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MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 443,608,088.50
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

Mediobanca S.p.A. Financial Statements as at 30 June 2019

Annual General Meeting 28 October 2019

www.mediobanca.com

translation from the Italian original which remains the definitive version

BOARD OF DIRECTORS

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

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

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

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Massimo Bertolini — Secretary to the Board of Directors

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28 OCTOBER 2019

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2) Group staff remuneration and incentivization policies:

   a. Staff remuneration policies;

   b. Cap on variable and fixed remuneration based on a ratio of 2:1;

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3) Resolution to update performance share scheme.

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Overview

Mediobanca S.p.A. earned a net profit of €386.2m in the twelve months under review, 14.6% higher than the €337m reported last year. Revenues reflect substantial growth overall, of 21.8% (up from €690.1m to €840.2m), chiefly attributable to dividends on equity investments which offset the reduction in other items. The main income sources performed as follows:

– Net interest income was down 3.5% (from €95.1m to €91.8m), reflecting the substantial liquidity position which has eroded margins in a negative interest rate scenario and despite a reduction in the cost of funding;

– Net treasury income rose by 26%, from €146.8m to €184.9m, chiefly due to a higher contribution from Capital Market Solutions business of €128.3m (€85m); conversely, the proprietary portfolio (banking and trading book) reflected a slight decrease, from €39.9m to €38.3m;

– Net fee and commission income decreased by 14.6%, from €270.7m to €231.1m, mostly due to the reduction in capital market activity (down 56%), in line with the market trend;

– Dividends on equity investments rose from €177.5m to €332.4m, due to the distribution by Compass Banca S.p.A. (€150m) and the higher contribution from Assicurazioni Generali (up from €172.3m to €182.4m).

Operating costs show a slight increase (up 1.2%, from €414.8m to €419.6m) due to enhancement of the commercial structure in private banking and intense project activity (IFRS 9; Brexit; MiFID II).

Writebacks of €58.6m were credited in respect of the loan book (€44.3m last year), mostly attributable to improvement in corporate UTP positions.

The results for the year were impacted by contributions to the resolution and deposit guarantee funds totalling €29m (€30.7m), €28.6m of which was the ordinary payment to the Single Resolution Fund (€30.3m), plus provisions in respect of other financial assets (including Group companies) totalling €9m (€0.8m), the lack of gains on disposals of AFS shares (€96.3m last year, chiefly Atlantia), and higher tax of €55m (€47m).

During the year under review, IFRS9 on accounting for financial instruments came into force [1]. The transition to the new standard has resulted in an approx. €18.2m reduction in net equity, due chiefly to the introduction of the new impairment model, the impact of which on regulatory capital will be spread over the next five years.

On the balance-sheet side, total assets increased from €59.2bn to €65.9bn, and there was particularly sharp growth in customer loans, from €25.7bn to €28.7bn, covered by higher funding of €42.8m (€39.2m).

Mediobanca's capital ratios as at 30 June 2019, taking into account the possibility of weighting the Assicurazioni Generali investment at 370% [2] and the proposed dividend (€0.47 per share), continued to reflect high levels, above the regulatory limits set: in particular the Common Equity Ratio was 14.37%, lower than 16.24% last year following launch of the buyback scheme and the increase in RWAs (from €29.4bn to €31bn) due to higher business volumes; the total capital ratio decreased from 21.51% to 18.28%. The fully-loaded ratios, i.e. without weighting the Assicurazioni Generali investment at 370% and with full application of the IFRS 9 effect, reduce to 13.1% (CET1 ratio) and 17.4% (total capital ratio).

Financial highlights

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

[1] For further details and full disclosure on the effects of first-time adoption of IFRS9, which replaces IAS39, please refer to the document entitled "Summary of IFRS9 accounting standard adoption" published on the Group's website at www.mediobanca.com.

[2] With the new Capital Requirements Regulation (CRR II) coming into force on 28 June 2019, application of Article 471 (known as the "Danish Compromise") has been extended until 31 December 2024.

RESTATED PROFIT AND LOSS ACCOUNT

(€m)

Profit-and-loss data	12 mths ended 30/6/18 *	12 mths ended 30/6/19	Chg. (%)
	IAS39	IFRS9	
Net interest income	95.1	91.8	-3.5%
Net treasury income	146.8	184.9	26.0%
Net fee and commission income	270.7	231.1	-14.6%
Dividends on investments	177.5	332.4	87.3%
Total income	**690.1**	**840.2**	**21.8%**
Labour costs	(237.8)	(240.8)	1.3%
Administrative expenses	(177.0)	(178.8)	1.0%
Operating costs	**(414.8)**	**(419.6)**	**1.2%**
Gains (losses) on disposal of equity investments	96.3	—	n.m.
Loan loss provisions	44.3	58.6	32.3%
Provisions for other financial assets	1.1	(4.8)	n.m.
Impairment on investments	(0.3)	(4.2)	n.m.
Other gains (losses)	(32.7)	(29.0)	-11.3%
Profit before tax	**384.0**	**441.2**	**14.9%**
Income tax for the period	(47.0)	(55.0)	17.0%
Net profit	**337.0**	**386.2**	**14.6%**

* The Group has availed itself of the right not to restate the comparative data for the first year of IFRS9 adoption on a like-for-like basis. Accordingly, the figures for FY 2017-18, stated in accordance with IAS39, are not fully comparable.

RESTATED BALANCE SHEET

(€m)

	30/6/18	01/7/18	30/6/19
	IAS39	IFRS9	IFRS9
Assets			
Financial assets held for trading	8,211.9	8,015.8	10,047.3
Treasury financial assets	9,236.0	9,234.0	11,517.4
Banking book securities	11,454.9	11,645.9	10,779.3
Loans and advances to customers	25,745.1	25,740.9	28,671.0
Equity Investments	3,831.0	3,831.0	3,876.5
Tangible and intangible assets	155.4	155.4	147.6
Other assets	600.1	604.6	869.0
Total assets	**59,234.4**	**59,227.6**	**65,908.1**
Liabilities and net equity			
Funding	39,173.0	39,179.0	42,753.7
Treasury financial liabilities	7,287.4	7,287.4	8,636.2
Financial liabilities held for trading	6,510.5	6,510.5	8,280.3
Other liabilities	872.5	853.3	925.1
Provisions	105.5	130.2	126.0
Net equity	4,948.5	4,930.2	4,800.6
Profit (loss) for the period	337.0	337.0	386.2
Total liabilities and net equity	**59,234.4**	**59,227.6**	**65,908.1**
Regulatory capital (€ mln)	*4,772.7*	*4,772.6*	*4,456.2*
Solvency margin (€ mln)	*6,323.1*	*6,323.0*	*5,668.5*
RWA (€ mln)	*29,395.2*	*29,395.0*	*31,005.8*
Regulatory capital/RWA	*16.24%*	*16.24%*	*14.37%*
Solvency margin/RWA	*21.51%*	*21.51%*	*18.28%*
No. of shares outstanding (mln)	*886.6*	*886.6*	*887.2*
Market capitalization (€ mln)	*7,062.6*	*7,062.6*	*8,116.3*
No. of staff	*982*	*982*	*986*

Review of key items

Funding – the increase in this item, from €39.2bn to €42.8bn, chiefly reflects higher deposits from Private Banking clientele (which virtually doubled, from €2bn to €4bn) and from the CheBanca! channel, from €11.2bn to €11.7bn, offsetting the reduction in debt securities (from €16.8bn to €15.8bn). New issuance of €2.5bn was recorded for the twelve months, against redemptions and buybacks on the market totalling €3.5bn.

	30/6/18 IAS39		01/7/18 IAS39		30/6/19 IFRS9		Chg.
	(€m)	%	(€m)	%	(€m)	%	
Debt securities	16,769.4	42%	16,775.3	43%	15,785.8	37%	-5.9%
Interbank funding	14,767.7	38%	14,915.9	38%	17,430.4	41%	18.0%
- of which: CheBanca! intercompany	*11,192.4*	*29%*	*11,192.4*	*29%*	*11,685.5*	*27%*	*4.4%*
ECB (T-LTRO / LTRO)	4,363.1	11%	4,336.5	11%	4,322.4	10%	-0.9%
Other funding	3,272.8	9%	3,151.3	8%	5,215.1	12%	59.3%
- of which: private banking	*1,958.2*	*5%*	*1,958.2*	*5%*	*3,989.4*	*9%*	*n.m.*
Total funding	**39,173.0**	**100%**	**39,179.0**	**100%**	**42,753.7**	**100%**	**9.1%**

Loans and advances to customers – loans and advances to customers rose by 11.4%, from €25.7bn to €28.7bn, with the increase regarding all three divisions: Corporate finance loans increased from €9.9bn to €11.1bn, on new loans of €4bn against repayments totalling €3bn, €1.2bn of which were early repayments; loans to Private Banking customers increased from €0.9bn to €1.1bn; while loans to Group companies increased from €14.8bn to €16.5bn, in particular to Mediobanca International, Compass Banca and CheBanca!.

	30/6/18 IAS39		01/7/18 IFRS9		30/6/19 IFRS9		Chg.
	(€m)	%	(€m)	%	(€m)	%	
Corporate customers	9,934.2	39%	9,941.3	39%	11,057.4	39%	11.3%
Private customers	965.0	4%	963.8	4%	1,156.3	4%	19.8%
Group companies	14,845.9	57%	14,835.8	57%	16,457.3	57%	10.9%
Total loans and advances to customers	**25,745.1**	**100%**	**25,740.9**	**100%**	**28,671.0**	**100%**	**11.4%**
– of which: impaired assets	*344.0*		*346.0*		*387.0*		*12.5%*

	30/6/18		30/6/19		Chg
	(€m)	%	(€m)	%	
Italy	6,525.1	60%	8,399.9	69%	28.7%
France	1,022.5	9%	1,245.5	10%	21.8%
Spain	1,312.0	12%	826.3	7%	-37.0%
Germany	645.7	6%	648.0	5%	0.4%
UK	500.0	5%	500.0	4%	n.m.
Other non-resident	893.9	8%	594.0	5%	-33.5%
Total loans and advances to customers	**10,899.2**	**100%**	**12,213.7**	**100%**	**12.1%**

	30/06/2018 IAS39		01/07/2018 IFRS9		30/06/2019 IFRS9		Chg.
	(€m)	%	(€m)	%	(€m)	%	
Compass Banca	4,405.1	30%	4,402.5	30%	4,840.9	29%	9.9%
CheBanca!	5,336.2	36%	5,333.2	36%	5,711.5	35%	7.0%
Leasing	1,639.0	11%	1,636.6	11%	1,352.0	8%	-17.5%
Mediobanca International	2,133.3	14%	2,132.3	14%	2,972.1	18%	39.3%
Others	1,332.3	*9%*	1,331.2	*9%*	1,580.8	*10%*	18.7%
Total loans and advances to Group companies	**14,845.9**	**100%**	**14,835.8**	**100%**	**16,457.3**	**100%**	**10.9%**

Gross non-performing loans totalled €643m (€662m), and chiefly consist of six Corporate positions (one more than last year, for a nominal amount of €50m), and four Private Banking exposures (unchanged); together they account for 5.1% (5.8%) of the total loan book. Net NPLs meanwhile totalled €387m (€344m), or 3.2% of the loan book (unchanged from last year), plus exposures in the form of endorsements totalling €12.7m (€9.3m). The coverage ratio stood at 39.9% (47.7%), lower than last year due to the revaluation of certain UTP positions which have shown signs of improvement. Bad debts, all of which in relation to Private Banking activity, increased from €3.8m to €11.1m (due to one new addition from the UTP category) and have been written off almost entirely (97.6%).

Equity investments – As a result of the new classifications introduced by IFRS9, from this financial year this heading includes controlling interests (€2,056.4m), interests in associates (€1,135.3m), equity positions recognized at fair value through other comprehensive income (formerly AFS) totalling €136.3m, and funds, including those promoted by the Group (seed capital) which are mandatorily recognized at fair value through profit and loss (€548.5m).

(€m)

	30/6/18		1/7/18		30/6/19	
	Book value	AFS reserve	Book value	HTC&S reserve	Book value	HTC&S reserve
Associates and subsidiaries	3,084.2	—	3,084.2	—	3,191.7	—
Other listed shares	239.3	51.3	239.3	51.3	102.6	52.7
Other unlisted shares	19.4	11.9	19.4	5.2	33.7	10.9
Seed capital	315.4	7.5	315.4	—	382.6	—
Private equity	67.0	22.1	67.0	—	63.6	—
Other funds	105.7	—	105.7	—	102.3	—
Total equity investments	**3,831.0**	**92.8**	**3,831.0**	**56.5**	**3,876.5**	**63.6**

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

– Assicurazioni Generali, equal to 12.9% of the ordinary share capital booked at €1,096.3m, which reflects a gain at the reporting date of €2,260.7m (€2,446.1m based on current prices);

– Istituto Europeo di Oncologia, an interest of 25.4%, carried at €39m.

Interests in subsidiaries rose from €1,948.9m to €2,056.4m, and reflect the following movements:

– Acquisition of a 66.4% stake in french company Messier Maris & Associés for a consideration of €107.9m;

– An increase in the stake owned in Cairn Capital, from 51% to 60.8%, due to acquisition of minority interests for an outlay of €4.1m;

– MB Advisory Turkey has been placed into liquidation (the investment was carried at €4.2m).

Equities, listed and unlisted, decreased from €258.7m to €136.3m, after sales of €144.2m (with gains realized and taken directly to net equity €7.3m), purchase of €10.9m (unlisted companies only) and upward adjustments to reflect fair value at the reporting date totalling €3.6m (taken through net equity).

Seed capital invested in funds managed by Group companies rose by €67.2m, in addition to the net gains of €4.4m taken through profit and loss. Holdings in private equity and other funds decreased from €172.7m to €165.9m, following net redemptions of €3.2m and downward value adjustments totalling €3.7m.

	Percentage shareholding	30/6/18	30/6/19
Associates			
Assicurazioni Generali	12.9	1,096.3	1,096.3
Istituto Europeo di Oncologia	25.4	39.0	39.0
Total associates		**1,135.3**	**1,135.3**
Total subsidiaries		1,948.9	2,056.4
Total equity investments		**3,084.2**	**3,191.7**

Banking book securities – these include securities recognized at amortized cost (under the "Hold-To-Collect" business model, or "HTC") and FVOCI ("Hold-To-Collect and Sell", or HTC&S), and debt securities which have failed the SPPI test which, under IFRS9, are mandatorily recognized at FVTPL.

	30/6/18		1/7/18		30/6/19	
	(€m)	%	(€m)	%	(€m)	%
Hold to Collect	7,035.4	61%	7,145.4	61%	6,975.5	65%
Hold to Collect & Sell	4,419.5	39%	4,442.7	39%	3,748.2	35%
Other (mandatorily measured at FV)	—	—	57.8	—	55.6	—
Total banking book securities	**11,454.9**	**100%**	**11,645.9**	**100%**	**10,779.3**	**100%**

This segment reflects a value of €10.8bn, following purchases of €6.1bn and sales and redemptions totalling €7bn, due to some profit-taking. The OCI reserve remained in positive territory but declined from €72m to €36.2m, on sales for the period (totalling €58.3m) which were only in part offset by the fair value measurements at the reporting date (which resulted in upward adjustments of €25.6m).

Securitizations of inter-company receivables (Compass Banca and Futuro) were virtually unchanged at €3.9bn, and make up 36% of this segment; government securities total €4.3bn (40%), of which €2.1bn Italian government securities (19%) with a duration of approx. three years.

	30/6/18			1/7/18			30/6/19		
	Book value		AFS reserve	Book value		OCI reserve	Book value		OCI reserve
	HTM - LR	AFS		HTC	HTC&S		HTC	HTC&S	
Italian government securities	1,132.1	1,450.8	25.2	1,132.1	1,456.9	25.2	920.4	1,161.3	4.8
Other government bonds	738.6	1,822.1	14.0	738.6	1,821.6	13.5	534.2	1,701.8	5.0
Bonds issued by financial institutions	4,857.5	752.7	16.6	4,879.0	849.4	12.5	5,277.1	663.3	15.6
– of which: Consumer Banking ABS securities	*3,891.3*	—	—	*3,891.3*	—	—	*3,851.8*	—	—
Corporate bonds	307.2	393.9	16.2	395.7	314.9	11.6	243.8	221.8	10.8
Total banking book securities	**7,035.4**	**4,419.5**	**72.0**	**7,145.4**	**4,442.8**	**62.8**	**6,975.5**	**3,748.2**	**36.2**

Net treasury assets – the balance between financial instruments held for trading purposes and treasury assets and liabilities totalled €4,648.2m, far higher than the €3,650m reported last year, due to the objective of maintaining a substantial liquidity position in a market scenario still dominated by uncertainty, in Italy in particular. The strategy pursued was to increase net deposits in repos (which increased accordingly, from €316.7m to €2,078.3m). The heading includes equities worth €2,589.7m (€1,625.8m) and debt securities totalling €130.4m (€310.7m). The valuation of derivatives was negative overall by €959.9m (€260.1m), and chiefly involves operations with clients to hedge the exposure to equities.

	30/6/18 IAS39 (€m)	01/7/18 IAS39 (€m)	30/6/19 IFRS9 (€m)	Chg. %
Financial assets held for trading	8,211.9	8,015.8	10,047.3	22.4%
Treasury financial assets	9,236.0	9,234.0	11,517.4	24.7%
Financial liabilities held for trading	(6,510.5)	(6,510.5)	(8,280.3)	27.2%
Treasury financial liabilities	(7,287.4)	(7,287.4)	(8,636.2)	18.5%
Total net treasury assets	**3,650.0**	**3,451.9**	**4,648.2**	**27.3%**

	30/6/18 IAS39 (€m)	01/7/18 IAS39 (€m)	30/6/19 IFRS9 (€m)	Chg. %
Loan trading	25.0	25.0	6.9	72.4%
Derivatives contract valuations	(260.1)	(260.1)	(959.9)	n.m.
Equities	1,625.8	1,625.8	2,589.7	59.3%
Bond securities	310.7	114.6	130.4	-58.0%
Financial instruments held for trading	**1,701.4**	**1,505.3**	**1,767.1**	**3.9%**

	30/6/18 IAS39 (€m)	01/7/18 IAS39 (€m)	30/6/19 IFRS9 (€m)	Chg. %
Cash and banks	1,485.7	1,485.7	1,034.8	-30.3%
PCT&PT	(960.0)	(960.0)	2,185.3	n.m.
Financial assets deposits	146.2	146.2	(232.0)	n.m.
Stock Lending	1,276.7	1,274.7	(107.0)	n.m.
Other net treasury assets	**1,948.6**	**1,946.6**	**2,881.1**	**47.9%**

Tangible and intangible assets – these decreased, from €155.4m to €147.6m, reflecting depreciation and amortization charges for the twelve months (totalling €9.9m) with no new significant investments.

	30/6/18 IAS39		30/6/19 IFRS9		Chg.
	(€m)	%	(€m)	%	
Land and properties	112.3	72%	111.1	75%	-1%
- of which: core	*87.1*	*56%*	*86.2*	*58%*	*-1%*
Other tangible assets	4.5	3%	4.0	3%	-11%
Other intangible assets	38.6	25%	32.5	22%	-16%
- of which: goodwill	*12.5*	*8%*	*12.5*	*8%*	*n.m.*
- of which: brand	*15.5*	*10%*	*15.5*	*10%*	*n.m.*
Total tangible and intangible assets	**155.4**	**100%**	**147.6**	**100%**	**-5%**

Provisions – starting from this year, this item includes provisions to cover commitments to disburse finance and guarantees issued, totalling €22m. Net of this effect, provisions decreased by €1.4m, following withdrawals to cover legal expenses and staff costs. The staff severance component rose from €7.7m to €7.8m, due to the increase in the discount reserve (from €0.5m to €0.8m).

	30/6/18 IAS39		30/6/19 IFRS9		Chg.
	(€m)	%	(€m)	%	
Commitments and financial guarantees given *	n.a.	n.a.	22.0	17%	n.a.
Provisions for risks and charges	*97.8*	*93%*	*96.2*	*77%*	*-1.7%*
Staff severance provision	7.7	7%	7.8	6%	1.3%
of which: staff severance provision discount	*0.5*	*—*	*0.8*	*—*	*60.0%*
Total provisions	**105.5**	**100%**	**126.0**	**100%**	**19.4%**

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

Net equity – net equity reduced from €5,285.5m to €5,186.8m, as the profit for the twelve months, of €386.2m, was offset by other items, notably:

– Distribution of the 2018 dividend (€411.2m);

– First-time adoption (FTA) of IFRS9 on financial instruments[3], which generated a reduction of €18.2m;

– Launch of the share buyback scheme, approved by shareholders at the annual general meeting held on 27 October 2018, involving the acquisition of 20.1 million shares for an outlay of €162.5m[4] and the use of 13.4 million

[3] See Part A of the Notes to the Accounts for further details.

[4] After the reporting date, a further 99,000 shares were acquired for an outlay of €0.9m.

shares, 11.6 million for the acquisition of Messier Maris & Associés, and 1.8 million for use in connection with the performance share schemes; at the reporting date, Mediobanca had a total of 15.3 million treasury shares (or 1.7% of its share capital);

– Lower valuation reserves, down from €130m to €85.7m, reflecting the reduction in FVOCI assets (from €126.7m to €80.3m).

The share capital increased from €443.3m to €443.6m during the year, following the exercise of 642,500 stock options worth a total of €4.2m, including the share premium, after 1,827,063 performance shares were awarded to staff members out of the treasury shares held.

