividends. The profit made or loss incurred by the investment is recorded pro rata in the consolidated profit and loss account, as are any long-term reductions or reversals in value; all the other differences are taken directly through net equity.

For purposes of supervisory reporting, equity investments consolidated line-by-line which are not included in the prudential scope of reporting are deducted from regulatory capital; as for the Group's investment in Assicurazioni Generali, which is equity-accounted, the so-called "Danish Compromise" applied. This is a temporary regime introduced by Article 471 of Regulation (EU) no. 575/2013 as amended ("CRR II", the effectiveness of which has recently been extended until 31 December 2024)([2]), that allows banks, subject to authorization from the competent authorities, to weight own funds instruments issued by insurance companies at 370%, rather than deduct them from their CET1 equity, while complying with the concentration limit set.

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

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Table 2.1 Consolidation area

	Companies names	Registered office	Banking Group	Partecipation relationship		voting rights %	Consolidation
				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	Parent company				
2.	PROMINVESTMENT S.P.A. – in liquidation and arrangement with creditors	Milan	Yes	A.1.1	100,—	100,—	Full consolidation
3.	SPAFID S.P.A	Milan	Yes	A.1.1	100,—	100,—	Full consolidation
4.	SPAFID CONNECT S.P.A.	Milan	Yes	A.1.5	100,—	100,—	Full consolidation
5.	MEDIOBANCA INNOVATION SERVICES - S.C.P.A.	Milan	Yes	A.1.1	100,—	100,—	Full consolidation
6.	CMB MONACO S.A.M.	Montecarlo	Yes	A.1.1	100,—	100,—	Full consolidation
7.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Montecarlo	Yes	A.1.6	99.9	99.9	Full consolidation
8.	CMB ASSET MANAGEMENT S.A.M.	Montecarlo	Yes	A.1.6	99.2	99.2	Full consolidation
9.	CMB WEALTH MANAGEMENT LIMITED – in liquidation	London	Yes	A.1.1	100,—	100,—	Full consolidation
10.	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	Yes	A.1.1	99,—	99,—	Full consolidation
				A.1.11	1,—	1,—	Full consolidation
11.	COMPASS BANCA S.P.A.	Milan	Yes	A.1.1	100,—	100,—	Full consolidation
12.	CHEBANCA! S.P.A.	Milan	Yes	A.1.1	100,—	100,—	Full consolidation
13.	MB CREDIT SOLUTIONS S.P.A.	Milan	Yes	A.1.11	100,—	100,—	Full consolidation
14.	SELMABIPIEMME LEASING S.P.A.	Milan	Yes	A.1.1	60,—	60,—	Full consolidation
15.	MB FUNDING LUXEMBOURG S.A.	Luxembourg	Yes	A.1.1	100, —	100, —	Full consolidation
16.	RICERCHE E STUDI S.P.A.	Milan	Not	A.1.1	100,—	100,—	Equity method
17.	MEDIOBANCA SECURITIES USA LLC	New York	Yes	A.1.1	100,—	100,—	Full consolidation
18.	MB FACTA S.P.A.	Milan	Yes	A.1.1	100,—	100,—	Full consolidation
19.	QUARZO S.R.L.	Milan	Yes	A.1.11	90,—	90,—	Full consolidation
20.	QUARZO CQS S.R.L.	Milan	Yes	A.1.11	90,—	90,—	Full consolidation
21.	MEDIOBANCA COVERED BOND S.R.L.	Milan	Yes	A.1.12	90,—	90,—	Full consolidation
22.	COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	Not	A.1.11	100,—	100,—	Equity method
23.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	Yes	A.1.10	100,—	100,—	Full consolidation
24.	CAIRN CAPITAL GROUP LIMITED	London	Yes	A.1.1	100,—*	70.9	Full consolidation
25.	CAIRN CAPITAL LIMITED	London	Yes	A.1.24	100,—	100,—	Full consolidation
26.	CAIRN CAPITAL NORTH AMERICA INC.	Stamford (USA)	Yes	A.1.24	100,—	100,—	Full consolidation
27.	CAIRN CAPITAL GUARANTEE LIMITTED (non operating)	London	Yes	A.1.24	100,—	100,—	Full consolidation
28.	CAIRN CAPITAL INVESTMENTS LIMITED (non operating)	London	Yes	A.1.24	100,—	100,—	Full consolidation
29.	CAIRN INVESTMENT MANAGERS LIMITED (non operating	London	Yes	A.1.24	100,—	100,—	Full consolidation
30.	AMPLUS FINANCE LIMITED (non operating)	London	Yes	A.1.24	100,—	100,—	Full consolidation
31.	SPAFID FAMILY OFFICE SIM S.P.A.	Milan	Yes	A.1.3	100, —	100, —	Full consolidation
32.	SPAFID TRUST S.R.L.	Milan	Yes	A.1.3	100, —	100, —	Full consolidation
33.	MEDIOBANCA MANAGEMENT COMPANY S.A.	Luxembourg	Yes	A.1.1	100, —	100, —	Full consolidation
34.	MEDIOBANCA SGR S.P.A.	Milan	Yes	A.1.1	100, —	100, —	Full consolidation
35.	RAM ACTIVE INVESTMENTS S.A.	Genevre	Yes	A.1.1	89,3 **	69, —	Full consolidation
36.	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Luxembourg	Yes	A.1.35	100, —	100, —	Full consolidation
37.	MESSIER MARIS & ASSOCIES S.C.A.	Paris	Yes	A.1.1	100,—***	66.4	Full consolidation
38.	MESSIER MARIS & ASSOCIES LLC.	New York	Yes	A.1.37	100,—***	50, —	Full consolidation
39.	MBCONTACT SOLUTIONS S.R.L.	Milan	Not	A.1.13	100, —	100, —	Equity method
40.	COMPASS RENT S.R.L.	Milan	Not	A.1.11	100, —	100, —	Equity method

* 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 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 capital 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 process.

The regulator requires Mediobanca to maintain a CET1 ratio of 7.94%, confirming the capital requirements set last year, given that no assessment was made of the institution in the 2020 SREP process, only certain comments on the current and future risk profile. The minimum requirement includes the capital conservation buffer of 2.50% and an additional Pillar 2 ("P2R") requisite of 1.25%, and only 75% of which is met by tier 1 instruments as provided by the measures recently adopted by the European Central Bank in response to the ongoing Covid-19 crisis; the Total SREP Capital Requirement (TSCR) was unchanged from last year at 11.75%.

Based on the new regulatory framework of supervisory and corporate governance rules for banks which consists of Capital Requirements Directive IV (CRD IV), Capital Requirements Regulation (CRR/CRR II) issued by the European Parliament starting from 2013 and enacted in Italy in Bank of Italy circular no. 285 as amended, the Group has applied the phase-in regime for the investment in Assicurazioni Generali, and also in order to mitigate the effect of the new accounting standards on banks' prudential ratios, for several years now (IFRS 9 first-time adoption) the Group has applied the static approach provided by Regulation (EU) 2017/2395, "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds", which updates Regulation (EU) 575/2013 ("CRR") by incorporating a new version of Article 473-*bis* "Introduction of IFRS 9", offers banks the possibility of neutralizing the effect of the increase in loan loss provisions for performing loans for a transitional period of five years, by including a decreasing amount of loan loss provisions in CET1 over that time.

For the moment the Group has decided not to take up the option to extend the phase-in regime (for another five years) to mitigate the impact on own funds of higher IFRS 9-related adjustments due to Covid-19, as well as the option to

neutralize the impact deriving from changes in the valuation reserves for sovereign debt securities and the filter for excluding certain exposures to central banks from the those used to calculate the leverage ratio.

As from 31 December 2020, the new prudential treatment for software intangibles has been applied([3]). Such assets, if amortized over three years, are weighted at 100% rather than being deducted from CET1 as previously. Also applied as from the reporting date is the financial duration method for interest rate risk used to calculate the market requirement([4]).

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves (including €1080.0m of the positive FVOCI financial assets reserves, €25.6m in government securities, and €966.9m deriving from Assicurazioni Generali being equity-accounted), plus profit for the period (€411.6m) net of the payout confirmed at 70%, as the recent update to the ECB Recommendation not to pay dividends during the Covid-19 pandemic is not at present applicable to the Mediobanca Group.

The deductions regard:

- treasury shares as to €267.1m, or 2.8% of the Bank's share capital after a total of 1.7 million treasury shares were used in connection with the award of performance shares;
- intangible assets as to €112.4m, lower than the deductions made as at 30 June 2020 (€152.4m), following the new prudential treatment and goodwill of €666.2m, in line with the deductions made at end-June 2020;
- prudential changes to the valuation of financial instruments (AVA and DVA) amounting €43.3m, down slightly from last year (€46m) and still applying the lower weighting temporarily introduced by the regulator to mitigate the effects of post-Covid volatility;[5]
- significant investments in financial companies (banking and insurance firms) as to €1,637.9m, €1,400.9m of which for the investment in Assicurazioni Generali and €138.9m for subsidiary Compass RE. The increase from last year (€1,196m) is due chiefly to the higher book value of the Assicurazioni Generali

[3] Prudential treatment in accordance with the provisions of Commission Delegated Regulation (EU) 2020/2176, published in the Official Journal of the European Union on 22 December 2020, which comes into force from the reporting for reference date 31 December 2020 (the new treatment had already been introduced in 2019 with the approval of CRR II, and was later also included in the "quick-fix" package adopted in response to the current market scenario).
[4] Following internal approval, specific notification was sent to the competent authority of the decision to abandon the expiry method.
[5] On 28 May 2020, the European Commission amended Commission Delegated Resolution (EU) no. 101/2016, setting aggregation factor "a" at 66%; at present the change is applicable until 31 December 2020.

(the deductions last year totalled €990.8m), mostly due to the increase in the valuation reserve, the change in which has no effect on the capital ratios.

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

Tier 2 capital includes subordinated liabilities, up in the six months from €1,225.1m to €1,301.6m due to the new €250m issue made on 23 November 2020, only in part offset by the amortization of other liabilities (€118.3m). No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Tier 2 also includes the buffer which results from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models. The surplus is €120.3m higher than last year as a result of performing loan hedges being recalculated using parameters adapted to the new macroeconomic scenario, the effect of the overlays and positions most exposed to Covid-related risks being prudentially reclassified to Stage 2 and Stage 3, whereas the calculated figure, equal to €70.8m, is in line with the figure reported at end-June 2020, given that the most that could be calculated was the equivalent of the regulatory limit, which is 0.6% of the amounts of the risk-weighted exposures calculated using advanced models; cf. Article 159 of the CRR.

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Quantitative information

Table 3.1 – Bank equity

	31/12/20	30/6/20
A. Common equity tier 1 (CET1) prior to application of prudential filters	10,230,549	9,691,998
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	2,206	(290)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	10,232,755	9,691,708
D. Items to be deducted from CET1	(3,988,756)	(3,523,703)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime [1]	1,628,306	1,576,980
F. Total common equity tier 1 (CET1) (C-D+/-E)	7,872,305	7,744,985
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	1,372,398	1,296,147
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(3,891)	(22)
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)	1,368,507	1,296,125
Q. Total own funds (F+L+P)	9,240,812	9,041,110

[1] This item includes adjustments deriving from application of the "Danish Compromise" and the phase-in provisions intended to mitigate the impact of the introduction of IFRS 9, and in line with Table 3.2 – Phase-in model for publication of information on own funds.

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

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31/12/20	30/6/20
1	Capital instruments and the related share premium accounts	2,639,223	2,639,223
	of which: Instrument type 1	2,639,223	2,639,223
	of which: Instrument type 2	—	—
	of which: Instrument type 3	—	—
2	Retained earnings	7,035,038	6,902,867
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) [1]	783,202	374,651
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)	40,197	42,369
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	—	—
6	Common Equity Tier 1 (CETI) capital before regulatory adjustments	10,497,660	9,959,110
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(31,731)	(33,760)
8	Intangible assets (net of related tax liability) (negative amount)	(778,683)	(818,929)
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)	(119)	(110)
11	Fair value reserves related to gains or losses on cash flow hedges	45,496	45,756
12	Negative amounts resulting from the calculation of expected loss amounts	—	—
13	Any increase in equity that results from securitised assets (negative amount)	—	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(11,559)	(12,286)
15	Defined-benefit pension fund assets (negative amount)	—	—
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(267,111)	(267,111)
17	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where those entities hace 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)	(3,087,604)	(2,633,724)
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)	(122,349)	(70,940)
23	of which: direct and indirect holdings by the institution of the CETI instruments of financial sector entities where the institution has a significant investment in those entities	(109,276)	(63,179)
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]	1,628,306	1,576,980
29	Common Equity Tier 1 (CET1) capital	7,872,305	7,744,984

[1] This item includes the deductions for significant investments without the benefit relating to the Assicurazioni Generali stake (the "Danish Compromise").
[2] This item includes the adjustments (positive) deriving from application of the Danish Compromise and the phase-in provisions to mitigate the impact of introduction of IFRS 9, in line with Table 3.1 – Bank equity.

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Table 3.2 (cont.)

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31/12/20	30/6/20
	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 synthetis 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)	7,872,305	7,744,984
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	1,301,568	1,225,145
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	70,830	71,002
51	Tier 2 (T2) capital before regulatory adjustments	1,372,398	1,296,147
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—	—
53	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)	(3,891)	(22)
56	Empty Set in the EU	—	—
57	Total regulatory adjustments to Tier 2 (T2) capital	—	—
58	Tier 2 (T2) capital	1,368,507	1,296,125
59	Total capital (TC = T1 + T2)	9,240,812	9,041,109
60	Total risk weighted assets	48,693,936	48,030,483

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Table 3.2 (cont.)

	Common Equity Tier 1 (CET1) capital: instruments and reserves	31/12/20	30/6/20
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.17%	16.13%
62	Tier 1 (as a percentage of risk exposure amount)	16.17%	16.13%
63	Total capital (as a percentage of risk exposure amount)	18.98%	18.82%
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)	3,411,993	3,365,504
65	of which: capital conservation buffer requirement	1,217,348	1,200,762
66	of which: countercyclical buffer requirement	3,417	3,371
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)	3,411,993	3,365,504
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)	740,819	692,900
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)	945,395	887,267
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)	113,103	109,002
	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)	70,830	71,002
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	70,830	71,002
	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	31/12/20	30/6/20
Share capital	460,259	460,251
Share premiums	2,197,454	2,197,454
Reserv es	6,935,901	6,340,221
Equity instruments	—	—
(Treasury shares)	(217,001)	(231,538)
Valuation reserv es:	781,127	372,257
- HTCs securities	61,565	62,778
- securities designated at Fair v alue	51,539	8,771
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign inv estment hedges	—	—
- Cash flow hedges	(44,244)	(41,493)
- Exchange rate differences	(259)	389
- Non-current assets being sold	—	—
- Actuarial profits (losses) on defined-benefit pension schemes	(10,037)	(9,530)
- Equity-accounted companies' share of v aluation reserv es	712,931	341,710
- Special rev aluation laws	9,632	9,632
- Other	—	—
Profit (loss) for the period attributable to the Group and minorities	411,634	601,429
Net equity	10,569,374	9,740,074
Div idends	(287,387)	—
Share attributable to ineligible minorities	(51,438)	(48,076)
CET1 pre-application of prudential filters, phase-in adjustments and deductions	10,230,549	9,691,997
Prudential filters[1]	(776,596)	(819,329)
Phase-in adjustments [2]	56,288	68,350
Deductions	(1,637,935)	(1,196,034)
CET1	7,872,306	7,744,984
Subordinated loans eligible as Tier 2 instruments	1,301,568	1,225,145
IRB Excess of prov isions ov er expected losses eligible	70,830	71,002
Deductions	(3,891)	(22)
Tier 2 equity	1,368,507	1,296,125
Own funds	9,240,813	9,041,109

[1] The adjustments reflect application of the phase-in provisions following the introduction of IFRS 9.

Table 3.3.2 – Prudential treatment of investments in insurance companies

The table below shows the share of the Assicurazioni Generali investment that can be weighted at 370% rather than deducted from CET1 as a result of applying the "Danish Compromise" while complying with the concentration limit set, as described in Section 2 – Scope of application.

	31/12/2020		30/6/20	
	Exposition	RWA	Exposition	RWA
Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment	**3,659,169**		**3,163,436**	
of which to be deducted	**1,400,912**		**990,760**	
of which not to be deducted	**2,258,257**	**7,385,246**	**2,172,676**	**7,156,919**
of which @370%	1,449,669	5,363,775	1,437,690	5,319,453
of which @250%	808,588	2,021,471	734,986	1,837,466

In 1H 2020-21, there was an increase of approx. €400m in the share deducted, due to the increase in the book value of the investment, which rose from €540.6m at end-June 2020 to €966.9m, with virtually no impact on the capital ratios; the weighted share remaining in line with the figure reported at 30 June 2020.

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Table 3.4 – Subordinated issues included in the regulatory capital

Security issued	ISIN	Currency	31/12/20		30/6/20	
			Nominal Value	Calculated value [1]	Nominal Value	Calculated value [1]
MB Subordinato Mar 29	XS1579416741	EUR	50,000	48,506	50,000	48,498
Mediobanca Mc Nv 30 Sub Tier2 Call Eur	XS2262077675	EUR	249,750	241,160	—	—
MB OPERA 3.75 2026	IT0005188351	EUR	299,672	291,401	299,820	291,228
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	EUR	395,201	34,674	391,365	151,501
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	EUR	499,886	459,958	500,000	490,881
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	EUR	499,580	225,870	496,617	375,223
Total Subordinated Debt Securities			**1,994,089**	**1,301,568**	**1,743,724**	**1,179,951**

[1] The calculated value differs from the book value for the fair value and amortized cost components as well as for repurchase commitments.

In November 2020, the“Mediobanca Mc Nv30 Sub Tier2 Call Eur” tier 2 subordinated bond was placed on the institutional market in an amount of €250m, with ten-year duration, callable after five years at a fixed rate of 2.3%. The bond was issued to support the capital ratios, given that the Mediobanca II Atto bond issue expired on the same date.

