



Mediobanca Group 2020 Remuneration policy

28 October 2020



MEDIOBANCA

Covid-19 emergency managed successfully accelerating the development of ESG approach to business



MB from emergency to continuous support to staff, clients and community
IT investments on Digitalization and Automation accelerated

OUR STAFF

Crisis unit established to tackle the healthcare emergency, chaired by the Group GM, with the objective of ensuring the Group's operations while safeguarding the health and safety of staff and clients.

Phase 1-2: prioritizing health and safety:

- ◆ Smart working from home (70% of the total workforce), no travel and meetings
- ◆ Reduced hours for retail branches
- ◆ Covid-19 healthcare coverage and psychological counselling service (24/7) activated
- ◆ Webinars, videos and newsletters to engage, assist and support

Phase 3: restarting with safety:

- ◆ Gradual physical presence at work (now at 40%), no travel
- ◆ Normal hours for retail branches, prioritizing appointments

OUR COMMUNITY

- ◆ **MB donations: €2.6m.** The recipients have been the region of Lombardy, the municipality of Milan mutual assistance fund, the Luigi Sacco Hospital in Milan, non-profit organization "Hope", the "Sempre con Voi" fund to support the families of doctors and healthcare workers who lost their lives in fighting Covid-19; the mutual assistance fund of the city of Bergamo, non-profit organization "Mission Bambini", and the Princess Grace Hospital Centre in Monaco.
- ◆ **BOD contribution:** donations also reflect the 20% reduction in the emoluments payable to directors in office (rising to 100% for Chairman, CEO and GM, who also committed to donating 30% of their fixed salaries for the May-December 2020 period to initiatives in connection with the emergency). The statutory auditors of Mediobanca have also elected to support the initiatives, waiving 20% of their annual emoluments.



Executive Summary

FY20 – BUSINESS ACHIEVEMENTS AND REMUNERATION HIGHLIGHTS

ALL GATEWAYS MET

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

BUSINESS RESULTS

- ◆ Covid-19 impact managed successfully, confirming the validity of the Mediobanca Group business model
- ◆ Business Plan strategy, targets and shareholders' remuneration policy broadly confirmed

PAY FOR PERFORMANCE

- ◆ Pools down or stable for the main divisions despite positive results, in line with the general performance of the Group

CEO AND GENERAL MANAGER

- ◆ Scorecard KPIs mainly achieved, variable compensation decreased

REMUNERATION POLICY ALIGNED TO THE LATEST EUROPEAN AND ITALIAN SET OF RULES

- ◆ Group Remuneration Policy aligned to the latest European and Italian legislation/provisions. In particular with reference to:
 - ◆ Governance, metrics and remuneration processes reinforcement
 - ◆ Variable remuneration capped at 200% of fixed remuneration (except for Asset Management entities)
 - ◆ Severance: established at 24 months of remuneration capped at € 5mln gross
 - ◆ 5-year deferral period for 60% of variable remuneration for Executive Directors and Top Executives
- ◆ LTI plan activated upon BP23 disclosed targets (both financial and non financial)

AGM 2020

- ◆ AGM 2020 – Starting this year Remuneration Policy approval split in two separated votes:
 - ◆ Remuneration report 2019/2020
 - ◆ Group Remuneration Policy 2020/2021

Remuneration: principles and guidelines

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

ADEQUATE PAY MIX

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

VARIABLE COMPENSATION STRONGLY RELATED TO RESULTS

Deferral: total variable compensation vesting over no less
than 3Y, 5Y for Top Executives.
Significant equity component.

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

CAP: applied to mitigate risk appetite.

MANDATORY DEFERRAL POLICY

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

MALUS CONDITIONS APPLIED

COMPETITIVENESS

VALUE MERIT & PERFORMANCE

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

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

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

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

FAIRNESS

TRANSPARENCY

EQUAL OPPORTUNITIES

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

SEVERANCE

No golden parachutes for directors in case of voluntary or involuntary termination.
Severance for Executives and MRT population: 24 months of remuneration capped at €5mln.