(€m)

	30/6/18 IAS 39	**01/7/18 IFRS 9**	**30/6/19 IFRS 9**	**Chg.**
Share capital	443.3	443.3	443.6	0.1%
Other reserves	4,375.2	4,380.4	4,271.3	-2.4%
Valuation reserves	130.0	106.5	85.7	-34.0%
– of which: OCI	*126.7*	*100.1*	*80.3*	*-36.6%*
– of which: cash flow hedge	*(2.6)*	*0.6*	*(3.4)*	*31.0%*
Profit for the period	337.0	337.0	386.2	14.6%
Total net equity	**5,285.5**	**5,267.2**	**5,186.8**	**-1.9%**

Of the OCI reserve, €63.6m involved shares and €36.2m bonds and other securities (€4.8m of which Italian government securities) net of the €16.1m tax effect.

(€m)

	30/6/18 IAS 39	**01/7/18 IFRS 9**	**30/6/19 IFRS 9**	**Chg.**
Equity shares	92.7	56.3	63.6	-31.4%
Bonds	72.0	62.8	36.2	-49.7%
– of which: Italian government bonds	*25.2*	*25.2*	*4.8*	*-81.0%*
Tax effect	(38.0)	(24.4)	(16.1)	-57.7%
Total OCI reserve	**126.7**	**94.7**	**83.7**	**-33.9%**

Profit and loss account

Net interest income – Net interest income was down 3.5% (from €95.1m to €91.8m), reflecting the substantial liquidity position which has eroded margins in a negative interest rate scenario and despite a reduction in the cost of funding (with interest expense down 7.3%).

(€m)

	12 mths ended 30/6/18	12 mths ended 30/6/19	Chg.
Interest income	762.7	710.8	-6.8%
Interest expense	(667.6)	(619.0)	-7.3%
Net interest income	**95.1**	**91.8**	**-3.5%**

Net treasury income – the increase in this item, from €146.8m to €184.9m, reflects the increase in activity with capital market solutions clients, totalling €128.3m (€85m), plus gains on the banking book amounting to €48.9m (€12.9m), only in part offset by the €10.6m loss incurred on the trading book (compared with a €27m gain last year), due to certain trades with exposure to the reduction in interest rates. Dividends on OCI shares and other income from funds decreased from €21.9m to €18.3m.

(€m)

	12 mths ended 30/6/18	12 mths ended 30/6/19	Chg.
Dividends	21.9	18.3	-16.4%
Fixed-income trading profit	69.2	108.6	56.9%
Equity trading profit	55.7	58.0	4.1%
Net treasury income	**146.8**	**184.9**	**26.0%**

Net fee and commission income – fees fell by 14.6%, from €270.7m to €231.1m, due mostly to the reduction in fees from capital market activity (from €65.8m to €28.9m), which in part was offset by good performances in M&A advisory activity (where fees rose from €64.7m to €82.2m) and Private Banking (fees up 3%, from €52.5m to €54.1m, despite lower performance fees).

(€m)

	12 mths ended 30/6/18	12 mths ended 30/6/19	Chg.
Lending	46.8	40.3	-13.9%
Advisory M&A	64.7	82.2	27.0%
Capital Market	65.8	28.9	-56.1%
Sales and Markets	21.8	9.2	-57.8%
Private Banking	52.5	54.1	3.0%
Other income	19.1	16.4	-14.1%
Net fee and commission income	**270.7**	**231.1**	**-14.6%**

Dividends on equity investments totalled €332.4m, consisting of the Assicurazioni Generali dividend of €182.4m (€172.3m) and the contribution from Compass (€150m).

Operating costs show a slight increase (up 1.2%, from €414.8m to €419.6m), split equally between labour costs (up 1.3%, from €237.8m to €240.8m) and administrative expenses (up 1%, from €177m to €178.8m). The former reflect the enhancement of the commercial structure in Private Banking, plus a higher percentage of total compensation accounted for by the variable component; the latter reflect the increase in IT spending (data processing) and consultancy costs in relation to the intense project activity (IFRS9; Brexit; MiFID II).

(€m)

	12 mths ended 30/6/18	12 mths ended 30/6/19	Chg.
Labour costs	237.8	240.8	1.3%
of which: directors	*3.5*	*3.4*	*-2.9%*
stock options and performance shares schemes	*10.3*	*11.2*	*8.7%*
Sundry operating costs and expenses	177.0	178.8	1.0%
of which: depreciations and amortizations	*11.8*	*9.9*	*-16.1%*
administrative expenses	*168.1*	*168.6*	*0.3%*
Operating costs	**414.8**	**419.6**	**1.2%**

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

(€m)

	12 mths ended 30/6/18	12 mths ended 30/6/19	Chg.
Legal, tax and professional services	11.9	11.8	-0.8%
Other consultancy expenses	22.3	21.1	-5.4%
Marketing and communication	4.9	4.4	-10.2%
Rent and property maintenance	11.4	10.2	-10.5%
EDP	52.8	61.6	16.7%
Financial information subscription	19.5	20.0	2.6%
Bank services, collection and payment commissions	1.9	2.0	5.3%
Operating expenses	6.6	5.9	-10.6%
Other labour costs	11.9	9.9	-16.8%
Other costs	19.9	16.6	-16.6%
Direct and indirect taxes	5.0	5.1	2.0%
Total administrative expenses	**168.1**	**168.6**	**0.3%**

Gains (losses) on disposal of equity investments – under the new IFRS9 rules, gains on shares held as part of the banking book (formerly AFS) no longer pass through the profit and loss account; last year gains of €96m were recorded, and chiefly involved disposal of the Atlantia stake.

Loan loss provisions – writebacks of €58.6m were credited in respect of the loan book (€44.3m last year), mostly attributable to improvement in corporate UTP positions, which in some cases exceeded expectations.

Provisions for other financial assets – under IFRS9, the impairment process is extended to include all financial assets (securities, repos, deposits and current accounts) recognized at cost (Hold to collect model) and to debt securities recognized at FVOCI (Hold to collect and sell model), including intercompany exposures. During the year under review, provisions were taken through profit and loss in an amount of €3.6m (€2m of which in respect of intercompany items), split between bonds (€2.1m, €0.8m of which HTC&S) and other financial assets (€1.3m, chiefly time deposits). The heading also includes securities mandatorily recognized at fair value in an amount of €1.2m.

(€m)

	12 mths ended 30/6/18	12 mths ended 30/6/19	Chg.
Hold-to-Collect securities	2.9	(2.8)	n.m.
Hold-to-Collect & Sell securities	(1.8)	(0.8)	-55.6%
Other	—	(1.2)	n.m.
Total provisions for other financial assets	**1.1**	**(4.8)**	**n.m.**

Other gains and losses – this heading contains the contributions to the resolution and deposit guarantee funds, which impacted on the results for the year, totalling €29m (€30.7m), €28.6m of which was the ordinary payment to the Single Resolution Fund (€30.3m), €0.4m the payment to the Deposit Guarantee Scheme (DGS), and one-off contributions made to the voluntary FITD scheme (which entailed the investment in Carige being written off in full).

Income tax – on a GOP of €441.2m (versus €384m last year), income tax for the year was €55m (€47m). The effective tax rate, around 12.5% (12.3% last year), was assisted by the partial dividend exemption regime.

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

* * *

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

– Launch of the share buyback scheme, approved by shareholders at the annual general meeting held on 27 October 2018, involving the acquisition of 20.1 million shares for an outlay of €162.5m[5] and the use of 13.4 million shares, 11.6 million for the acquisition of Messier Maris & Associés, and 1.8 million for use in connection with the performance share schemes; at the reporting date, Mediobanca had a total of 15.3 million treasury shares (or 1.7% of its share capital);

– On 11 April 2019 a long-term strategic partnership was announced between Mediobanca and Messier Maris & Associés, a French company specializing in corporate finance and M&A services. Mediobanca acquired a 66.4% stake in the company financed entirely with treasury shares.

[5] After the reporting date, a further 99,000 shares were acquired for an outlay of €0.9m.

* * *

The leading agencies all revised their rating for the republic of Italy in the summer months of 2018, impacting on the nation's banking system as a whole. As for other banks with the same rating, in September 2018 Fitch cut Mediobanca's outlook from "stable" to "negative", while affirming its long-term ratings at BBB, following the same rating action on Italian sovereign debt; in October 2018, S&P cut Mediobanca's outlook from "stable" to "negative", maintaining the rating at "BBB" after the outlook for Italy was similarly downgraded; and the end of the same month, despite downgrading the republic of Italy from baa2 to baa3, Moody's confirmed Mediobanca's long-term rating at baa1, i.e. two notches higher than sovereign debt, with stable outlook.

Related party disclosure

Financial accounts outstanding as at 30 June 2019 between companies forming part of the Mediobanca Group and related parties and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

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

Other information

With regard to securities trading, a total of 25.4 million Mediobanca shares were traded on behalf of customers, worth €215.1m.

Information regarding the Bank's ownership structure as required under Article 123-bis of Italian Legislative Decree 58/98 is contained in the annual statement on corporate governance attached hereto and available on the Bank's website under Corporate Governance.

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

The other information on ratings and research is shown on p. 64 of the consolidated Review of Operations.

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

Outlook

The performance for the next financial year should confirm the earnings trend visible in the Bank's core business, despite the interest rate scenario continuing to be negative, and despite the uncertainty on financial markets, in particular the Italian domestic one, not to mention the increasingly competitive conditions, which necessarily impact on the performance in terms of net interest, treasury and fee income. The latter should benefit from development of the Private Banking platform and from the investments made in CIB. The cost trend will continue to be impacted by the enhancement of the commercial structures and additional ICT investments supporting business development as well as to comply with regulatory requirements. The cost of risk should remain at favourable levels, helped by the performance of certain UTP positions.

Milan, 19 September 2019

THE BOARD OF DIRECTORS

Proposal to approve financial statements and profit allocation for the year ended 30 June 2019

Dear shareholders,
The net profit for the year was €386.244.850,65 which we propose to allocate as follows:

€	17,323.70	to the *Legal Reserve*, which accordingly would amount to €88,704,294.00, or 20% of the Bank's share capital;
€	38,607,161.37	to the *Statutory Reserve*;
€	347,620,365.58	as profit remaining

We therefore propose to distribute a €0.47 dividend on each of the 871,770,382 shares in issue entitling their holders to such rights, which, including the redistribution of amounts payable in respect of the treasury shares, makes for a total amount of €409,732,079.54, to be made up from the profit remaining plus €62,111,713.96 to be taken from the Statutory Reserve, as per the table shown below.

It should be noted that the unit amount of the dividend will remain unchanged even in the event that the Bank should hold further treasury shares at the record date (November 19, 2019) compared to those currently held (15,445,795). In this case, the total amount of the distributed profit must be correspondingly reduced, with the difference being allocated to the Statutory Reserve.

Accordingly, you are invited to approve the financial statements for the year ended 30 June 2019, including the balance sheet, profit and loss account and accompanying schedules, and the following profit allocation:

Net profit for the year	€ 386,244,850.65
To the *Legal Reserve*	€ 17,323.70
To the *Statutory Reserve*	€ 38,607,161.37
Remaining profit	€ 347,620,365.58
From the *Statutory Reserve*	€ 62,111,713.96
Dividend of €0.47 on 871,770,382 shares	€ 409,732,079.54

The dividend of €0.47 per share will be paid on 20 November 2019, with the shares going ex-rights on 18 November 2019.

Milan, 31 July 2019

THE BOARD OF DIRECTORS

DECLARATION IN RESPECT OF INDIVIDUAL FINANCIAL STATEMENTS

DECLARATION IN RESPECT OF THE INDIVIDUAL FINANCIAL STATEMENTS

as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

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1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca hereby declare, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the separate financial statements:
   - were adequate in view of the company's characteristics;
   - were effectively applied in the year ended 30 June 2019.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the separate financial statements as at 30 June 2019 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT framework).

3. It is further hereby declared that

   3.1 the separate financial statements:
   - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
   - correspond to the data recorded in the company's books and account ledgers;
   - is adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer.

   3.2 the review of operations contains reliable analysis of the Mediobanca's operating performance and results, and of its situation, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 19 September 2019

Chief Executive Officer	Head of Company Financial Reporting
Alberto Nagel	*Emanuele Flappini*

AUDITORS' REPORT

pwc

Independent auditor's report

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

To the shareholders of Mediobanca SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mediobanca SpA (the Company), which comprise the balance sheet as of 30 June 2019, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and article 43 of Legislative Decree No. 136/15.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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

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

First-time adoption of IFRS 9 - "Financial Instruments"

Notes to the accounts:
Part A- Accounting policies, Section 2, paragraph "Transition to IFRS 9 on financial instruments"

Starting from 1 July 2018 the Company has adopted IFRS 9 – Financial Instruments which introduced new rules for the classification and measurement of financial instruments, the measurement of related impairment losses, and hedge accounting as compared to the IAS 39 applied by the Company up to 30 June 2018. The adoption of the new financial reporting standard entailed a reduction of the Company's net equity on 1 July 2018 of Euro 18.2 million, after the related tax effect.

The new classification and measurement rules for financial assets are based on an entity's business model for managing the financial assets (Business Model) and on the characteristics of the related contractual cash flows (Solely Payments of Principal and Interest, "SPPI"); at the same time, for financial assets other than those carried at fair value through profit or loss, and for off-balance sheet exposures (guarantees and commitments), the new standard has replaced the impairment model of IAS 39 based on the Incurred Loss with an impairment model based on the Expected Credit Loss ("ECL"). As a consequence. by introducing significant changes in classification and measurement requirements, IFRS 9 has caused significant operating impacts, requiring the use of new models, more information, parameters and assumptions, thus determining a higher degree of complexity in estimation processes.

With reference to Hedge Accounting, the standard rewrote the rules for designating a hedging relationship and verifying its effectiveness, with the aim to align the accounting presentation with the entity's risk management activities and to

Since the Company adopted IFRS 9 starting from 1 July 2018, our audit procedures were applied to the opening balances on that date, to verify the transition from IAS 39 to IFRS 9. Our procedures involved, among other things, assessing the compliance of the accounting decisions made for the transition to the new financial reporting standard and the disclosures provided.

In detail, to address this key audit matter we performed the following main activities, including the support of experts belonging to the PwC network:

- Understanding and performing critical analysis of the policies, procedures and solutions adopted by the Company with reference to relevant aspects (definition of the business model, analysis of contractual cash flows and measurement methods) to assess their compliance with the new standard, together with an analysis of the results of the validation activities performed by the Company's competent internal functions;
- Verification of the completeness and accuracy of the new accounting categories based on the *business model* defined and the results of the analysis of contractual cash flows (the "SPPI test");
- Verification of the SPPI test for a sample of financial assets;
- Understanding and verifying of the appropriateness of the policies, procedures and methods used to measure the Significant Increase in Credit Risk ("SICR"), for the Staging allocation both for performing loans (stage 1 and 2) and non-performing

strengthen disclosure of the risk management activities performed by the reporting entity. Starting from 1 July 2018 the Company has opted to adopt the new requirements for general hedge accounting (opt-in), which did not generate a significant impact on net equity as of 1 July 2018.

For the reasons set out above, we focused on the first-time application of IFRS 9 as a key audit matter in relation to the financial statements of Mediobanca SpA as of 30 June 2019.

loans (stage 3), and for determining the ECL, also in regards to the matters connected with the application of multiple economic scenarios and the use of forward-looking information;

- Performed verification of the completeness and accuracy of the data bases used for the calculation of the ECL, the calculation formulas, and the correct determination of the key estimation parameters (Probability of Default, Loss Given Default and Exposure at Default);
- Performed, for non-performing loans (Stage 3), analysis and verification of the reasonableness of the assumptions made with reference to the identification and quantification of the estimated future cash flows from recoveries, the measurements of the collateral securing those exposures and the estimated timing of recovery;
- Performed analysis of the appropriateness and completeness of disclosures.

Valuation of loans to customers carried at amortised cost

Notes to the accounts:
Part A – Accounting policies
Part B – Notes to the balance sheet, Assets, Section 4
Part C – Notes to the profit and loss account, Section 8
Part E – Information on risks and related hedging policies – 1.1 Credit risks

As of 30 June 2019 loans to customers were equal to Euro 18,301 million, corresponding to 75% of line item "40 b) Financial assets at amortized cost – Due from customers", equal to Euro 24,257 million and corresponding to 28% of total assets in the Company's financial statements.

In performing our audit we considered internal control relevant to financial reporting in order to define auditing procedures appropriate to the circumstances. Also having regard our procedures on the first-time application of IFRS 9, these activities were performed also with the support of experts belonging to the PwC network.

In detail, to address this key audit matter we performed the following main activities:

- Analysis of the adequacy of the IT environment and tests of the operating effectiveness of relevant controls over the IT systems and software applications used;

Net losses for credit risk to loans to customers posted in the year totalled reversals of Euro 39.3 million.

We paid special attention to the measurement of the above assets in the course of our audit considering the materiality of the balance as well as the measurement processes and methods that require complex estimations of a number of variables.

Estimation processes use significant assumptions, aside from the verification of the SICR and Staging allocation, also when determining the hypotheses and inputs to the ECL models and, for assets measured individually (Stage 3), when determining the alternative recovery scenarios hypothesised (sale or internal recovery), the related probabilities assigned, the estimated future cash flows, the timing of those cash flows, and the realisable value of any collateral.

- Understanding and evaluation of the design of relevant controls over the monitoring, classification and measurement of credit and tests of the operating effectiveness of those controls;
- Understanding and verification of the appropriateness of the policies, procedures and methods used to measure the SICR, for the Staging allocation and for determining the ECL;
- Verification of the correct application of the measurement methods defined for performing loans (Stage 1 and Stage 2), of the completeness and accuracy of the data bases used in the ECL calculation, the calculation formulas, and the correct determination of the key estimation parameters (Probability of Default, Loss Given Default and Exposure at Default);
- Verification, on a sample basis, of the reasonableness of classification of individual performing loans (Stage 3) based on the available information on the debtor's status and other available evidence, including from external sources, and the assumptions made with reference to the identification and quantification of the estimated future cash flows from recoveries, the measurements of the collateral securing those exposures and the estimated timing of recovery;
- Analysis of the appropriateness and completeness of disclosures.

Measurement of financial instruments at fair value (securities and derivatives) not quoted in active markets

Notes to the accounts:
Part A – Accounting policies
Part B – Notes to the consolidated balance sheet, Assets, Section 2, Section 3 and Section 5; Liabilities, Section 2, Section 3 and Section 4
Part C – Notes to the consolidated profit and loss account, Section 4, Section 5 and Section 7
Part E – Information on risks and related hedging policies – 1.2 Market risks

As part of our audit we paid special attention to the analysis of the valuation models of financial instruments not quoted in active markets and measured at fair value.
Certain types of securities and derivative financial instruments are measured using complex valuation models, acknowledged in prevailing practice. This practice is fed with inputs and parameters directly observable and not observable in the market and estimated internally based on qualitative and quantitative assumptions (financial instruments with fair value hierarchy levels 2 and 3).

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

- Analysis of the adequacy of the IT environment and tests of the operating effectiveness of relevant controls over the IT systems and software applications used;
- Understanding and evaluation of the design of relevant controls over the monitoring, classification and measurement of financial instruments with fair value hierarchy levels 2 and 3 and tests of the operating effectiveness of those controls;
- Understanding and verification of the appropriateness of the policies, procedures and models used by the Company to determine fair value;
- Verification, on a sample basis, of fair value to analyze the reasonableness the qualitative and quantitative assumptions made and inputs used; those analyses were performed with the support of experts from the PwC network;
- Verification, on a sample basis, of classification in the consolidated financial statements in accordance with the categories provided by the applicable financial reporting and regulatory framework.

Responsibilities of the Directors and the Statutory Audit Committee for the Financial Statements

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

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("collegio sindacale") is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Mediobanca SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Mediobanca SpA as of 30 June 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Mediobanca SpA as of 30 June 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Mediobanca SpA as of 30 June 2019 and are prepared in compliance with the law.

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

Milan, 1 October 2019

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

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

STATUTORY AUDITORS' REPORT

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

Dear Shareholders,

This report, which has been prepared as required under Article 153 of Italian Legislative Decree 58/98 (the "Italian Consolidated Finance Act"), refers to the activities carried out by the Statutory Audit Committee (the "Statutory Audit Committee") of Mediobanca S.p.A. ("Mediobanca", the "Bank" or the "Company") during the financial year ended 30 June 2019, in accordance with the relevant regulations, and taking into account the Rules of Conduct for Statutory Audit Committees recommended by the Italian national council of chartered accountants and accounting experts. During the course of the year, the Statutory Audit Committee met on a total of 31 occasions, 11 of which with the Risks Committee; it also took part in 10 Board meetings, 11 Executive Committee meetings, 10 Related Parties' Committee meetings, and 8 Remuneration Committee meetings.

1. Supervision of compliance with law and Articles of Association

The Statutory Audit Committee has received regular information from the directors, *inter alia* through participating in meetings of the Board of Directors, Executive Committee and the other Board committees, on the activities carried out, the management actions performed, and the most significant transactions in earnings, financial and capital terms approved and executed by the Bank and the other Group companies, including in compliance with Article 150, paragraph 1 of the Italian Consolidated Finance Act. Based on the information available, the Statutory Audit Committee is able to provide reasonable confirmation that these transactions have been carried out in compliance with the provisions of the law and the company's Articles of Association, and are not manifestly imprudent or risky, in conflict with the resolutions adopted by shareholders in general meeting, or such as may compromise the integrity of the Company's assets. Furthermore, transactions in which the Directors held interests have been approved in accordance with the provisions of the law, the regulations and the Articles of Association in force.