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Table 3.5 – Description of equity instruments

	Capital instruments main features template	CET1 instruments	Tier2					
			Tier2 IT0004720436	Tier2 IT0004917842	Tier2 IT0005127508	Tier2 XS1579416741	Tier2 IT0005188351	Tier 2 XS2262077675
1	Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2	Unique identifier	IT0000062957	IT0004720436	IT0004917842	IT0005127508	XS1579416741	IT0005188351	XS2262077675
3	Governing law (s) of the instrument	Whole instrumen - Italian law	Whole instrumen - Italian law	Whole instrumen - Italian law	Whole instrumen - Italian law	Whole instrumen - English law	Whole instrumen - Italian law	Whole instrumen - Italian law
	Regulatory treatment		–	–	–	–	–	–
4	Transitional CRR rules	*CET1*	*Tier2*	*Tier2*	*Tier2*	*Tier2*	*Tier2*	*Tier2*
5	Post-transitional CRR rules	*CET1*	*Tier2*	*Tier2*	*Tier2*	*Tier2*	*Tier2*	*Tier2*
6	Eligible at only (sub-)consolidated/ only (sub-) consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated
7	Instrument type	Share - Art.28 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital	443,617	385 Buybacks and repayment	485 Buybacks and repayment	485 Buybacks and repayment	49 Buybacks and repayment	291 Buybacks and repayment	241,160 Buybacks and repayment
9	Nominal amount of instrument	N/A	500	500	500	50	300	250,000
9a	Issue price	N/A	100	100	100	100	99	100,000
9b	Redemption price	0	100	100	100	100	99	100,000
10	Accounting classification	Equity	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	N/A	13/06/2011	18/04/2013	10/09/2015	22/03/2017	16/06/2016	23/11/2020
12	Perpetual or dated	N/A	At maturity	At maturity	At maturity	At maturity	At maturity	At maturity
13	Original maturity date	N/A	13/06/2021	18/04/2023	10/09/2025	22/03/2029	16/06/2026	23/11/2030
14	Issuer call subject to prior supervisory approval	N/A	NO	NO	NO	NO	NO	NO
15	Optional call date, contingent call dates and redemption amount	N/A	-	-		-	-	—
16	Subsequent call dates, if applicable	N/A	-	-		-	-	—
	Coupons / dividends	N/A	-	-		-	-	—
17	Fixed or floating dividend/coupon	N/A	Floating	Fixed	Fixed	Floating and then Fixed	Fixed	Fixed till reset, then Floating
18	Coupon rate and any related index	N/A	Euribor 3M + 2% p.a., min. rate 4,5% per year and max rate 7,5% per year	5,75% per year	3% per year	y1, y2, y3: fix rate 3,5%; then: Euribor 6 months + 235 bps floored @ zero	3,75% per year	2.3% then Mid Swap + 280bps
19	Existence of a dividend stopper	NO	NO	NO	NO	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory	N/A	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory	N/A	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	NO	NO	NO	NO	NO	NO
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	N/A	NO	NO	NO	NO	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	*Senior*	*Senior*	*Senior*	*Senior*	*Senior*	*Senior*
36	Non-compliant transitioned features	N/A	NO	NO	NO	NO	NO	NO

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.

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.

Quantitative information

Table 4.1- Capital

Categories/Values	Unwighted Amounts [1]		Weighted amounts/requirements	
	31/12/20	30/6/20	31/12/20	30/6/20
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	71,882,987	70,911,069	41,797,670	40,933,278
1. Standardized methodology	43,185,106	42,018,276	29,770,476	28,909,850
2. Methodology based on internal ratings	28,533,013	28,756,686	11,804,931	11,834,261
2.1 Basic	—	—	—	—
2.2 Advanced	28,533,013	28,756,686	11,804,931	11,834,261
3. Securitizations	164,869	136,107	222,263	189,167
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,343,814	3,274,662
B.2 Credit value adjustment risk			44,124	43,586
B.3 Settlement risk			—	—
B.4 Market risks			184,582	201,195
1. Standard methodology			184,582	201,195
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Operational risks			322,995	322,995
1. Basic method			322,995	322,995
2. Standardized method			—	—
3. Advanced method			—	—
B.6 Other prudential requirements			—	—
B.7 Total prudential requirements			3,895,515	3,842,439
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS				—
C.1 Risk-weighted assets			48,693,936	48,030,483
C.2 CET1/RWAs (CET1 capital ratio)			16.17%	16.13%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			16.17%	16.13%
C.4 Total capital/RWAs (total capital ratio)			18.98%	18.82%

[1] For the standardized methodology, "unweighted amounts", as define 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 - EU IFRS9-FL - Own funds, capital and leverage rations under IFRS 9/analogous ECLs transitional arrangements compared to fully loaded IFRS 9/analagous ECLs (GL EBA 2018/01)

		31/12/20	30/9/20	30/6/20	31/3/20	31/12/19
Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	7,872,306	7,630,821	7,744,985	6,456,546	6,660,542
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,796,308	7,554,803	7,652,268	6,370,497	6,574,472
3	Tier 1 capital	7,872,306	7,630,821	7,744,985	6,456,546	6,660,542
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,796,308	7,554,803	7,652,268	6,370,497	6,574,472
5	Total capital	9,240,813	8,843,794	9,041,110	7,800,002	8,072,833
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,164,815	8,767,776	8,948,392	7,713,952	7,986,763
Risk weighted assets (amounts)			-			
7	Total risk-weighted assets	48,693,936	47,519,031	48,030,483	47,222,070	47,089,213
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48,621,009	47,446,030	47,940,322	47,156,580	47,023,649
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.17%	16.06%	16.13%	13.67%	14.14%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.03%	15.92%	15.96%	13.51%	13.98%
11	Tier 1 (as a percentage of risk exposure amount)	16.17%	16.06%	16.13%	13.67%	14.14%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.03%	15.92%	15.96%	13.51%	13.98%
13	Total capital (as a percentage of risk exposure amount)	18.98%	18.61%	18.82%	16.52%	17.14%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.85%	18.48%	18.67%	16.36%	16.98%
Leverage ratio						
15	Leverage ratio total exposure measure	83,580,264	83,179,286	79,852,222	78,697,310	81,693,502
16	Leverage ratio	9.42%	9.17%	9.70%	8.20%	8.15%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.33%	9.08%	9.58%	8.09%	8.05%

As at 31 December 2020, the Group's Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 16.17%, in line with the ratio this last year (16.13%). The growth, which is attributable to the profit for the six months (€411.6m, corresponding to 85 bps), the increase in the valuation reserves (up 8 bps), the new prudential treatment for software (which added 6 bps), and application of the financial duration method for calculating the market requirements (which added 16bps), was almost entirely offset by the dividend accrual (which accounted for 60 bps, corresponding to a payout of 70%), the higher deductions in relation to the Assicurazioni Generali investment (accounting for 13 bps), and the business growth in RWAs (30 bps, 5 bps of which

for the rerating of certain corporate positions, and 10 bps relating to the Burgo exposure returning to performing status).

The Group has confirmed its dividend guidance with a payout ratio of 70%, subject to removal of the ECB recommendation in force until 30 September 2020([6]). The dividend proposal for the current financial year will therefore be formulated in good time to be submitted to the approval of shareholders at the Annual General Meeting to be held at end-October 2021.

RWAs in the six months rose from €48bn to €48.7bn, due to a higher contribution from Wholesale Banking (up €0.1bn) net of the benefit from the market requirement), Specialty Finance (up €0.6bn) and Principal Investing (up €0.2bn), only in part offset by the decrease in RWAs for Consumer Banking (which accounted for €0.3bn). The performance by the other business lines (Wealth Management and Holding Functions) was stable overall.

Similarly, the Total Capital Ratio rose from 18.82% to 18.98%.

Fully-loaded and without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €1,552.3m, including the indirect effects) and with full application of the IFRS 9 effect (which accounted for €76.0m, considering the higher deductions), the CET1 ratio was 14.51% and the total capital ratio 17.69%, also higher than the figures reported at end-June last year, which were 14.50% and 17.55% respectively.

[6] In its recommendation, the ECB says it does not consider it prudent for credit institutions to make dividends distributions or share buybacks in amounts that exceed 15% of their own cumulated profit for 2019-20 and not higher than 20 basis points of their Common Equity Tier 1 (CET1) ratio, whichever is lower.

Table 4.3 – EU OV1[1] – Overview of RWAs (GL EBA 2016/11)

			RWAs		MINIMUM CAPITAL REQUIREMENTS
			31/12/20	30/6/20	31/12/20
	1	**Credit risk (exluding CRR)**	**37,829**	**37,374**	**2,990**
Art 438(c)(d)	2	Of which the standardised approach	26,325	25,794	2,063
Art 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	—	—	—
Art 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	11,503	11,580	926
Art 438(d)	5	Of which equity IRB undr the simple risk-weighted approach of the IMA	—	—	—
Art 107, Art 438(c)(d)	6	**CCR**	**1,935**	**1,697**	**136**
Art 438(c)(d)	7	Of which mark to market	1,383	1,152	92
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	552	545	44
Art 438(e)	13	**Settlement risk**	**—**	**—**	**—**
Art 449(o)(i)	14	**Securitisation exposures in the banking book (after the cap)**	**222**	**157**	**13**
	15	Of which IRB approach	—	—	—
	16	Of which IRB supervisory formula approach (SFA)	—	—	—
	17	Of which internal assesment approach (IAA)	—	—	—
	18	Of which standardised approach	222	157	13
Art 438(e)	19	**Market risk**	**2,307**	**2,515**	**201**
	20	Of which the standardised approach	2,307	2,515	201
	21	Of which IMA	—	—	—
Art 438(e)	22	**Large exposures**			**—**
Art 438(f)	23	**Operational risk**	**4,037**	**4,037**	**323**
	24	Of which basic indicator approach	—	—	—
	25	Of which standardised approach	4,037	4,037	323
	26	Of which advanced measurement approach	—	—	—
Art 437(2), 48,60	27	**Amounts below the tresholds for deduction (subject to 250% risk weight)**	**2,363**	**2,218**	**177**
Art 500	28	**Floor adjustment**	—	—	—
	29	**Other calculation items**	**-**	**32**	**3**
	30	**TOTAL**	**48,694**	**48,030**	**3,842**

[1] It should be noted that the RWAs for exposures to specialized lending and equity instruments are treated using the standard methodology (Articles 153, Section 5 and 155, Section 2 of CRR/CRR II are not applied by the Group).

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

Business Line	31/12/20										
	Group Capital Requirements	CIB Requirements	%	WM Requirements	%	Consumer Requirements	%	PI Requirements	%	HF Requirements	%
Total requirement	**3,895,515**	**1,655,196**		**403,042**		**923,318**		**660,723**		**253,236**	
of which: Credit and Counterparty Risk	3,387,937	1,385,589	40.90%	319,299	9.42%	772,739	22.81%	660,723	19.50%	247,245	7.30%
of which: Market Risk	184,582	180,913	98.01%	3,670	1.99%	—	—	—	—	—	—
of which: Operational Risk	322,995	86,351	26.73%	80,074	24.79%	150,579	46.62%	—	—	5,991	1.85%
Regulatory Capital	**48,693,936**	**20,689,946**	**42.49%**	**5,038,025**	**10.35%**	**11,541,472**	**23.70%**	**8,259,037**	**16.96%**	**3,165,455**	**6.50%**

Business Line	30/6/20										
	Group Capital Requirements	CIB Requirements	%	WM Requirements	%	Consumer Requirements	%	PI Requirements	%	HF Requirements	%
Total requirement	**3,842,439**	**1,602,216**		**396,131**		**944,064**		**649,754**		**250,274**	
of which: Credit and Counterparty Risk	3,318,248	1,317,406	39.70%	313,320	9.44%	793,485	23.91%	649,754	19.58%	244,283	7.36%
of which: Market Risk	201,195	198,459	98.64%	2,737	1.36%	—	—	—	—	—	—
of which: Operational Risk	322,995	86,351	26.73%	80,074	24.79%	150,579	46.62%	—	—	5,991	1.85%
Regulatory Capital	**48,030,483**	**20,027,700**	**41.70%**	**4,951,631**	**10.31%**	**11,800,798**	**24.57%**	**8,121,925**	**16.91%**	**3,128,429**	**6.51%**

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

Row	Description	31/12/2020	30/6/20
010	Total risk exposure amount	48.693.936	48,030,483
020	Specific countercyclical ratio of the institution	0.01%	0.01%
030	Specific countercyclical capital buffer requirement of the instit	3.405	3,371

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Table 4.6 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	31/12/2020	Generic credit exposures		Exposure in the trading book		Exposure to securitisation		Own fund requirements				Weighting factors of own funds requirements	Countercyclical ratio
		Exposure value according to the SA approach	Exposure value according to the IRB approach	Sum of the long and short position of the trading book	Exposure value in the trading book according to the internal models	Exposure value according to the SA approach	Exposure value according to the IRB approcach	Of which: Generic credit exposures	Of which: Exposures in the trading book	Of which: Exposures to securitisations	Total		
010	**Geographical breakdown**												
	Italy	22,323,679	18,885,034	671,254	—	164,869	—	2,453,689	13,760	17,781	2,485,229	74.5%	0.0%
	Abu Dhabi	7,240	6,000	—	—	—	—	736	—	—	736	0.0%	0.0%
	Australia	1,695	—	—	—	—	—	131	—	—	131	0.0%	0.0%
	Austria	3,184	50,349	—	—	—	—	805	—	—	805	0.0%	0.0%
	Belgium	21,175	63,505	46,100	—	—	—	5,339	5,523	—	10,862	0.3%	0.0%
	Bulgaria	52	411	—	—	—	—	4	—	—	4	0.0%	0.5%
	Canada	8,994	64,650	—	—	—	—	4,680	—	—	4,680	0.1%	0.0%
	China	10,880	117	—	—	—	—	871	—	—	871	0.0%	0.0%
	Denmark	258	7,115	—	—	—	—	301	—	—	301	0.0%	0.0%
	Ethiopia	197	—	—	—	—	—	12	—	—	12	0.0%	0.0%
	Finland	444	29,058	—	—	—	—	1,070	—	—	1,070	0.0%	0.0%
	France	525,578	1,882,232	494,740	—	—	—	111,012	11,853	—	122,864	3.7%	0.0%
	Germany	280,396	1,120,254	386,931	—	—	—	66,107	19,725	—	85,832	2.6%	0.0%
	Japan	430	67	—	—	—	—	34	—	—	34	0.0%	0.0%
	Greece	7,068	—	—	—	—	—	538	—	—	538	0.0%	0.0%
	Hong Kong	2,357	434	—	—	—	—	197	—	—	197	0.0%	1.0%
	Ireland	304,090	210,639	1,042,064	—	—	—	36,800	82,775	—	119,575	3.6%	0.0%
	Iceland	—	48	—	—	—	—	—	—	—	—	0.0%	0.0%
	Cayman Islands	51,802	—	766	—	—	—	12,683	61	—	12,744	0.4%	0.0%
	British Virgin Islands	40,169	61,133	-	—	—	—	4,291	—	—	4,291	0.1%	0.0%
	Liechtestein	—	12,530	—	—	—	—	557	—	—	557	0.0%	0.0%
	Luxembourg	364,088	1,059,042	139,679	—	—	—	86,344	11,207	—	97,551	2.9%	0.5%
	Mexico	57,961	34,654	—	—	—	—	4,504	—	—	4,504	0.1%	0.0%
	Norway	779	298	7	—	—	—	71	—	—	71	0.0%	1.0%
	Netherlands	16,838	817,254	36,313	—	—	—	45,886	2,582	—	48,467	1.5%	0.0%
	Portugal	4,926	196,055	—	—	—	—	9,316	—	—	9,316	0.3%	0.0%
	Monaco, Principality of	628,792	76,468	10	—	—	—	33,645	1	—	33,645	1.0%	0.0%
	United Kingdom	201,553	838,029	271,479	—	—	—	71,682	18,584	—	90,266	2.7%	0.0%
	Czech Republic	4,195	59,164	—	—	—	—	2,284	—	—	2,284	0.1%	0.5%
	Romania	65,030	57	—	—	—	—	5,202	—	—	5,202	0.2%	0.0%
	Russia	40,210	186	—	—	—	—	2,610	—	—	2,610	0.1%	0.0%
	Singapore	120	155,099	—	—	—	—	3,028	—	—	3,028	0.1%	0.0%
	Spain	261,307	1,112,814	424,721	—	—	—	53,892	596	—	54,488	1.6%	0.0%
	Sweden	14,553	35,158	—	—	—	—	2,052	—	—	2,052	0.1%	0.0%
	Switzerland	64,064	158,702	174,687	—	—	—	12,258	5,799	—	18,057	0.5%	0.0%
	Turkey	50,269	17,908	—	—	—	—	5,162	—	—	5,162	0.2%	0.0%
	U.S.A.	299,952	1,120,655	55,948	—	—	—	80,935	3,474	—	84,409	2.5%	0.0%
	Other Countries	236,404	145,199	20,714	—	—	—	19,555	1,657	—	21,212	0.6%	0.0%
020	**Total**	**25,725,078**	**28,262,721**	**3,765,414**	**—**	**164,869**	**—**	**3,138,282**	**177,595**	**17,781**	**3,333,659**	**100.0%**	

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.

Quantitative information

The table below shows the readings for the Mediobanca Group leverage ratio as at 31 December 2020, 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, and without application of the filter recently introduced by the regulator on a temporary basis to, excluding certain exposures to central banks from those used to calculate the ratio.