Strong Remuneration Governance to assure a verified and transparent process

Group governance of remuneration involves several functions and corporate departments

SHAREHOLDERS IN ANNUAL GENERAL MEETING

The responsibilities of the Shareholders in the Annual General Meeting include:

- ◆ setting, at each BoD renewal, the annual fixed pay for members of the board of directors
- ◆ approving the remuneration policies and compensation schemes based on financial instruments for group directors, staff and collaborators
- ◆ approving the criteria for determining the compensation to be awarded in the event of early termination of the employment relationship or term of office
- ◆ setting variable remuneration for employees and advisors of the Group at 200% of fixed remuneration, following Board of Directors proposal or any other limit set by the regulations.

REMUNERATION COMMITTEE

Consultative role regarding GM, Executive Directors and staff rem. and retention policies. Activities include:

- ◆ reviews and assesses remuneration proposals and guidelines put forward by the CEO
- ◆ serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff
- ◆ regularly reviews (through benchmarks & market practice analysis, regulatory framework and Bank of Italy recommendations) the adequacy, congruity, adherence and application of remunerations policies
- ◆ verifies performance achievements involving all relevant company units in devising and checking the remuneration and incentive policies and practices

CORPORATE DEPARTMENTS INVOLVED

GROUP HR

process owner, governs and controls units to verify the Group's earnings and financial data

AUDIT

reviews data and- monitors process adherence

ACCOUNTING

provides data for determining the business areas' performances based on results

COMPLIANCE

evaluates compliance of policy with legal and regulatory frameworks

RISK MANAGEMENT

contributes to establishing metrics to calculate risk adjusted performance

Remuneration Committee

COMPOSITION

4 non-executive members of which 75% independent

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

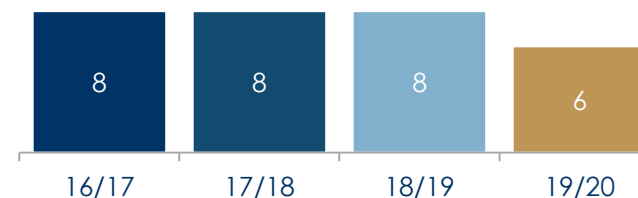
FY20 MAIN TOPICS

- ◆ Definition of scorecards for CEO and GM, with financial and non financial criteria evaluation
- ◆ Definition of a long-term incentive scheme for senior Group figures as part of approval of new strategic plan
- ◆ Decisions made by the Chief Executive Officer regarding the variable remuneration of business units, Material Risk Takers and other staff
- ◆ Analysis of regulatory framework, benchmarks and market practice
- ◆ Review of the new Remuneration Policy to be approved by the Board of Directors and by shareholders (AGM)

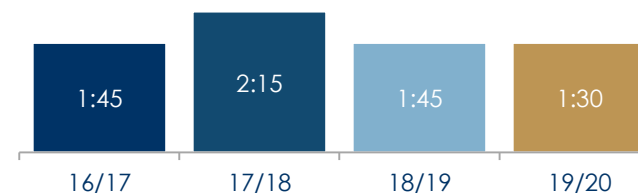
ACTIVITY

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

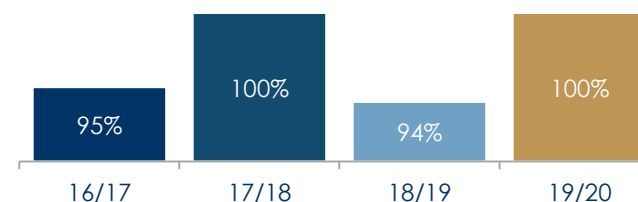
Meetings



Duration (h:m)



Attendance



Actual remuneration structure

The **remuneration structure** is aligned both to the **latest European and Italian legislation/provisions¹** and with **global best practices**. An **adequate balance between fixed and variable** remuneration is **crucial to avoid risk and short-term behaviour**.