Significant events during the twelve months under review which the Statutory Audit Committee considers appropriate to recall here in view of their relevance to assessment of the Bank's solidity and the consistency of the management decisions made with the strategic guidelines established in the 2016-19 business plan include:

- As part of the drive to strengthen Corporate and Investment Banking activities in the capital-light businesses and towards countries offering potential cross-border synergies, on 11 April 2019 a long-term strategic partnership was announced between Mediobanca and Messier Maris & Associés, a French company specializing in corporate finance and M&A services. Mediobanca acquired a 66% stake in the company financed entirely with treasury shares. The company is fully consolidated as from this year;
- Confirmation of the existing prudential treatment for the Assicurazioni Generali investment (known as the "Danish Compromise" under Article 471 of the recently-approved CRR II) until year-end 2024;
- The ECB's decision, at the outcome of the Supervisory Review and Evaluation Process (the "SREP Decision 2018"): the authority has asked Mediobanca to maintain a CET 1 ratio of 8.25% on a consolidated basis (Total SREP Capital Requirement – TSCR – 11.75%), which includes the Pillar 2 ("P2R") requirement of 1.25%, unchanged from last year, bearing out the Group's asset quality and the adequacy of its risk management. The decision reflects the results of the Group's stress test, which confirmed our solidity even in negative scenarios (the impact on CET1 fully loaded is 182 bps, one of the lowest levels among EU banks);
- Continuation of the roll-out plan for the Group's internal PD and LGD models for use in calculating the capital requirements to cover credit risk, with authorization received for the CheBanca! mortgage lending class;
- With a view to achieving long-term growth in consumer credit operations in markets with high potential, in August 2018 Compass reached an agreement with Trinugraha (the consortium which currently owns 45.7% of the share capital) to acquire 19.9% of PT BFI Finance Indonesia Tbk ("BFI Finance"). (Trinugraha currently owns 45.7% of BFI's share capital.) Twelve months since the agreement was signed, certain contractual formalities required in order to launch the local authorization process and receive clearance from the ECB , which are prerequisites to closing, are still pending (these are expected to be obtained by March 2020).

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

Particular attention has been devoted by the Statutory Audit Committee to the action plans agreed with the ECB for work to be done in connection with liquidity and funding risk management and with the 2018 SREP letter.

2. Monitoring compliance with principles of proper management and adequacy of the Bank's organizational structure

The Statutory Audit Committee has been informed regarding, and has monitored the adequacy of, the Bank's organizational structure and its compliance with the principles of proper management, by obtaining information from the heads of the relevant company divisions and meetings with the External Auditors involving the mutual exchange of relevant data and information. It has also monitored the adequacy of the instructions given by the company to its subsidiaries, as required by Article 114, paragraph 2 of Italian Legislative Decree 58/98.

With reference to the principles of proper management, from the meetings held with the heads of the governance areas and control units, the Head of Company Financial Reporting and the external auditors, the Statutory Audit Committee can reasonably affirm that the operations performed have been carried out in accordance with the principles of proper management, and that the operating decisions have been taken on the basis of adequate reporting flows being made available and with awareness of the risks involved.

The Statutory Audit Committee also noted that no atypical and/or unusual transactions have been entered into with Group companies, third parties or related parties.

During the twelve months under review, the rationalization of some of the Bank's internal units has continued. The following actions in particular have been completed:

– Set up a new Debt platform, with a view to strengthening and complementing the product and service offering to borrower and/or issuer clients of the Mediobanca Group CIB division, increase distribution capacity, client coverage and business synergies.
  The new platform brings together and harmonizes the previous Debt Capital Markets, Lending and Structured Finance and Origination units.

- Integrated the Securities Finance desk into the Group Treasury unit. This organizational change has allowed management of refinancing activities on the market to be unified and enabled more effective coverage and governance of the regulatory liquidity indicators, in particular through execution of trades timed to match the trends in the Group's liquidity and collateral.

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

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

3. Supervision of the internal control and risk management systems

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

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

The Statutory Audit Committee has also monitored the compensation paid to the control units, to ensure that the remuneration policies have been complied with in this respect.

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

Regarding the first-level controls, Mediobanca has instituted operational procedures (or process flows) which cover all activities performed and define, in accordance with the company process tree, the relevant activities, roles, instruments and line controls.

These procedures are updated by Group Organization on a regular basis, to bring them in line with any changes in the external or internal regulations, changes to the Bank's organizational structure and operating methods, and to incorporate suggestions for improvement which emerge from the activities performed by the control units themselves. Regarding the procedures for the Private Banking division deriving from the newly-merged Banca Esperia, the work of adapting the procedures is still in progress, although adaptation of the internal regulations on the most important issues has been completed.

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

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

Group Audit Unit

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

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

The activities planned for the year under review substantially covered the scope of activities which the unit had undertaken to execute, and also the target in terms of mix of audits to be carried out was basically met. No significant critical issues emerged from this activity. The audit and follow-up activities performed (including at Group level) in any case highlighted the need for the relevant company units to implement the remediation actions identified, in order to mitigate the risks inherent in certain operating processes and practices which are residual in any banking activity but without prejudicing the reliability of the internal controls system which as a whole continues to be adequate.

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

The Group Audit Unit has continued to provide support during the onsite visits, and twice a year has provided updates on the state of the findings formulated by the unit at Group level. Particular importance has been given during the year to the activities requested by the ECM in its SREP letter of December 2018 on IT data quality, regarding the correct representation of the main work completed, in progress and scheduled.

With regard to mandatory assurance activities, the Group Audit Unit has issued its annual report on the outsourcing of important corporate functions.

Compliance unit

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

The unit has submitted its institutional and regular reports for the year ended 30 June 2019 to the Committee, along with its action plans for the twelve months ending 30 June 2020, as required under the Bank of Italy's Supervisory Instructions and the combined Bank of Italy-Consob Regulations for Intermediaries. Attached to the annual report is also the annual report on complaints and whistle-blowing, and the report on activities performed by the Group Data Protection unit. No whistle-blowing reports were recorded, while the number of complaints received was not material, and no gaps were found in the corpus of regulations or fraudulent conduct detected on the part of staff members.

Regarding the review of the Private Banking division's processes highlighted in the Committee's report last year, all critical work has been carried out as requested.

AML unit

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

With regard to new regulations, the measures required by the Bank of Italy regulations implementing the provisions of the fourth EU money-laundering directive have been launched (the directive comes into force on 1 January 2020), and gap analysis has commenced on the new Bank of Italy regulations on customer due diligence.

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

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

Risk Management unit

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

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

The Committee has examined the internal capital adequacy assessment process (ICAAP) which quantifies the internal capital, current and future, to be held to cover the risks faced by the Group, and the internal liquidity adequacy assessment process (ILAAP), which assesses the adequacy of the liquidity held by the Bank, both of which were approved by the Board of Directors at a meeting held on 25 October 2018, *inter alia* on the basis of the reports received from the Validation and Group Audit units which conclude that the regulatory provisions have been complied with.

The Committee has reviewed the new RAF document for the FY 2019-20 financial year, taking into account the recommendations made by the supervisory authorities and the regulatory guidance issued. The framework has developed in terms of the structure of the document itself and the calibration of the risk metrics and limits; in particular, a metric has been introduced for the MREL requirement, to allow the availability of eligible liabilities and own funds to be monitored relative to the minimum set by the authority; another metric has been introduced for the level of gross NPLs at Group level, distinguishing between those originated, and the limits have been revised in accordance with the Group's actual risk profile.

The Statutory Audit Committee has reviewed the annual reports by the Validation and Group Audit units on Mediobanca's corporate rating system. These reports both conclude with the verdict that the corporate rating system instituted by Mediobanca is adequate overall and meets the requisites set by the regulations in force on the IRB approach.

Other supervisory activities

Particular attention is paid by the control units to the activities of the international branches, where the Group Audit Unit carries out specific audits. The activities thus performed have not revealed any particular issues requiring to be brought to shareholders' attention.

On the subject of business continuity, an *ad hoc* report has been prepared in accordance with the supervisory instructions in force, stating that the planned tests performed during the year have all been passed successfully.

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

The Statutory Audit Committee, having been vested with the powers attributable to the supervisory body instituted pursuant to Article 6, para. 4-bis of the Italian Legislative Decree 231/01 regarding corporate administrative liability, viewed and obtained information regarding the organizational and procedural activity implemented in compliance with the aforementioned legislative decree. In this connection, the Supervisory Body played a leading role in the activities of updating the Organizational, Management and Control Model which were formally completed in July 2018, and in the months that followed, for the other Group companies as well. This update was necessary in order to incorporate the new types of underlying crimes and to rationalize the Model's content on the basis of the experience acquired since it was first instituted. The supervisory body reported on the activities performed by it during the year ended 30 June 2019 without highlighting any critical issues, revealing a situation which on the whole was satisfactory and in line with the provisions set forth in the Organizational, management and control model.

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

4. Supervision of the administrative and accounting system and the financial reporting process

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

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

Work continued in FY 2018-19 on ensuring that the mapping of processes is aligned with the project initiatives undertaken, the new forms of operation commenced and the organizational changes that have taken place in the twelve months. Among these, we would highlight the following: the amendments made to the processes and IT architecture following the introduction of IFRS 9; the complete overhaul and revision of the administrative and accounting processes at Group company CMB; and the project launched to record administrative and accounting procedures in order to formalize the areas of interaction between Accounts and Risk Management, with reference to the production of reporting for disclosure to the public in particular.

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

A Group Disclosure Policy was also prepared, to formalize governance of the process of generating and disclosing the Group’s financial reporting.

The Committee also monitored – including through meetings with the external auditors – the effects of the introduction of IFRS on the model, which among other things entailed a new process for impairment. This in turn required the introduction of new controls at both Mediobanca itself and the Group companies included in the scope of controls.

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

The Statutory Audit Committee also reviewed the statements made by the Chief Executive Officer and the Head of Company Financial Reporting as required by the instructions contained in Article 154-*bis* of the Italian Finance Act. It has also met with the Group Audit Unit to review the results of the activities performed to this end.

As far as regards the formation of the individual and consolidated financial statements, the Statutory Audit Committee:

– Duly notes that the Board of Directors, at a meeting held on 27 June 2019, approved the impairment procedure as required by the joint Bank of Italy/Consob/ISVAP document dated 3 March 2010;

– On the issue of legal and tax risks, refers to the notes and accompanying schedules to the consolidated financial statements on the subject of litigation pending which involves Mediobanca.

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

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

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

5. Supervision of transactions with related parties

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

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

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

The Procedure in respect of related parties, which includes the internal controls policies on risk assets and conflicts of interest versus connected parties as an annex, was revised by the Board of Directors at a meeting held on 27 June 2019. The changes involved: defining the scope of "related parties" following the winding-up of the original shareholders' agreement, plus a change to the formulation adopted, in order to clarify the procedure to be followed for transactions with related parties more accurately. The Statutory Audit Committee expressed a favourable opinion on the changes.

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

6. Corporate governance

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

In March/July 2019, the Board of Directors carried out its own self-assessment exercise as required by the Supervisory Instructions. The results of this exercise are described at length in the Annual Statement on Corporate Governance. In conjunction with this process, the Board also reviewed its members' requisites to qualify as independent with reference to the risk of conflicts of interest.

The Statutory Audit Committee has ascertained that the criteria and procedures adopted by the Board of Directors to assess the independence of its members have been applied correctly.

The Statutory Audit Committee also carried out its own self-assessment as required by the Supervisory Instructions. The Committee expressed a positive opinion on its collective suitability, composition in qualitative and quantitative terms, and on the functioning of the governing body.

7. Supervision of External Auditors' activity

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

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

The Statutory Audit Committee met on several occasions with the External Auditors as appointed *inter alia* pursuant to Article 150 of the Italian Consolidated Finance Act in order to exchange information regarding the latter's activity. In such meetings the External Auditor has at no stage shown evidence of facts considered to be censurable or other irregularities such as would warrant reporting as required by Article 155, para. 2 of the Italian Consolidated Finance Act. In particular it met with the External Auditor during the year under review during the preparation of the company's interim financial statements for the period ended 31 December 2018. On this occasion, the External Auditor submitted a document summarizing its activities, with reference in particular to the most significant valuation items. On 8 February 2019 the External Auditor issued a report on its limited audit of the consolidated interim financial statements, with no irregularities noted.

On 1 October 2019 the External Auditor, appointed pursuant to Article 14 of Italian Legislative Decree 39/10, issued its reports on the individual and consolidated financial statements for the year ended 30 June 2019. With reference to the opinions and declarations, in its audit report on the financial statements the External Auditors:

– Issued an opinion from which it emerges that Mediobanca's company's individual and consolidated financial statements present a truthful and proper reflection of the company's and Group's capital and financial situation as at 30 June 2019, their earnings results, changes to their net equity and cash flows during the year under review in accordance with the International Financial Reporting Standards adopted by the European Union, and the rulings issued in implementation of Article 9 del Italian Legislative Decree n. 38/05 and Article 43 del Italian Legislative Decree 136/15;

– Presented the key aspects of the auditing process which according to its own professional judgement, are most significant and contribute to the formation of the overall opinion on the financial statements;

– Issued their opinion that the Reviews of Operations attached to the individual and consolidated financial statements for the twelve months ended 30 June 2019 are consistent with certain specific information contained in the "Report on Corporate Governance and Ownership Structure" stipulated in Article 123-*bis*, para. 4 of the Italian Consolidated Finance Act, responsibility for which lies with the Bank's directors, and have been drawn up in accordance with the legal provisions in force;

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

– Reviewed the Directors' approval of the Consolidated Non-Financial Statement.

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

The Statutory Audit Committee has performed the duties required of it under the regulations in force in terms of approving the non-auditing services requested of the external auditor and/or the other companies forming part of its network. These services, charged to the profit and loss account and stated in the financial statements as required by Article 149-duodecies of the Regulations for Issuers, were as follows:

Type of service	**PricewaterhouseCoopers €'000**	**PricewaterhouseCoopers network €'000**
Statements	219	189
Other services	—	52
Total	219	241

Statements are services that are not audits but are performed by an auditor by law or by an authority, along with activities that constitute an extension to auditing (such as agreed audit procedures, issuance of comfort letters, etc.). Such activities are normally performed by the external auditor as by their nature they are held to be unable to comprise its independence.

Given the mandates conferred on PricewaterhouseCoopers S.p.A. and its network by Mediobanca and the other Group companies, the Statutory Audit Committee does not consider that there are any critical issues arising with respect to the External Auditor's independence.

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

8. Omissions, censurable facts, opinions given and initiatives undertaken

During the year under review, the Statutory Audit Committee did not receive any letters pursuant to Article 2408.

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

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

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

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

9. Consolidated non-financial statement

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

The CNFS was approved by the Board of Directors at a meeting held on 19 September 2019 as a document separate from the consolidated Review of Operations for the year ended 30 June 2019.

The external auditors retained to perform the limited assurance with reference to the CNFS as required by Article 3, paragraph 10 of Italian Legislative Decree 254/16, in its report issued on 1 October 2018, state that no evidence has reached its attention such as to suggest that the CNFS prepared by the Mediobanca Group for the year ended 30 June 2018, has not been prepared in all significant aspects, as required by Articles 3 and 4 of Italian Legislative Decree 254/16 and the "Global Reporting Initiative Sustainability Reporting Standards".

On 19 September 2019, the Board of Directors set up an ad hoc Corporate Social Responsibility (CSR) Committee, with responsibilities for prior analysis of the sustainability issues to be submitted to the attention of the Board itself, in particular the Group CSR Policy, sustainability objectives for the short and medium term, and monitoring the initiatives promoted by the managerial committee in implementing the Group Policy.

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

10. Conclusions

The agenda for the ordinary Annual General Meeting of Mediobanca shareholders to take place on 28 October 2019 includes the following items in addition to approval of the financial statements for the year ended 30 June 2019:

– Group staff remuneration and incentivization policies: remuneration policies; cap on variable and fixed remuneration based on a ratio of 2:1; policies in the event of beneficiaries leaving office or ceasing to work for Mediobanca;

– Update on performance share scheme.

In view of the specific duties assigned to the External Auditors in terms of auditing the Group's accounts and appraising the reliability of its financial statements, the Statutory Audit Committee has no observations to make to shareholders in general meeting, pursuant to Article 153 of the Italian Consolidated Finance Act, regarding approval of the financial statements for the year ended 30 June 2019 and the Review of Operations as presented by the Board of Directors, and the proposed profit allocation and dividend distribution formulated by the Board itself.

Milan, 1 October 2019

The Statutory Audit Committee

INDIVIDUAL FINANCIAL STATEMENTS *

* Figures in Euros.

Mediobanca S.p.A. Balance Sheet *

Assets	30/6/19	30/6/18
	IFRS9	IAS39
10. Cash and cash equivalents	632,611,676	1,173,154,677
20. Financial assets at fair value with impact taken to profit and loss	10,875,045,880	
a) Financial assets held for trading	*10,047,347,244*	
b) Financial assets designated at fair value	*51,975,440*	
c) Other financial assets mandatorily at fair value	*775,723,196*	
Financial assets held for trading (former heading 20 IAS39 pursuant)		8,211,913,655
Financial assets available-for-sale (former heading 40 IAS39 pursuant)		5,166,351,679
30. Financial assets at fair value with impact taken to comprehensive income	3,884,452,067	
40. Financial assets at amortized cost	46,363,397,516	
a) Due from banks	*22,106,678,647*	
b) Due from customers	*24,256,718,869*	
Financial assets held-to-maturity (former heading 50 IAS39 pursuant)		2,595,142,322
Due from banks (former heading 60 IAS39 pursuant)		19,553,430,989
Due from customers (former heading 70 IAS39 pursuant)		18,725,997,984
50. Hedging derivatives	409,863,001	235,591,092
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	3,191,843,987	3,084,158,386
80. Property, plant and equipments	115,176,613	116,806,552
90. Intangible assets	32,465,294	38,629,954
of which:		
goodwill	*12,514,145*	*12,514,145*
100. Tax assets	182,098,527	236,334,661
a) current	*93,947,800*	*133,984,760*
b) deferred	*88,150,727*	*102,349,901*
110. Assets classified as held for sale	—	—
120. Other assets	221,114,245	96,899,605
Total assets	**65,908,068,806**	**59,234,411,556**

* The Group has availed itself of the right not to restate the comparative data for the first year of IFRS9 adoption on a like-for-like basis. Accordingly, the figures for FY 2017-18, stated in accordance with IAS 39, are not fully comparable.

Liabilities and net equity	30/6/19	30/6/18
	IFRS9	IAS39
10. Financial liabilities at amortized cost	51,339,312,008	
a) Due to banks	*29,197,550,987*	
b) Due to customers	*6,140,023,616*	
c) Debt securities in issue	*16,001,737,405*	
Due to banks (former heading 10 IAS39 pursuant)		25,519,218,956
Due to customers (former heading 20 IAS39 pursuant)		4,124,182,895
Debt securities in issue (former heading 30 IAS39 pursuant)		16,827,008,980
20. Trading financial liabilities	8,280,325,892	
Trading liabilities (former heading 40 IAS39 pursuant)		6,510,480,039
30. Financial liabilities designated at fair value	55,859,366	
40. Hedging derivatives	184,650,189	220,712,763
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	424,720,381	363,933,424
a) current	*193,229,873*	*105,752,737*
b) deferred	*231,490,508*	*258,180,687*
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Oher liabilities	310,339,260	277,857,220
90. Staff severance indemnity provision	7,869,475	7,723,450
100. Provisions	118,113,416	97,786,044
a) commitments and financial guarantees	*21,954,092*	—
b) post-employment and similar benefits	—	—
c) other provisions	*96,159,324*	*97,786,044*
110. Valuation reserves	85,743,925	129,954,143
120. Redeemable shares repayable on demand	—	—
130. Equity instruments repayable on demand	—	—
140. Reserves	2,217,665,397	2,292,839,423
150. Share premium reserve	2,195,605,653	2,191,742,930
160. Share capital	443,608,089	443,275,220
170. Treasury share (-)	(141,989,096)	(109,337,765)
180. Profit/(loss) for the period (+/-)	386,244,851	337,033,834
Total liabilities and net equity	**65,908,068,806**	**59,234,411,556**

Mediobanca S.p.A. profit and loss accounts*

Items		30/6/19	30/6/18
		IFRS9	**IAS39**
10.	Interest and similar income	706,790,082	762,701,644
	of which: interest income calculated according to the effective interest method	*563,156,039*	
20.	Interest expense and similar charges	(619,870,465)	(667,617,589)
30.	**Net interest income**	**86,919,617**	**95,084,055**
40.	Fee and commission income	253,206,129	284,692,778
50.	Fee and commission expense	(34,342,664)	(26,134,905)
60.	**Net fee and commission income**	**218,863,465**	**258,557,873**
70.	Dividends and similar income	438,008,156	261,588,554
80.	Net trading income	(8,264,005)	
	Net trading income (former heading 80 IAS39 pursuant)		37,058,760
90.	Net hedging income (expense)	5,477,850	822,028
100.	Gain (loss) on disposal/repurchase:	83,167,824	
	a) financial assets measured at amortized cost	*9,425,511*	
	b) financial assets valued at fair value with impact taken to comprehensive income	*66,798,690*	
	c) financial liabilities	*6,943,623*	
	Gain (loss) on disposal/repurchase: (former heading 100 IAS39 pursuant)		112,753,049
	a) loans and advances		*1,584,206*
	b) AFS securities		*119,795,869*
	c) financial assets held to maturity		*(919,453)*
	d) financial liabilities		*(7,707,573)*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	15,802,744	
	a) financial assets and liabilities designated at fair value	*(27,697)*	
	b) other financial assets mandatorily valued at fair value	*15,830,441*	
120.	**Total income**	**839,975,651**	**765,864,319**
130.	Net write-offs (write-backs) for credit risk:	36,710,805	
	a) financial assets measured at amortized cost	*37,489,930*	
	b) financial assets valued at fair value with impact taken to comprehensive income	*(779,125)*	
	Adjustments for impairment to: (former heading 130 IAS39 pursuant)		46,831,412
	a) loans and advances		*34,387,805*
	b) AFS securities		*(1,848,277)*
	c) financial assets held to maturity		*2,970,784*
	d) other financial assets		*11,321,100*
140.	Gains (losses) from contractual modifications without derecognition	—	
150.	**Net income from financial operations**	**876,686,456**	**812,695,731**
160.	Administrative expenses:	(436,843,296)	(430,233,782)
	a) personnel cost	*(240,815,414)*	*(237,826,064)*
	b) other administrative expenses	*(196,027,882)*	*(192,407,717)*
170.	Net transfers to provisions:	987,468	995,023
	a) commitments and financial guarantees	*1,262,984*	—
	b) other sums set aside (net)	*(275,516)*	*995,023*
180.	Net adjustments to tangible assets	(3,054,767)	(3,504,538)
190.	Net adjustments to intangible assets	(6,881,036)	(8,344,677)
200.	Other operating income (expense)	14,602,241	12,735,088
210.	**Operating costs**	**(431,189,390)**	**(428,352,886)**
220.	Gain (loss) on equity investments	(4,224,809)	(309,031)
230.	Net result from fair value valuation of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gain (loss) on disposal of investments	(27,406)	20
260.	**Profit (loss) on ordinary activity before tax**	**441,244,851**	**384,033,834**
270.	Income tax for the year on ordinary activities	(55,000,000)	(47,000,000)
280.	**Profit (loss) on ordinary activities after tax**	**386,244,851**	**337,033,834**
290.	Gain (loss) of ceded operating assets, net of tax	—	—
300.	**Net profit (loss) for the period**	**386,244,851**	**337,033,834**

* The Group has availed itself of the right not to restate the comparative data for the first year of IFRS9 adoption on a like-for-like basis. Accordingly, the figures for FY 2017-18, stated in accordance with IAS39, are not fully comparable.