Table 5.1 – LRCom – Leverage ratio common disclosure

	On-balance-sheet exposures (excluding derivatives and SFTs)	31/12/20	30/6/20
1	On-balance-sheet items (excluding deriv ativ es, SFTs and fiduciary assets, but including collateral)	74,276,701	71,911,237
2	Asset amounts deducted in determining Basel III Tier 1 capital - phase-in regime	(1,637,935)	(1,196,034)
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**72,638,766**	**70,715,203**
	Derivative exposures		
4	Replacement cost associated with all deriv ativ es transactions (i.e. net of eligible cash v ariation margin)	1,267,657	1,370,281
5	Add-on amount for PFE associated with all deriv ativ es transactions (mark-to-market method)	1,804,029	1,467,343
EU-5a	Exposure determined under Original Exposure Method	—	—
6	Gross-up for deriv ativ es collateral prov ided where deducted from the balance sheet assets pursuant to the operativ e accounting framework	—	—
7	(Deduction of receiv ables assets for cash v ariation margin prov ided in deriv ativ es transactions)	(334,814)	(454,107)
8	(Exempted CCP leg of client-cleared trade exposures)	—	—
9	Adjusted effectiv e notional amount of written credit deriv ativ es	—	—
10	(Adjusted effectiv e notional offsets and add-on deductions for written credit deriv ativ es)	—	—
11	**Total derivative exposures (sum of lines 4 to 10)**	**2,736,872**	**2,383,518**
	Securities financing transaction exposures (SFTs)		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,918,001	3,433,562
13	(Netted amounts of cash payables and cash receiv ables of gross SFT assets)	(2,400,040)	(2,088,808)
14	CCR exposure for SFT assets	2,308,099	1,264,341
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)**	**3,826,060**	**2,609,095**
	Other off-balance-sheet exposures		
17	Off-balance-sheet exposure at gross notional amount	9,899,846	9,506,658
18	(Adjustments for conv ersion to credit equiv alent amounts)	(5,521,281)	(5,362,259)
19	**Off-balance-sheet items (sum of lines 17 and 18)**	**4,378,565**	**4,144,399**
	(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**	**7,872,821**	**7,744,985**
21	**Total exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**83,580,264**	**79,852,214**
	Leverage ratio		
22	**Basel III leverage ratio**	**9.42%**	**9.70%**
	Choice of transitional arrangements and amount of derecognized fiduciary items		
EU-23	Choice of transitional arrangements for definition of capital measure	Tier 1 capital with Danish Compromise and transitional arrangements for IFRS9	Tier 1 capital with Danish Compromise and transitional arrangements for IFRS9
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 2020, calculated in accordance with the provisions of Commission Delegated Regulation 62/2015, and those for defining the measurement of capital (Tier 1 capital with Danish Compromise), was 9.42%, without the benefit of the temporary possibility granted by the regulator to exclude reserves held with central banks from the exposures. The slight reduction compared to end-June 2020 was due to the increase in exposures, in particular to the growth in secured financing transactions and the higher volumes in factoring, against a slight increase in factoring.

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

	Summary comparison of accounting assets vs leverage ratio exposure	31/12/20	30/6/20
1	Total consolidated assets as per published financial statements	83,335,053	78,949,665
2	Adjustment for investments that are consolidated for accounting purposes but outside the scope of regulatory consolidation *	58,187	74,163
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	(1,515,802)	(1,294,874)
5	Adjustment for securities financing transactions (SFTs)	(1,037,805)	(825,105)
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	4,378,565	4,144,399
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 **	(1,637,935)	(1,196,034)
8	**Leverage ratio exposure**	**83,580,264**	**79,852,214**

* The difference in scope is mainly attributable to Compass RE, which is not included in the Banking Group scope.
** “Other exposures” includes the amounts in respect of the assets deducted from calculation of Tier 1 equity under the Danish Compromise.

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

		CRR leverage ratio exposures 31/12/20	CRR leverage ratio exposures 30/6/20
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	72,638,766	70,715,203
EU-2	Trading book exposures	7,769,817	5,863,695
EU-3	Banking book exposures, of which:	64,868,949	64,851,508
EU-4	Covered bonds	221,261	247,914
EU-5	Exposures treated as sovereigns	7,932,525	8,859,508
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	65,557	53,332
EU-7	Institutions	4,226,280	3,820,706
EU-8	Secured by mortgages of immovable properties	11,478,858	10,853,173
EU-9	Retail exposures	13,732,968	13,948,887
EU-10	Corporate	20,900,014	19,962,253
EU-11	Exposures in default	835,929	847,674
EU-12	Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	5,475,556	6,258,062

Section 6 – Liquidity Risk

Qualitative information

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

- The current or potential risk of the entity not being able to manage its own liquidity needs effectively in the short term ("liquidity risk");
- The risk of the Bank not having stable sources of financing in the medium or long term, meaning it is unable to meet its financial requirements without incurring an excessive increase in the cost of financing ("funding risk").

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. The liquidity and funding risk management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position which is sufficient to cope with a period of severe stress (combining Bank-specific and systemic stress factors) lasting three months.

The Group Liquidity Risk Management Policy (the "Policy") approved by the Board of Directors of Mediobanca S.p.A. sets the objective of having an adequate level of highly liquid assets to cover the cash flows to be maintained The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics in use, the guidelines for carrying out the stress testing process, the funds transfer pricing system, and the contingency funding plan.

The Policy assigns various important duties to the Board of Directors, including:

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

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

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

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

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

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

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

— the Bank is require to maintain a sufficient amount of liquid instruments over time, in accordance with the liquidity risk tolerance threshold set at Group level, which can never be lower than the level set by the regulator;

— a contingency funding plan is defined clearly and accurately, outlining the strategies for intervening in order to raise sources of finance in the event of liquidity tensions;

— commercial, credit and financial policies are co-ordinated in order to maintain a balanced structural liquidity profile at Group level, taking multiple risk elements into account;

— the funds transfer pricing system is established by a unit which is separate from the business teams, and reflects the cost/benefit of liquidity via a consolidated framework.

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 via the local units which operate within the limits set by the guidelines issued at parent company level.

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

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

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

The Group's objective is to maintain a level of liquidity that will allow it to meet the payment obligations it has undertaken, ordinary and extraordinary, at the established maturities, while at the same time keeping the costs involved to a minimum and hence without incurring non-recurring losses.

The Mediobanca Group short-term liquidity policy is intended ensure that the mismatch between cash inflows and outflows, expected and not expected, remains sustainable in the short term, even over an intra-day time horizon.

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

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

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

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months, with an early warning system if the limit is approached.

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

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

In accordance with the Policy, the Group calculates and monitors the LCR (Liquidity Coverage Ratio), ALMM (Additional Liquidity Monitoring Metrics) and NSFR (Net Stable Funding Ratio) regulatory indicators. Throughout the twelve months both the LCR and the NSFR, which form part of the Group's Risk Appetite Framework, at all times remained above the regulatory limits set.

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

In addition to ensuring a balanced funding structure in view of the planned fund applications, the Group Funding Plan serves to assess the capacity for accessing capital markets and to define a cost of funding optimization strategy.

Alongside the previous indicators, an event governance model has also been provided known as the Contingency Funding Plan (described in the Policy) to be implemented in the event of a crisis by following a procedure approved by the Board of Directors.

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

In order to identify a "contingency" state in timely manner, a system of early warning indicators (EWIs) has been prepared, to monitor situations that could lead to deterioration in the Group's liquidity position deriving from external factors and/or from situations which are specific to the Banking Group itself.

To summarize, the liquidity risk mitigation factors adopted by the Mediobanca Group are as follows:

- an adequate level of high-quality, highly liquid assets to offset any mismatches, extended or otherwise;
- precise short-term and long-term liquidity planning, alongside careful estimating and monitoring activity;
- a robust stress testing framework which is updated regularly;
- an efficient contingency funding plan to identify crisis states and the actions to be taken in such circumstances, through a reliable pre-alarm indicator system.

In October 2020, the governing bodies of the Mediobanca Group approved the Liquidity Adequacy Statement (LAS), as part of the ILAAP. In the LAS the Group states, following a self-assessment process, the degree of adequacy of its liquidity risk management and liquidity position. In the self-assessment, the Mediobanca Group expressed a high level of confidence in the liquidity management process implemented, considering it to be adequate to govern the Group in implementing the business model adopted, and also in the event of adverse scenarios occurring. The governing bodies also expressed a high degree of satisfaction in its assessment of the liquidity profile assumed. Based on qualitative and quantitative analysis, the competent authority has been informed

that the current and future liquidity position is consistent with the strategies and risk tolerance established by the governing bodies.

Misalignment of currencies in calculating the Liquidity Coverage Ratio

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

Exposures in derivatives and potential requests for collateral

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

Concentration of liquidity and funding sources

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

During the six months under review, issues totalling €1.4bn were placed, €250m of which subordinated, against redemptions and buybacks totalling €1.1bn. Recourse to the ECB's T-LTRO programme increased to €6.2bn, in view of the especially favourable terms introduced post-Covid.

Quantitative information

Table 6.1 EU LIQ1 - Liquidity Coverage Ratio (LCR) disclosure template and additional information (GL EBA 2017/01)

The table below shows the quantitative information regarding the Group's Liquidity Coverage Ratio (LCR), measured in accordance with the European regulations (CRR and CRD IV) required to be reported monthly to the competent authority (this indicator includes the prudential estimate of "additional liquidity outflows for other products and services" as required by Article 23 of Commission Delegated Regulation (EU) 2015/61). The data shown are calculated as the simple average of the month-end readings recorded in the twelve months prior to the end of each quarter.

MEDIOBANCA

Scope of consolidation (solo/consolidated) Currency and units (Euro milion)	Unweighted amounts				Weighted amounts		
Quarter ending on	31/3/2020	30/6/2020	30/9/2020	31/12/2020	31/3/2020	30/6/2020	30/9/2020
Number of data points used in the calculation of averages	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS							
Total high-quality liquid					**5,972**	**6,076**	**6,076**
CASH – OUTFLOWS							
Retail deposits and deposits from small business customers, of which:	**17,259**	**17,379**	**17,603**	**18,036**	**1,371**	**1,373**	**1,373**
Stable deposits	10,838	10,950	11,117	11,339	542	548	548
Less stable deposits	6,421	6,421	6,469	6,670	829	825	825
Unsecured wholesale funding	**4,838**	**4,917**	**5,028**	**5,175**	**3,028**	**3,048**	**3,048**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	30	-	-	-	6	-	-
Non -operational deposits (all counterparties)	4,330	4,473	4,641	4,737	2,544	2,604	2,604
Unsecured debt	478	445	387	438	478	445	444
Secured wholesale funding					**1,212**	**1,029**	**1,029**
Additional requirements	**6,594**	**6,552**	**6,684**	**6,834**	**1,604**	**1,588**	**1,588**
Outflows related to derivative exposures and other collateral requirements	360	377	400	414	294	306	306
Outflows related to loss of funding on debt products	—	—	—	—	—	—	—
Credit and liquidity facilities	6,234	6,175	6,284	6,420	1,309	1,281	1,281
Other contractual funding obligations	**2,167**	**1,985**	**1,720**	**1,528**	**542**	**417**	**417**
Other contingent funding obligations	**2,329**	**2,582**	**2,812**	**2,972**	**262**	**229**	**229**
TOTAL CASH OUTFLOWS					**8,019**	**7,684**	**7,684**
CASH – INFLOWS							
Secured lending (e . g . reverse repos)	**2,799**	**3,867**	**2,294**	**2,799**	**767**	**1,194**	**807**
Inflows from fully performing exposures	**1,472**	**1,513**	**1,518**	**1,543**	**1,047**	**1,105**	**1,126**
Other cash inflows	**2,371**	**2,230**	**2,075**	**1,715**	**1,688**	**1,541**	**1,374**
(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)					**—**	**—**	**—**
(Excess inflows from a related specialised credit institution)					**—**	**—**	**—**
TOTAL CASH INFLOWS	**6,642**	**7,610**	**5,887**	**6,057**	**3,502**	**3,840**	**3,306**
Fully exempt inflows	—	—	—	—	—	—	—
Inflows subject to 90% cap	—	—	—	—	—	—	—
Inflows subject to 75% cap	8,961	8,003	6,872	6,019	4,269	3,948	3,578
LIQUIDITY BUFFER					**5,972**	**6,076**	**6,576**
TOTAL NET CASH OUTFLOWS					**3,750**	**3,837**	**4,124**
LIQUIDITY COVERAGE RATIO (%) [1]					**159%**	**158%**	**159%**

* Simple average of month-end readings recorded in twelve months prior to end of each quarter.

The point-in-time reading for the LCR as at 31 December 2020 was 155%, compared with a regulatory minimum of 100%. The ratio reflects a sufficient level of highly liquid assets concentrated in Level 1 assets issued by sovereign entities.

Table 6.2 Liquidity reserves

Scope of consolidation (consolidated) Currency and units (Euro milion)	Unencumbered (net of haircut)	
	31/12/20	30/6/20
Group liquidity Reserves	**10,600**	**13,324**
HQLA Liquidity Reserves	**6,310**	**7,513**
Cash and Deposits held with Central Banks (HQLA)	2,467	3,809
Highly liquid securities (HQLA)	3,842	3,704
of which:		
Level 1	*3,827*	*3,656*
Level 2	*15*	*48*
Other eligible reserves	**4,290**	**5,811**

As at 31 December 2020, the counterbalancing capacity stood at €10.6bn, €8.13bn in the form of bonds exchangeable for cash from the ECB; the balance of liquidity reserves established at the European Central Bank amounted to approx. €10.4bn, some €4.3bn of which in the form of cash not used.

The reduction since end-June 2020 reflects both the increased recourse to the T-LTRO programme, and the reduction in the collateral generated internally (ABS auto-retained and mortgage loans). In particular, a portion of the mortgages was removed from the balance, for use in the collateral pool for the €750m covered bond issued on 20 January 2021.

Section 7 – Credit Risk

7.1 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 level of them on the books low, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement activity, and negotiating restructuring agreements.

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

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

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

The regulations referred to above have been applied on a voluntary basis by the Group since the reports issued on 30 September 2019, after authorization was received from the ECB for the AIRB segments. Differences from the framework previously used mainly involved the 90 days past due criterion, which is now calculated using more stringent methods, and the mechanisms for exiting default status. At the first-time adoption stage, net non-performing assets increased by approx. €120m as a result of this one-off effect, more than 90% of which was attributable to Consumer Banking. However, this change did not impact materially in terms of charges taken through profit and loss, as the positions were already covered.

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

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

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

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

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

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7.1.1 Description of methodologies used to calculate loan loss provisions

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

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

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

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

Both non-performing exposures and exposures for which the difficulties recorded are still compatible with their being treated as performing may be classified as forborne. However, as described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage 1. For this reason, the minimum periods of time that an exposure can be assigned "forborne" status stipulated in the regulations in force on supervisory statistical reporting are reflected in the transition 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.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months, or until the contractual expiry date of the relevant exposure, depending on which Stage it is classified in), discounted at the effective interest rate. The expected loss is the result of the combined valuation of three scenarios (baseline, mild-positive and mild-negative), weighted according to their likelihood of occurring (50%, 25% and 25% respectively). The scenarios, determined at Group level, are revised at least once every six months. In particular, the Group sets the estimates for the baseline scenario, compiling the economic variables using an external macroeconomic model which factors in the internal expectations for interest rates.

Impact of Covid-19 pandemic

In view of the economic recovery which started in 3Q 2020, after the recession peaked in the quarter before that, and although growth rates remained in negative territory until 1Q 2021, it has been decided to limit the use of the “spline” technique, applied at the balance-sheet date at end-June 2020, to the estimates provided by the models used in the IFRS 9 methodological framework (the so-called “satellite models”). In particular, the spline has been for the PD satellite model for the wholesale portfolio, but has been maintained for the LGD satellite models for both the wholesale and mortgages segments, the projections for which would otherwise have been unduly affected by excessive volatility. In this way, compared to the results obtained in the previous six-month period, an incremental effect has been factored in as a result primarily of the increase in the one-year PD.

Furthermore, as it was felt that the consensus scenario used for the projections (which saw strong growth for the 2021-22 period) were not free from uncertainty related to the development of the crisis situation brought on by the pandemic, the model estimates used for the provisioning have been complemented by additional adjustments based on specific aspects that cannot be valued by modelling techniques.

For the corporate loan book, overlays have been added to the model estimates for the performing positions, to manage uncertainties linked to the

macroeconomic scenario, and specific uncertainties related to the possible impact of the crisis on individual counterparties. The following aspects in particular have been considered: existence of temporary contractual waivers, operations in industrial sectors considered to be most vulnerable, and a possible revision of credit risk to be assessed in view of the consolidation of the balance-sheet data impacted by the last year's crisis.

For Compass, the one-year Probability of Default indicator has been revised upwards for each rating class, with an average one-year PD more than 100 basis points higher than the output suggested by the existing modelling. The correction has involved all rating classes, but has not affected a position's classification as Stage 1, Stage 2 or Stage 3. The stress effect has also been applied to the expected loss after the first year of default (for exposures classified in Stage 2). The conservative factor has been applied in view of the well-known time lag inherent in the current modelling, which does not react promptly to the unemployment rate (which is expected to deteriorate). Conservative corrections have also been made to the coverage on non-performing positions, to ensure consistency with the current objectives of the specific Compass strategy, take account of the specific regulatory expectations in terms of hedging this portion of the portfolio, and guarantee more immediate representation of the impact of the Covid-19 crisis.

At CheBanca! internal analysis has focused attention on the mortgages which have been granted moratoria, which based on the number of insolvencies recorded by positions with moratoria that have already expired, have been deemed to require more restrictive assessment. In this case a conservative multiple has been applied to the PD parameter for performing moratoria outstanding, in order to bring forward the adjustments that would be generated if the mortgage has to transition to default, and if performing moratoria outstanding have to be reclassified from Stage 1 to Stage 2.

In the same way, at SelmaBipiemme an overlay has been applied to moratoria classified as Stage 1 until December 2020, with enhanced provisioning instead of the results suggested by the model in cases where Covid-related moratoria have been granted at the initiative of SelmaBipiemme

itself (i.e. not moratoria granted under law/ABI) and those granted to clients operating in sectors particularly affected by the pandemic.