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

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

* If variable amount equal or higher of € 425.000

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

The Group's identified staff (or MRT - Material Risk Takers Executives) as at 30 June 2020 represents 2,35% of the total Group staff and are as follows: 116 resources qualified as identified staff, including Executives, Senior Management, Manager of business units and other resources with managerial responsibilities.

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

Variable remuneration settlement as at FY 20

Employee category	Instrument	Variable compensation settlement					Total	o/w deferred	
		up front	1Y	2Y	3Y	4Y			5Y
Executive Directors & Executives - Senior Management	Cash	20%		13%			14%	47%	27%
	Equity		20%		11%	11%	11%	53%	33%
Other Executives (Material Risk Takers)	Cash	20%	5%	10%	15%			50%	30%
	Equity		20%	15%	15%			50%	30%
Central functions	Cash	100%						100%	
	Equity	--							

Executive directors variable remuneration settlement

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

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

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

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

Performance share plan (reserved to employees)

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

After the approval of the new Strategic Guidelines FY 2019-23 in November 2019...

Target confirmed even after Covid

Updated remuneration ¹	FY21	FY22	FY23	TOT 4Y
DPS (€)	0.54	0.57	0.60	1.9bn
Chg. %	n.m.	+5%	+5%	+28%
Buyback ² with shares cancelled				variable

Group Target	June19	June23	4Y CAGR
Revenues (€bn)	2.5	3.0	+4%
EPS (€)	0.93	1.10	+4% ³
ROTE adj.	10%	11%	+1pp
CET1 phase-in	14%	~13.5%	
TFA (€bn)	61	83	+8%
Loans (€bn)	44	51	+4%
Funding (€bn)	51	56	+2%

K MANAGEMENT POLICY – post Covid Update

DPS20 = 0, in accordance with ECB recommendation

CET1 ratio progressively optimized at 13.5% throughout 2023

Capital buffer in 2021-22 to cope with Covid

Shareholders' remuneration approved in BP23 will resume from FY21, as a mix of cash dividend and share buybacks to optimize K ratios. Size and mix will be set annually depending on speed of recovery post Covid and on MB stock price

Divisional Target	June19	June23	4Y CAGR
Revenues (€bn)			
Wealth Management	0.5	0.7	+8%
Corp. & Inv. Banking	0.6	0.8	+6%
Consumer Banking	1	>1.1	+3%
ROAC (%)			
Wealth Management	16%	25%	+9pp
Consumer Banking	30%	28/30%	~
Corp. & Inv. Banking	15%	16%	+1pp

... a new long-term incentive plan has been approved and activated featuring ex ante disclosed targets, both financial ...






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

... as well as non-financial in order to speed up the evolution of ESG culture within the group

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

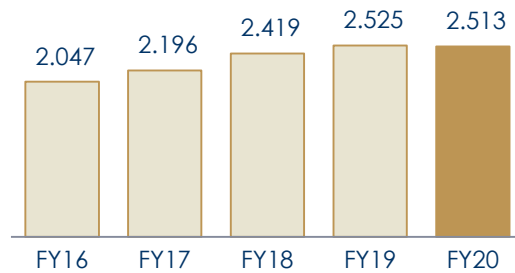
The non-financial/qualitative objectives have equal weighting, to be assessed individually.

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

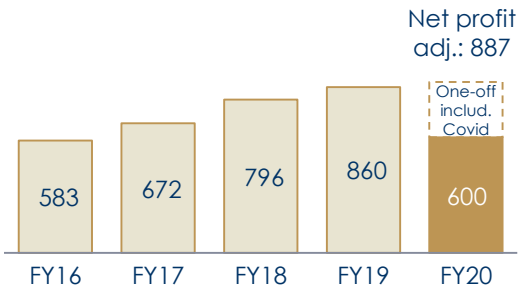
FY20: MB Group business model validity confirmed even during Covid-19 ...