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

Items		30/6/19	30/6/18
10.	Profit (Loss) for the period	386,244,851	337,033,834
	Other income items net of tax without passing through profit and loss	**10,118,476**	**43,174**
20.	Equity securities designated at fair value with impact taken to comprehensive income	10,533,480	—
30.	Financial liabilities at fair value with impact taken to profit and loss (variation of own credit risk)	—	—
40.	Hedging of equity securities designated at fair value with impact taken to comprehensive income	—	—
50.	Property, plant and equipments	—	—
60.	Intangible assets	—	—
70.	Defined benefit schemes	(415,004)	43,174
80.	Non-current assets held for sale	—	—
90.	Share of valuation reserves attributable to equity-accounted companies	—	—
	Other income items net of tax passing through profit and loss	**(27,251,916)**	**(155,256,387)**
100.	Foreign investments hedges	—	—
110.	Exchange rate differences	—	—
120.	Cash flow hedges	(4,073,668)	31,011,688
130.	Hedging instruments (non-designated elements)	—	—
140.	Financial assets (other than equity securities) valued at fair value with impact taken to comprehensive income	(23,178,248)	(186,268,074) [1]
150.	Non-current assets held for sale	—	—
160.	Share of valuation reserves attributable to equity-accounted companies	—	—
170.	**Total other income items, net of tax**	**(17,133,440)**	**(155,213,213)**
180.	**Comprehensive income (Heading 10 +170)**	**369,111,411**	**181,820,621**

* The Group has availed itself of the right not to restate the comparative data for the first year of IFRS9 adoption on a like-for-like basis. Accordingly, the figures for FY 2017-18, stated in accordance with IAS39, are not fully comparable.

[1] This heading shows the change in item 100 “Financial assets available-for-sale” pursuant to Bank of Italy Circular 262/2005 fourth amendment.

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/18	Modification of start-of-period amounts [1]	Amounts at 01/07/2018	Allocation of profit for previous period		Changes during the reference period								Total net equity at 30/6/19
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Other comprehensive income statement for the 12 mths ended 30/6/19	
							New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [2]		
Share capital:	443,275,220	—	443,275,220	—	—	—	332,869	—	—	—	—	—	—	443,608,089
a) ordinary shares	443,275,220	—	443,275,220	—	—	—	332,869	—	—	—	—	—	—	443,608,089
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,191,742,930	—	2,191,742,930	—	—	—	3,862,723	—	—	—	—	—	—	2,195,605,653
Reserves:	2,292,839,423	5,182,165	2,298,021,588	337,033,834	(411,230,100)	3,653,229	(11,619)	(22,006,283)	—	—	—	12,204,747	—	2,217,665,397
a) retained earnings	2,145,346,011	5,182,165	2,150,528,176	337,033,834	(411,230,100)	—	(11,619)	—	—	—	—	—	—	2,076,320,292
b) others	147,493,412	—	147,493,412	—	—	3,653,229	—	(22,006,283)	—	—	—	12,204,747	—	141,345,105
Valuation reserves	129,954,143	(23,423,548)	106,530,595	—	—	(3,653,229)	—	—	—	—	—	—	(17,133,440)	85,743,925
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(109,337,765)	—	(109,337,765)	—	—	—	—	(32,651,330)	—	—	—	—	—	(141,989,096)
Profit (loss) for the period	337,033,834	—	337,033,834	(337,033,834)	—	—	—	—	—	—	—	—	386,244,851	386,244,851
Total net equity	5,285,507,785	(18,241,383)	5,267,266,402	—	(411,230,100)	—	4,183,973	(54,657,614)	—	—	—	12,204,747	369,111,411	5,186,878,819

[1] Includes the effects of reclassification and revaluation of financial assets and liabilities consequent to the first application of the IFRS9 accounting standard and the effects deriving from the first application of IFRS15, as described in detail in the specific paragraphs of part A of the Notes to the Accounts.

[2] Represents the effects of the stock options and performance shares related to the ESOP schemes.

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/17	Allocation of profit for previous period		Changes during the reference period								Total net equity at 30/6/18
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Other comprehensive income statement for the 12 mths ended 30/6/19	
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]		
Share capital:	440,606,329	—	—	—	2,668,891	—	—	—	—	—	—	443,275,220
a) ordinary shares	440,606,329	—	—	—	2,668,891	—	—	—	—	—	—	443,275,220
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,187,579,966	—	—	—	4,162,964 [2]	—	—	—	—	—	—	2,191,742,930
Reserves:	2,284,194,072	318,325,998	(320,226,359)	—	(768,891)	(272,578)	—	—	—	11,587,181	—	2,292,839,423
a) retained earnings	2,148,015,263	318,325,998	(320,226,359)	—	(768,891)	—	—	—	—	—	—	2,145,346,011
b) others	136,178,809	—	—	—	—	(272,578)	—	—	—	11,587,181	—	147,493,412
Valuation reserves	285,167,356	—	—	—	—	—	—	—	—	—	(155,213,213)	129,954,143
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(197,708,966)	—	—	—	88,098,623	272,578	—	—	—	—	—	(109,337,765)
Profit (loss) for the period	318,325,998	(318,325,998)	—	—	—	—	—	—	—	—	337,033,834	337,033,834
Total net equity	5,318,164,755	—	(320,226,359)	—	94,161,588	—	—	—	—	11,587,181	181,820,621	5,285,507,785

[1] Represents the effects of the stock options and performance shares related to the ESOP schemes.

[2] Includes the negative difference between the market price and the book value of treasury shares used for the acquisition of the RAM AI equity interest, equal to €18.8m.

Mediobanca Cash Flow Statement Direct Method

	Amount	
	30/6/19	30/6/2018
	IFRS9	**IAS39**
A. CASH FLOWS FROM OPERATING ACTIVITY		
1. Operating activity	**(293,780,044)**	**(205,874,865)**
- interest received	594,151,676	2,780,442,543
- interest paid	(559,221,354)	(2,520,886,308)
- dividends and similar income	94,370,724	78,058,468
- net fees and commission income	44,397,154	87,531,956
- cash payments to employees	(159,593,629)	(128,059,333)
- other expenses paid	(458,977,399)	(706,412,057)
- other income received	163,853,069	267,801,263
- income taxes paid	(12,760,285)	(64,351,396)
- expenses/income from group of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(858,542,219)**	**1,255,364,989**
- financial assets held for trading	(978,475,405)	
- financial assets valued at fair value	—	
- financial assets mandatorily valued at fair value	(42,462,275)	
- financial assets valued at fair value with impact taken to profit and loss	961,655,082	
- financial assets valued at amortized cost	(674,329,265)	
- other assets	(124,930,356)	127,022,232
- financial assets held for trading (IAS39 pursuant)		(381,747,441)
- financial assets available for sale (IAS39 pursuant)		(725,508,303)
- due from customers (IAS39 pursuant)		2,653,967,433
- due from banks: on demand (IAS39 pursuant)		(426,199,021)
- due from banks: other (IAS39 pursuant)		7,830,088
3. Cash generated/absorbed by financial liabilities	**963,788,301**	**(627,157,974)**
- financial liabilities valued at amortized cost	329,030,280	
- financial liabilities held for trading	576,095,948	
- financial liabilities designated at fair value	—	
- other liabilities	58,662,073	(119,868,521)
- trading liabilities (IAS39 pursuant)		(216,234,772)
- due to banks: other (IAS39 pursuant)		944,100,559
- due to customers (IAS39 pursuant)		(3,785,370,455)
- debt securities (IAS39 pursuant)		(2,236,819,552)
- due to banks: on demand (IAS39 pursuant)		4,787,034,767
Net cash flow (outflow) from operating activities	**(188,533,962)**	**422,332,150**
B. CASH FLOWS FROM INVESTMENT ACTIVITY		
1. Cash generated from:	**333,926,475**	**360,771,360**
- disposal of shareholdings	1,440,286	350
- dividends received in respect of equity investments	332,442,189	177,506,484
- disposals/redemptions of financial assets held to maturity (IAS39 pursuant)		183,264,526
- disposals of tangible assets	17,000	—
- disposals of intangible assets	27,000	—
- disposals of business units	—	—
2. Cash absorbed by:	**(6,107,324)**	**(570,187,191)**
- purchases of shareholdings	(4,499,324)	(222,517,552)
- acquisitions of held-to-maturity investments		(342,582,640)
- purchases of tangible assets	(1,428,000)	(1,645,000)
- purchases of intangible assets	(180,000)	(3,442,000)
- purchases of business units	—	—
Net cash flow (outflow) from investment activity	**327,819,151**	**(209,415,832)**
C. CASH FLOWS FROM FUNDING ACTIVITY	**(679,828,190)**	**(295,391,109)**
- issuance/acquisition of treasury shares	(266,186,049)	24,835,250
- issuance/acquisition of capital instruments	(2,412,041)	—
- distribution of dividends and other purposes	(411,230,100)	(320,226,359)
Net cash flow (outflow) from funding activities	**(679,828,190)**	**(295,391,109)**
NET CASH FLOW (OUTFLOW) DURING THE PERIOD	**(540,543,001)**	**(82,474,791)**

Reconciliation of Movements in Cash Flow During the Period

Accounting items	Amount	
	30/6/19	30/6/18
Cash and cash equivalents: balance at start of period	1,173,154,677	1,255,629,468
Total cash flow (ouflow) during the period	(540,543,001)	(82,474,791)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	632,611,676	1,173,154,677

NOTES TO INDIVIDUAL ACCOUNTS

NOTES TO INDIVIDUAL ACCOUNTS

Part A - Accounting policies

A.1 - General policies

SECTION 1

Statement of conformity with IAS/IFRS

Mediobanca individual financial statements for the period ended 30 June 2019 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Parliament and Council on 19 July 2002. The consolidated financial statements for the period ended 30 June 2019 have also been prepared on the basis of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy in its circular no. 262 on 22 December 2005 (fifth update issued on 22 December 2017), which lay down the structure to be used in compiling and preparing the financial statements and the contents of the notes to the accounts[1].

SECTION 2

General principles

These individual financial statements comprise:

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

[1] The Bank of Italy has published the sixth update to its circular no. 262/05 which the Mediobanca Group has applied starting from 1 July 2019.

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

International financial reporting standards IFRS9 and 15 came into force during the year under review, both of which have been incorporated into the Mediobanca accounting policies.

The table below lists the regulations approved by the European Commission that have supplemented the regulations on accounting standards in force and have therefore been incorporated into the accounting policies, despite not having a significant impact on the Mediobanca accounts:

Approval regulation	**Group application date**	**Topic**
2018/182 of 7 February 2018	1 July 2018	Amendments to IAS28 - *Investments in Associates and Joint Ventures* Amendments to IFRS1 - *First-time Adoption of International Financial Reporting Standards*
2018/289 of 26 February 2018	1 July 2018	Amendments to IFRS2 - *Share-Based Payment Transactions*
2018/400 of 14 March 2018	1 July 2018	Amendments to IAS40 - *Investment Property*
2018/519 of 28 March 2018	1 July 2018	Adoption of IFRIC22 - *Foreign Currency Transaction and Advance Consideration*

The following table lists the regulations approved by the European Commission during the twelve months which will be applied as from the next financial year, which supplement the regulations on accounting standards in force and will be incorporated into the Mediobanca accounting policies accordingly:

Approval regulation	**Group application date**	**Topic**
2017/1986 of 31 October 2017	1 July 2019	Adoption of IFRS16 - *Leasing*
2018/498 of 22 March 2018	1 July 2019	Amendments to IFRS9 - *Prepayment features with negative compensation*
2018/1595 of 23 October 2018	1 July 2019	Adoption of IFRIC23 - *Uncertainty over income tax treatments*
2019/237 of 8 February 2019	1 July 2019	Amendments to IAS28 - *Investments in Associates and Joint Ventures*
2019/402 of 13 March 2019	1 July 2019	Amendments to IAS19 - *Employee Benefits*
2019/412 of 14 March 2019	11 July 2019	Amendments to IAS12 - *Income Taxes* Amendments to IAS23 - *Borrowing Costs* Amendments to IFRS3 - *Business Combinations* Amendments to IFRS11 - *Joint Arrangements*

Transition to IFRS 9 "Financial instruments"[2]

1. Regulatory framework

In July 2014, the International Accounting Standards Board (IASB) issued the new IFRS9, "Financial Instruments", introducing new standards on the classification and measurement of financial instruments, on the criteria and means for calculating value adjustments, and on the hedge accounting model.

The ratification process was completed with the issue of Regulation (EU) 2016/2067 by the European Commission on 22 November 2016, published in the Official Journal of the European Union (L 323) on 29 November 2016.

The Mediobanca adopted IFRS 9 as from 1 July 2018.

IFRS 9, with regard to financial instruments, is structured into three different areas: "Classification and measurement", "Impairment" and "Hedge accounting".

The most important changes involve the "Classification and measurement" and "Impairment" areas, whereas the changes introduced in on the issue of "Hedge accounting" are less significant. Details are as follows:

- How financial assets (apart from shares) are classified and measured depends on two tests, one of the business model and the other on the contractual cash flow characteristics, known as the "Solely Payments of Principal and Interest Test" (or SPPI). Only those instruments which pass both tests can be recognized at amortized cost, otherwise they will have to be measured at fair value, with the effects taken through the profit and loss account (hence this will become the residual portfolio). There is also an intermediate portfolio ("Held to collect and sell"), for which, like with the previous Available for sale portfolio, the instruments are recognized at fair value through net equity (i.e. through Other comprehensive income). Shares still have to be recognized at fair value, apart from those held for trading, the fair value effects of which can be recognized in a net equity reserve rather than taken through the profit and loss account; however, the possibility of recycling has been removed, i.e. the effects of sales will no longer be taken through the profit and loss account. No major changes will be made to the treatment of financial liabilities in terms of their classification and measurement.

[2] A "Report on transition to IFRS 9" has been published on the Group's website at www.mediobanca.com.

Indeed, the existing rules will remain in force apart from the accounting treatment of own credit risk: for financial liabilities recognized at fair value (or under the fair value option), the standard stipulates that the changes in fair value attributable to changes in own credit risk must be booked to net equity, unless such treatment creates or inflates an accounting asymmetry in the profit for the period, whereas the remaining amount of the changes in the fair value of the liabilities must be taken through profit and loss.

- On the issue of impairment, for instruments recognized at amortized cost and fair value against a matching entry in net equity (apart from equity instruments), the new standard moves from an incurred to an expected impairment model; provisioning will have to be carried out for the whole portfolio (i.e. for assets with no impairment as well) and based on estimates which reflect macroeconomic factors ("expected losses"). In particular, at stage 1 of the recognition process, the instrument will have to reflect the expected loss over a 12-month time horizon; if there is a significant increase in the credit risk, the asset is classified as under-performing (stage 2), meaning its valuation will have to factor in the expected loss over its whole life-time; and if further impairment is recorded, the asset will be classified as non-performing (stage 3), where the final recoverable value will be estimated. The expected loss will be based on point-in-time data reflecting the internal credit models
- As for hedge accounting, the new model rewrites the rules for designating a hedge relationship and for checking its effectiveness, with the objective of aligning accounting representation with risk management activities, and improving the disclosure on risk management activities performed by the entity preparing the financial reporting.

2. Impact on Mediobanca

2.1 Classification and measurement

Among the activities required for classification and measurement of financial instruments, IFRS 9 has introduced new rules for financial assets based on the portfolio management model used and the contractual cash flow characteristics of the instruments concerned, as certified via the SPPI (Solely Payment of Principal and Interest) test.

The standard identifies two main macro models: Hold to collect and Hold to collect and sell, plus a residual business model (Other) which brings together all portfolios held for trading purposes which continue to be recognized at fair value with any changes to it taken through the profit and loss account.

For the purposes of classifying financial instruments, the business model has been analysed by assessing Mediobanca entire financial assets portfolio in view of the strategy instituted by senior management, risk management on the portfolio, remuneration mechanisms, reporting methodologies and movements (past sales and future expectations). These considerations have been incorporated in the internal management policies, which as well as reiterating the link between the business model and accounting treatment, also introduce frequency and significance thresholds for portfolios recognized at cost.

The analysis performed showed that:

– The loan books – which under IAS 39 were recognized at amortized cost as "Loans and Receivables" – have a management strategy which is consistent with a Hold to Collect business model;

– Debt securities held as part of the banking book which constitute "Financial assets held to maturity" under IAS 39, are classified based on a Hold to Collect model;

– Debt securities held as part of the banking book which constitute "Financial assets available for sale" are classified almost entirely on the basis of a Hold to Collect and Sell business models; in some limited cases portfolio reclassifications have been made to reflect the business model as at the date of first-time adoption of the standard;

– Debt securities held as part of the trading book move to the "Other" business model, apart from certain limited cases in which portfolios have been reclassified from financial assets measured at fair value to other comprehensive income to reflect changes in the business model associated with such instruments;

– As for equities, shares held for trading purposes also move to the "Other" business model, while Mediobanca has exercised its option to recognize AFS equities at fair value against a matching net equity reserve, without the cumulative changes in value being recycled through the profit and loss account (accounting category: "Fair Value to Other Comprehensive

Income", or "FVOCI"). For funds, stock units held over the medium-/long-term horizon are consistent with a Hold to Collect and Sell business model, while those which form part of trading strategies are treated in accordance with the "Other" business model.

It should be noted that the standard allows the reporting institution to opt, at the initial recognition stage and irrevocably, to measure financial assets which would otherwise be recognized at amortized cost, or FVOCI, at fair value, and to take the effects through the profit and loss account ("Fair Value Through Profit & Loss", or "FVTPL").

To complete the classification phase for financial instruments according to the new categories provided for by IFRS 9, the business model analysis must be accompanied by analysis of the contractual cash flows (the "Solely Payment of Principal and Interest", or "SPPI", test).

The SPPI test is performed at the level of the individual financial instrument, product or sub-product, and is based on the contractual features of the asset being tested. To this end, Mediobanca has drawn up a standardized process for performing the test, in which loans are analysed using a tool developed internally based on decision-making trees, for the individual financial instrument or product according to the degree of customization involved. If the instrument or product fails the test, the SPPI Tool will suggest recognizing the asset at fair value and taking the effects through the profit and loss account ("Fair Value Through Profit & Loss", or "FVTPL"). The method for testing loans will be distinguished between retail and corporate (at the product level for retail loans, and analytically for each drawdown of corporate loans). For analysis of debt securities, an external info provider will be used; if the test results are unavailable for whatever reason, the instrument will be analysed by the SPPI Tool.

Shares in investment funds previously treated as AFS which fail the SPPI test, in accordance with the recent guidance issued by the IFRS Interpretation Committee, are treated as equities obliged to be recognized at fair value through profit and loss.

In addition to the above, specific analysis methodologies have been developed both for instruments that require benchmark testing for the time value of the modified money, and to value the credit risk on securitization tranches.

2.2 Impairment

Under IFRS9, all financial assets not measured at fair value and taken through the profit and loss account, i.e. debt securities and loans as well as off-balance-sheet exposures, are associated with Hold to Collect or Hold to Collect and Sell business models and must be subject to the new forward-looking impairment model, by adopting an "expected loss" approach, with the loss estimated at twelve months or the end of the instrument's remaining life. The losses must therefore be booked to reflect not only the objective loss of value recorded at the reporting date, but also the expected future value losses which have not yet occurred. In view of these factors, IFRS 9 stipulates that financial instruments must be classified in three categories (or stages), reflecting increasing levels of impairment in credit standing.

In order to comply with the IFRS9 requirements, Mediobanca has drawn up a stage allocation model for financial instruments, to ensure that performing exposures are correctly allocated to stage 1 or stage 2 if there has been a "Significant Increase in Credit Risk" ("SICR").

For impaired exposures, by contrast, the fact that our practice is aligned with the default accounting and regulatory definitions, which are already used by Mediobanca, means the criteria according to which exposures are classified as "non-performing/impaired" will be the same as those for exposures to be classified within stage 3, albeit with certain very minor differences of valuation (cf. below).