In factoring, a correction has been made for large corporate counterparties operating in the sectors most impacted by the pandemic crisis and for non-performing retail counterparties for which lower recoveries than those suggested by the current modelling may be assumed.

No other corrections have been made for the other business segments.

7.1.2 Details by business segment

Corporate activity

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

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures.

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

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

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

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

Provisions are calculated individually for non-performing items and based on PD and LGD indicators for the performing portfolio. For individual provisioning, valuations based on discounted cash flows and balance-sheet multiples are applied to businesses which constitute going concerns, while asset valuations are used for companies in liquidation. For provisioning in respect of performing loans, the PD parameters are obtained starting from through-the-cycle matrices used to develop the internal rating model, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the internal scenarios defined to the PD estimates. LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed.

At end-June 2020, in order to limit the impact of the risk factors' excessive volatility, a further requirement was added to main criterion for positions to be reclassified as Stage 2 (i.e. an observed increase in the Probability of Default), namely the internal rating having to have been downgraded by at least two notches compared to the original rating. Provision was also made for the Group

Chief Risk Officer or the Lending and Underwriting Committee to revise the classification. Without prejudice to such discretionary powers for management of individual counterparties, which remain in force, at end-December 2020 the downgrade requirement was revised to make it more conservative, with only a one notch downgrade required for risk positions rated BB- or lower. This change allows the significant increase in credit risk in relation to the Covid-19 emergency to be captured, not least because the entire loan book has been reviewed on the basis of individual analysis.

Leasing

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

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

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

The quantification of provisions for non-performing accounts requires individual analysis to establish the estimated loss, taking into account inter alia the value of the assets resulting from regularly updated expert valuations, revised downwards on a prudential basis, and/or any other form of collateral. Scenarios for sales strategies are also factored in. The portfolio of performing accounts is measured on the basis of internal PD and LGD parameters. To define the PD parameters, through-the-cycle transition matrices for the management models based on internal data are used, which are then converted to point-in-time versions. The

forward-looking component is factored in by applying the internal scenarios defined to the PD estimates. The LGD estimates for the exposures differ according to type of product (vehicle leasing, core goods, yachts and property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

In terms of criteria for reclassification of leases to Stage 2, the evidence obtained from the parent company's watchlist for corporate clients is used as qualitative information. Contracts which were already showing signs of weakness when the moratoria were granted are also classified as Stage 2; such signs include amounts overdue by more than the regulatory threshold, having been past due for 30 consecutive days in at least one of the previous twelve months, having already been classified as Stage 2 or Stage 3, and/or having been included in the watchlist (classified as Red or Amber).

Consumer credit

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

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

procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

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

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

Positions for which moratoria have been granted in connection with Covid-19 form an exception to the general rule whereby the existence of suspension measures would automatically lead to a position being classified as Stage 2. For such positions, the automatism does not apply but they can be placed in Stage 2 based on the general change in the PD criteria applied to all exposures that have undergone a change in their rating compared to origination.

Factoring

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

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

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

NPL business

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

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

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

Private banking

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

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

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

Provisioning for all non-performing contracts is made on an individual basis, and takes into account the value of the collateral. Provisions set aside in respect of the performing loan book are based on the estimated PD and LGD values distinguished by counterparty and whether or not there are guarantees. The LGD values used differ according on the type of collateral and guarantees involved. The evidence obtained from the parent company's watchlist for corporate clients

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is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "amber" or "red".

Mortgage lending

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

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

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

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

Exposures for which concessions have been granted are defined as forborne exposures, i.e. exposures subject to tolerance measures, performing or non-

performing for which 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. A qualitative criterion is used for classification of mortgages to Stage 2, consisting of assignation of the worst internal rating class before default.

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

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

For performing loans which still have active moratoria, a specific PD multiple has also been introduced, in view of the increased risk expected for this segment.

7.1.3 Exposure to sovereign credit risk

The securities portfolio chiefly consists of financial instruments with Italy country risk worth €3.4bn, 93% of the total, with an average maturity of approx. 3.5 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.

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Quantitative information

Table 7.1.1 – Credit and counterparty risk: exposures by portfolio – standard method

Portfolios	Amounts as at 31/12/20				
	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 ban	7,851,302	8,385,451	8,367,879	—	—
Exposures to or guaranteed by regional entities	3,182	3,182	3,182	—	—
Exposures to or guaranteed by non-profit-making or public-sector entiti	63,023	63,023	63,012	—	—
Exposures to or guaranteed by multilateral development banks	—	—	—	—	—
Exposures to or guaranteed by international organizations	83,370	83,370	83,370	—	—
Exposures to or guaranteed by regulated intermediaries	17,957,408	7,835,298	7,767,428	9,904,347	473,593
Exposures to or guaranteed by companies	10,778,905	6,691,784	6,094,013	4,079,683	253,387
Retail exposures	15,556,730	15,059,057	13,624,541	336,108	161,565
Exposures guaranteed by properties	1,049,580	1,039,535	1,034,374	164	9,882
Overdue exposures	837,777	833,080	832,646	2,207	2,490
High-risk exposures	258,082	258,082	258,082	—	—
Exposures in the form of guaranteed bank debt securities	221,261	221,261	221,261	—	—
Short-term exposures to companies	—	—	—	—	—
Exposures to OICRs	321,112	321,112	321,112	—	—
Exposures to equity instruments	2,788,859	2,788,859	2,788,859	—	—
Other exposures	1,725,364	1,725,364	1,725,347	—	—
Total cash risk assets	40,674,731	38,100,825	38,100,825	2,338,776	882,952
Total guarantees issued and commitments to disburse funds	4,928,448	2,856,925	733,572	2,093,226	17,965
Total derivatives contracts	2,035,280	1,700,466	1,700,466	334,814	—
Total SFTs and trades with long-term settlement	11,857,497	2,650,242	2,650,242	9,555,693	—
Total	**59,495,955**	**45,308,458**	**43,185,106**	**14,322,508**	**900,917**

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 adjustments and risk mitigation techniques and gross of the Credit Conversion Factor for off-balance-sheet exposures.
3 The value of the exposure is equal to the original gross exposure net of adjustments, risk mitigation techniques and the Credit Conversion Factor for off-balance-sheet exposures.

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

Portfolios	Amounts as at 30/06/20				
	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	8.851.051	9.188.151	9.181.278	—	—
Exposures to or guaranteed by regional entities	3.923	3.923	3.923	—	—
Exposures to or guaranteed by non-profit-making or public-sector entities	54.402	54.402	54.394	—	—
Exposures to or guaranteed by multilateral development banks	—	—	—	—	—
Exposures to or guaranteed by international organizations	83.513	83.513	83.513	—	—
Exposures to or guaranteed by regulated intermediaries	13.717.558	6.063.036	6.034.421	7.469.418	413.414
Exposures to or guaranteed by companies	10.116.982	6.872.132	5.660.764	3.270.445	150.696
Retail exposures	15.753.996	15.303.177	13.909.690	327.685	123.135
Exposures guaranteed by properties	863.711	855.672	855.672	175	7.863
Overdue exposures	851.541	846.220	845.857	1.881	3.440
High-risk exposures	304.468	300.367	300.367	4.102	—
Exposures in the form of guaranteed bank debt securities	247.914	247.914	247.914	—	—
Short-term exposures to companies	—	—	—	—	—
Exposures to OICRs	308.275	308.275	308.275	—	—
Exposures to equity instruments	2.596.221	2.596.221	2.596.221	—	—
Other exposures	1.936.025	1.936.025	1.935.988	—	—
Total cash risk assets	40.019.281	38.373.802	38.373.802	1.361.139	686.451
Total guarantees issued and commitments to disburse funds	4.777.525	3.382.753	742.002	1.400.675	12.096
Total derivatives contracts	1.745.868	1.291.761	1.291.761	454.107	—
Total SFTs and trades with long-term settlement	9.146.905	1.610.711	1.610.711	7.857.785	—
Grand Total	**55.689.579**	**44.659.028**	**42.018.276**	**11.073.706**	**698.547**

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Table 7.1.2 – CR4 – Credit risk: exposures by portfolio – standard method (EBA GL 2016/11)

	Amounts as at 31/12/20					
	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	7,849,156	—	8,348,162	17,571	121	0
Regional government or local authorities	3,182	—	3,182	—	636	20%
Public-sector entities	62,375	20	62,375	9	27,356	44%
Multilateral development banks	—	—	—	—	—	—
International organizations	83,370	—	83,370	—	—	—
Regulated intermediaries	4,239,472	1,579,197	3,534,563	98,326	1,438,635	40%
Companies	7,546,145	1,481,497	5,464,808	415,810	5,550,777	94%
Retail	13,732,968	1,823,762	13,459,997	164,544	9,452,870	69%
Secured by mortgages on immovable property	1,043,130	6,450	1,033,084	1,290	389,078	38%
Exposures in default	835,320	2,458	831,671	975	1,065,876	128%
Exposures associated with particularly high risk	224,029	34,054	224,029	34,054	387,123	150%
Covered bonds	221,261	—	221,261	—	23,486	0
Institutions and corporates with a short-term crec	—	—	—	—	—	—
Collective investment undertakings	320,123	988	320,123	988	656,038	204%
Equity	2,788,859	—	2,788,859	—	8,121,098	291%
Other items	1,725,343	22	1,725,343	4	1,575,525	91%
Total	**40,674,731**	**4,928,448**	**38,100,825**	**733,572**	**28,688,618**	**74%**

[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 adjustments and risk mitigation techniques e the Credit Conversion Factor for off-balance-sheet exposures.

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Table 7.1.7 - Performing and non-performing exposures and related provisions. [Template 4 EBA GL/2018/10]

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
010	**Loans and advances**	**52,669,595**	**48,550,869**	**3,488,365**	**2,033,516**	**—**	**2,026,257**	**(630,501)**	**(301,632)**	**(328,869)**	**(1,043,850)**	**—**	**(1,036,591)**	**5,654**	**24,276,125**	**277,442**
020	Central banks	107,066	107,066	—	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	329,768	320,244	9,524	2,418	—	2,418	(5,969)	(1,176)	(4,793)	(461)	—	(461)	—	734	4
040	Credit institutions	3,846,087	3,846,087	—	—	—	—	(2,869)	(2,869)	—	—	—	—	—	3,191,886	—
050	Other financial corporat	6,274,225	5,564,851	86,052	13,597	—	6,338	(19,603)	(16,869)	(2,734)	(10,609)	—	(3,350)	—	3,599,487	2,474
060	Non-financial corporatio	16,658,554	15,616,202	1,035,313	409,115	—	409,115	(123,123)	(77,280)	(45,843)	(155,032)	—	(155,032)	5,654	5,211,772	154,672
070	Of which: SMEs	1,099,126	964,276	134,850	149,809	—	149,809	(13,567)	(4,222)	(9,345)	(38,402)	—	(38,402)	1,345	922,331	51,608
080	Households	25,453,895	23,096,419	2,357,476	1,608,386	—	1,608,386	(478,937)	(203,438)	(275,499)	(877,748)	—	(877,748)	—	12,272,246	120,292
090	**Debt Securities**	**7,068,913**	**7,002,223**	**13,628**	**—**	**—**	**—**	**(17,290)**	**(16,869)**	**(421)**	**—**	**—**	**—**	**—**	**—**	**—**
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	5,166,910	5,166,675	—	—	—	—	(6,549)	(6,549)	—	—	—	—	—	—	—
120	Credit institutions	875,626	875,626	—	—	—	—	(5,403)	(5,403)	—	—	—	—	—	—	—
130	Other financial corporat	721,989	655,534	13,628	—	—	—	(3,109)	(2,688)	(421)	—	—	—	—	—	—
140	Non-financial corporatio	304,388	304,388	—	—	—	—	(2,229)	(2,229)	—	—	—	—	—	—	—
150	**Off-balance sheet exposu**	**11,369,321**	**11,083,578**	**180,707**	**4,142**	**—**	**4,142**	**(21,050)**	**(17,363)**	**(3,387)**	**(219)**	**—**	**(219)**		**2,209,789**	**3,078**
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	1,489,333	1,489,333	—	—	—	—	(58)	(58)	—	—	—	—		—	—
180	Credit institutions	51,856	51,851	—	—	—	—	—	—	—	—	—	—		—	—
190	Other financial corporat	1,864,182	1,779,219	57,227	—	—	—	(3,837)	(2,791)	(1,046)	—	—	—		630,295	—
200	Non-financial corporatio	5,902,135	5,797,194	91,390	2,364	—	2,364	(12,470)	(10,578)	(1,892)	(100)	—	(100)		1,099,470	1,958
210	Households	2,061,815	1,965,981	32,090	1,778	—	1,778	(4,685)	(3,936)	(449)	(119)	—	(119)		480,024	1,120
220	**Total**	**71,107,829**	**66,636,670**	**3,682,700**	**2,037,658**	**—**	**2,030,399**	**(668,841)**	**(335,864)**	**(332,677)**	**(1,044,069)**	**—**	**(1,036,810)**	**5,654**	**26,485,914**	**280,520**

Exposures to loans and advances and debt securities include exposures not subject to impairment.

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Table 7.1.8 - Credit quality of forborne exposures [Template 1 EBA GL/2018/10]

	a	b	c	d	e	f	g	h
	Gross carrying amount of forborne exposures / Nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	**692,738**	**663,177**	**663,177**	**655,918**	**(49,523)**	**(372,236)**	**572,932**	**138,746**
Central banks	—	—	—	—	—	—	—	—
General governments	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other financial corporations	*31,227*	*7,611*	*7,611*	*352*	*(619)*	*(7,455)*	*20,056*	*156*
Non-financial corporations	*211,885*	*238,518*	*238,518*	*238,518*	*(5,760)*	*(102,001)*	*219,314*	*102,107*
Households	*449,626*	*417,048*	*417,048*	*417,048*	*(43,144)*	*(262,780)*	*333,562*	*36,483*
Debt Securities	—	—	—	—	—	—	—	—
Loan commitments given	**15,747**	—	—	—	**(314)**	—	**12,698**	—
Total	**708,485**	**663,177**	**663,177**	**655,918**	**(49,837)**	**(372,236)**	**585,630**	**138,746**

Table 7.1.9 - Credit quality of performing and non-performing exposures by past due days [Template 3 EBA GL/2018/10]

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
10	**Loans and advances**	**52,669,595**	**52,544,561**	**125,034**	**2,033,516**	**610,158**	**139,736**	**239,697**	**272,004**	**628,236**	**56,505**	**87,180**	**2,033,516**
20	Central banks	107,066	107,066	—	—	—	—	—	—	—	—	—	—
30	General governments	329,768	307,116	22,652	2,418	1,197	41	205	576	327	36	36	2,418
40	Credit institutions	3,846,087	3,846,087	—	—	—	—	—	—	—	—	—	—
50	Other financial corporations	6,274,225	6,273,358	867	13,597	259	6	95	7,273	3,803	2	2,159	13,597
60	Non-financial corporations	16,658,554	16,617,265	41,289	409,115	240,249	10,759	18,260	20,481	78,396	4,889	36,081	409,115
70	Of which SMEs	1,099,126	1,086,155	12,971	149,809	38,162	7,333	4,470	13,204	61,666	2,126	22,848	149,809
80	Households	25,453,895	25,393,669	60,226	1,608,386	368,453	128,930	221,137	243,674	545,710	51,578	48,904	1,608,386
90	**Debt Securities**	**7,068,913**	**7,068,913**	-	-	-	-	-	-	-	-	-	-
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	5,166,910	5,166,910	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	875,626	875,626	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	721,989	721,989	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	304,388	304,388	—	—	—	—	—	—	—	—	—	—
150	**Esposizioni fuori bilancio**	**11,369,321**			**4,142**								**4,142**
160	Central banks	—			—								—
170	General governments	1,489,333			—								—
180	Credit institutions	51,856			—								—
190	Other financial corporations	1,864,182			—								—
200	Non-financial corporations	5,902,135			2,364								2,364
210	Households	2,061,815			1,778								1,778
220	**Total**	**71,107,829**	**59,613,474**	**125,034**	**2,037,658**	**610,158**	**139,736**	**239,697**	**272,004**	**628,236**	**56,505**	**87,180**	**2,037,658**

Exposures to loans and advances and debt securities include exposures not subject to impairment.

Table 7.1.10 - Collateral obtained by taking possession and execution processes [Template 9 EBA GL/2018/10]

		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	76	(2)
020	Other than Property Plant and Equipment	65,898	(18,519)
030	*Residential immovable property*	—	—
040	*Commercial Immovable property*	*65,898*	*(18,519)*
050	*Movable property (auto, shipping, etc.)*	—	—
060	*Equity and debt instruments*	—	—
070	*Other*	—	—
080	**Total**	**65,974**	**(18,521)**

Table 7.1.11 - Quality of non-performing exposures by geography [Template 5 EBA GL/2018/10]

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	**On balance sheet exposures**	**70,217,100**	**2,033,516**	**2,033,516**	**64,711,875**	**(1,684,382)**		**(7,259)**
020	Italy	52,115,115	1,923,997	1,923,997	48,527,281	(1,573,457)		(7,259)
030	France	4,750,709	55,686	55,686	4,466,097	(27,012)		—
040	United Kingdom	2,240,608	215	215	1,293,666	(3,692)		—
050	Spain	1,805,297	6,001	6,001	1,717,791	(12,459)		—
060	Luxembourg	1,576,350	34	34	1,407,937	(6,479)		—
070	U.S.A.	1,556,798	647	647	1,490,184	(19,769)		—
080	Other countries	6,172,223	46,936	46,936	5,808,919	(41,514)		—
110	**Off balance sheet exposures**	**11,373,463**	**4,142**	**4,142**			**(21,269)**	
120	Italy	6,119,363	2,172	2,172			(10,363)	
130	France	1,124,966	—	—			(1,380)	
140	United Kingdom	406,888	—	—			(1,757)	
150	Spain	767,130	—	—			(1,392)	
160	Luxembourg	102,761	—	—			(386)	
170	U.S.A.	455,859	—	—			(722)	
180	Other countries	2,396,496	1,970	1,970			(5,269)	
210	**Total**	**81,590,563**	**2,037,658**	**2,037,658**	**64,711,875**	**(1,684,382)**	**(21,269)**	**(7,259)**

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Table 7.1.12 - Credit quality of loans and advances by industry [Template 6 EBA GL/2018/10]

The table below shows the gross exposures and the related value reductions accumulated on loans and advances granted to non-financial companies by industrial sector.