MB able to grow through the cycles and deliver above average growth fostering its solidity with improved capital ratio and asset quality. Despite the unprecedented conditions MB achieved **stable revenues** (€2.5bn), **net profit at €600m** (adj. €887m net of one-offs mostly related to Covid-19), **revenue generating assets growth** (loan book up 5% and TFAs up 4%) **maintaining a distinctive risk profile** (with excellent asset quality and CET1 ratio @16.1%).

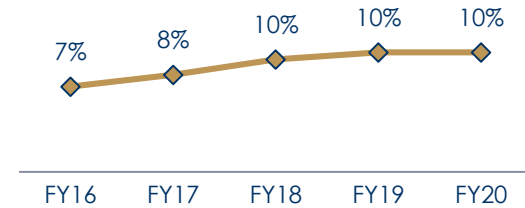
Revenues



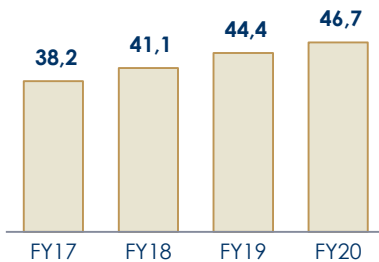
Net profit adjusted¹



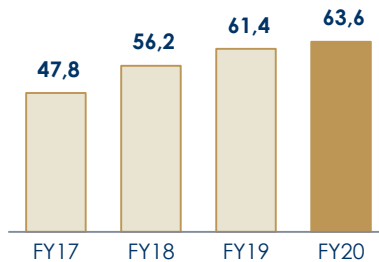
ROTE adj.¹ growth



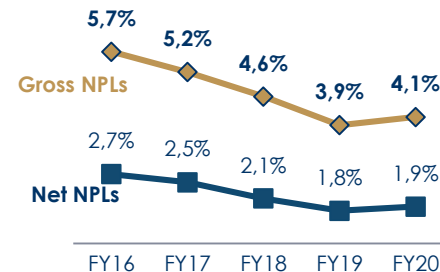
Loan book growth



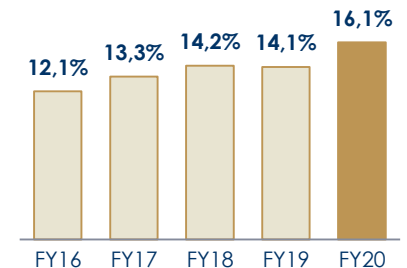
TFAs growth



Group NPLs/Loans trend



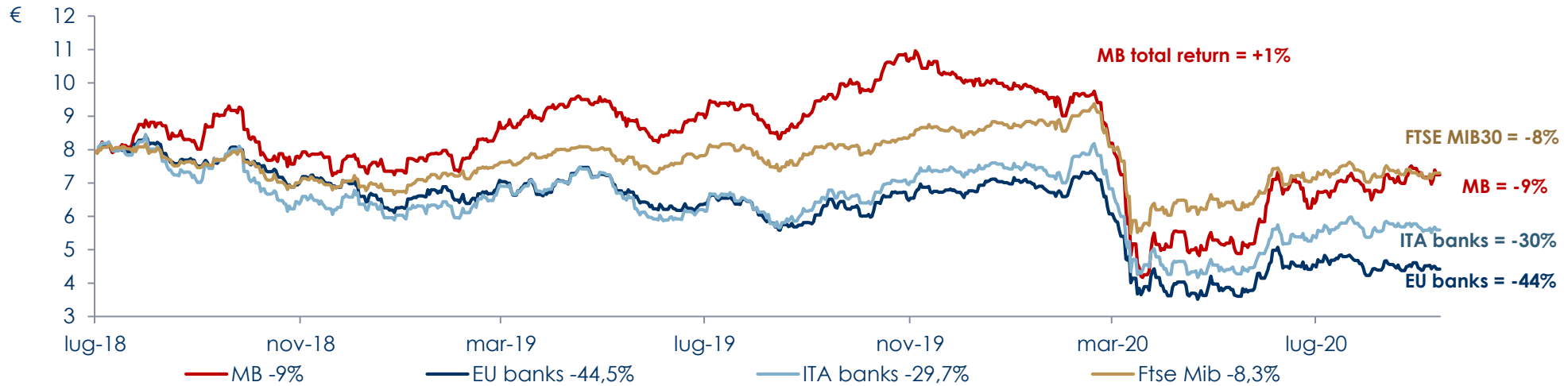
Core Tier 1 trend



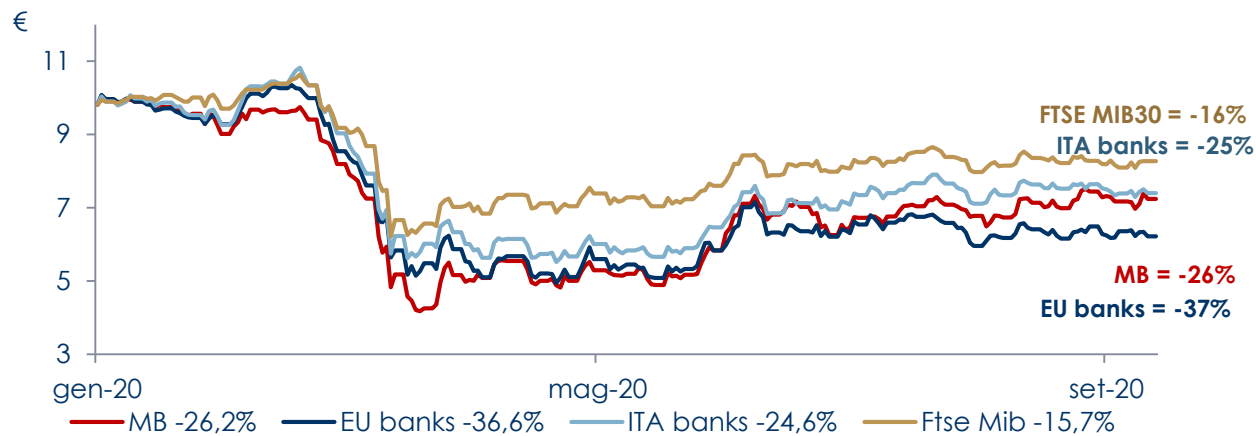
1) Excluding items stemming from Covid emergency, systemic fund provisions, impairments on equity stakes and securities, and other positive/negative one-off items.

...delivering strong market performance

Mediobanca last 2Y market performance vs ITA and EU banks



Mediobanca 1Y market performance vs ITA and EU banks



- ◆ **MB 2Y performance (down 9%) in line with FTSE MIB and higher than ITA and EU banks (down 30% and 44% respectively). MB total return: +1%**
- ◆ **Covid-19 impact: MB down 26% in 2020 in line with ITA banks (down 25%) and well above EU Banks (down 37%).**

Gateways, Key parameters, Performance conditions FY 2020

Variable compensation is subject to gateway achievement

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

To ensure the overall financial sustainability of the global bonus pool for the Group's various business divisions Economic Profit and/or ROAC are used

Risk Appetite Framework is the basis of Mediobanca gateways

Performance conditions linked to the Group's RAF and risk adjusted product performance foreseen for release of deferred compensation

CEO and GM short term incentive:

- ◆ accrues only if aligned with established gateways
- ◆ defined by a scorecard with financial and non financial criteria
- ◆ is distributed 47% in cash and 53% in equity (performance shares)