The main methodological choices made on the issue of impairment are summarized below:

– Valuation of the significant increase in credit risk. This takes into account qualitative and quantitative items, and serves to identify significant deterioration in the counterparty's credit standing for each facility. The recognition of forbearance measures and the thirty days past due criterion are considered as backstop indicators. In accordance with the supervisory authority's expectations the simplified, or "low credit risk exemption" approach. has only been used to a very limited degree. The criteria defined for the purposes of transferring exposures from stage 2 to stage 1 are symmetrical to those of the significant increase in credit risk (i.e. when significant deterioration indicators no longer apply, the exposure returns to stage 1);

- Inclusion of forward-looking information within the expected loss calculation model: forward-looking information is considered with reference to three possible scenarios (baseline, mild-positive and mild-negative) which impact on the risk parameters (PD and LGD). The estimates are limited to three years, in order to ensure a time horizon considered to be reasonable. The use of forward-looking scenarios is consistent with the macroeconomic estimating processes adopted by Mediobanca S.p.A. for risk management purposes, and are compiled by a specific unit;
- Adoption of forward-looking parameters also to calculate the expected loss on exposures which qualify as stage 3. In particular, alternative scenarios have been simulated, including in relation to the different options for managing and recovering defaulted positions (including disposal scenarios);
- Validation and back-testing: with reference to models based on detecting expected losses, a process for validation and retrospective testing has been finalized. The framework adopted provides for the unit responsible for model development to be independent of the unit responsible for validation, in view of the clear definition of roles and responsibilities. Provision is also made for regular analysis to be carried out to ensure that the assumptions underlying the model continue to be valid and that new information available is taken into account;
- Twelve-month and life-time expected loss calculations: the IFRS 9 estimate of the PD, LGD and EAD parameters is based on existing prudential models, adapted to incorporate forward-looking information and the multi-period time horizon.

2.3 Hedge Accounting

As for the IFRS9 requirements on the new hedge accounting model, the new standard seeks to simplify the treatment by ensuring that the representation of the hedges in the accounts is more closely aligned with the risk management criteria on which such representation is based. In particular, the new model expands the hedge accounting rules in terms of the hedge instruments themselves and the related "eligible" risks. Although the new standard does provide for the possibility of using the hedging rules in force under IAS39, the Mediobanca has nonetheless chosen to opt into the new general hedging criteria, with no significant impact as a result.

3. Effects of first-time adoption (FTA)

The changes introduced by IFRS9 in the areas of "Classification and measurement" and "Impairment" produce their effects at the first-time adoption stage on the amount and composition of Net equity.

With respect to "Classification and measurement", the analysis carried out for the entire portfolio of financial assets has not revealed any significant impact.

In some cases, however, changes in the business models used to manage the financial instruments or contractual cash flows not in line with the SPPI notion have been detected, hence the transition from IAS 39 to IFRS 9 with reference to "Classification and Measurement" has entailed the following reclassifications (see tables 1 and 2 below for details):

– €219.4m of loans and receivables have been reclassified as FVTPL in view of the fact that the instruments' characteristics (subordination, equity convertible options, indirect exposure to equity) meant they did not pass the SPPI test;
– €118.9m of available-for-sale debt securities has been reclassified as HTC to provide a better representation of the business model's strategies, which led to the net equity reserve accumulated written back and the historical acquisition cost being recovered;
– €53.5m of debt securities held as part of the banking book have been reclassified as FVTPL;
– €488.6m stock units held in investment funds classified as AFS have been reclassified as assets compulsorily recognized at fair value with effects taken through profit and loss and the current AFS reserve being transferred to the earnings reserve;

– €258.7m in AFS equities have been reclassified as financial assets recognized at FVOCI (without passing through profit and loss);

– €196.1m of held-for-trading financial assets have been reclassified as FVOCI following changes to the business model.

Moreover, with reference to the fifth update of Bank of Italy circular 262/05, the change in the method by which financial assets are classified compared to the fourth update should be noted:

IV update of Bank Italy of Circular 262
20. Financial assets held for trading
30. Financial assets at fair value through profit or loss
40. Financial assets available-for-sale
50. Financial assets held-to-maturity
60. Due from banks
70. Due from customers

V update of Bank Italy of Circular 262
20. Financial assets at fair value with impact taken to profit and loss
a) Financial assets held for trading
b) Financial assets designated at fair value
c) Other financial assets mandatorily at fair value
30. Financial assets at fair value with impact taken to comprehensive income
40. Financial assets at amortized cost
a) Due from banks
b) Due from customers

* * *

As far as regards financial liabilities, no significant impact is estimated, apart from one restatement of loan loss provisions equal to €23.7m recorded in respect of commitments to disburse funds and financial guarantees given: in view of the fifth update of Bank of Italy circular 262/05, these amounts have to be reclassified under “Provisions” rather than as “Other liabilities”.

Mediobanca has also chosen to apply the fair value option for a limited number of financial liabilities with a book value of €51.4m in order to eliminate accounting asymmetries with some financial assets.

With regard to the mandatory schemes required by the Bank of Italy, the change in the method by which financial liabilities are classified compared to the fourth update should be noted:

IV update of Bank Italy of Circular 262
10. Due to banks
20. Due to customers
30. Debt securities in issue
40. Trading liabilities
50. Financial liabilities designated at fair value

V update of Bank Italy of Circular 262
10. Financial liabilities at amortized cost *a) Due to banks* *b) Due to customers* *c) Debt securities in issue*
20. Trading financial liabilities
30. Financial liabilities designated at fair value

Adoption of the new classification rules for financial instruments generates a negative effect on net equity of €7.7m, representing the balance between changes in business model and the adoption of the FV option (which added €11.1m) and instruments failing the SPPI test (which subtracted €3.4m) [3].

As mentioned, the most significant impact of the transition to IFRS 9 derives from changes in relation to "Impairment". Compared to the IAS 39 provisioning, the overall increase in the expected losses totals €18.5m (of €14.6m intragroup), 73% of which is attributable to the performing exposures (stage 1 and stage 2) and the other 27% to the non-performing exposures (stage 3).

The increase in provisioning for performing exposures (€13.6m) is 88% attributable to the positions classified as stage 1.

The reclassifications and increased provisioning referred to above drove a €12.4m increase in deferred tax assets and a €4.4m increase in deferred tax liabilities.

The combined effect of the changes on Mediobanca net equity totals €26.2m (€18.2m net of the tax effects), and implies a reduction of some 4 bps in Mediobanca CET1 ratio.

[3] The new category entails a change in the valuation models which impacts on both recognition value and net equity (cf. below).

In order to mitigate the impact of the new reporting standard on prudential ratios, Regulation (EU) 2017/2395 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds", amending Regulation (EU) 575/2013 (the "CRR") to include a new Article 473-bis, "Introduction of IFRS9", offers the possibility for banks to spread the impact deriving from the introduction of IFRS 9 on their own funds over a five-year transitional period by including a decreasing amount of such impact in their Common Equity Tier 1. Mediobanca will apply the static approach, in order to neutralize the effect of the higher provisioning for performing assets, starting from the IFRS 9 FTA financial statements and for the next five years [4].

With reference in particular to the means by which first-time adoption of the standard will be represented, Mediobanca will take advantage of the possibility provided for by IFRS 9 and IFRS 1 "First-Time Adoption of International Financial Reporting Standards", whereby the comparison data in the FTA financial statements do not have to be restated on a like-for-like basis. According to the guidance contained in the fifth update of Bank of Italy circular no. 262 "Financial statements for banks: tables and rules for compilation" (December 2017), the Bank, in taking advantage of the exemption from the obligation to restate comparative values, must nonetheless include a specific table in its first set of financial statements prepared under the new circular no. 262, illustrating the methodology used and reconciling the data from the most recent set of accounts approved and the first set of accounts drawn up under the new provisions. The form and content of this disclosure is at the discretion of the relevant corporate bodies.

3.1 Reconciliation between IAS39-compliant and IFRS9-compliant balance-sheet data

The reconciliations between the published financial statements as at 30 June 2018 and the new schemes introduced by the fifth update of Bank of Italy circular 262 as at 1 July 2018 are shown below. IAS39-compliant values as at 30 June 2018 are assigned to new headings, without taking into account the classification and measurement provisions introduced by IFRS9 (i.e. the value of total assets and total liabilities remains unchanged).

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

Table 1: Reconciliation between IAS39 and IFRS9 – assets

IAS39 / IFRS 9	10 Cash and cash equivalents	20 Financial assets held for trading	30 *Financial assets at fair value*	40 Financial assets available-for-sale	50 Financial assets held-to-maturity	60 Due from banks	70 Due from customers	80 Hedging derivatives	90 Adjustment of hedging financial assets (+/-)	100 Equity investments	120 Property, plant and equipments	130 Intangible assets	140 Tax assets	150 Assets classified as held for sale	160 Other assets	Total assets
10 Cash and cash equivalents	1,173,154,677	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,173,154,677
20 Financial assets at fair value with impact taken to profit and loss	—	8,015,778,042	—	542,096,694	—	—	219,394,448	—	—	—	—	—	—	—	3,842,427	8,781,111,611
a) Financial assets held for trading	—	8,015,778,042	—	—	—	—	—	—	—	—	—	—	—	—	—	8,015,778,042
b) Financial assets designated at fair value	—	—	—	53,509,000	—	—	—	—	—	—	—	—	—	—	—	53,509,000
c) Other financial assets mandatorily at fair value	—	—	—	488,587,694	—	—	219,394,448	—	—	—	—	—	—	—	3,842,427	711,824,569
30 Financial assets at fair value with impact taken to comprehensive income	—	196,134,641	—	4,505,358,846	—	—	—	—	—	—	—	—	—	—	—	4,701,493,487
40 Financial assets at amortized cost	—	971	—	118,896,139	2,595,142,322	19,553,430,989	18,506,603,536	—	—	—	—	—	—	—	4,079,519	40,778,153,478
50 Hedging derivatives	—	—	—	—	—	—	—	235,591,092	—	—	—	—	—	—	—	235,591,092
60 Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
70 Equity investments	—	—	—	—	—	—	—	—	—	3,084,158,386	—	—	—	—	—	3,084,158,386
80 Property, plant and equipments	—	—	—	—	—	—	—	—	—	—	116,806,552	—	—	—	—	116,806,552
90 Intangible assets	—	—	—	—	—	—	—	—	—	—	—	38,629,954	—	—	—	38,629,954
of which: goodwill	—	—	—	—	—	—	—	—	—	—	—	12,514,145	—	—	—	12,514,145
100 Tax assets	—	—	—	—	—	—	—	—	—	—	—	—	236,334,661	—	—	236,334,661
a) current	—	—	—	—	—	—	—	—	—	—	—	—	133,984,760	—	—	133,984,760
b) deferred	—	—	—	—	—	—	—	—	—	—	—	—	102,349,901	—	—	102,349,901
110 Assets classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
120 Other assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	88,977,658	88,977,658,–
Total assets	1,173,154,677	8,211,913,654	—	5,166,351,679	2,595,142,322	19,553,430,989	18,725,997,984	235,591,092	—	3,084,158,386	116,806,552	38,629,954	236,334,661	—	96,899,604	59,234,411,556

Table 2: Reconciliation between IAS39 and IFRS9 – liabilities

IAS39 / IFRS 9	10 Due to banks	20 Due to customers	30 Debt securities in issue	40 Trading liabilities	50 Financial liabilities designated at fair value	60 Hedging derivatives	70 Adjustment of hedging financial liabilities (+/-)	80 Tax liabilities	90 Liabilities included in disposal groups classified as held for sale	100 Other liabilities	110 Staff severance indemnity provision	120 Provisions	140 Revaluation reserves	150 Redeemable shares repayable on demand	160 Equity instruments repayable on demand	170 Reserves	180 Share premium reserve	190 Share capital	200 Treasury share (-)	220 Profit/ (loss) for the period (+/-)	Total liabilities and net equity
10 Financial liabilities at amortized cost	25,519,218,956	4,124,182,895	16,775,581,980	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	46,418,983,831
20 Trading financial liabilities	–	–	–	6,510,480,039	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,510,480,039
30 Financial liabilities designated at fair value	–	–	51,427,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	51,427,000
40 Hedging derivatives	–	–	–	–	–	220,712,763	–	–	–	–	–	–	–	–	–	–	–	–	–	–	220,712,763
50 Adjustment of hedging financial liabilities (+/-)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
60 Tax liabilities	–	–	–	–	–	–	–	363,933,424	–	–	–	–	–	–	–	–	–	–	–	–	363,933,424
70 Liabilities included in disposal groups classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
80 Oher liabilities	–	–	–	–	–	–	–	–	–	254,198,863	–	–	–	–	–	–	–	–	–	–	254,198,863
90 Staff severance indemnity provision	–	–	–	–	–	–	–	–	–	–	7,723,450	–	–	–	–	–	–	–	–	–	7,723,450
100 Provisions	–	–	–	–	–	–	–	–	–	23,658,357	–	97,786,044	–	–	–	–	–	–	–	–	121,444,401
110 Revaluation reserves	–	–	–	–	–	–	–	–	–	–	–	–	129,954,143	–	–	–	–	–	–	–	129,954,143
120 Redeemable shares repayable on demand	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
130 Equity instruments repayable on demand	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
140 Reserves	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,292,839,423	–	–	–	–	2,292,839,423
150 Share premium reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,191,742,930	–	–	–	2,191,742,930
160 Share capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	443,275,220	–	–	443,275,220
170 Treasury share (-)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(109,337,765)	–	(109,337,765)
180 Profit/(loss) for the period (+/-)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	337,033,834	337,033,834
Total liabilities and net equity	25,519,218,956	4,124,182,895	16,827,008,980	6,510,480,039	–	220,712,763	–	363,933,424	–	277,857,220	7,723,450	97,786,044	129,954,143	–	–	2,292,839,423	2,191,742,930	443,275,220	(109,337,765)	337,033,834	59,234,411,556

3.2 Reconciliation of assets and liabilities

The table below shows, for each asset and liability heading pursuant to the fifth update of Bank of Italy circular 262/05, the impact arising from application of the new IFRS9 accounting standard, for the "Classification and measurement" and "Impairment" work streams.

The column headed "Classification and measurement" shows the value changes arising from the different valuation criterion. The column entitled "Impairment" shows value changes arising from the adoption of the new impairment model introduced by IFRS9.

Table 3: Reconciliation of balance-sheet items - assets

Heading	**30.06.2018**	**Transition effect**		**IFRS 9 01.07.2018**
		Classification and measurement	**Impairment**	
10 Cash and cash equivalent	1,173,155	—	—	1,173,155
20 Financial assets at at fair value with impact taken to profit and loss	8,781,112	(411)	—	8,780,701
a) financial assets held for trading	*8,015,778*	—	—	*8,015,778*
b) Financial assets designated at fair value	*53,509*	—	—	*53,509*
c) Other financial assets mandatorily at fair value	*711,825*	*(411)*	—	*711,414*
30 Financial assets at fair value with impact taken to comprehensive income	4,701,493	—	—	4,701,493
40 Financial assets at amortized cost	40,778,153	(1,369)	(17,447)	40,759,337
50 Hedging derivatives	235,591	—	—	235,591
60 Adjustment of hedging financial assets (+/-)	—	—	—	—
70 Equity investments	3,084,158	—	—	3,084,158
80 Property, plant and equipment	116,807	—	—	116,807
90 Intangible assets	38,630	—	—	38,630
100 Tax assets	236,335	3,082	9,352	248,769
110 Assets classified as held for sale	—	—	—	—
120 Other assets	88,978	—	—	88,978
Total assets	59,234,412	1,302	(8,095)	59,227,619

Table 4: Reconciliation of balance-sheet items – liabilities

Heading	**30.06.2018**	**Transition effect**		**IFRS 9 01.07.2018**
		Classification and measurement	**Impairment**	
10 Financial liabilities at amortized cost	46,418,984	—	—	46,418,984
20 Trading liabilities	6,510,480	—	—	6,510,480
30 Financial liabilities designated at fair value	51,427	5,938	—	57,365
40 Hedging derivatives	220,713	—	—	220,713
50 Adjustment of hedging financial liabilities (+/-)	—	—	—	—
60 Tax liabilities	363,933	2,243	2,193	368,369
70 Liabilities included in disposal groups classified as held for sale	—	—	—	—
80 Oher liabilities	254,199	—	—	254,199
90 Staff severance indemnity provision	7,723	—	—	7,723
100 Provisions	121,444	—	1,073	122,517
110 Revaluation reserves	129,954	(25,620)	2,197	106,531
120 Redeemable shares repayable on demand	—	—	—	—
130 Equity instruments repayable on demand	—	—	—	—
140 Reserves	2,292,839	18,741	(13,558)	2,298,022
150 Share premium reserve	2,191,743	—	—	2,191,743
160 Share capital	443,275	—	—	443,275
170 Treasury share (-)	(109,338)	—	—	(109,338)
180 Profit/(loss) for the period (+/-)	337,034	—	—	337,034
Total liabilities and net equity	59,234,412	1,302	(8,095)	59,227,619

3.3 Reconciliation of post-FTA net equity

The following table shows the reconciliation for net equity between IAS39-compliant values as at 30 June 2018 and the corresponding headings introduced by the new classification, measurement and impairment requirements introduced by IFRS9.

	Values
Net equity as at 30 June 2018	**5,285,508**
– Group	*5,285,508*
– of which: minorities	—
Total effects of IFRS9 transition - 1 July 2018	
of which: change in Reserves	*(18,241)*
of which: Classification	**(7,719)**
of which: Impairment	**(18,520)**
- Stage 1 and 2	*(13,572)*
- Stage 3	*(4,948)*
of which: Tax effect	**7,997**
Net equity (IFRS9) as at 1 July 2018	**5,267,267**
– Group	*5,267,267*
– of which: minorities	—

Transition to IFRS 15 “Revenue from contracts with customers”

The new accounting standard introduces a new model for the recognition of revenues deriving from contracts with customers. The new standard will replace the current requirements in IFRS for revenues recognition: IAS11 Construction Contracts, IAS18 Revenue, IFRIC13 Customer Loyalty Programmes, IFRIC15 Agreements for the Construction of Real Estate, IFRIC18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transaction involving Advertising Services.

The standard is effective for the Mediobanca Group starting from 1 July 2018, and requires revenues to be recognized on the basis of the following five steps:

– Identification of the contract;
– Identification of individual bonds;
– Determination of the transaction price;
– Allocation of the transaction price to the individual bonds, on a “market prices” basis (“stand-alone selling price”);

– Recognition of the revenues allocated to the single performance obligation when it is settled, i.e. when the customer obtains control of the goods and services.

Implementation of the standard was co-ordinated centrally by Mediobanca S.p.A. through an ad hoc working group to extend the analysis to the whol Group involving the subsidiaries as and where necessary.

The analysis led to all types of contracts with customers being identified, and the means by which to record the revenues generated by them to establish their compliance with the new standard's provisions. No significant impact emerged from application of the new standard.

New IFRS 16: Leasing

Regulatory provisions

In 2016, the IASB issued the new IFRS 16 on "Leasing" to replace IAS 17 previously in force and its respective interpretations.[5] IFRS 16 was adopted by the European Commission under Commission Regulation (EU) 1986/2017 and as far as the Mediobanca Group is concerned, takes effect from the new financial year starting on 1 July 2019.

The main changes introduced by the new reporting standard are a change in the definition of leasing and a single accounting model for operating and financial contracts. Under the new standard, a lease is defined as a contract that conveys the right to use an asset for a period of time in exchange for a consideration, which means that long-term rental or hire contracts are also included.

The new standard requires the lessee to represent the amount of the "right of use" for the asset covered by the leasing/rental agreement in its accounts, matched by the future instalments due on it discounted as at the reporting date. Thereafter the "right of use" asset will be ammortized throughout the useful life of the contract and the obligation will be paid off through payments of the instalments due on the lease plus interest expenses accruing.

[5] IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease"..

The impact on profit and loss does not change across the life of the contracts as a whole, but does reflect a different distribution in terms of timing.

With regard to the accounting model for the lessor, there are no substantial changes as the distinction in treatment between operating and financial leases continues to apply in continuity with the existing IAS17.

The IFRS 16 project

Mediobanca has launched a project to manage transition to the new reporting standard, which involves analysis of the contracts , definition of the choices, assessment of the estimated impact and adaptation of the internal regulations.

Mediobanca has adopted an IT solution to manage the new reporting standard in terms of quantifying and accounting for amounts payable and receivable in respect of leases, based on the application currently used to manage such contracts.

Mediobanca S.p.A. choices

At the first-time adoption stage for the new reporting standard, Mediobanca S.p.A. has decided to use the "modified retrospective approach", i.e. recording the effect of first-time adoption cumulatively, without restating the comparative data, by calculating the value of the obligation as at the date of first-time adoption.

Mediobanca has also elected to adopt some of the simplifications permitted by the new reporting standard, thus excluding from the representation contracts with a duration of twelve months or less calculated at FTA, contracts involving amounts of less than €5,000 ("low value"), and contracts for intangible assets.

Mediobanca has also decided not to strip out the service components from the leases themselves, and so to account for the entire contract as a lease, and to extrapolate the rate for discounting future cash flows from the Funds Transfer Pricing (FTP) curve in force as at the date in question in view of the contract's duration.

If the original contract has been sub-leased to a counterparty and the conditions apply for it to be treated as a finance sub-lease, the liability in respect of the original list is balanced by an amount receivable from the subscriber rather than by the value in use.

Results

Overall, the changes introduced by IFRS 16 will generate an increase in assets of someestimated €31m [6], matched by payables (amounts due to the lessor) for the same amount without impacting on net equity. Right of use related to immovable properties represents 87% of the amount.

SECTION 3

Events subsequent to the reporting date

Since the reporting date, no events have taken place that would cause the results presented in the consolidated report for the twelve months ended 30 June 2019 to be amended.

SECTION 4

Other aspects

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

[6] The increase in assets will determine a rise in RWAs of the same amount (i.e. risk weighting 100%), impacting on the CET1 ratios by around 2 bps.

A.2 - Significant accounting policies

Financial assets recognized at amortized cost

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

– The financial instrument is held and managed based on the Hold-to-collect business model, i.e. with the objective of holding it in order to collect the cash flows provided for in the contract;

– Such contractual cash flows consist entirely of payment of principal amount and interest (and therefore meet the requisites set by the SPPI test).

This heading also includes receivables originated from financial leasing transactions, the valuation and classification rules for which are governed by IAS17 (cf. below), even though the impairment rules introduced by IFRS9 apply for valuation purposes.