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	34,971	1,133	1,133	34,971	(739)	—
020	Mining and quarrying	18,306	97	97	18,306	(87)	—
030	Manufacturing	4,712,419	135,093	135,093	4,712,369	(111,522)	—
040	Electricity, gas, steam and air conditioning supply	677,239	187	187	670,250	(1,582)	—
050	Water supply	103,890	2,302	2,302	103,890	(1,657)	—
060	Construction	583,011	27,354	27,354	583,011	(13,835)	—
070	Wholesale and retail trade	1,582,531	79,633	79,633	1,582,531	(38,336)	—
080	Transport and storage	881,537	8,011	8,011	881,537	(7,029)	—
090	Accommodation and food service activities	320,439	8,267	8,267	320,439	(8,710)	—
100	Information and communication	1,379,236	12,280	12,280	1,379,236	(10,508)	—
110	Financial and insurance actvities	948,746	4,206	4,206	948,746	(9,894)	—
120	Real estate activities	1,483,195	83,944	83,944	1,483,195	(32,765)	—
130	Professional, scientific and technical activities	2,820,193	6,726	6,726	2,820,193	(26,710)	—
140	Administrative and support service activities	1,191,825	5,835	5,835	1,191,825	(9,116)	—
150	Public administration and defense, compulsory social security	4	—	—	4	—	—
160	Education	3,294	163	163	3,294	(134)	—
170	Human health services and social work activities	206,941	1,091	1,091	206,941	(2,359)	—
180	Arts, entertainment and recreation	42,463	2,239	2,239	42,463	(721)	—
190	Other services	77,429	30,554	30,554	77,429	(2,451)	—
200	**Total**	**17,067,669**	**409,115**	**409,115**	**17,060,630**	**(278,155)**	**—**

The new template 6 in EBA GL/2018/10 requires a breakdown of the category of "Non-financial companies" under the EBA ITS that govern the FinRep process. The breakdown by NACE sector is required for this category only.

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Table 7.1.13 – EU CR1-A: Credit quality of exposures by exposures class and instrument (EBA GL/2016/11)

31/12/20	a	b	c	d	e	f	g
	Gross carrying of		Specific credit risk adjustment *	General credit risk adjustment	Accumulated write-offs **	Credit risk adjustment charges ***	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	—	—	—	—	—	—	—
Institutions	—	—	—	—	—	—	—
Corporates	153,981	19,622,805	(196,726)	—	—	(20,032)	19,580,060
- Of which: Specialised lending	—	—	—	—	—	—	—
- Of which: SMEs	—	—	—	—	—	—	—
Retail	186,640	10,523,283	(122,231)	—	(261)	11,018	10,587,692
Secured by real estate property	186,640	10,523,283	(122,231)	—	(261)	11,018	10,587,692
- SMEs	—	—	—	—	—	—	—
- Non-SMEs	186,640	10,523,283	(122,231)	—	(261)	11,018	10,587,692
Qualifying revolving	—	—	—	—	—	—	—
Other retail	—	—	—	—	—	—	—
- SMEs	—	—	—	—	—	—	—
- Non-SMEs	—	—	—	—	—	—	—
Equity	—	—	—	—	—	—	—
Total IRB approach	**340,621**	**30,146,088**	**(318,957)**	**—**	**(261)**	**(9,014)**	**30,167,752**
Central governments or central banks	—	7,855,826	(6,671)	—	—	1,896	7,849,155
Regional governments or local authorities	—	3,241	(59)	—	—	5	3,182
Public sector entities	—	67,173	(4,779)	—	—	588	62,394
Multilateral development banks	—	—	—	—	—	—	—
International organisations	—	83,437	(67)	—	—	13	83,370
Institutions	—	5,826,168	(7,500)	—	—	16,071	5,818,669
Corporates	—	9,051,988	(24,347)	—	—	10,150	9,027,641
- Of which: SMEs	—	900,689	(2,342)	—	—	689	898,347
Retail	—	15,997,554	(440,823)	—	(163)	49,055	15,556,730
- Of which: SMEs	—	858,633	(12,842)	—	-	4,369	845,791
Secured by mortgages on immovable property	—	1,053,914	(4,335)	—	—	97	1,049,580
- Of which: SMEs	—	328,698	(2,234)	—	—	62	326,464
Exposures in default	1,694,923	—	(857,146)	—	(10,587)	106,692	837,777
Items associated with particularly high risk	—	258,082	-	—	—	-	258,082
Covered bonds	—	221,587	(327)	—	—	6	221,261
Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—
Collective investments undertakings	—	321,112	—	—	—	—	321,112
Equity exposures	—	2,790,260	(1,401)	—	—	87	2,788,859
Other exposures	—	1,725,364	-	—	—	782	1,725,364
Total standardised approach	**1,694,923**	**45,255,706**	**(1,347,453)**	**—**	**(10,750)**	**185,442**	**45,603,176**
Total	**2,035,544**	**75,401,794**	**(1,666,410)**	**—**	**(11,011)**	**176,428**	**75,770,928**
Of which: Loans	2,031,035	56,793,325	(1,630,354)	—	(11,011)	162,413	57,194,006
Of which: Debt securities	-	7,486,914	(15,430)	—	—	6,808	7,471,484
Of which: Off-balance-sheet exposures	4,509	11,121,555	(20,625)	—	—	7,207	11,105,438

* 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.

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Table 7.1.14- EU CR2-A: changes in the stock of general and specific credit risk (EBA GL/2016/11)

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance (1/7/20)	**1,080,206**	**—**
Increases due to amounts set aside for estimated loan losses during the period	231,831	—
Decreases due to amounts reversed for estimated loan losses during the period	(183,004)	—
Decreases due to amounts taken against accumulated credit risk adjustments	(47,944)	—
Transfers between credit risk adjustments	—	—
Impact of exchange rate differences	—	—
Business combinations, including acquisitions and disposals of subsidiaries	—	—
Other adjustments	(37,239)	—
Closing balance (31/12/20)	**1,043,850**	**—**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	442	—
Specific credit risk adjustments directly recorded to the statement of profit or loss	(1,806)	—

Table CR2-A shows the trend in loan loss provisions for the non-performing portfolio, and does not include provisioning for performing items, which were more affected by Covid-19.

Table 7.1.15 – EU CR2-B: changes in the stock of defaulted and impaired loans and debt securities (EBA GL/2016/11)

	Gross carrying value defaulted exposures
Opening balance (1/7/20)	**2,312,982**
Loans and debt securities that have defaulted or impaired since the last reporting period	304,660
Returned to non-defaulted status	(67,966)
Amounts written off	(39,949)
Other changes	(476,212)
Closing balance (31/12/20)	**2,033,515**

Exposures for which moratoria have been granted

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

- —Loans subject to legislative and non-legislative moratoria on loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- —Loans subject to forbearance measures applied as a result of the Covid-19 crisis;
- —New loans guaranteed by the state or another public entity.

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

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

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Table 7.1.16 – Information on loans and advances subject to legislative and non-legislative moratoria (Template 1 EBA GL/2020/07)

The table below shows an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/07, EBA/GL/2020/02). They include only exposures for which moratoria have been granted that have not yet expired, i.e. they do not include those that have already been paid off, for which the payment relief period has now ended.[7]

	a	b	c	d	e	f	g
	Gross carrying amount						
		Performing			Non performing		
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	**929,017**	**918,546**	**209,136**	**360,093**	**10,471**	**9,702**	**9,688**
of which: Households	**438,901**	**429,964**	**168,136**	**218,385**	**8,937**	**8,683**	**8,154**
of which: Collateralised by residential immovable property	*359,840*	*352,443*	*163,635*	*179,406*	*7,397*	*7,153*	*6,614*
of which: Non-financial corporations	**487,539**	**486,005**	**40,985**	**141,527**	**1,534**	**1,019**	**1,534**
of which: Small and Medium-sized Enterprises	*331,847*	*330,735*	*30,532*	*93,193*	*1,112*	*630*	*1,112*
of which: Collateralised by commercial immovable property	*306,406*	*305,536*	*35,970*	*96,267*	*870*	*389*	*870*

	h	i	j	k	l	m	n	o
	Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	**(30,982)**	**(27,233)**	**(8,512)**	**(23,255)**	**(3,749)**	**(3,641)**	**(3,485)**	**1,638**
of which: Households	**(19,084)**	**(15,747)**	**(6,356)**	**(14,751)**	**(3,337)**	**(3,272)**	**(3,073)**	**702**
of which: Collateralised by residential immovable property	*(10,184)*	*(7,443)*	*(5,876)*	*(7,298)*	*(2,741)*	*(2,679)*	*(2,477)*	*99*
of which: Non-financial corporations	**(11,836)**	**(11,424)**	**(2,153)**	**(8,459)**	**(412)**	**(369)**	**(412)**	**935**
of which: Small and Medium-sized Enterprises	*(8,818)*	*(8,541)*	*(1,615)*	*(6,860)*	*(277)*	*(240)*	*(277)*	*513*
of which: Collateralised by commercial immovable property	*(6,008)*	*(5,842)*	*(1,945)*	*(3,676)*	*(166)*	*(129)*	*(166)*	*870*

[7] Moratoria granted which have already expired involve almost exclusively Consumer Banking loans, for which relief of two months on average was granted.

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Moratoria currently outstanding involve loans amounting to €929m, and chiefly consist of the payment relief permitted by law. In the vast majority of cases the moratoria cover both principal amount and interest, and for more than 80% of the total portfolio involved, the residual deadline is 31 March 2021. Households make up around half the number of beneficiaries, whereas the remainder consist of non-financial companies. The majority of the moratoria granted to households involve CheBanca! mortgage loans, whereas those granted to non-financial companies involve different industrial sectors, with the highest concentration in the manufacturing industry, real estate and wholesale/retail commercial sectors. The moratoria have not resulted in any material loss of earnings.

Table 7.1.17 – Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Template 2 EBA GL/2020/07)

The table below shows a breakdown of the exposures subject to moratoria granted in accordance with the EBA Guidelines (EBA/GL/2020/02) by the expiry outstanding on the moratoria. It includes positions defined as “expired”, i.e. for those for which the payment relief period has now ended.

	a	b	c	d	e	f	g	h	i
	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	**102,466**	**2,352,557**							
Loans and advances subject to moratorium (granted)	**90,950**	**2,147,639**	**982,703**	**1,218,622**	**790,004**	**63,444**	**30,581**	**15,857**	**29,131**
of which: Households		1,532,273	383,470	1,093,372	301,479	62,173	30,261	15,857	29,131
of which: Collateralised by residential immovable property		*616,512*	*335,346*	*256,672*	*225,538*	*59,262*	*30,261*	*15,713*	*29,066*
of which: Non-financial corporations		612,615	596,675	125,076.0	485,948.0	1,271.0	320.0	—	—
of which: Small and Medium-sized Enterprises		*424,855*	*417,976*	*93,008.0*	*330,256.0*	*1,271.0*	*320.0*	—	—
of which: Collateralised by commercial immovable property		*375,789*	*361,492*	*69,383.0*	*304,934.0*	*1,152.0*	*320.0*	—	—

Moratoria in line with EBA/GL/2020/02 (legislative moratoria and category association initiatives which allow continuity in terms of classification and in particular staging) have been applied by the Group since the start of the

emergency and cover cover a loan book amounting to a total of €2.1bn. At end-December 2020, a substantial part of the exposures concerned (some €1.2bn) had already reached the end of the payment relief period. The cases involved were mainly consumer credit operations, whereby customers were allowed to suspend repayments under the terms of the Assofin initiative, in which clients requested fairly short payment holidays. The majority of the moratoria that have not yet expired (involving loans of some €929mbn) refer to legal initiatives and in any case have imminent expiry dates. Of the loans that should have resumed making repayments by 31 December 2020, 9% were granted further extensions (excluding those made by law).

It should be noted that the amounts stated in the table do not include the additional support programmes offered by CheBanca![8], SelmaBipiemme[9] and Compass[10] in an amount of approx. €526m to clients that do not meet the requisites stipulated by the "*Cura Italia*" Legislative Decree (cf. Articles 54 and 56) or the category associations (ABI and Assofin).

Table 7.1.18 – Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3 EBA GL/2020/07),

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

	a	b	c	d
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**175,588**	**—**	**139,424**	**—**
of which: Households	10,211			—
of which: Collateralised by residential immovable property	—			—
of which: Non-financial corporations	165,336	—	129,182	—
of which: Small and Medium-sized Enterprises	2,582			—
of which: Collateralised by commercial immovable property	—			—

[8] Moratoria granted to clients who for objective or subjective reasons were unable to access the moratoria granted by Consap (e.g. amounts of above €400,000, or mortgages for properties other than first homes) or by ABI under its "Famiglie - 21/04/2020" scheme (e.g. if the loans were covered by insurance policies).
[9] Moratoria granted to companies not in possession of the requisites to access the measures provided by Italian Decree Law 18/20 or by the ABI "Imprese in Ripresa 2.0" initiative affected by the Covid-2019 pandemic.
[10] Under the terms of the Assofin Covid-19 moratoria, instalments can be suspended for up to six months, although shorter durations can be agreed with the client. Suspension may involve the entire instalment or only part, at the lender's discretion.

As at end-December 2020, new loans supported by public guarantee schemes totalled approx. €176m, chiefly relating to Mediobanca S.p.A. (five deals executed with SACE backing under the "*Decreto Liquidità*" for a total amount of €153m). The other transactions supported by public guarantees are attributable to CheBanca! (€17m, granted to Italian businesses and professionals/self-employed workers under the "*Decreto liquidità*"), CMB Monaco (€3m, having received government support for a total of 12 corporate clients), and SelmaBipiemme (€3m, granted to SMEs under the terms of the "*Decreto liquidità*"). Almost all the public guarantees fall within the "over two years" category, and are chiefly offered to companies operating in the transport and storage, hotel/restaurants, manufacturing and administrative services sectors. All the exposures involved are performing, and none have been classified as forborne.

7.2 ECAIs

Qualitative information

Mediobanca uses the following external ratings assessment institutions (or "ECAIs") 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.

Quantitative information

Table 7.2.1 – Standardized methodology: risk assets

Portfolios	Amounts as at 31/12/20			Amounts as at 30/6/20		
	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	**7,851,302**	**—**	**—**	**8,851,051**	**—**	**—**
credit rating class 1	7,851,033	—	—	8,850,748	—	—
credit rating class 2	—	—	—	—	—	—
credit rating class 3	267	—	—	301	—	—
credit rating classes 4 and 5	2	—	—	2	—	—
credit rating class 6	—	—	—	—	—	—
Exposures to or guaranteed by regional entities	**3,182**	**—**	**—**	**3,923**	**—**	**—**
credit rating class 1	—	—	—	—	—	—
credit rating class 2	3,182	—	—	3,923	—	—
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	**63,023**	**—**	**—**	**54,402**	**—**	**—**
credit rating class 1	10,419	—	—	8,994	—	—
credit rating class 2	34,115	—	—	29,448	—	—
credit rating class 3	—	—	—	—	—	—
credit rating classes 4 and 5	18,489	—	—	15,960	—	—
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	**83,370**	**—**	**—**	**83,513**	**—**	**—**
Exposures to or guaranteed by regulated intermediaries	**17,957,408**	**9,904,347**	**473,593**	**13,717,558**	**7,469,418**	**413,414**
credit rating class 1	1,326,330	6,586	473,593	1,013,175	4,967	413,414
credit rating class 2	12,797,617	1,083,829	—	9,776,024	817,376	—
credit rating class 3	3,126,455	8,397,576	—	2,388,280	6,333,079	—
credit rating classes 4 and 5	670,594	416,356	—	512,263	313,997	—
credit rating class 6	36,412	—	—	27,815	—	—
Exposures to or guaranteed by companies	**10,778,905**	**4,079,683**	**253,387**	**10,116,982**	**3,270,445**	**150,696**
credit rating class 1	14,646	1,549,211	243,591	13,747	1,241,913	144,870
credit rating class 2	260,800	453,714	9,796	244,785	363,716	5,826
credit rating classes 3 and 4	10,503,458	1,901,979	—	9,858,451	1,524,706	—
credit rating classes 5 and 6	—	174,779	—	—	140,110	—
Retail exposures	**15,556,730**	**336,108**	**161,565**	**15,753,996**	**327,685**	**123,135**
Exposures guaranteed by properties	**1,049,580**	**164**	**9,882**	**863,711**	**175**	**7,863**
Overdue exposures	**837,777**	**2,207**	**2,490**	**851,541**	**1,881**	**3,440**
High-risk exposures	**258,082**	**—**	**—**	**304,468**	**—**	**4,102**
Exposures in the form of guaranteed bank debt securities	**221,261**	**—**	**—**	**247,914**	**—**	**—**
Short-term exposures to companies	**–**	**—**	**—**	**–**	**—**	**—**
Exposures to UCITs	**321,112**	**—**	**—**	**308,275**	**—**	**—**
credit rating class 1	—	—	—	—	—	—
credit rating class 2	—	—	—	—	—	—
credit rating classes 3 to 4	290,991	—	—	279,359	—	—
credit rating classes 5 to 6	30,120	—	—	28,916	—	—
Exposures to equity instruments	**2,788,859**	**–**	**–**	**2,596,221**	**–**	**–**
Other exposures	**1,725,364**	**—**	**—**	**1,936,025**	**—**	**—**
Total cash risk assets	**40,674,731**	**2,338,776**	**882,952**	**40,019,281**	**1,357,037**	**690,553**
Total guarantees issued and commitments to disburse funds	**4,928,448**	**2,093,226**	**17,965**	**4,777,525**	**1,400,675**	**12,096**