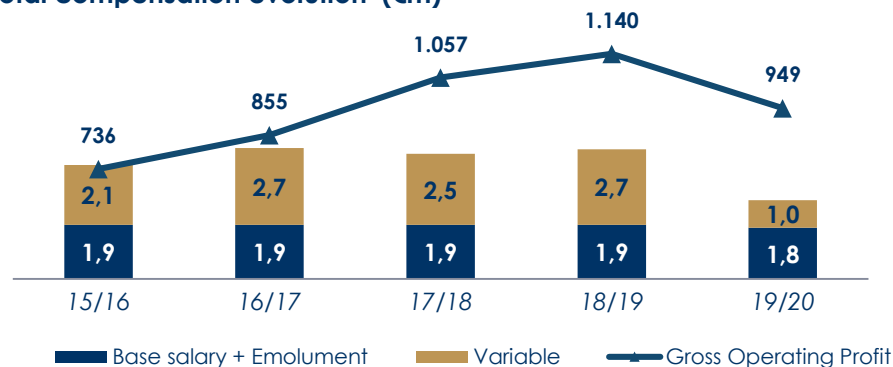
GATEWAYS (preliminary and min.conditions for any variable remuneration calculation)		PARAMETER	KPIs	ON/OFF	FY20 RESULTS
		Operating profit at Group level	>0	<input checked="" type="checkbox"/>	949
		Cef1 ratio	≥ 9,5%	<input checked="" type="checkbox"/>	16,1%
		Leverage Ratio	≥ 4%	<input checked="" type="checkbox"/>	9,7%
		AFR/ECAP	≥ 115%	<input checked="" type="checkbox"/>	169%
		Liquidity Coverage ratio	≥ 110%	<input checked="" type="checkbox"/>	165%
		Net Stable Funding Ratio	≥ 102,5%	<input checked="" type="checkbox"/>	109%
SHORT TERM INCENTIVE		PARAMETER		WEIGHT	ASSESSMENT
CEO	Gross ROAC adj. Banking activities			35%	ALMOST MET
	RWA density			25%	EXCEEDED
	Total fee revenues			20%	ALMOST MET
	% of AUM/AUA/AUC on TFA			20%	ALMOST MET
	CSR development initiatives			qualitative	MET
	WM, Consumer, CIB distribution platform enhancement			qualitative	MET
GM	Gross ROAC adj. Banking activities			35%	ALMOST MET
	RWA density			20%	EXCEEDED
	Banking activities cost/income ratio			20%	ALMOST MET
	Wealth Management ROAC			25%	EXCEEDED
	IT projects (Data Quality & IT Growth to the business)			qualitative	MET
	WM synergies (proprietary factories with distribution)			qualitative	MET
LONG TERM INCENTIVE		PARAMETER	KPIs	ON/OFF	
		Business Plan 19-23	Key metrics	<input checked="" type="checkbox"/>	

In the last 5 FYs CEO and GM paid for performance

MB Group solidity and quality in FY21 scorecards

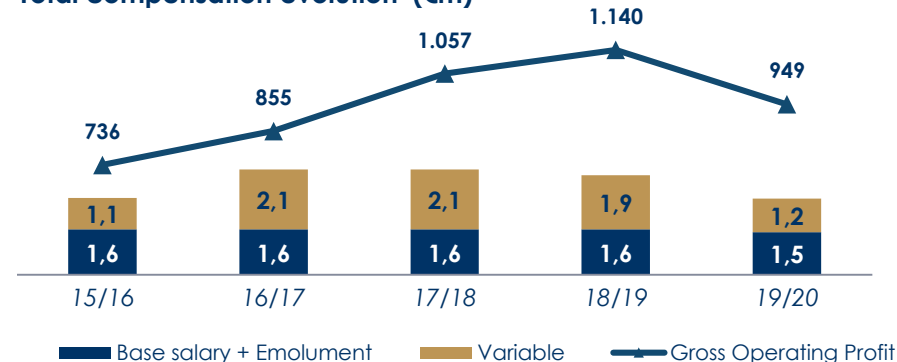
CEO compensation and scorecards

Total compensation evolution (€m)



GM compensation and scorecards

Total compensation evolution (€m)



CEO – FY21 STI Scorecards

PARAMETER	WEIGHT
Gross ROAC adj. Banking activities	30%
Cost of risk	30%
RWA density	20%
Total Fees/banking revenues	20%
CSR development initiatives on diversity, inclusion & engagement	qualitative
WM & Consumer distribution platform enhancement	qualitative