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

– Operating procedure adopted by management in the process of performance evaluation;

– Risk type and procedure for managing risks taken, including indicators for portfolio rotation;

– Means for determining remuneration mechanisms for decision-making managers.

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

At initial recognition, the Group analyses contractual cash flows for the instrument as part of the SPPI test; when contractual cash flows do not represent solely payments of principal and interest on the outstanding amount, the Group mandatorily classifies the instrument at fair value through profit and loss.

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

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

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

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through the profit and loss account.

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

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

In accordance with the provisions of IFRS9, the financial assets are split into three different categories:

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

The Group policy adopted to establish what constitutes significant increases in credit risk takes both the qualitative and quantitative aspects of each lending transaction or financial instrument into account. The following in particular are considered decisive: forbearance measures having been granted; the 30 days past due criterion; and other backstops having been identified, such as reclassification to watchlist status in accordance with the rules on credit risk monitoring. The Group uses the simplified, low credit risk exemption approach only to a very limited extent.

Purchased or originated credit impaired items (POCIs) are receivables which are already impaired at the point in time when they are acquired or disbursed. At the initial recognition date they are recognized at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item, with interest calculated later using an internal rate of return adapted to the circumstances. The expected credit losses are recorded and released only insofar as the changes actually occur. For financial instruments held to be in default (for further details see the section specifically on credit quality in Part E of the Notes to the Accounts), the Group records an expected loss for the outstanding life of the instrument (similar to stage 2 above); while value adjustments are calculated for all the exposures split into different categories, factoring in forward-looking information which reflects macro-economic factors.

Financial assets recognized at fair value through profit and loss

These include financial assets held for trading and other financial assets that must be recognized at fair value [7].

Financial assets held for trading are assets which have been acquired or issued principally for the purpose of being traded. This category comprises debt securities, equities, loans held for trading purposes, and the positive value of derivatives held for trading including those embedded in complex instruments such as structured bonds (recorded separately).

Financial assets that must be recognized at fair value are assets which are not held for trading but must compulsorily be recognized at fair value through profit and loss on the grounds that they do not meet the requisites to be recognized at amortized cost.

At the settlement date for securities and subscription date for derivatives, such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account.

Following their initial recognition they continue to be recognized at fair value, and any changes in fair value are recorded in the profit and loss account. Interest on instruments that must be recognized at fair value is recorded on the basis of the interest rate stipulated contractually. Dividends paid on equity instruments are recorded through profit and loss when the right to collect them becomes effective.

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

[7] See Part A – Information on fair value on pp. 120-131.

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

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

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

Financial assets recognized at fair value through other comprehensive income

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

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

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

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

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

The category also includes equities not held for trading which meet the definition provided by IAS 32, and which the Group decided to classify irrevocably in this category at the initial recognition stage. As the instruments in question are equities they are not subject to impairment, and the gains/losses on equities are never taken through profit and loss, even following the sale of the instrument. Conversely, dividends on the instruments are recorded through profit and loss when the right of collection takes effect.

Derecognition of assets

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

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

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

When a financial asset recognized at amortized cost is renegotiated, the Group derecognizes it only if the renegotiation entails a change of such magnitude that the initial instrument effectively becomes a new one. In such cases the difference between the original instrument's carrying value and the fair value of the new instrument is recorded through profit and loss, taking due account of any previous writedowns that may have been charged. The new instrument is classified as stage 1 for purposes of calculating the expected loss (save in cases where the new instrument is classified as a POCI).

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

Leasing

An agreement is classified as a leasing contract (or contains a leasing element) based on the substance of the agreement at the execution date. An agreement is, or contains a lease if its performance depends on the use of a specific good (or goods) and confers the right to use such good (goods), even if the good itself is not stated explicitly in the agreement.

A leasing contract must be classified at the execution date as either a financial lease or an operating lease.

A lease which transfers basically all risks and benefits typical of ownership to the lessee is a financial lease.

Financial leases in which the Group is the lessor are capitalized at the start of the transaction based on the fair value of the good at the execution date, or the current value of the minimum payments provided for by the agreement if lower. Payments are split into the two components of interest payable and repayment of the amount due under the lease itself based on methods which reflect a constant, regular return on the lessor's net investment.

The good being leased is recorded in the accounts and amortized over the course of its useful life. If there is no reasonable certainty that the Group will acquire the good at the end of the lease, it is amortized over its useful life or the duration of the lease itself, whichever is shorter.

Payments made in respect of operating lease contracts are recorded through profit and loss as costs on a straight-line basis throughout the life of the leasing contract itself.

Leases in which the Group is the lessor and does not transfer basically all risks and benefits associated with ownership of the good are classified as operating leases. Revenues generated from contracts such as these are recorded through profit and loss on a straight-line basis throughout the life of the leasing contract. Any costs incurred to negotiate the contract are added to the value of the good and recorded throughout the life of the contract using the same criterion adopted to record the revenues.

Hedges

For hedging transactions, the Group has adopted the provisions of IFRS9 since 1 July 2018 and has chosen not to avail itself of the exemption provided to continue applying the rules of IAS39 to this type of operation.

Two types of hedge are used by the Group:

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

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

Hedge derivatives are recognized at fair value as follows:

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

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

The amount accumulated in the cash flow hedge reserve must be reclassified from the cash flow hedge reserve to profit (loss) for the period as an adjustment due to reclassification in the same period or periods in which the estimated future cash flows hedged impact on the profit (loss) for the period (e.g. in periods when interest receivable or payable are recorded, or when the planned sale takes place).

However, if the amount constitutes a loss and the entity does not expect to recover the whole loss or part of it in one or more future periods, the entity must classify the amount it does not expect to recover in the profit (loss) for the period (as an adjustment due to reclassification) immediately.

Equity investments

This heading consists of investments in:

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

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

Property, plant and equipment

This heading comprises land, core and investment properties, plant, furniture, fittings, equipment and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

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

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

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

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

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

Intangible assets

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

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates assets are tested for impairment, which is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through the profit and loss account.

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

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

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

Financial liabilities recognized at amortized cost

These include the items *Due to banks, Due to customers and Debt securities in issue* less any amounts bought back. The heading also includes amounts receivable in respect of finance leasing transactions, the valuation and classification rules for which are governed by IAS17 but which are also affected by the IFRS9 impairment rules. For a description of the rules for valuing and classifying leasing receivables, see the relevant section.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

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

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

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

Trading liabilities

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

Liabilities designated at fair value

This item include financial liabilities designated at fair value with impact taken to profit and loss, based on the faculty allowed by the IFRS9 to the enterprises (so called "fair value option") and in compliance with the cases permitted by the Regulation.

Provisions for liabilities and charges

These regard risks linked Group activity, not necessarily connect to the non-repayment of loans, which could lead to expenses in the future. If the time effect is material, provisions are discounted using current market rates; and the provision is recognized in the profit and loss account.

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

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

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

These also include provisions for credit risks linked to commitments to disburse funds and guarantees issued in accordance with the rules on impairment introduced by IFRS 9. Criteria to identify stages and calculate the expected loss are the same adopted in case of financial assets valued at amortized cost of at FVTPL.

Staff severance indemnity provision

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

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

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

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

Foreign currency transactions

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

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

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

Tax assets and liabilities

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

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

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

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

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

Contributions to Deposits Guarantee Schemes and resolution funds are accounted for according to IFRIC21.

Stock options and performance shares

The stock option and performance share schemes operated on behalf of Group staff members and collaborators are treated as a component of labour costs.

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

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

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

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

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

Treasury shares

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

Fees and commissions receivable in respect of services

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

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

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

In the event of additional costs being incurred to perform or execute the contract, where such costs meet the requisites of IFRS15, the Group will assess whether to capitalize them and then amortize them through the life of the contract, or to make use of the exemption provided by IFRS15 to expense the costs immediately in cases where the amortization period for them would be complete within twelve months.

Dividends

Dividends are recorded through profit and loss in the year in which their distribution is approved. They refer to distributions deriving from equities not issued by companies qualifying as associates and/or joint ventures which are valued on the basis of the provisions of IAS28.

Recognition of costs

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

Related parties

In accordance with IAS 24, related parties are defined as:

a) Individuals or entities which directly or indirectly, are subject to joint control by Mediobanca, shareholders with stakes of 3% or more in Mediobanca's share capital [8], and the entities controlled by or controlling them;

b) Associate companies, joint ventures and entities controlled by them;

c) Management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;

d) Entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);

e) Close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or otherwise associated with such individuals.

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

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

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

(€'000)

Type of instrument	Transferred from	Transferred to	Reclassification date	Reclassified book value	Interests income booked during the period (pre-tax)
Debt decurities	AFS securities	Financial assets at amortized cost	FY 2010/2011	112,742	5,837
Total				112,742	5,837

A.4 - Information on fair value

QUALITATIVE INFORMATION

This section provides the disclosure on fair value stipulated by IFRS13 paragraph 24, which defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

– Valuations of instruments with similar characteristics;

– Discounted cash flow calculations;

– Option price calculation models, values recorded in recent comparable transactions, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.).

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

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

Fair value is reported according to rankings based on the quality of the input parameters used to determine it [9].

In accordance with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, the fair value hierarchy assigns decreasing priority to measurements based on different market parameters. The highest priority (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.

The fair value ranking level assigned to an asset or liability is defined as the lowest-level input that is significant to the entire measurement. Three levels are identified:

– Level 1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.
– Level 2: inputs other than the quoted prices referred to above, that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.
– Level 3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

[9] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement"; and paragraph 74: "The fair value hierarch ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

As a rule Mediobanca uses market prices (level 1) or models based on observable inputs (level 2). In cases where level 3 instruments are used, additional price verification procedures are set in place, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted.

All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure.

Fair value adjustment

Fair value adjustment is defined as the quantity that has to be added to the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. The following adjustments in particular should be noted:

– Credit/debt valuation adjustment;

– Other adjustments.

Credit/debt valuation adjustment (CVA/DVA)

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

– CVA is a negative quantity which takes into account the scenarios in which the counterparty might fail before the Bank does while amounts are still receivable (positive MTM) by the Bank from the counterparty;

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

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

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

– Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;
– PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities;
– Loss given default (LGD) based on the estimated value of recovery in the event of the counterparty going bankrupt, as defined in specific analysis conducted by the Bank itself or the default rates conventionally utilized for credit default swap prices.

Other adjustments (FVA)

Other adjustments of fair value not included in the categories described above, may be taken into consideration in order to align the valuation with the exit price inter alia on the basis of market liquidity levels or valuation parameters and to take account of the cost of funding.

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

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Assets and liabilities measured at fair value on a recurring basis

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

- Bonds: instruments not traded on active markets are marked to model using the implied credit spread curves obtained from Level 1 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, depending on how representative the credit spread curve applied is, bonds are categorized as either Level 2 or Level 3 (the latter in cases where non-observable credit spreads are used). In fair value measurement, fair value adjustments can be used in cases where there is reduced liquidity and model risk, to compensate for the lack of observable market inputs for Level 2 and Level 3 positions.
- Asset-backed securities, CLOs and loans: the measurement process relies on information providers which effectively collect market prices. Basically ABS are categorized as Level 3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level 1.
- Derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In cases where there is an active market to provide inputs for the various components of the derivative to the valuation model, the fair value is measured on the basis of the market prices. Measurement techniques based on observable inputs are categorized as Level 2, whereas those based on non-observable inputs are categorized as Level 3;
- Credit exposures which, based on the characteristics of their cash flows, are recognized at fair value (IFRS 9, SPPI criteria - Solely Payments of Principal and Interest): specific valuation methodologies are adopted to represent the individual exposure's characteristics, seeking to maximize use of observable market data.
- Equities: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 when there are no quoted prices or when quoted prices have been suspended indefinitely and

for which an internal model is used in order to determine the fair value. Some residual equities for which fair value cannot be established reliably using the methods described above are recognized at cost.

– Investment funds: Mediobanca owns holdings in investment funds which publish the net asset value (NAV) per stock unit. Such funds include mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. Investments in funds are usually classified as Level 1 in cases where the NAV is available on a daily basis and considered to be active; otherwise they are categorized as Level 3.

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

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

In such cases the fair value is calculated solely for the purpose of meeting the Bank's responsibilities in terms of providing market disclosure, and the calculation does not impact in any way on the book value of the investment and has no effect on the profit and loss account. Such instruments are not normally traded, and their fair value is thus measured on the basis of inputs compiled internally rather than directly observable on the market.

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

The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level 1 if quoted on an active market (using the market price as the input); if not, i.e. in cases where there are no quoted prices, the fair value is categorized as Level 2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank's issuer risk (with a distinction being made between senior and subordinated risks).

A.4.2 Measurement processes and sensibilities

As required by IFRS13, quantitative information on the significant non-observable inputs used in measuring the fair value of Level 3 instruments is provided below.

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

Non-observable inputs	Quantification of uncertainty inherent input	+/- delta vs MtM (€'000), 30/6/19	+/- delta vs MtM (€'000), 30/6/18
Implicit volatility	On average equal to 50 bps for volatility surface points falling outside the contribution of Totem application (maturity > 3Y for single stocks and maturity > 5Y for indexes)	460	620
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks	612	325

Measurement techniques used for equity, credit and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value * Assets 30/6/19 (€m)	Fair value * Liabilities 30/6/19 (€m)	Fair value * Assets 30/6/18 (€m)	Fair value * Liabilities 30/6/18 (€m)
OTC equity single name options, variance swap	Black-Scholes/ Black model	Implicit volatility[1]	0.81	(3.89)	1.46	(7.81)
OTC equity basket options, best of/ worst of, equity auto-callable multi-asset options	Black-Scholes/ Black model, local volatility model	Implicit volatility Equity-equity correlation[2]	9.85	(9.40)	2.70	(4.84)

* Values are shown net of reserves booked.

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

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

A.4.3 Fair value ranking

Transfers between fair value ranking levels

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

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

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

A.4.4 Other information

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

QUANTITATIVE INFORMATION

A.4.5 Fair value ranking

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

(€ '000)

Financial assets/liabilities measured at fair value	30/6/19		
	Level1	Level2	Level3
1. Financial assets measured at fair value with impact taken to profit and loss	7,364,652	2,887,585	622,808
a) financial assets held for trading	7,054,588	2,633,695	359,064
b) financial assets designated at fair value	—	51,975	—
c) other financial assets mandatorily valued at fair value	310,064	201,915	263,744
2. Financial assets measured at fair value with impact taken to other comprehensive income	3,611,042	240,572	32,838
3. Hedging derivatives	—	409,863	—
4. Tangible assets	—	—	—
5. Intangible assets	—	—	—
Total	10,975,694	3,538,020	655,646
1. Financial liabilities held for trading	4,948,023	3,082,526	249,777
2. Financial liabilities valued at fair value	—	55,859	—
3. Hedging derivatives	—	184,650	—
Total	4,948,023	3,323,035	249,777

The Level 3 instruments held for trading include options traded, i.e. contracts with the same underlying instrument but executed with different counterparties, totalled €236m (30/6/18: €72.6m), plus €0.5m (€1.9m) in options linked to bonds issued and hedged on the market. Net of these items, the Level 3 assets increased from €77.8m to €122.6m, following new deals of €51.1m (deriving chiefly from the bridge subscribed to by Mediobanca in its role as arranger with Intesa/ICCREA receivables as the underlying instrument, amounting to approx.

€246.2m, which is gradually being sold, in an amount of €186.7m during the twelve months under review), redemptions totalling €3.8m, and other reductions, including downward movements in fair value, totalling €2.5m.

Financial assets compulsorily recognized at fair value,[10] which mostly consist of investments in funds (including seed capital) decreased from €302.1m to €263.7m, following investments of €19.9m, and sales and redemptions totalling €58.3m (mostly in respect of a Cairn fund, for €39.2m).

Financial assets recognized at fair value through other comprehensive income, consisting of holdings in unlisted companies (valued on the basis of internal models), rose slightly from €19.5m to €32.8m.

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

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

(€ '000)

Financial assets/liabilities measured at fair value	**30/6/18**		
	Level 1	**Level 2**	**Level 3**
1. Financial assets held for trading	4,805,778	3,253,877	152,259
2. Financial assets held for trading	—	—	—
3. AFS securities	4,563,419	298,863	304,070
4. Hedge derivatives	—	235,591	—
5. Tangible assets	—	—	—
6. Intangible assets	—	—	—
Total	9,369,197	3,788,331	456,329
1. Financial liabilities held for trading	3,206,919	3,216,430	87,131
2. Financial liabilities recognized at fair value	—	—	—
3. Hedge derivatives	—	220,713	—
Total	3,206,919	3,437,143	87,131

[10] A financial asset is classified as a financial asset which must compulsorily be recognized at fair value if it does not meet the conditions, in terms of business model and cash flow characteristics ("solely payment of principal and interest" – i.e. if it does not pass the SPPI test) to be recognized at amortized cost or at fair value through Other Comprehensive Income.

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

	Financial assets valued at fair value with impact taken to profit and loss				Financial assets valued at fair value with impact taken to other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading [1]	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily valued at fair value				
1. Opening balance	399,368	77,780	—	302,114	19,474	—	—	—
2. Increases	300,840	254,240	—	31,315	15,285	—	—	—
2.1 Purchases	279,900	251,248	—	19,865	8,787	—	—	—
2.2 Profits recognized in:	19,057	1,681	—	10,878	6,498	—	—	—
2.2.1 profit and loss	12,559	1,681	—	10,878	—	—	—	—
- of which, gains	*1,035*	*1,035*	—	—	—	—	—	—
2.2.2 net equity	6,498	X	X	X	6,498	—	—	—
2.3 Transfers from other levels	—	—	—	—	—	—	—	—
2.4 Other increases	1,883	1,311	—	572	—	—	—	—
3. Decreases	281,052	209,446	—	69,685	1,921	—	—	—
3.1 Disposals	254,305	200,104	—	53,001	1,200	—	—	—
3.2 Redemptions	9,071	3,789	—	5,282	—	—	—	—
3.3 Losses recognized in:	17,676	5,553	—	11,402	721	—	—	—
3.3.1 profit and loss	16,963	5,553	—	11,402	8	—	—	—
- of which, losses	*5,553*	*5,553*	—	—	—	—	—	—
3.3.2 net equity	713	X	X	X	713	—	—	—
3.4 Transfers to other levels	—	—	—	—	—	—	—	—
3.5 Other decreases	—	—	—	—	—	—	—	—
4. Closing balance	419,156	122,574	—	263,744	32,838	—	—	—

([1]) Net of market value of options covering those attached to bonds issued (30/6/19: €0.5m) and options traded (€236m), the values of which are recorded as both assets and liabilities for the same amount.

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

(€ ‘000)

	Held for trading [1]	***Designated at fair value***	**Hedging derivatives**
1. Opening balance	12,652	—	—
2. Increases	6,722	—	—
2.1 Issuance	4,935	—	—
2.2 Losses recognized in:	1,607	—	—
2.2.1 profit and loss	1,607	—	—
- of which, losses	*1,607*	—	—
2.2.2 net equity	X	—	—
2.3 Transfers from other levels	180	—	—
2.4 Other increases	—	—	—
3. Decreases	6,089	—	—
3.1 Redemptions	3,193	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	2,896	—	—
3.3.1 profit and loss	2,896	—	—
- of which, gains	*442*	—	—
3.3.2 net equity	X	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other decreass	—	—	—
4. Closing balance	13,285	—	—

([1]) Net of market value of options covering those attached to bonds issued (30/6/19: €0.5m) and options traded (€236m), the values of which are recorded as both assets and liabilities for the same amount.

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

(€ '000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/19			
		Fair value		
	Book value	Level 1	Level 2	Level 3
1. Financial assets valued at amortised cost	46,363,398	2,149,798	32,117,056	12,892,319
2. Tangible assets held for investment purposes	24,884	—	—	94,174
3. Non-current assets and groups of assets being sold	—	—	—	—
Total	46,388,282	2,149,798	32,117,056	12,986,493
1. Financial liabilities valued at amortised cost	51,339,312	—	51,578,885	48,237
2. Liabilities held in respect of assets being sold	—	—	—	—
Total	51,339,312	—	51,578,885	48,237

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

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

(€ '000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/18			
	Book value	Fair value		
		Level 1	Level 2	Level 3
1. Financial assets held to maturity	2,595,142	2,576,912	28,086	—
2. Due from banks	19,553,431	—	6,620,038	12,952,352
3. Due from customers	18,725,998	—	7,136,216	10,702,838
4. Tangible assets held for investment purposes	25,162	—	—	94,077
5. Non-current assets and groups of assets being sold	—	—	—	—
Total	40,899,733	2,576,912	13,784,340	23,749,267
1. Due to banks	25,519,219	—	25,519,219	—
2. Due to customers	4,124,183	—	4,124,183	—
3. Debt securities in issue	16,827,009	—	17,108,510	49,719
4. Liabilities in respect of non-current assets being sold	—	—	—	—
Total	46,470,411	—	46,751,912	49,719

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

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

The only transaction of this kind involved the approx. €10m surplus generated on an arbitrage transaction between the acquisition of a financial instrument convertible into listed equities (starting from year 5) and the sale of the corresponding listed equities in FY 2016-17. This difference was generated from the use of an internal model to value the unlisted instrument which, under paragraphs B5.1.2A and B5.2.2A of IFRS 9, was suspended and will be released to the profit and loss account pro rata throughout the duration of the transaction (five years). The share remaining totals approx. €4.7m, and the portion that passed through profit and loss during the period totalled €2m.