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

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Table 7.2.2 – EU CR5 – Credit risk – standardized approach (EBA GL/2016/11)

EXPOSURE CLASSES	RISK WEIGHT															Total	Of which Unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	250%	250%	370%	1250%	Others	Deducted		
Central government or central banks	8,365,492	—	—	—	—	—	237	—	—	2	—	—	—	—	—	—	8,365,731	2,720,771
Regional government or local authorities	—	—	—	—	3,182	—		—	—	—	—	—	—	—	—	—	3,182	831
Public sector entities	—	1	—	—	26,671	—	27,381	—	—	8,331	—	—	—	—	—	—	62,384	35,003
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
International organisations	83,370	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	83,370	—
Intstitutions	—	294,271	—	—	1,535,492	—	1,495,208	—	—	243,535	64,382	—	—	—	—	—	3,632,888	764,407
Corporates	39,360	12,261	—	—	166,186	—	79,677	—	45,082	5,537,409	642	—	—	—	—	—	5,880,617	4,587,285
Retail	—	—	—	—	—	1,616,353	—	—	12,008,187	—	—	—	—	—	—	—	13,624,540	13,621,842
Secured by mortgages on immovable property	—	—	—	—	—	603,400	430,974	—	—	—	—	—	—	—	—	—	1,034,374	1,034,374
Exposures in default	—	—	—	—	—	—	—	—	—	366,185	466,462	—	—	—	—	—	832,646	832,676
Higher-risk categories	—	—	—	—	—	—	—	—	—	—	258,082	—	—	—	—	—	258,082	258,082
Covered bonds	—	—	—	207,663	13,598	—	—	—	—	—	—	—	—	—	—	—	221,261	—
Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Collective investment undertakings	—	—	—	—	—	—	—	—	—	291,988	—	—	—	29,124	—	—	321,112	299,986
Equity	—	—	—	—	—	—	—	—	—	393,769	—	945,421	1,449,669	—	—	1,637,935	4,426,794	236,113
Other items	178,551	—	—	—	107,282	—	—	—	—	1,363,143	—	76,371	—	—	—	—	1,725,346	1,485,053
Total	**8,666,773**	**306,533**	—	**207,663**	**1,852,412**	**2,219,753**	**2,033,478**	—	**12,053,269**	**8,204,361**	**789,568**	**1,021,792**	**1,449,669**	**29,124**	-	**1,637,935**	**40,472,329**	**25,876,424**

7.3 Credit risk: disclosure on portfolios subject to IRB methods

Qualitative information

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

During the first half of 2020, the process of aligning the models to the new ECB guidelines and the new definition of default was begun. This process, which requires formal authorization from the competent authorities, has slowed this year as a result of the Covid-19 emergency situation, so the changes have not been factored into the calculation of the capital requirements for this reason.

As part of the Roll-Out Plan, work is continuing on revision of the models for the consumer credit and credit card portfolios, among other things incorporating the new definition of default into the models.

7.3.1 Scope of application for AIRB model

As at 31 December 2020, the following companies are using internal models:

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

7.3.2 Corporate rating model structure

The Corporate PD model has been developed based on a shadow rating approach, using external ratings assigned by ratings agencies (ECAIs) to counterparties as the target variable. 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).

7.3.3 Structure of the mortgage rating systems

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

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7.3.4 Rating system uses

The rating attribution process leads to the assignment of a probability of default (and a rating class) and of 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! has adopted, if a position shows a high risk rating in the last 12 months, the mortgage renegotiation must be assessed by a specialist unit in the Credit Monitoring and Recovery division.

Internal reporting

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

Value adjustments for impairment

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

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

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

ICAAP and Risk Appetite Framework

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

7.3.5 Control and review of the internal models

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

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

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

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

Quantitative information

Table 7.3.1 – CR6 – Credit risk exposures by class and PD scale (EBA GL/2016/11)

31/12/20		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	1,985,941	2,005,424	54%	3,488,295	0.07%	36	37.7%	2.50	721,929	21%	906	
	0.15 to <0.25	1,664,016	1,198,899	57%	2,312,572	0.17%	46	36.9%	2.50	806,717	35%	1,450	
	0.25 to <0.50	4,615,978	2,039,046	50%	5,628,190	0.39%	111	39.1%	2.50	3,162,651	56%	8,530	
	0.50 to <0.75	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	0.75 to <2.50	4,058,861	766,995	50%	4,376,797	0.99%	101	39.2%	2.50	3,675,695	84%	17,091	
	2.50 to <10.00	1,107,423	180,221	47%	1,159,704	3.12%	50	40.3%	2.50	1,429,679	123%	14,863	
	10.00 to <100.00	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	100.00 (Default)	152,020	1,961	20%	152,413	100.00%	5	51.7%	2.50	32,278	21%	75,720	
	Sub-totale	**13,584,241**	**6,192,546**	**53%**	**17,117,972**	**1.52%**	**349**	**38.7%**	**2.50**	**9,828,950**	**57%**	**118,559**	**196,726**
Retail exposures: secured by residential properties	0.00 to <0.15	7,514,384	36,237	100%	7,550,620	0.10%	63,891	29.7%	n.a.	556,094	7%	2,309	
	0.15 to <0.25	—	—	100%	—	0.00%	—	0.0%	n.a.	—	0%	—	
	0.25 to <0.50	1,392,737	8,302	100%	1,401,040	0.38%	13,334	29.9%	n.a.	286,246	20%	1,603	
	0.50 to <0.75	973,998	3,604	100%	977,602	0.67%	11,381	27.9%	n.a.	277,206	28%	1,835	
	0.75 to <2.50	—	—	100%	—	0.00%	—	0.0%	n.a.	—	0%	—	
	2.50 to <10.00	525,879	655	100%	526,534	3.97%	6,723	24.7%	n.a.	401,339	76%	5,158	
	10.00 to <100.00	67,349	138	100%	67,487	32.32%	835	25.4%	n.a.	105,480	156%	5,532	
	100.00 (Default)	186,556	84	100%	186,640	100.00%	2,147	37.9%	n.a.	48,056	26%	70,699	
	Sub-totale	**10,660,902**	**49,020**	**100%**	**10,709,922**	**2.32%**	**98,311**	**29.5%**	**n.a.**	**1,674,421**	**16%**	**87,135**	**122,231**
Total (*)		**24,245,143**	**6,241,566**	**n.a.**	**27,827,894**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**11,503,372**	**41%**	**205,695**	**318,957**

* Given the differences between the two portfolios reported using the AIRB methods, the total contains only the amount values.

The table below shows the AIRB exposures for the "Exposures to corporates - others" segment and for the "Retail exposures secured by residential properties" segment, broken down by PD bracket. The table refers to credit risk with counterparty risk excluded (reported in table 8.2.1; EU CCR4).

The table below shows the comparative data as at 30 June 2020.

30/6/20		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	1,816,573	2,061,003	57%	3,334,402	0.07%	35	37.1%	2.50	684,813	21%	862	
	0.15 to <0.25	1,457,229	1,304,263	57%	2,200,148	0.17%	38	37.6%	2.50	783,171	36%	1,408	
	0.25 to <0.50	5,630,043	1,427,699	54%	6,401,893	0.39%	114	39.4%	2.50	3,657,594	57%	9,950	
	0.50 to <0.75	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	0.75 to <2.50	3,937,226	509,928	50%	4,192,190	0.94%	94	39.2%	2.50	3,452,913	82%	16,314	
	2.50 to <10.00	916,809	97,118	57%	956,956	3.19%	47	39.5%	2.50	1,154,051	121%	11,527	
	10.00 to <100.00	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	100.00 (Default)	429,631	14,000	50%	436,631	100.00%	7	29.9%	2.50	79,875	18%	124,212	
	Sub-totale	**14,187,512**	**5,414,011**	**55%**	**17,522,220**	**3.07%**	**335**	**38.5%**	**2.50**	**9,812,416**	**56%**	**164,273**	**207,314**
Retail exposures: secured by residential properties	0.00 to <0.15	6,959,057	31,731	100%	6,990,788	0.10%	59,411	30.0%	n.a.	523,714	7%	2,178	
	0.15 to <0.25	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	0.25 to <0.50	1,401,795	8,399	100%	1,410,194	0.38%	13,328	29.7%	n.a.	286,166	20%	1,602	
	0.50 to <0.75	955,996	3,295	100%	959,291	0.67%	11,165	27.9%	n.a.	271,653	28%	1,798	
	0.75 to <2.50	—	—	0%	—	0.00%	—	0.0%	0.00	—	0%	—	
	2.50 to <10.00	597,367	969	100%	598,336	3.97%	7,466	25.3%	n.a.	466,503	78%	5,996	
	10.00 to <100.00	114,947	124	100%	115,071	32.32%	1,383	24.3%	n.a.	172,065	150%	9,024	
	100.00 (Default)	182,360	40	100%	182,400	100.00%	2,075	38.5%	n.a.	47,961	26%	70,304	
	Sub-totale	**10,211,522**	**44,559**	**100%**	**10,256,080**	**2.56%**	**94,828**	**29.5%**	**n.a.**	**1,768,063**	**17%**	**90,902**	**116,027**
Total (*)		**24,399,034**	**5,458,569**	**n.a.**	**27,778,300**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**11,580,479**	**42%**	**255,175**	**323,341**

Table 7.3.2 – PD and LGD values by geographical area

The table below shows the geographical breakdown of AIRB exposures for the "Exposures to corporates – others" segment, showing the weighted average PD and LGD values for each exposure. For the "Retail exposures secured by residential properties" portfolio, the entire exposure is versus Italy.

The table below shows only the performing exposures. The table also contains the distribution as at end-June 2020 for comparative purposes; and comparison shows that there have been no significant changes in geographical distribution since the balance-sheet date.

Geography	31/12/20			30/6/20		
	EAD	average PD	average LGD	EAD	average PD	average LGD
Italy	10,010,320	0.66%	38.1%	9,909,780	0.61%	38.1%
France	1,326,356	0.49%	39.2%	1,169,088	0.47%	39.4%
Spain	836,479	0.27%	37.8%	835,255	0.26%	37.8%
Germany	896,101	0.38%	39.8%	855,101	0.43%	40.2%
United Kingdom	585,823	1.43%	39.1%	695,314	1.33%	39.2%
Netherlands	780,180	0.77%	40.7%	1,016,138	0.65%	39.9%
Luxembourg	797,274	0.89%	40.2%	752,360	0.76%	41.3%
other European countries	808,568	0.58%	38.2%	821,611	0.56%	38.5%
U.S.A	636,299	0.34%	39.7%	615,440	0.27%	39.6%
Rest of the world	288,159	0.33%	39.6%	415,502	0.34%	39.6%

Table 7.3.3 – CR7 – Effect of credit derivatives used as part of credit risk mitigation techniques on RWAs (EBA GL/2016/11)

	a	b
	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB		
Central governments and central banks	—	—
Institutions	—	—
Corporates – SMEs	—	—
Corporates – Specialised lendingi	—	—
Corporates – Other	—	—
Exposures under AIRB		
Central governments and central banks	—	—
Institutions	—	—
Corporates – SMEs	—	—
Corporates – Specialised lending	—	—
Corporates – Other	10,130,509	10,130,509
Retail – Secured by real estate SMEs	—	—
Retail – Secured by real estate nonSMEs	1,674,421	1,674,421
Retail – Qualifying revolving	—	—
Retail – Other SMEs	—	—
Retail – Other non-SMEs	—	—
Equity IRB	—	—
Other non-credit obligation assets	—	—
Total	**11,804,931**	**11,804,931**

Table 7.3.4 – 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-September 2020 and to end-December 2020, plus a breakdown by the reasons for such changes.

The changes in RWAs are largely attributable to Mediobanca's "Other companies" portfolio. In particular, the reduction in IRB RWAs observed in September 2020 was mainly attributable to the repayment of a series of revolving credit lines requested in 2Q 2020 following the outbreak of the crisis as a result of the pandemic. By contrast, between September and December 2020 there was an increase in RWAs attributable to two factors: firstly, the deterioration in credit standing of certain counterparties whose rating was downgraded in order to take the effects of the crisis into consideration, and secondly, the Burgo position returning to performing status, which entailed an increase in RWAs of approx. €295m due to the transition from an RWA calculation model for non-performing positions to one for performing positions.

With regard to the "Mortgages" loan book, in both quarters there was a slight reduction in RWAs linked to credit quality, partly offset by an increase in the exposure; overall, in each quarter the RWAs for the mortgages loan book decreased by approx. €45m.

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

	a	b
Change in quarterly RWAs and capital requirements	RWA amounts	Capital requirements
RWAs as at the end of the previous reporting period (31 December 19)	10,881,577	870,526
Asset size	530,716	42,457
Asset quality	197,594	15,808
Model updates	—	—
Methodology and policy	—	—
Acquisitions and disposals	—	—
Foreign exchange movements	6,312	505
Other	—	—
RWAs as at the end of the reporting period (31 March 20)	11,616,199	929,296

RWAs as at the end of the previous reporting period (31 March 20)	11,616,199	929,296
Asset size	(127,900)	(10,232)
Asset quality	124,679	9,974
Model updates	—	—
Methodology and policy	—	—
Acquisitions and disposals	—	—
Foreign exchange movements	(32,499)	(2,600)
Other	—	—
RWAs as at the end of the reporting period (30 June 20)	11,580,479	926,438

Section 8 – 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 two 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 further collateral valued €32.97m as at 31 December 2020.

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

8.1 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 is used for calculating the capital requirement in respect of credit value adjustment, considering all counterparties, with or without CSA.

Quantitative information

Table 8.1.1 – Counterparty risk – real guarantees held

Counterparty risk - Real guarantees held	Amounts as at 31/12/20	Amounts as at 30/6/20
Standardized approach		
- derivatives contracts	334,814	454,107
- SFTs and trades with long-term settlement	9,555,693	7,857,785
IRB approaches		
- derivatives contracts	213,669	169,839
- SFTs and trades with long-term settlement	—	325,575

Table 8.1.2 - Counterparty risk– risk assets

Counterparty risk - EAD value	Amounts as at 31/12/20	Amounts as at 30/6/20
Standardized approach		
- derivatives contracts	1,693,238	1,291,761
- SFTs and trades with long-term settlement	2,650,242	1,610,711
IRB approaches		
- derivatives contracts	705,119	638,386
- SFTs and trades with long-term settlement	—	340,000

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8.2 - Counterparty risk –AIRB method

Table 8.2.1 – EUCCR4 – IRB: CCR exposures by portfolio and PD scale (EBA GL/2016/11)

As at 31 December 2020, Mediobanca uses the AIRB approach in counterparty risk only for the large corporate segment, in the "Exposures to corporates – Others" category. RWAs associated with counterparty risk amount to approx. 3% of the total RWAs for this regulatory segment.

31/12/20		a	b	c	d	e	f	g
AIRB exposure class	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Exposures to corporates - Others	0.00 to <0.15	59,041	0.09%	9	22.2%	2.50	8,824	15%
	0.15 to <0.25	59,578	0.17%	13	32.8%	2.50	18,459	31%
	0.25 to <0.50	471,661	0.36%	43	24.1%	2.50	164,284	35%
	0.50 to <0.75	—	—	—	—	—	—	—
	0.75 to <2.50	75,323	0.90%	26	37.3%	2.50	58,379	78%
	2.50 to <10.00	39,516	2.57%	8	45.1%	2.50	51,613	131%
	10.00 to <100.00	—	—	—	—	—	—	—
	100.00 (Default)	—	—	—	—	—	—	—
	Sub-totale	**705,119**	**0.50%**	**99**	**27.2%**	**2.50**	**301,559**	**43%**
Totale		**705,119**	**0.50%**	**99**	**27.2%**	**2.50**	**301,559**	**43%**

The table below shows the comparative data as at 30 June 2020, which show that there have been no significant changes in AIRB counterpary risk in the last six months.

30 June 2020		a	b	c	d	e	f	g
AIRB exposure class	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Exposures to corporates - Others	0.00 to <0.15	36.260	0,09%	9	29,4%	2,50	6.776	19%
	0.15 to <0.25	225.252	0,17%	13	14,2%	2,50	30.307	13%
	0.25 to <0.50	646.609	0,40%	43	18,6%	1,45	154.515	24%
	0.50 to <0.75	0,00%	0,00%	0	0,0%	0,00	0,00	0%
	0.75 to <2.50	54.740	0,86%	21	37,7%	2,50	42.247	77%
	2.50 to <10.00	15.526	2,59%	7	44,2%	2,50	19.936	128%
	10.00 to <100.00	0,00%	0,00%	0	0,0%	0,00	0,00	0%
	100.00 (Default)	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	Sub-totale	**978.386**	**0,40%**	**93**	**19,5%**	**1,80**	**253.782**	**26%**
Totale		**978.386**	**0,40%**	**93**	**19,5%**	**1,80**	**253.782**	**26%**

Section 9 – 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 2020, 71% of the guarantees received (€8.5bn) involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees; there is also €334.8m (approx. 3% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.