General Manager – FY21 STI Scorecards

PARAMETER	WEIGHT
Gross ROAC adj. Banking activities	25%
Cost of risk	25%
Banking activities cost/income ratio	20%
Wealth Management ROAC	30%
Development of Agile and smart working platform & initiatives	qualitative
WM synergies (proprietary factories with distribution)	qualitative

STOCK OWNERSHIP REQUIREMENT

CEO and GM are obliged to reinvest in Mediobanca shares and retain for their entire mandate an equivalent amount of twice fixed remuneration for the CEO and one times for GM

CEO / STAFF PAY RATIO

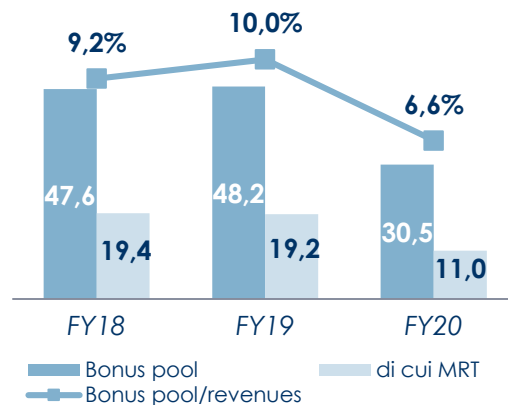
2020 CEO's gross total compensation / average gross total compensation for Group staff members approx. 33x (vs 55x last year)

FY20 Main bonus pools stable on results

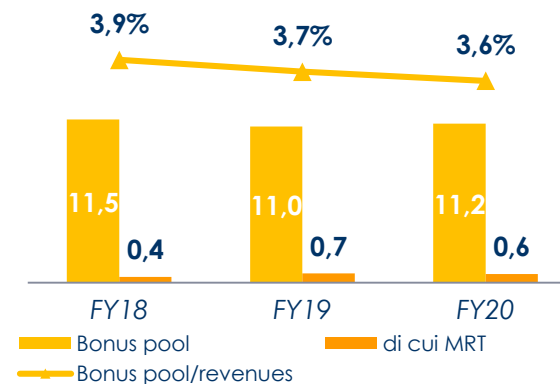
Consistency of the "pay for performance":

- pool down for WB
- stability for the main divisions despite positive results, in line with the general performance of the Group
- The variable component assigned to the MRT Groups affects CET 1 by approximately 3 bps (€ 20.5 million vs. € 31.7 in 2019, -35%)

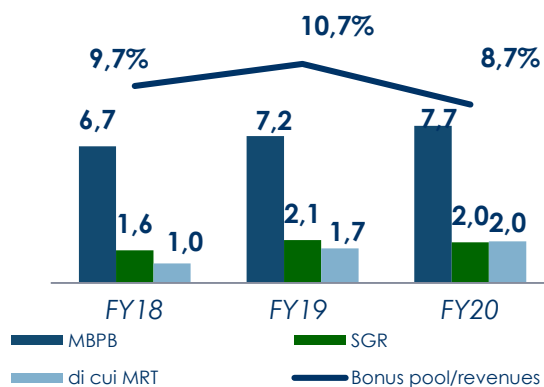
Wholesale Banking (€m)



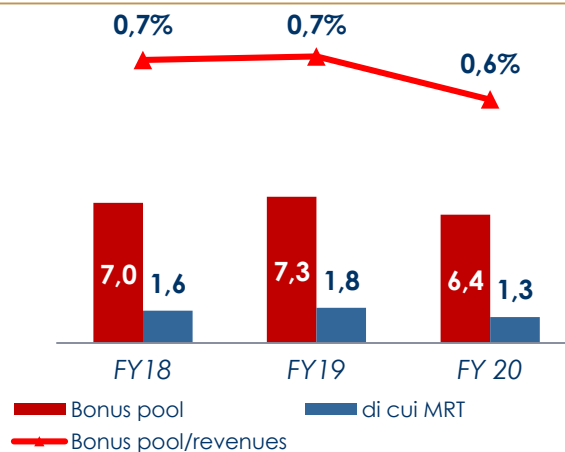
CheBanca! (€m)