Part B - Notes to the Individual Balance Sheet (*)

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents: composition

	Total 30/6/19	Total 30/6/18
a) Cash	561	574
b) On demand deposits with Central banks	632,051	1,172,581
Total	632,612	1,173,155

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

SECTION 2

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

*2.1 Financial assets held for trading: composition **

Items/Values	30/6/19		
	Level 1	Level 2	Level 3
A. Balance-sheet assets			
1. Debt securities	3,857,970	361,666	58,831
1.1 Structured securities	17,251	10,451	—
1.2 Other securities	3,840,719	351,215	58,831
2. Equity securities [1]	2,441,048	—	47,024
3. UCITs	245,002	—	6,055
4. Loans	6,894	—	—
4.1 REPOs	—	—	—
4.2 Others	6,894	—	—
Total (A)	6,550,914	361,666	111,910
B. Derivative instruments			
1. Financial derivatives	503,674	1,781,837	247,154
1.1 trading	503,674	1,737,302	246,957 [2]
1.2 related to the fair value option	—	—	—
1.3 others	—	44,535	197 [3]
2. Credit derivatives	—	490,192	—
2.1 trading	—	490,192	—
2.2 related to the fair value option	—	—	—
2.3 others	—	—	—
Total (B)	503,674	2,272,029	247,154
Total (A+B)	7,054,588	2,633,695	359,064

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

[1] Equities include shares committed in securities lending transactions totalling €834,916,000.

[2] Includes €235,984,000 in options traded, with the matching amount booked as financial instruments held for trading.

[3] Includes the market value of options (30/6/19: €0.5m) matching those associated with bond issues booked as financial instruments held for trading.

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

Items/Values	**30/6/19**
A. Cash assets	
1. Debt securities	4,278,467
a) Central Banks	—
b) Public Administrations	3,398,524
c) Banks	619,409
d) Other financial companies	197,994
of which: insurance companies	—
e) Non financial companies	62,540
2. Equity instruments	2,488,072
a) Banks	391,154
b) Other finanzial companies	205,008
of which: Insurance companies	*94,336*
c) Non financial companies	1,891,910
d) Other issuers	—
3. Units investment funds	251,057
4. Loans	6,894
a) Central Banks	—
b) Public Administrations	—
c) Banks	—
d) Other financial companies	2,031
of which: insurance companies	—
e) Non financial companies	4,863
f) Families	—
Total (A)	7,024,490
B. Derivative instruments	
a) Central Counterparties	95,465
b) Others	2,927,392
Total (B)	3,022,857
Total (A+B)	10,047,347

The tables below show the data stated in accordance with IAS39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

*2.1 Financial assets held for trading: composition **

Items/values	30/6/18		
	Level 1	Level 2	Level 3
A. Cash assets			
1. Debt securities [1]	2,538,652	252,030	14,128
1.1 Structured securities	109	11,526	—
1.2 Others	2,538,543	240,504	14,128
2. Equity securities [2]	1,616,416	—	50,145
3. Units in investment funds	101,498	—	9,342
4. Loans	24,966	—	—
4.1 Repos	—	—	—
4.2 Others	24,966	—	—
Total A	4,281,532	252,030	73,615
B. Derivative instruments			
1. Financial derivatives	524,246	2,796,956	78,644
1.1 Trading	524,246	2,727,313	77,072 [2]
1.2 Related to the fair value option	—	—	—
1.3 Others	—	69,643	1,572 [3]
2. Credit derivatives	—	204,891	—
2.1 Trading	—	204,891	—
2.2 Related to the fair value option	—	—	—
2.3 Others	—	—	—
Total B	524,246	3,001,847	78,644
Total (A+B)	4,805,778	3,253,877	152,259

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

[1] Equities include shares committed in securities lending transactions totalling €982,223,000.

[2] Includes €72,603,000 in options traded, with the matching amount booked as financial instruments held for trading.

[3] Includes the market value of options (30/6/18: €1.9m) matching those associated with bond issues booked as financial instruments held for trading.

2.2 Financial assets held for trading: by borrower/issuer

Items/values	30/6/18
A. Cash assets	
1. Debt securities	2,804,810
a) Governments and central banks	2,333,021
b) Other public-sector entities	20,680
c) Banks	120,771
d) Other issuer	330,338
2. Equity securities	1,666,561
a) Banks	118,343
b) Other issuers	1,548,218
- Insurance companies	16,939
- Financial companies	16,942
- Non financial companies	1,514,337
- Others	—
3. Units in investment funds	110,840
4. Loans	24,966
a) Governments and central banks	—
b) Other public-sector entities	—
c) Banks	—
d) Other issuer	24,966
Total A	4,607,177
B. Derivative instruments	
a) Banks	2,431,842
- Fair value	2,431,842
b) Customers	1,172,895
- Fair value	1,172,895
Total B	3,604,737
Total (A+B)	8,211,914

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

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

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

These financial assets recognized at fair value, which failed the SPPI test on first-time adoption, are matched by equivalent liabilities also designated at fair value.

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

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

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

Items/Values	**30/6/19**		
	Level 1	**Level 2**	**Level 3**
1. Debt securities	489	—	3,146
1.1 Structured securities	—	—	—
1.2 Others	489	—	3,146
2. Equity instruments	—	—	—
3. Units investment funds	309,575	—	238,822
4. Loans	—	201,915	21,776
4.1 REPO	—	—	—
4.2 Others	—	201,915	21,776
Total	310,064	201,915	263,744

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

This is a residual item consisting of banking book debt securities that have failed the SPPI test. The loans in particular include equity instruments deriving from the restructuring of unlikely-to-pay positions.

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

Items/Values	30/6/19
1. Equity instruments	—
of which: banks	—
of which: other financial companies	—
of which: other non financial companies	—
2. Debts securities	3,635
a) Central Banks	—
b) Public sector entities	489
c) Banks	—
d) Other financial companies	3,146
of which: insurance companies	—
e) Non financial companies	—
3. Units investment funds	548,397
4. Loans	223,691
a) Central Banks	—
b) Public sector entities	—
c) Banks	—
d) Other financial companies	206,209
of which: insurance companies	—
e) Non financial companies	17,482
f) Households	—
Total	775,723

SECTION 3

Heading 30: Financial assets recognized through other comprehensive income

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

Item/Values	30/6/19		
	Level 1	Level 2	Level 3 [1]
1. Debts securities	3,507,591	240,572	—
1.1 Structured securities	—	—	—
1.2 Other	3,507,591	240,572	—
2. Equity instruments	103,451	—	32,838
3. Loans	—	—	—
Total	3,611,042	240,572	32,838

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

[1] Includes investments in unlisted companies valued based on internal models.

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

Items/Values	30/6/19
1. Debt securities	3,748,163
a) Central Banks	—
b) Public entities	2,863,097
c) Banks	507,767
d) Other financial companies	216,529
of which: insurance companies	*131,292*
e) Non financial companies	160,770
2. Equity securities	136,289
a) Banks	114
b) Other issuers:	136,175
- other financial companies	31,371
of which: insurance companies	—
- non financial companies	104,804
- others	—
3. Loans	—
a) Central Banks	—
b) Public entities	—
c) Banks	—
d) Other financial companies	—
of which: insurance companies	—
e) Non financial companies	—
f) Households	—
Total	3,884,452

The tables below show the data stated in accordance with IAS39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

4.1 Financial assets available for sale: composition

Items/value	30/6/18		
	Level 1	Level 2	Level 3 *
1. Debt securities	4,120,642	298,863	—
1.1 Structured securities	—	—	—
1.2 Other debt securities	4,120,642	298,863	—
2. Equity securities	239,266	—	21,478
2.1 Valued at fair value	239,266	—	21,478
2.2 Valued at cost	—	—	—
3. Units in investment funds	203,511	—	282,592
4. Loans	—	—	—
Total	4,563,419	298,863	304,070

* These include investments in unlisted companies valued on the basis of internal models.

4.2 AFS securities: composition by borrower/issuer

Items/value	30/6/18
1. Debt securities	4,419,505
a) Government and central banks	2,886,008
b) Other public sector entities	386,845
c) Banks	656,736
d) Other issuers	489,916
2. Equity securities	260,744
a) Banks	112
b) Other issuers	260,632
- Insurance companies	—
- Financial companies	24,352
- Non financial companies	236,280
- Others	—
3. Units in investment funds	486,103
4. Loans	—
a) Government and central banks	—
b) Other public sector entities	—
c) Banks	—
d) Other issuers	—
Total	5,166,352

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

	Gross value				Writedown			Write off partial total
	First stage	*of which: low credit risk **	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	3,750,003	204,812	—	—	1,840	—	—	—
Loans	—	—	—	—	—	—	—	—
Total	3,750,003	204,812	—	—	1,840	—	—	—
of which: impaired financial assets aquired or created	*X*	*X*	—	—	*X*	—	—	—

* As required by Bank of Italy circular no. 262, fifth amendment, the column headed "Of which: instruments with low credit risk" must show the gross value of the low credit risk instruments as defined by IFRS9, paras. B5.5.29. For the Mediobanca Group, the concept of "low credit risk" is equivalent to that of rating, hence low credit risk applies to the case of counterparties rated investment grade.

SECTION 4

Heading 40: Financial assets at amortized cost *

4.1 Financial assets at amortized cost: composition of due from banks

Type of transaction/Values	30/6/19					
	Book value			Fair value		
	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
A. Due from Central Banks	211,382	—	—	—	211,382	—
1. Deposits to Maturity	—	—	—	X	X	X
2. Compulsory reserves	211,382	—	—	X	X	X
3. REPOs	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Due from banks	21,895,297	—	—	222,033	21,497,050	622,159
1. Loans	20,874,797	—	—	—	20,682,461	622,159
1.1 Current accounts and demand deposits	708,311	—	—	X	X	X
1.2. Time deposits	389,988	—	—	X	X	X
1.3 Other loans:	19,776,498	—	—	X	X	X
- REPOs	4,482,055	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- Others	15,294,444	—	—	X	X	X
2. Debts securities	1,020,499	—	—	222,033	814,589	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	1,020,499	—	—	222,033	814,589	—
Total	22,106,679	—	—	222,033	21,708,432	622,159

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

*4.2 Financial assets at amortized cost: composition of due from customers **

Type of transaction/Values	30/6/19					
	Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	17,932,739	368,981	—	—	10,359,379	8,246,345
1.1. Current accounts	1,030,755	—	—	X	X	X
1.2 REPOs	2,550,975	—	—	X	X	X
1.3 Mortgages	12,278,257	368,981	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X
1.5 Finance lease	—	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X
1.7 Other loans	2,072,752	—	—	X	X	X
2. Debt securities	5,954,999	—	—	1,927,765	49,245	4,023,815
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities [1]	5,954,999	—	—	1,927,765	49,245	4,023,815
Total	23,887,738	368,981	—	1,927,765	10,408,624	12,270,160

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

[1] €3,851,751,000 of which in relation to securitizations by Group companies (in this case Compass).

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

Type of transaction / Values	30/6/19		
	First and second stage	Third stage	*of which: impaired assets aquired or created*
1. Debt securities	5,954,999	—	—
a) Public Administration	1,454,675	—	—
b) Other financial company	4,284,239	—	—
of which: insurance companies	*229,762*	—	—
c) Non financial companies	216,085	—	—
2. Loans to:	17,932,739	368,981	—
a) Public Administration	103,200	—	—
b) Other financial company	9,877,374	2,034	—
of which: insurance companies	*684,511*	—	—
c) Non financial companies	7,208,670	366,947	—
d) Households	743,495	—	—
Total	23,887,738	368,981	—

4.5 Financial assets at amortized cost: gross value and total writedowns

	Gross value				Writedown			Write off partial total
	First stage	*of which: low credit risk **	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	6,950,572	170,834	28,069	—	2,739	404	—	—
Loans	38,726,272	—	331,707	509,749	33,247	5,813	140,768	—
Total 30/6/19	45,676,844	170,834	359,776	509,749	35,986	6,217	140,768	—
of which: impaired financial assets aquired or originated	*X*	*X*	—	—	*X*	—	—	—

* As required by Bank of Italy circular no. 262, fifth amendment, the column headed "of which" must show the gross value of the low credit risk instruments as defined by IFRS9, paras. B5.5.29. For the Mediobanca Group, the concept of "low credit risk" is equivalent to that of rating, hence low credit risk applies to the case of counterparties rated investment grade

The tables below show the data stated in accordance with IAS39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

5.1 Financial assets held to maturity: composition

	30/6/18			
	Book value	Fair value		
		Level 1	Level 2	Level 3
1. Debt securities	2,595,142	2,576,912	28,086	—
- structured	—	—	—	—
- others	2,595,142	2,576,912	28,086	—
2. Loans	—	—	—	—

5.2 Financial assets held to maturity: composition by borrower/issuer

Tipologia operazioni/Valori	30/6/18
1. Debt securities	2,595,142
a) Government and central banks	1,838,768
b) Other public sector entities	—
c) Banks	176,968
d) Other issuers	579,406
2. Loans	—
a) Government and central banks	—
b) Other public sector entities	—
c) Banks	—
d) Other issuers	—
Total	2,595,142
Total Fair Value	2,604,998

6.1 Due from banks: composition

Type of operation/Value	30/6/18			
	Book value	Fair value		
		Level 1	Level 2	Level 3
A. Due from central banks	163,515	—	163,515	—
1. Time deposits	—	X	X	X
2. Compulsory reserve	163,515	X	X	X
3. Repos	—	X	X	X
4. Others	—	X	X	X
B. Due from banks	19,389,916	—	6,456,523	12,952,352
1. Loans	19,003,904	—	6,070,511	12,952,352
1.1 Current accounts and demand deposits	597,132	X	X	X
1.2 Time deposits	51,551	X	X	X
1.3 Other loans	18,355,221	X	X	X
- Repos	4,902,337	X	X	X
- Finance lease	—	X	X	X
- Others	13,452,884	X	X	X
2. Debt securities	386,012	—	386,012	—
2.1 Structured	—	X	X	X
2.2 Others	386,012	X	X	X
Total	19,553,431	—	6,620,038	12,952,352

*7.1 Due from customers: composition **

Type of operation/Value	30/6/18					
	Book value			Fair Value		
	Performing	Non performing		Level 1	Level 2	Level 3
		Purchased	Others			
Loans [1]	14,327,748	—	343,993	—	7,136,216	6,649,518
1. Current accounts	1,029,162	—	—	X	X	X
2. Repos	446,410	—	—	X	X	X
3. Mortgages	11,198,337	—	343,993	X	X	X
4. Credit cards, personal loans and salary backed finance	—	—	—	X	X	X
5. Finance lease	—	—	—	X	X	X
6. Factoring	—	—	—	X	X	X
7. Other loans	1,653,839	—	—	X	X	X
Debt securities	4,054,257	—	—	—	—	4,053,320
8. Structured	—	—	—	X	X	X
9. Others [1]	4,054,257	—	—	X	X	X
Total	18,382,005	—	343,993	—	7,136,216	10,702,838

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

7.2 Due from customers: composition by borrower/issuer

Type of operation/Value	30/6/18		
	Performing	Non performing	
		Purchased	Others
1. Debt securities	4,054,257	—	—
a) Governments	—	—	—
b) Other public sector companies	—	—	—
c) Other issuers	4,054,257	—	—
- Non financial companies	2,140	—	—
- Financial companies	4,019,298	—	—
- Insurance companies	32,819	—	—
- Others	—	—	—
2. Loans to:	14,327,748	—	343,993
a) Governments	—	—	—
b) Other public sector companies	150,762	—	—
c) Other entities	14,176,986	—	343,993
- Non financial companies	6,054,969	—	329,100
- Financial companies	6,495,032	—	14,790
- Insurance companies	655,099	—	1
- Others	971,886	—	102
Total	18,382,005	—	343,993

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	Fair Value			Notional value	Fair Value			Notional value
	30/6/19				30/6/18			
	Level 1	Level 2	Level 3	30/6/19	Level 1	Level 2	Level 3	30/6/18
A. Financial derivatives								
1. Fair value	—	409,863	—	15,187,647	—	235,591	—	9,953,466
2. Cash flows	—	—	—	—	—	—	—	—
3. Net investment in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	409,863	—	15,187,647	—	235,591	—	9,953,466

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedging	Fair Value							Cash-flow hedges		Net Investments on foreign subsidiaries
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity securities and stock indexes	currencies and gold	credit	commodities	others				
1. Financial assets vslued at fair value with impact taken to other comprehensive income	—	—	—	—	X	X	X	—	X	X
2. Financial assets valued at amortised cost	402	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Others	—	—	—	—	—	—	X	—	X	—
Total assets	402	—	—	—	—	—	—	—	—	—
1. Financial liabilities	409,461	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	409,461	—	—	—	—	—	—	—	—	—
1. Highly probable transactions (CFH)	X	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 7

Heading 70: Equity investments

As at 30 June 2019, the book value carried under the “Equity investments” heading totalled €3,191.8m.

7.1 Equity investments: disclosure on relationship

Company name	Legal office	Operating office	Shareholding %	Voting right %
A. Directly-held investments				
Cairn Capital Group Limited Share capital GBP 263, in par value GBP0.005 shares	London	London	100.00 *	60.80
CheBanca S.p.A. Share capital € 226.3m, in par value € 0.50 shares	Milan	Milan	100.00	100.00
Compagnie Monegasque de Banque - CMB S.A.M. Share capital € 111.1m, in par value € 200 shares	Montecarlo	Montecarlo	100.00	100.00
CMB Wealth Management Limited (under liquidation) Share capital GBP 1.8m, in par value GBP 1 shares	London	London	100.00	100.00
Compass Banca S.p.A. Share capital € 587.5m, in par value € 5 shares	Milan	Milan	100.00	100.00
Mediobanca Innovation Services - MIS S.c.p.A. Share capital € 35m, in par value € 5 shares	Milan	Milan	99.99	99.99
Mediobanca Management Company Share capital € 500,000 in par value € 10 shares	Luxembourg	Luxembourg	100.00	100.00
Mediobanca SGR Share capital € 10.3m, in par value € 51.65 shares	Milan	Milan	100.00	100.00
Messier Maris et Associés S.C.A. Share capital € 50,000, in par value €0.1 shares	Paris	Paris	100.00 **	66.40
MBFACTA S.p.A. Share capital € 120m, in par value €1 shares	Milan	Milan	100.00	100.00
MB Funding Lux S.A. Share capital € 431,000, in par value € 1 shares	Luxembourg	Luxembourg	100.00	100.00
MB International (Luxembourg) S.A. Share capital € 10m, in par value € 10 shares	Luxembourg	Luxembourg	99.00	99.00
MB Securities USA LLC Share capital $ 2.25m	New York	New York	100.00	100.00
Prominvestment S.p.A. (under liquidation and arrangement with custmers) Share capital € 743,000, in par value € 0.52 shares	Milan	Rome	100.00	100.00
RAM Active Investments S.A. Share capital CHF 1m in par value CHF 10 shares	Geneva	Geneva	89.3 ***	69.00
Ricerche e Studi S.p.A. Share capital € 100,000, in par value € 5 shares	Milan	Milan	100.00	100.00
SelmaBipiemme Leasing S.p.A. Share capital € 41.3m, in par value € 0.50 shares	Milan	Milan	60.00	60.00
Spafid S.p.A. Share capital € 6.1m, in par value € 10 shares	Milan	Milan	100.00	100.00
B. Companies subject to significant influence				
Assicurazioni Generali S.p.A. Share capital € 1,565.2m, in par value € 1 shares	Trieste	Trieste	12.92	12.92
Burgo Group S.p.A. Share capital € 20m, without nominal value	Altavilla Vicentina (VI)	Altavilla Vicentina (VI)	22.13	22.13
Istituto Europeo di Oncologia S.r.l. Share capital € 80.6m	Milan	Milan	25.37	25.37

* 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.