Quantitative information

Table 9.1 - Risk mitigation techniques: standard method

Exposures to	Amounts as at 31/12/20			Amounts as at 30/6/20		
	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	9,904,347	—	473,593	7,469,418	—	413,414
Exposures to or guaranteed by companies	4,079,683	—	253,387	3,270,445	—	150,696
Retail exposures	336,108	—	161,565	327,685	—	123,135
Exposures guaranteed by properties	164	—	9,882	175	—	7,863
Overdue exposures	2,207	—	2,490	1,881	—	3,440
High-risk exposures	—	—	—	—	4,102	—
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	**14,322,508**	**—**	**900,917**	**11,069,604**	**4,102**	**698,547**

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Table 9.2 - Risk mitigation techniques: AIRB method

Exposures to	Amount as at 31/12/20			Amount as at 30/6/20		
	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	376,550	—	150,583	755,268	—	17,833
Retail exposures secured by immovable properties: SME	—	—	—	—	—	—
Retail exposures secured by immovable properties: Physical persons	—	10,695,391	—	—	10,246,834	—
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	**376,550**	**10,695,391**	**150,583**	**755,268**	**10,246,834**	**17,833**

Table 9.3 – CR3 – Risk mitigation techniques – AIRB method (EBA GL/2016/11)

	Amount as at 31/12/20					Amount as at 30/6/20				
			Guaranteed exposures					Guaranteed exposures		
	Exposure gross of CRM - UNSECURED	Exposure gross of CRM - TO BE SECURED	from real financial guarantees	from other guarantees	from personal guarantees and credit derivatives	Exposure gross of CRM - UNSECURED	Exposure gross of CRM - TO BE SECURED	from real financial guarantees	from other guarantees	from personal guarantees and credit derivatives
Total receivables	19,139,298	313,464	162,881	—	—	18,958,811	242,020	242,020	—	—
Total debt securities	324,024	—	—	—	—	400,691	—	—	—	—
Total exposures	**19,463,322**	**313,464**	**162,881**	—	—	**19,359,503**	**242,020**	**242,020**	—	—
of which: defaulted	*153,981*	—	—	—	—	*443,631*	—	—	—	—

Section 10 – 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 on-going basis.

Qualitative information

The Group has portfolio of securities deriving from securitizations by other issuers totalling €289.7m, €208.3m of which as part of the banking book (almost all HTC recognized at amortized cost) and €81.3m as part of the trading book €52.1m of which in relation to a negative basis strategy).

The ABS market performed well in 2020, demonstrating resilience to the economic and financial crisis brought on by Covid-19, because of the secured nature of the asset class, and helped by the ECB's active presence in all European jurisdictions. It should also be noted that supply was fairly limited, creating helpful conditions for spreads. Spreads on the secondary market benefited from the economic projections being better than expected, while issues on the primary market could remain limited, coupled with the ECB's financing policy, still offer competitive instruments that can meet issuers' needs. At the same time, the government support schemes for unemployment and small businesses should maintain an acceptable level of protection for consumers, thus limiting the possibility of a sharp rise in delays in making payments and insolvencies in portfolios.

During the six months under review, senior securities in the banking book increased from €129m to €152.7m, due to the increase in positions in securities with performing loans as underlying and CLOs (from €48.3m to €81.2m, almost half of which invested in the senior tranches of Cairn CLO XII DAC recently launched by Cairn Capital), in part offset by the reduced exposure to deals with NPLs as underlying (down from €80.7m to €71.5m), the latter continue to be concentrated on domestic deals (approx. 80% of which consisting of Unicredit-Fino, Intesa-Belvedere and Prisma). The exposure to mezzanine tranches decreased from

€56.3m to €55.1m, €45.1m of which in relation to deals with performing receivables as underlying and €9.3m in CLO. The share of junior securities remains very low at €0.5m. The CLO component stands at €61.5m, only €9.3m of which mezzanine. The difference between book value (amortized cost) and fair value (obtained from the market platforms) remains low, at €238,000.

Holdings included in the trading book rose from €28.9m to €81.3m, consisting of €10.5m in senior CLOs and €70.8m in mezzanine securities, €53.7m of which in CLO tranches (€52.1m attributable to a negative basis strategy constructed by Mediobanca International in the six months, hedging against the whole credit risk through CDS with insurance counterparties of high standing rated investment grade AA-), and €17.1m in securitizations of performing receivables (Italian and German primarily).

Mediobanca also has an exposure to:

- Cairn Loan Investments LLP (CLI and CLI II), Cairn-branded CLO management companies, which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invests in the junior tranches of the CLOs they manage, with investments of €23m and €12m respectively;
- Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A. which is currently invested in four securitizations (Valentine, Berenice, Cube, Este and Sunrise) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €27m;
- Negentropy RAIF – Debt Select Fund, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca has acted as advisor; the fund as at 31 December 2020 had a soft NAV of €114.9m, with senior tranches of Italian NPLs as the underlying instrument, 44% of which consists of the initial transfer from the Belvedere deal; the investment currently stands at €78.2m;
- Mitchell & Butler Financial Guarantee: Mediobanca has subscribed to £47.5m of a financial guarantee with HSBC in order to guarantee unfunded protection for a liquidity facility in a total amount of £147.5m, issued by HSBC to Mitchell & Butler Finance PLC for the management of its own securitizations.

Quantitative information

Standardized methodology: positions held in securitizations

Table 10.1 – EU Sec1

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS		Non-STS			di cui SRT		STS	Non-STS			STS	Non-STS		
		di cui SRT		di cui SRT											
Total exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,792**	**15,640**	—	**23,432**	—	**184,904**	—	**184,904**
Retail (total)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,792**	**15,640**	—	**23,432**	—	**123,342**	—	**123,342**
residential mortgage	—	—	—	—	—	—	—	7,792	1,462	—	9,254	—	6,339	—	6,339
credit card	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
other retail exposures	—	—	—	—	—	—	—	—	14,178	—	14,178	—	117,003	—	117,003
re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wholesale (total)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**61,562**	—	**61,562**
loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
other wholesale	—	—	—	—	—	—	—	—	—	—	—	—	61,562	—	61,562
re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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Table 10.2 – EU Sec2

	a	b	c	d	e	f	g	h	i	j	k	l
	Institution acts as originator				Institution acts as sponsor				Institution acts as investor			
	Traditional		Syntheti c	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS	Non-STS			STS	Non-STS			STS	Non-STS		
Total exposures	—	—	—	—	—	—	—	—	—	**81,348**	—	**81,348**
Retail (total)	—	—	—	—	—	—	—	—	—	**17,114**	—	**17,114**
residential mortgage	—	—	—	—	—	—	—	—	—	2,299	—	2,299
credit card	—	—	—	—	—	—	—	—	—	—	—	—
other retail exposures	—	—	—	—	—	—	—	—	—	14,815	—	14,815
re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—
Wholesale (total)	—	—	—	—	—	—	—	—	—	**64,234**	—	**64,234**
loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—
commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—
lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—
other wholesale	—	—	—	—	—	—	—	—	—	64,234	—	64,234
re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—

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Table 10.3 – EU Sec3

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100%RW	>100% to <1250 RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
Total exposures	**7,792**	—	**220**	**14,612**	**829**	—	**14,213**	**8,412**	**829**	—	**22,965**	**8,915**	**10,357**	—	**1,837**	**713**	**829**
Traditional securitisation	**7,792**	—	**220**	**14,612**	**829**	—	**14,213**	**8,412**	**829**	—	**22,965**	**8,915**	**10,357**	—	**1,837**	**713**	**829**
Securitisation	**7,792**	—	**220**	**14,612**	**829**	—	**14,213**	**8,412**	**829**	—	**22,965**	**8,915**	**10,357**	—	**1,837**	**713**	**829**
Retail underlying	7,792	—	220	14,612	829	—	14,213	8,412	829	—	22,965	8,915	10,357	—	1,837	713	829
dicui: STS	7,792	—	—	—	—	—	—	7,792	—	—	—	1,169	—	—	—	94	—
Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
dicui: STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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Table 10.4 – EU Sec4

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
Total exposures	**73,404**	—	**15,826**	**52,187**	—	—	**40,197**	**101,219**	—	—	**113,395**	**66,632**	—	—	**9,072**	**5,331**	—
Traditional securitisation	**73,404**	—	**15,826**	**52,187**	—	—	**40,197**	**101,219**	—	—	**113,395**	**66,632**	—	—	**9,072**	**5,331**	—
Securitisation	**73,404**	—	**15,826**	**52,187**	—	—	**40,197**	**101,219**	—	—	**113,395**	**66,632**	—	—	**9,072**	**5,331**	—
Retail underlying	21,159	—	15,826	42,869	—	—	30,879	48,974	—	—	93,260	58,795	—	—	7,461	4,704	—
Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wholesale	52,245	—	—	9,318	—	—	9,318	52,245	—	—	20,135	7,837	—	—	1,611	627	—
Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Synthetic securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Section 11 – Operational risk

Qualitative information

The processes of identifying, assessing, collecting and analysing loss data and providing support for the mitigation activities 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

To manage operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the three-year average for the relevant indicator. Based on this method of calculation, the capital requirement as at 31 December 2020 was €323m (unchanged from end-June 2020).

The weighting for the Group's different Basel II event types recorded in the six months is shown in the table below.

Event type	% Tot
Clients,products and business practices	88.2%
Execution, delivery and process management	3.4%
Employment practices and workplace safety	2.0%
External fraud	1.1%
Other	5.3%

The period under review saw substantial provisions made in order to cover possible claims for refunds from clients in Consumer Banking following the Lexitor ruling by the European Court of Justice and the subsequent rulings by the Court of Milan. These provisions are attributable to the "Clients, products and business practices" event type. The second category by amount of losses materializing was instances relating to process risk ("Execution, delivery and process management"), followed by provisions and expenses for managing relations with staff for external fraud on retail financing products (fake documentation and/or cards), in connection with which mitigation action has been implemented to ensure the phenomenon remains at residual levels. The "Other" category includes the extraordinary costs incurred to ensure business continuity during the months of the pandemic with the necessary characteristics to constitute operating losses.

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

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

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

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

Section 12 – Exposures to equities: information on banking book positions

Qualitative information

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

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

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

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

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

investment afterwards, including through the investee company being listed on the stock market.

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

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

The other investments in the portfolio managed by the Principal Investing division (i.e. apart from those in non-financial undertakings and in Assicurazioni Generali) consist mostly of investments in seed capital to funds managed by Group companies (currently Cairn Capital and RAM) and investments in private equity and real estate funds.

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

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

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Quantitative information

Table 12.1 – Banking book: cash exposures in equities and UCITS

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

Items	Amount as at 31/12/20										
	Book value		*Fair value*		*Impairment*	Realized gain/losses and impairment		Gain/loss not realized and recorded in Balance Sheet		Gain/loss not realized included in Tier 1/Tier 2 capital	
	Level 1	Level 2/3	Level 1	Level 2/3		Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	3,468,015	40,212	2,890,695	40,212	—	—	—	X	X	—	—
B. Financial assets recognized at FVOCI	113,143	36,164	113,143	36,164	—	X	X	1,519	(2,445)	—	—
C. Other financial assets mandatorily at fair value	298,426	359,849	—	4,973	—	—	—	X	X	—	—

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

Items	Amount as at 30/06/20										
	Book value		*Fair value*		*Impairment*	Realized gain/losses and impairment		Gain/loss not realized and recorded in Balance Sheet		Gain/loss not realized included in Tier 1/Tier 2 capital	
	Level 1	Level 2/3	Level 1	Level 2/3		Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	3,163,439	41,213	2,730,551	41,213	—	—	—	X	X	—	—
B. Financial assets recognized at FVOCI	115,912	25,739	115,912	25,739	—	X	X	23,210	(20,211)	—	—
C. Other financial assets mandatorily at fair value	305,710	357,685	—	4,939	—	—	—	X	X	—	—

Table 12.2 – Banking book: equity instruments

Category	Amount as at 31/12/20		Amount as at 30/6/20	
	Weighted amount		Weighted amount	
	Standard method	IRB method	Standard method	IRB method
Private equity instruments	1,155,082	—	1,058,278	—
of which: equity instruments listed on markets	*387,111*	—	*368,776*	—
Trading exposure	7,496,062	—	7,269,910	—
Other instruments	76,765	—	68,118	—
Total equity instruments	**8,727,909**	—	**8,396,306**	—

Section 13 – Interest rate risk on banking book positions

With reference to the Group's banking book positions at 31 December 2020, in the event of a parallel and simultaneous 200 basis point reduction in interest rates ("parallel down"), estimated net interest income would not decrease at all, due to the impact of the EBA regulatory floor.

As for the analysis of the discounted value of future cash flows on the Group's banking book, the shock that determines the highest change occurs if the short-term part of the curve reduces ("flattener"). In this scenario, estimated net interest income would reduce by €44m, due chiefly to the impact on Mediobanca (€50m), against an increase for Compass (of €2m) and CheBanca! (€11m). In the previous six-month period year the highest reduction was €22m, in the "short-down" scenario.

Table 13.1 – Sensitivity analysis

The data above has been summarized in the following table:

Data in € mln	Data as at 31/12/20					
	Limit scenario	Goup	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of Interest income margin	*Parallel Down*	22	56	(15)	(9)	(10)
Sensitivity of Expected Cash Flows present values	*Steepener*	(44)	(50)	11	2	(6)

The data as at 30 June 2020 and 31 December 2019 are stated below for comparative purposes:

Data in € mln	Data as at 30/06/20					
	Limit scenario	Goup	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of Interest income margin	*Parallel Down*	45	37	9	(7)	6
Sensitivity of Expected Cash Flows present values	*Steepener*	(22)	(1)	(32)	5	6

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Data in € mln	Data as at 31/12/19					
	Limit scenario	Goup	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of Interest income margin	*Parallel Down*	27	56	(7)	(11)	(11)
Sensitivity of Expected Cash Flows present values	*Steepener*	(63)	(45)	(33)	5	(1)

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

Section 14 – Market risk

Quantitative information

Quantitative – market risk with managerial methodology

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

The aggregate value-at-risk on the trading book in the six months ranged from a low of €2.7m at end-September 2020 to a high of €6.4m at the start of July 2020, with the average reading of approx. €3.9m, much lower than the average figure in the preceding six-month period (€4.7m). The VaR reading at the start of the period was high, as mentioned above, starting at €6.5m before progressively reducing to just below €3m, and then settling in a range between €3m and €4m until the end of December. The mitigation of the value at risk reflects the improved situation on financial markets, due to the partial easing of the Covid-19 crisis, approval of the first vaccines, and the results of the US presidential elections. The point-in-time reading for VaR as at 31 December 2020 was €3.5m (€5.8m).

Like VaR, the expected shortfall also showed an average reading of around €5.2m, below the €6.1m recorded for the previous six-month period.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed a single instance of departure from VaR, compared with four in 2H 2019-20, which occurred in July in the equity arbitrage portfolio.

Table 14.1 - Value-at-risk and expected shortfall: trading book

Trading-portfolio Value at Risk and Expected Shortfall Risk factors	6 months from July to December 2020			
	31/12/20	Min	Max	Average
Interest rates	2,142	1,386	3,667	2,424
Credit	1,887	1,042	3,622	1,626
Shares prices	4,143	1,508	8,911	3,354
Exchange rates	876	325	1,245	787
Inflation	486	465	828	677
Volatility	1,979	1,559	4,446	2,302
*Diversification effect ** *	*(8,018)*	*(5,138)*	*(12,627)*	*(7,235)*
Total	3,496	2,724	6,448	3,936
Expected Shortfall	5,012	3,583	16,569	5,218

* Due to the mismatch between risk factors.

The comparative data for the six months ended 30 June 2020 are shown below:

Trading-portfolio Value at Risk and Expected Shortfall Risk factors	6 months from January to June 2020			
	30/6/20	Min	Max	Average
Interest rates	3,312	478	4,773	2,016
Credit	2,585	788	6,888	1,750
Shares prices	6,194	815	8,782	3,291
Exchange rates	633	231	1,415	718
Inflation	581	125	780	256
Volatility	3,462	740	4,372	1,828
*Diversification effect ** *	*(10,968)*			*(5,654)*
Total	5,799	1,917	7,649	4,205
Expected Shortfall	6,766	2,488	19,803	5,385

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 which are monitored daily.

Compared to the first half of last year, the average exposures to the various asset classes have increased slightly, with the exception of equity which saw a substantial reduction. The interest rate delta ranged from minus €52,000 to plus

€407,000, with an average reading of around €260,000. The average exposure to exchange rates also increased, ranging from a low of €123,000 to a high of €771,000 per percentage point (in line with the first half of last year).

Table 14.2 - Overview of trends in main sensitivities for trading book

Risk factors	6 months from July to December 2020			
	31/12/20	Min	Max	Average
Equity delta (+1%)	95,853	(332,258)	415,897	(1,217)
Equity vega (+1%)	1,251,119	211,980	1,465,340	1,011,640
Interest rate delta (+1bp)	313,677	52,627	406,864	259,999
Inflation delta (+1 bp)	63,321	20,367	88,812	69,728
Exchange rate delta (+1%)**	(31,104)	(122,908)	771,286	424,381
Credit delta (+1bp)	618,671	537,542	787,581	635,509

* Due to the Euro appreciating relative to other currencies.