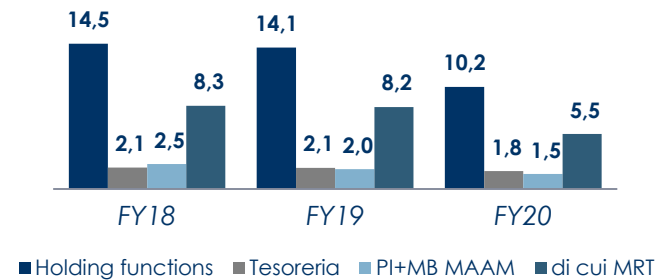
MBPB - MB SGR (€m)



Compass (€m)



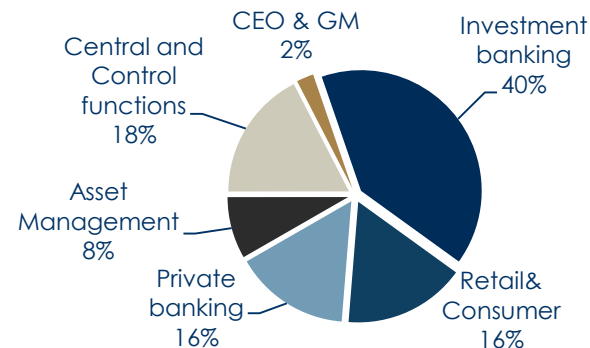
Holding Functions, PI, MB MAAM (€m)



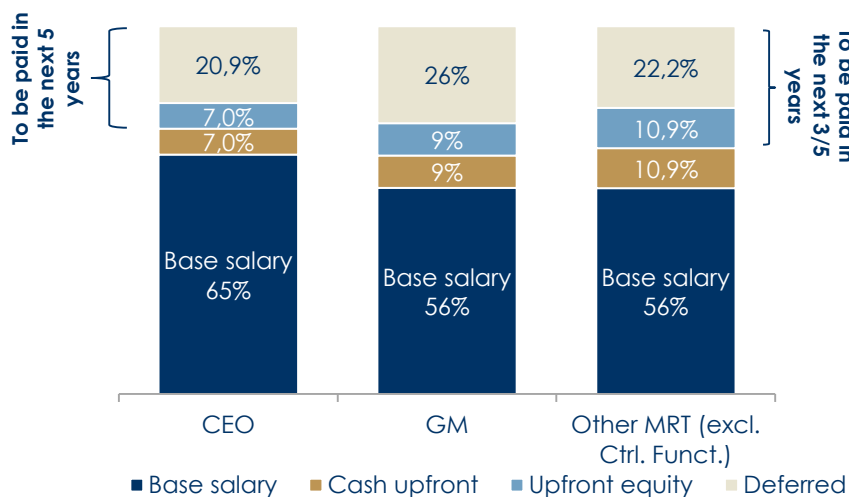
Group Pay mix and variable/fixed remuneration ratio

- ◆ Stable Group variable/fixed remuneration ratio 2020 vs. 2019: long term approach and sustainable remuneration mechanism applied in main BU
 - ◆ WB: avg. 58% vs. 98% (Group MRT WB: 69% vs. 116 %)
 - ◆ WM: MB PB: avg. 45% vs. 38% (Group MRT MB PB: 120% vs. 128%)
 - ◆ WM - Affluent/Premier: avg. 13% as in 2019 (Group MRT CB! 43% vs. 56%)
 - ◆ Consumer: avg. 9% as in 2019 (Group MRT Consumer 65% vs. 102%)
- ◆ CEO and GM FY20
 - ◆ average variable/fixed ratio 66% vs. 137% in 2019
 - ◆ 60 % of variable compensation deferred
 - ◆ pay-mix: ≈30/35% to be paid in 5 years

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



FY19/20 identified staff pay mix



Variable remuneration/fixed salary by activity¹ (%)