The comparative data for the six months ended 30 June 2020 are shown below:

Risk factors	6 months from January to June 2020			
	30/6/20	Min	Max	Average
Equity delta (+1%)	476,305	187,161	1,255,622	738,132
Equity vega (+1%)	589,060	(2,579,578)	1,748,192	858,604
Interest rate delta (+1bp)	70,398	(361,634)	806,332	23,621
Inflation delta (+1 bp)	61,533	13,360	75,255	34,296
Exchange rate delta (+1%)**	417,485	(186,596)	786,363	373,354
Credit delta (+1bp)	569,729	270,143	1,314,285	584,597

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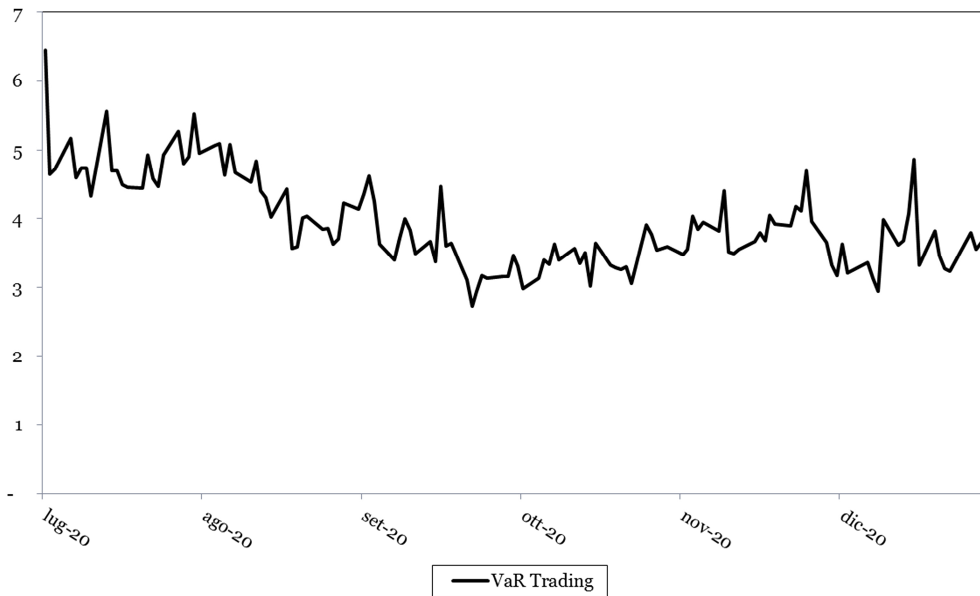
Trend in VaR on trading book



Trend in individual VaR trading constituents

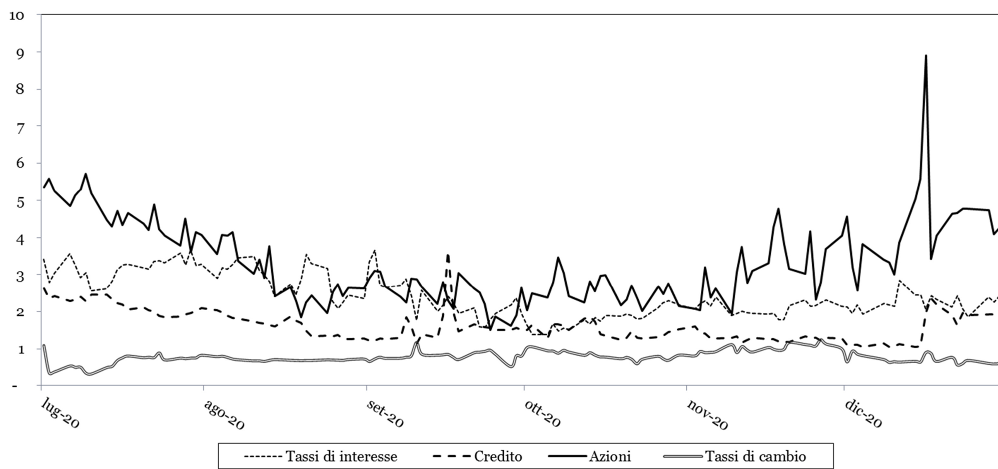


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Table 14.3 - EU CCR6: Credit derivatives exposures (EBA GL/2016/11)

(euro million)

31/12/20	a	b	c
	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional			
Credit default products	—	—	41,869,509
Credit spreads products	—	—	—
Total rate of return swap	—	—	—
Other credit derivatives	—	—	182,560
Total notionals	**—**	**—**	**42,052,069**
Positive fair value (asset)			
Fair values	—	—	**457,135**
Negative fair value (liability)	—	—	**717,205**

The comparative data for the six months ended 30 June 2020 are shown below:

(euro million)

30/6/20	a	b	c
	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional			
Credit default products	—	—	51,416,617
Credit spreads products	—	—	—
Total rate of return swap	—	—	—
Other credit derivatives	—	—	167,600
Total notionals	**—**	**—**	**51,584,217**
Positive fair value (asset)			
Fair values	—	—	**187,201**
Negative fair value (liability)	—	—	**418,374**

Table 14.4 - EU MR1: Market risk under the standardized approach (EBA GL/2016/11)

	31/12/20		30/6/20	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements
Outlight products	**1,464,127**	**117,130**	**1,918,495**	**153,480**
Interest rate risk (general and specific)	1,264,679	101,174	1,676,002	134,080
Equity risk (general and specific)	199,447	15,956	242,493	19,399
Foreign exchange risk	—	—	—	—
Commodity risk	—	—	—	—
Options	**797,283**	**63,783**	**596,447**	**47,716**
Simplified approach	—	—	—	—
Delta-plus method	761,900	60,952	546,386	43,711
Scenario approach	—	—	—	—
Securitisation (specific risk)	35,383	2,831	50,061	4,005
Total	**2,261,410**	**180,913**	**2,514,941**	**201,195**

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The RWA figure for market risk as at 31 December 2020 has been calculated for the general interest rate risk part only, in accordance with the provisions of Article 340 of the CRR (the "Duration Approach") as part of the standardized methodology. This approach, compared to the criteria of Article 339 currently in force, is more risk-sensitive, enables greate alignment with the management metrics used, and entails a reduction in RWAs for market risk of around €500m, i.e. some 40% of the estimated capital absorption estimated using the method currently in force for generic interest rate risk.

The effect of application of the Duration Approach on RWAs during the past two half-years is shown below:

	31/12/20		30/6/20	
	RWA Art. 339	RWA Art. 340	RWA Art. 339	RWA Art. 340
Interest rate risk (general)	892,039	399,334	912,983	500,134

Use of the new approach was authorized internally by the Group Risk Management Committee at a meeting held on 17 November 2020, and the approach has been in use from 31 December 2020. No approval is required from the regulator, but formal notification has been sent to them nonetheless, informing them that the new approach is in use.

14.2 Hedging

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

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that

may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).

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. For interest rate risk in particular, the Group applies specific hedges to individual items or clusters of like-for-like assets and liabilities in terms of interest rate risk. The objective of these hedges is to reduce the interest rate risk through swaps that convert fixed-rate assets and/or liabilities into floating rate ones. The main items hedged are fixed-rate or structured liabilities issued by Mediobanca, investments in fixed-rate assets forming part of the HTC and HTCS portfolios, the fixed-rate mortgage loan book, and the stable CheBanca! deposit component. 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 also used by Mediobanca S.p.A. to mitigate price risk on equity investments recognized at FVOCI.

The CheBanca! mortgage loan book is hedged via amortizing swaps, the notional and maturity profile of which follows that of the mortgage repayments and the estimated prepayment rate for the loan book based on the model developed by Risk Management and subject to internal approval. Only a certain percentage of the plan thus developed is hedged, allowing a buffer to be maintained to manage any prepayments in excess of what was expected.

The different maturities and cash flow profiles mean that use of natural hedges is limited to only a few asset and liability positions.

Recently the stable component of CheBanca! deposits considered to be fixed-rate has also been hedged, with the component being derived from the model developed by Risk Management and approved internally. A residual part of this risk is covered by natural hedges.

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.

Foreign investment hedging activity

This involves hedging an exposure to a controlling interest in a company and the goodwill associated with it (including any intangibles identified as a result of the Purchase Price Allocation process) in currencies other than the Euro. The exposure may be hedged via derivatives or other financial instruments in different currencies, such as bond issues. The exchange rate effect of the hedge is taken through the net equity reserve, to cover the effects of the hedged instrument. Reference is made to section 1.2.3 Exchange rate risk below for a description of the only hedge of this kind entered into by the Group.

Items hedged

Items hedged and hedging instruments have been described in detail above and are referred to at various points in the rest of the interim financial statements as at 31 December 2020.

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

IFRS 13 paragraph 24 defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively

the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

Independent Price Verification processes

The Independent Price Verification (IPV) process for financial instruments involves defining the control, escalation and reporting methodologies used to verify the valuations of positions measured and recognized at fair value, both instruments held on own account and as collateral.

The Mediobanca Group has structured an IPV process for financial instrument prices, in accordance with the guidance issued by the Bank of Italy in its Circular no. 285/2013, in order to verify the valuations used from both a business and accounting perspective. This IPV process is regulated and governed by the

Group Independent Price Verification Policy, to which reference is made for further information.

Paragraph 8 of Article 105 establishes for IPV, the guidelines to be adopted by financial institutions in their policies and procedures, to ensure that the inputs used to value financial instruments are verified by independent units, with the aim of guaranteeing valuations as closely aligned with market conditions.

The Commission Delegated Regulation goes into detail over the control activities for which the Bank is responsible, requiring a manual to be drawn up describing, for products recognized in the books at fair value, the valuation methodologies used and the inputs required in order to calculate the IPV.

The Commission Delegated Regulation also requires the valuations obtained to be subjected to control processes to be performed by the unit responsible for carrying out internal audits.

Fair value ranking

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

In accordance with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, financial assets and liabilities recognized at fair value must be classified according to levels which give decreasing priority to measurements based on different market parameters. The highest priority (level1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (level3) is assigned to valuations deriving predominantly from unobservable inputs.

Three levels in particular are identified:

- Level 1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.
- Level 2: inputs other than the quoted prices referred to above, that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.

- Level 3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

In cases where the input data used to value an asset or liability has different levels, the decision as to the fair value level is guided by the significance of the input data itself (cf. IFRS 13, paragraph 73).

Fair value levels: valuation techniques and inputs used

As a rule Mediobanca uses market prices (level 1) or models based on observable inputs (level 2)

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

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

For further information, please see Part A of the Notes to the Accounts - Group's consolidated interim financial statements at 31 December 2020.

14.3 Prudent value of financial instruments

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

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

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

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

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

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

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

and on the liability side of the balance sheet:

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

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

In particular:

- AFS positions (FVOCI), to the degree to which the changes in valuation are subject to prudential filters;([11])
- Back-to-back positions;
- Positions subject to hedge accounting.

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

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

Table 14.5: List of financial instruments subject to prudent valuation

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

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

Section 15 – Remuneration and incentivization systems and practices

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

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

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

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, 9 February 2021

Head of Company
Financial Reporting

Emanuele Flappini

ANNEX 1

ABBREVIATIONS

Abbreviations

The list below shows the abbreviations most used in the document

ABS	Asset-Backed Security
AE	Asset Encumbrance
AIRB	Advanced Internal-Rating Based
ALM	Asset Liability Management
ALMM	Additional Liquidity Monitoring Metrics
BIA	Basic Indicator Approach
BRRD	Bank Recovery and Resolution Directive
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CDS	Credit Default Swap
CET1	Common Equity Tier 1
CoRep	Common Reporting - is the standardized reporting framework issued by the European Banking Authority (EBA) for the Capital Requirements Directive reporting. It covers credit risk, market risk, operational risk, own funds and capital adequacy ratios.
CRD	Capital Requirements Directive - Directive 2013/36/EU
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation – Regulation (EU) No 575/2013
CRR2	Capital Requirements Regulation2 – Regulation (EU) No 876/2019
CSA	Credit Support Annex
CVA	Credit Value Adjustment – reflects the adjustments to the market value of derivative instruments to account for counterparty credit risk
DVA	Debit Value Adjustment – reflects the adjustments to the market value of derivative instruments to account for credit risk of the entity writing the contract
EAD	Exposure at Default
EWI	Early Warning Indicators
FinRep	Financial Reporting – the standardized reporting framework issued by the European Banking Authority for the harmonized reporting of accounting and statistical data
FIRB	Foundation Internal-Rating Based
FVL	Fair Value Liabilities
FVOCI	Fair Value Through Other Comprehensive Income
FVOPT	Fair Value Option
FVTPLT	Fair Value Through Profit and Loss
FVTPLM	Mandatorily at Fair Value Through Profit and Loss
FX	Forex
GL	Guidelines
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreements
G-SII	Global Systematically Important Institutions
HQLA	High Quality Liquid Assets
HTC&S	Hold to collect and sell
IAS	International Accounting Standards
ICT	Information (Communication) Technology
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IPV	Independent Price Verification
IRB	Internal-Rating Based
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
LAS	Liquidity Adequacy Statement
LCR	Liquidity Coverage Ratio
LGD	Loss Given at Default
LR	Leverage Ratio
MR	Market Risk
NPE	Non-performing Exposures
NPL	Non-performing loan

NSFR	Net Stable Funding Ratio
OICR	Organismo di Investimento Collettivo e del Risparmio
O-SII	Other Systematically Important Institutions
OTC	Over The Counter
PD	Probability of default
PE	Performing Exposures
P2R	Pillar 2 Requirements
RAF	Risk Appetite Framework
RWA	Risk Weighted Assets
SFT	Secured Financing Transaction
SI	Significant Institutions
SME	Small & Medium Enterprises : enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million (EU recommendation 2003/361)
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process
TLTRO	Targeted Longer-Term Refinancing Operations
TSCR	Total SREP Capital Requirement
TUF	Testo Unico Finanziario
VAR	Value at Risk

International Organisations

CONSOB	Commissione Nazionale per le Società e la Borsa
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
ECB	European Central Bank
ESMA	European Securities and Markets Authority
EU	European Union
IASB	International Accounting Standards Board

Business Lines

CIB	Corporate and investment banking
HF	Holding Functions
PI	Principal Investing
WM	Wealth Management
WSB	Wholesale Banking

ANNEX 2

CRR MAPPING

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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		12-14.	
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		14-22	
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		14-22	
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;	Annual disclosure			
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.	Annual disclosure			
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://mediobanca.com/en/corporate-governance/board-of-directors/board-of-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://mediobanca.com/static/upload_new/rel/relazione-governo-societario_eng.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		23-25	
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		23-25	
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		23-25	
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		23-25	
436.e	If applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	Scope of application		23-25	
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	33	
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	35	
437.1.c	The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Composition of regulatory capital	Table 3.5	36	

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	30-32	
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	26-29	
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.	Composition of regulatory capital		26-28	
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		26-28,37	
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		26-28,37	
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	41	
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	99,102-103	
438.e	Own funds requirements calculated in accordance with points (b) and (c) of Article 92(3)	Capital adequacy	Table EU OV1	41	

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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 OV1	41	
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		120-123	
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		104-105	
439.b	A discussion of policies for securing collateral and establishing credit reserves;	Counterparty risk – Risk mitigation techniques		104-105,108-109	
439.c	A discussion of policies with respect to Wrong-Way risk exposures;	Counterparty risk		105	
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		106-107	
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 8.1.1 8.1.2	106-107	
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 8.1.1 8.1.2 8.2.1	106-107	
439.g	The notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure;	Counterparty risk		104-105	
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		104-105,108-109	
439.i	The estimate of a if the institution has received the permission of the competent authorities to estimate a.	N.A.			

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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;	Capital adequacy	Table 4.5	42	
440.b	the amount of its institution specific countercyclical capital buffer.	Capital adequacy	Table 4.6	43	
	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		58-60	
442.b	a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Credit risk		61-64	
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;	Credit risk	Table EU CRB-B (annual)		
442.d	the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate;	Credit risk	Tables EU CRB-C (annual)		
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	Tables EU CRB-D (annual)		

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;	Credit risk	Table CRB-E (annual)		
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 (semiannual), EU CRB-B, EU CRB-C, EU CRB-D (annual)	82	
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 (semiannual), EU CRB-B, EU CRB-C, EU CRB-D (annual)	82	
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 CR2-A, EU CR2-B.	83	
443. Unencumbered assets					
443	Disclosures of unencumbered assets.	Annual disclosure			
444. Use of ECAIs					
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 ECAIs and ECAs and the reasons for any changes;	Credit risk		89	
444.b	the exposure classes for which each ECAI or ECA is used;	Credit risk		89	
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		89	
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		89	

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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	126-131	
	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		118-119	
	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 12.1 12.2	120-123	
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 12.1 12.2	120-123	
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 12.1 12.2	120-123	
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 12.1 12.2	120-123	
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 12.1 12.2	120-123	

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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		19	
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 13.1	124	
	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;	Securitizations		112-117	
449.b	the nature of other risks including liquidity risk inherent in securitised assets;	General disclosure requirement – Market risk		24,126	
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;	Securitizations		112-117	
449.d	the different roles played by the institution in the securitisation process;	Securitizations		112-117	
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;	Securitizations	Tables EU Sec1 EU Sec2 EU Sec3 EU Sec4	112-117	
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 ECAIs used for securitisations and the types of exposure for which each agency is used;	Credit risk		89	
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:	Securitizations		112-117	
449.n.i	the total amount of outstanding exposures securitised by the institution, separately for traditional and synthetic securitisations and securitisations for which the institution acts only as sponsor;	Securitizations		112-117	
449.n.ii	the aggregate amount of on-balance sheet securitisation positions retained or purchased and off-balance sheet securitisation exposures;	Securitizations		112-117	
449.n.iii	the aggregate amount of assets awaiting securitisation;	N.A.			
449.n.iv	for securitised 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 securitised and recognised gain or loss on sale;	Securitizations		112-117	
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:				Remuneration Policy https://mediobanca.com/en/corporate-governance/remuneration/remuneration-policy.html
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. 11 and ss - Section 2: Governance p. 63

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Article	Brief Description	Section	Table	Pages	Other documents
450.1.b	information on link between pay and performance;				- Section 1: Chapter 6 Incentivization System, p. 31 and ss. - Section 2: Incentivization system: determination of variable remuneration and allocation using riskadjusted metrics based on sustainable results over time p. 64 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 6 Incentivization System, p. 31 and ss. - Section 2: Incentivization system: determination of variable remuneration and allocation using riskadjusted metrics based on sustainable results over time p. 64 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 5 Remuneration structure - III) Limits on variable remuneration p. 25 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 6 Incentivization System p. 31 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 6 Incentivization System p. 31 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. 73 and ss)

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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. 73 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. 73 and ss)
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. 73 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. 73 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		44-45	
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.	46-47	
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		44-45	
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		46	

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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		92-103	
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		92-98	
452.c	Description of ratings processes for each IRB asset class, provided separately.	Credit risk		92-98	
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	99	
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	99-107	
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	99	
452.g	the actual specific credit risk adjustments in the preceding period for each exposure class	Credit risk	Table CR6	99	
425.h	a description of the factors that impacted on the loss experience in the preceding period;	Annual Discosure			

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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;	Annual Discosure			
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:	Annual Discosure			
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;	Annual Discosure			
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.	Annual Discosure			
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		108-109	
453.b	the policies and processes for collateral valuation and management;	Risk mitigation techniques		108-109	
453.c	a description of the main types of collateral taken by the institution;	Risk mitigation techniques		108-109	Interim Financial statements as at 31/12/20: 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		108-109	

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		108-109	
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 9.1, 9.2, CR3.	108-109	
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.			

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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.			