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

Company name	Book value	*Fair Value*	Dividends received
A. Directly-held companies			
Cairn Capital Group Limited	37,546	n.a.	—
CheBanca! S.p.A.	383,497	n.a.	—
Compagnie Monegasque de Banque - CMB S.A.M.	372,168	n.a.	—
CMB Wealth Management S.A.M. (under liquidation)	190	n.a.	—
Compass Banca S.p.A.	765,894	n.a.	150,000
Mediobanca Innovation Services - MIS S.c.p.A.	35,020	n.a.	—
Mediobanca Management Company	3,993	n.a.	—
Mediobanca SGR	38,096	n.a.	—
Messie Maris et Associés S.C.A.	107,856	n.a.	
MBFACTA S.p.A.	120,051	n.a.	—
MB Funding Lux	831	n.a.	—
MB International (Luxembourg) S.A.	5,942	n.a.	—
MB Securities USA LLC	211	n.a.	—
Prominvestment S.p.A. (under liquidation and arrangement with customers)	—	n.a.	—
RAM Active Investments S.A.	143,382	n.a.	—
Ricerche e Studi S.p.A.	103	n.a.	—
SelmaBipiemme Leasing S.p.A.	32,909	n.a.	—
Spafid S.p.A.	8,888	n.a.	—
B. Companies under significant influence			
Assicurazioni Generali S.p.A.	1,096,272	2,260,664	182,442
Burgo Group S.p.A.	—	n.a.	—
Istituto Europeo di Oncologia S.r.l.	38,995	n.a.	—
Total	3,191,844		

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

7.3 Significant investments: accounting data *

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues **	Interest margin	Adjustments and reversals on tangible and intangible assets	Profit/(Loss) from ordinary activities before tax	Profit/(Loss) from ordinary activities after tax	Profit/(Loss) from held-for-sale assets after tax	Profit/(Loss) for the period (1)	Other profit/ loss items after tax (2)	Total profit/ loss (3) = (1) +(2)
A. Directly-controlled companies														
Cairn Capital Group Limited	—	3,909	9,414	—	1,008	16,477	(161)	(141)	(5,663)	(4,795)	—	(4,795)	—	(4,795)
CheBanca! S.p.A.	98,948	21,125,428	267,284	15,032,061	16,036	297,566	210,895	(7,458)	26,149	17,230	—	17,230	(193)	17,037
Compagnie Monegasque de Banque - CMB S.A.M.	3,217	4,252,293	18,710	3,430,943	—	89,072	40,775	(3,632)	34,224	28,938	—	28,938	—	28,938
CMB Wealth Management UK (under liquidation)	—	136	—	—	—	—	—	—	90	90	—	90	—	90
Compass Banca S.p.A.	3,568	12,612,402	664,216	18,032	28,824	832,701	841,081	(2,415)	410,706	274,347	—	274,347	(19,396)	254,951
Mediobanca Innovation Services - MIS S.c.p.A.	—	18,707	41,733	—	2,267	—	—	(11,966)	168	1	—	1	(17)	(16)
Mediobanca Management Company	1	7,034	4,829	—	387	4,294	—	(3)	1,548	915	—	915	—	915
Mediobanca SGR	2	22,132	11,111	—	687	20,406	—	(5)	6,601	4,480	—	4,480	25	4,505
Messier Maris et Associés S.C.A.	—	8,786	3,666	10	—	5,311	—	(23)	296	296	—	296	—	296
MBFACTA S.p.A.	—	1,997,155	6,026	7,122	9,259	52,097	47,745	(7)	28,110	18,908	—	18,908	(12)	18,896
MB Funding Lux S.A.	—	10,237	798	—	10,051	—	16,947	—	—	—	—	—	—	—
MB International (Luxembourg) S.A.	1	7,871,471	17,122	243,572	4,136,318	17,892	12,218	(4)	4,321	3,222	—	3,222	—	3,222
MB Securities USA LLC	—	5,859	263	—	—	2,444	—	(23)	308	202	—	202	—	202
Prominvestment S.p.A. (under liquidation and arrangement with customers)	—	390	31	—	—	(9)	(8)	—	(151)	(151)	—	(151)	—	(151)
RAM Active Investments S.A.	—	10,496	14,081	—	478	31,818	(72)	(88)	12,635	9,448	—	9,448	—	9,448
Ricerche e Studi S.p.A.	1	686	56	—	193	—	—	—	14	9	—	9	(11)	(2)
SelmaBipiemme Leasing S.p.A.	5	1,997,296	56,570	11,633	28,824	40,950	39,961	(2,053)	6,622	5,326	—	5,326	287	5,613
Spafid S.p.A.	2	32,061	9,159	—	784	9,354	2	(388)	35	27	—	27	(38)	(11)
B. Companies subject to significant influence														
Assicurazioni Generali S.p.A.	X	412,228,000	96,902,000	38,540,000	452,644,000	74,699,000	X	X	3,450,000	2,324,000	173,000	2,497,000	(2,564,000)	(67,000)
Burgo Group S.p.A.	X	503,161	989,811	1,064,750	181,089	1,882,537	X	X	11,364	9,909	—	9,909	1,272	11,181
Istituto Europeo di Oncologia S.r.l.	X	106,016	113,669	84,079	65,610	348,474	X	X	10,812	8,321	—	8,321	—	8,321

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

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

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

On 10 April 2019, Mediobanca acquired a 66.4% stake in the share capital of Messier Maris & Associés(MMA), a French company specializing in M&A activities for mid-cap to large corporates and a wide range of financial sponsors, as well as in debt and capital advisory and debt restructuring activities.

The deal was structured in such a way as to retain the involvement of the founding partners, who will continue to run the company and are fully committed to developing its future growth. The acquisition was paid for in full from Mediobanca shares acquired as part of the buyback scheme in progress. Accordingly, a total of 11.6 million Mediobanca shares (or 1.3% of its share capital) valued at the stock market price recorded on 12 April 2019 was delivered, equivalent to a consideration for the transaction totaling €107.9m. A put-and-call option was also taken out which will allow the stake to be increased to 100%.

Also completed during the twelve months under review was the buyout of certain minority interests in Cairn Capital Group Limited, bringing Mediobanca's stake up from 51% to 60.8%. The cost of the interests acquired was €4.1m (£3.5m).

A partial repayment was made to Group company CMB Wealth Management, in an amount of €1.4m (£1.2m).

Both Quarzo MB S.r.l. and MB Advisory Kurumsal Danismanlik Hizmetleri, the Turkish subsidiary in extraordinary administration, entered liquidation during the twelve months under review.

The Assicurazioni Generali investment continues to be recognized at cost.

The book value of the investments in CheBanca!, Mediobanca SGR, Cairn Capital Group Limited and RAM Active Investments SA have been tested for impairment, with no evidence of any loss of value on them emerging *.

7.5 Equity investments: movements during the year

	30/6/19	30/6/18
A. Opening balance	3,084,158	3,056,998
B. Increases	113,351	222,509
B.1 Purchases	109,131	221,836
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes	4,220	673
C. Decreases	5,665	195,349
C.1 Sales	—	195,349
C.2 Adjustments	—	—
C.3 Other changes	5,665	—
D. Closing balance	3,191,844	3,084,158
E. Total revaluations	—	—
F. Total adjustments	820,806	820,806

* For further details see Section 7 of Consolidated financial statements.

SECTION 8

Heading 80 - Property, plant and equipment

8.1 Core assets: composition of assets stated at cost

Activities/Values	Total 30/6/19	Total 30/6/18
1. Property assets	90,293	91,645
a) lands	67,897	67,897
b) buildings	18,345	19,245
c) furniture	824	921
d) electronic system	1,424	1,539
e) other	1,803	2,043
2. Leased assets	—	—
a) lands	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic system	—	—
e) other	—	—
Total	90,293	91,645
of which: arising from the recovery of guarantees received	—	—

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

Activities/Values	Total 30/6/19				Total 30/6/18			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	24,884	—	—	94,174	25,162	—	—	94,077
a) lands	20,350	—	—	74,474	20,350	—	—	74,103
b) buildings	4,534	—	—	19,700	4,812	—	—	19,974
2. Leased assets	—	—	—	—	—	—	—	—
a) lands	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	24,884	—	—	94,174	25,162	—	—	94,077
of which: arising from the recovery of guarantees received	—	—	—	—	—	—	—	—

8.6 Core properties: movements during the period

	Lands	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	67,897	41,491	8,342	8,695	23,951	150,376
A.1 Total net reduction value	—	(22,246)	(7,421)	(7,156)	(21,908)	(58,731)
A.2 Net opening balance	67,897	19,245	921	1,539	2,043	91,645
B. Increase:	—	428	163	331	463	1,385
B.1 Purchasing	—	—	163	331	454	948
B.2 Capitalised expenditure on improvements	—	428	—	—	—	428
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Transfer from investment properties	—	—	X	X	X	—
B.7 Other adjustment	—	—	—	—	9	9
C. Decrease:	—	1,328	260	446	703	2,737
C.1 Sales	—	—	17	—	—	17
C.2 Amorization	—	1,245	243	446	703	2,637
C.3 Impairment losses allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.4 Negative chages in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.5 Negative exchange difference	—	—	—	—	—	—
C.6 Transfer to:	—	—	—	—	—	—
a) held for sale investment	—	—	X	X	X	—
b) non-current assets and group of assets held for sale	—	—	—	—	—	—
C.7 Other adjustment	—	83	—	—	—	83
D. Net closing balance	67,897	18,345	824	1,424	1,803	90,293
D.1 Total net write-down	—	(23,491)	(7,443)	(7,600)	(22,637)	(61,171)
D.2 Final gross balance	67,897	41,836	8,267	9,024	24,440	151,464
E. Carried at cost	—	—	—	—	—	—

8.7 Assets held for investment purposes: movements during the period

	Total	
	Lands	**Buildings**
A. Opening balance	20,350	4,812
B. Increase	—	140
B.1 Purchasing	—	—
B.2 Capitalised expenditure on improvements	—	57
B.3 Positive changes in fair value	—	—
B.4 Write-backs	—	—
B.5 Positive exchange differences	—	—
B.6 Transfer from investment properties	—	—
B.7 Other adjustment	—	83
C. Decrease	—	418
C.1 Sales	—	—
C.2 Amortization	—	418
C.3 Negative changes in fair value	—	—
C.4 Impairment losses	—	—
C5 Negative exchange difference	—	—
C.6 Transfer to:	—	—
a) held for sale investments	—	—
b) non-current assets and group of assets held for sale;	—	—
C.7 Other adjustment	—	—
D. Closing balance	20,350	4,534
E. Measured at fair value	74,474	19,700

SECTION 9

Heading 90: Intangible assets

9.1 Intangible assets: composition

Activities/Values	30/6/19		30/6/18	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	12,514	X	12,514
A.2 Other intangible asset	4,461	15,490	10,626	15,490
A.2.1 Assets valued at cost	4,461	15,490	10,626	15,490
a) intangible assets generated internally	—	—	—	—
b) other assets	4,461	15,490	10,626	15,490
A.2.2 Assets valued at fair value	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	4,461	28,004	10,626	28,004

The new indefinite life intangible assets regard the Mediobanca Private Banking and goodwill, or the difference arising on the Banca Esperia merger. In continuity with the consolidated accounts, it has been decided to record the Mediobanca Private Banking as a defensive intangible asset, that is, an asset which the buyer does not intend to use or intends to use differently compared to other market operators. The value has been established based on the assumption that it increases visibility, thus helping to increase the retention rate for bankers and clients compared to an unbranded entity, thus stabilizing revenue flows over time.

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

9.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance	12,514	—	—	95,878	15,490	123,882
A.1 Reductions of total net value	—	—	—	(85,252)	—	(85,252)
A.2 Net opening balance	12,514	—	—	10,626	15,490	38,630
B. Increases	—	—	—	743	—	743
B.1 Purchases	—	—	—	179	—	179
B.2 Increments of internal intagible assets	X	—	—	—	—	—
B.3 Value recoveries	X	—	—	564	—	564
B.4 Positive variations of fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L statement	X	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Other variations	—	—	—	—	—	—
C. Decreases	—	—	—	6,908	—	6,908
C.1 Sales	—	—	—	27	—	27
C.2 Value adjustment	—	—	—	6,881	—	6,881
- Amortisations	X	—	—	6,881	—	6,881
- Depreciations	—	—	—	—	—	—
+ net equity	X	—	—	—	—	—
+ P&L statement	—	—	—	—	—	—
C.3 Negative variations of fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L statement	X	—	—	—	—	—
C.4 Transfer to non-current assets	—	—	—	—	—	—
C.5 Negative exchange differrences	—	—	—	—	—	—
C.6 Other variations	—	—	—	—	—	—
D. Net final surplus	12,514	—	—	4,461	15,490	32,465
D.1 Adjustment of net total values	—	—	—	(91,570)	—	(91,570)
E. Gross final surplus	12,514	—	—	96,032	15,490	124,035
F. Evaluation at cost	—	—	—	—	—	—

SECTION 10

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

10.1 Advance tax assets: composition

	Total 30/6/19	Total 30/6/18
- P&L Exchange	82,710	92,422
- Patrimony exchange	5,441	9,928
Total	88,151	102,350

10.2 Deferred tax liabilities: composition

	Total 30/6/19	Total 30/6/18
- P&L Exchange	205,063	203,254
- Patrimony exchange	26,427	54,927
Total	231,490	258,181

Tax assets and liabilities reflect the effects of IFRS9 first-time adoption; for further details, see Part A of the Notes to the Accounts and/or the "Report on transition to IFRS9" published on the Group's website at www.mediobanca.com.

10.3 Changes in advance tax during the period

	Total 30/6/19	Total 30/6/18
1. Initial amount	92,422	107,998
2. Increase	28,022	14,007
2.1 Anticipated levy observed in fiscal year	28,022	1,648
a) related to previous fiscal year	—	—
b) due to changes in accountable parameters	—	—
c) recovery of value	—	—
d) others	28,022	1,648
2.2 New levies or increases in fiscal rates	—	—
2.3 Other increases	—	12,359
3. Decreases	37,734	29,583
3.1 Anticipated levies cancelled in fiscal year	37,734	29,583
a) reversals of temporary differences	37,734	29,583
b) devaluation for appeared irrecoverability	—	—
c) changes in accountable parameters	—	—
d) others	—	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
a) trasformation in levy credits of which law n.214/2011	—	—
b) others	—	—
4. Final amount	82,710	92,422

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

	Total 30/6/19	Total 30/6/18
1. Initial amount	50,323	54,950
2. Increases	—	682
- of which: business combinations	—	*682*
3. Decreases	—	5,309
3.1 Reversals of temporary differences	—	4,698
3.2 Transformation in levy credits	—	—
a) deriving from losses of the fiscal year	—	—
b) deriving from fiscal losses	—	—
3.3 Other decreases	—	611
4. Final amount	50,323	50,323

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

10.4 Changes in deferred tax during the period (balancing to profit and loss)

	Total 30/6/19	Total 30/6/18
1. Initial amount	203,254	212,536
2. Increase	95,568	597
2.1 Defered levies observed in the fiscal year	—	—
a) related to precedent fiscal year	—	—
b) due to change in accountability parameters	—	—
c) others	—	—
2.2 New levies or increments of fiscal rates	—	—
2.3 Other increases	95,568	597
3. Decreases	93,759	9,879
3.1 Defered levies cancelled in the fiscal year	93,759	9,879
a) reversals of temporary differences	93,759	9,879
b) due to changes in accountable parameters	—	—
c) others	—	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
4. Final amount	205,063	203,254

The changes chiefly involve restatement of taxes following the adoption of IFRS9.

*10.5 Changes in advance tax during the period (balancing to net equity) **

	Total 30/6/19	Total 30/6/18
1. Initial amount [1]	22,362	5,855
2. Increases	19,283	12,808
2.1 Anticipated levies observed in fiscal year	19,283	12,581
b) related to previous fiscal years	—	—
b) due to changes in accountable parameters	—	—
c) others	19,283	12,581
2.2 New levies or increments of fiscal rates	—	—
2.3 Other increases	—	227
- of which: business combinations	—	*227*
3. Decreases	36,204	8,735
3.1 Anticipated levies cancelled in the fiscal year	36,204	8,735
a) reversals of temporary differences	36,204	8,735
b) devaluation for appeared irrecoverability	—	—
c) due to changes in accountable parameters	—	—
d) others	—	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
- of which: business combinations	—	—
4. Final amount	5,441	9,928

* Taxes on cash flow hedges, adjustments due to IFRS 9 FTA, and valuations of financial instruments recognized at FVOCI.

[1] Initial balance as at 31/12/19 includes the effects of FTA of the new financial reporting standards.

10.6 Changes in deferred tax during the period (balancing to net equity)

	Total 30/6/19	Total 30/6/18
1. Initial amount [1]	59,363	77,838
2. Increases	95,641	254,898
2.1 Defered levies observed in fiscal year	95,641	253,687
a) related to previous fiscal year	—	—
b) due to changes in accountable parameters	—	—
c) others	95,641	253,687
2.2 New levies or increases in fiscal rates	—	—
2.3 Other increases	—	1,211
3. Decreases	128,577	277,809
3.1 Anticipated levies cancelled in fiscal year	128,577	277,809
a) reversals of temporary differences	128,577	277,809
b) due to changes in accountable parameters	—	—
c) others	—	—
3.2 Decreases in fiscal rates	—	—
3.3 Other decreases:	—	—
4. Final amount	26,427	54,927

[1] Initial balance as at 30/6/19 includes the effects of FTA of the new financial reporting standards.

The change is mainly due to taxes being restated as a result of IFRS9 first-time adoption.

SECTION 12

Heading 120: Other assets

12.1 Other assets: composition

	30/6/19	30/6/18
1. Accrued income other than capitalized income from financial assets	1,890	12,791
2. Trade receivables or invoices to be issued	44,352	41,253
3. Amounts due from tax revenue authorities (not recorded under Heading 140)	51,980	32,295
4. Other items:	122,892	10,561
- futures and other securities transactions	168	938
- advance payments on deposit commissions	—	—
- other items in transit [1]	57,422	6,857
- amounts due from staff	237	226
- improvements on third parties' assets	1,626	1,846
- fiscal consolidated [2]	51,879	—
- group VAT	3,204	—
- sundry other items [3]	8,356	694
Total Other Assets	221,114	96,900

[1] Chiefly attributable to the Private Banking division.

[2] This refers to the amount receivable upon tax consolidation, which is higher than last year as previously it was classified in “Other liabilities” as an amount payable in connection with tax consolidation.

[3] Includes €6,570,000 in accrued income.

Liabilities

SECTION 1

Heading 10: Financial liabilities recognized at amortized cost

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

Type of transaction/Values	30/6/19				30/6/18			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	4,367,257	X	X	X	4,384,592	X	X	X
2. Due to banks	24,830,294	X	X	X	21,134,627	X	X	X
2.1 Current accounts and on demand deposits	14,778,186	X	X	X	13,320,028	X	X	X
2.2 Deposits to maturity	2,238,912	X	X	X	1,729,319	X	X	X
2.3 Loans	7,306,000	X	X	X	5,941,371	X	X	X
2.3.1. Reverse repos	4,482,590	X	X	X	4,224,600	X	X	X
2.3.2. Other	2,823,410	X	X	X	1,716,771	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Other liabilities	507,196	X	X	X	143,909	X	X	X
Total	29,197,551	—	29,197,551	—	25,519,219	—	25,519,219	—

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

Type of transaction/Value	30/6/19				30/6/18			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and on demand deposits	4,244,821	X	X	X	3,129,363	X	X	X
2. Time deposits	1,224,167	X	X	X	62,644	X	X	X
3. Loans	669,611	X	X	X	931,850	X	X	X
3.1 Reverse repos	471,387	X	X	X	806,937	X	X	X
3.2 Other	198,224	X	X	X	124,913	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Other liabilities	1,425	X	X	X	326	X	X	X
Total	6,140,024	—	6,140,024	—	4,124,183	—	4,124,183	—

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

Type of transaction/Value	30/6/19				30/6/18			
	Book value	Fair Value *			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debt securities								
1. bonds	15,953,500	—	16,241,310	—	16,777,290	—	17,108,510	—
1.1 structured	3,950,844	—	4,125,394	—	5,021,049	—	5,145,546	—
1.2 other	12,002,656	—	12,115,916	—	11,756,241	—	11,962,964	—
2. other securities	48,237	—	—	48,237	49,719	—	—	49,719
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	48,237	—	—	48,237	49,719	—	—	49,719
Total	16,001,737	—	16,241,310	48,237	16,827,009	—	17,108,510	49,719

* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2019 would show a gain of €185.5m (€251.2m).

Debt securities in issue declined from €16,777,290,000 to €15,953,499,000, on new issuance of €2.5bn, redemptions and buybacks of €3.5bn (generating gains of €6.9m), and other upward adjustments (exchange rates, amortized cost and hedging effects) amounting to €26.3m.

1.4 Breakdown of debt securities/subordinated liabilities

The heading "Debt securities in issue" includes the following seven subordinated Lower Tier 2 issues, for a total amount of €2,452,216,000:

Issue	30/6/19		
	ISIN	Nominal value	Book value
MB Subordinato Mar 29	XS1579416741	50,000	50,475
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	614,142	651,652
MB OPERA 3.75 2026	IT0005188351	299,820	307,309
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	391,365	394,424
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	500,000	506,897
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	496,617	541,459
Total subordinated issues		2,351,944	2,452,216

SECTION 2

Heading 20: trading liabilities

2.1 Trading liabilities: composition

Operation type / Values	**30/6/19**				
	Notional value	**Fair Value**			**Fair Value ***
		Level 1	**Level 2**	**Level 3**	
A. Cash liabilities					
1. Due to banks	2,602,390	2,903,263	—	—	2,903,263
2. Due to customers	1,249,673	1,394,230	—	—	1,394,230
3. Debt securities	—	—	—	—	—
3.1 Bonds	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X
3.2 Other securities	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X
3.2.2 Other	—	—	—	—	X
Total (A)	3,852,063	4,297,493	—	—	4,297,493
B. Derivative instruments					
1. Financial derivatives		650,530	1,666,824	249,777	2,567,131
1.1 Trading	X	650,530	1,608,327	247,959 [1]	X
1.2 Related to the fair value option	X	—	—	—	X
1.3 Other	X	—	58,497	1,818 [2]	X
2. Credits derivatives		—	1,415,702	—	1,415,702
2.1 Trading	X	—	1,415,702	—	X
2.2 Related to the fair value option	X	—	—	—	X
2.3 Other	X	—	—	—	X
Total (B)	X	650,530	3,082,526	249,777	X
Total (A+B)	X	4,948,023	3,082,526	249,777	X

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

[1] Including €235,984,000 for options traded, matching the amount booked as financial assets held for trading.

[2] Includes the market value of options (€0.5m as at 30/6/19) covering others attached to bonds issued, matching the amount booked as financial assets held for trading.

The table below shows the data stated in accordance with IAS39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

4.1 Trading liabilities: composition

Type of transactions/Values	30/6/18				
	Nominal value	Fair Value			Fair Value *
		Level 1	Level 2	Level 3	
A. Cash liabilities					
1. Deposits from banks	2,081,829	2,399,210	—	—	2,399,210
2. Deposits from customers	213,819	246,452	—	—	246,452
3. Debt securities	—	—	—	—	—
3.1 Bonds	—	—	—	—	—
3.1.1 structured	—	—	—	—	X
3.1.2 other bonds	—	—	—	—	X
3.2 Other securities	—	—	—	—	—
3.2.1 structured	—	—	—	—	X
3.2.2 other bonds	—	—	—	—	X
Total A	2,295,648	2,645,662	—	—	2,645,662
B. Derivative instruments					
1. Financial derivatives	—	561,257	1,983,295	87,131	2,631,683
1.1 Trading	X	561,257	1,896,136	83713 [1]	X
1.2 Related to the fair value option	X	—	—	—	X
1.3 Others	X	—	87,159	3418 [2]	X
2. Credit derivatives	—	—	1,233,135	—	1,233,135
2.1 Trading	X	—	1,233,135	—	X
2.2 Related to the fair value option	X	—	—	—	X
2.3 Others	X	—	—	—	X
Total B	X	561,257	3,216,430	87,131	X
Total (A + B)	X	3,206,919	3,216,430	87,131	X

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

[1] Respectively €72,603,000 for options traded, matching the amount booked as financial assets held for trading.

[2] Includes the market value (€1.9m at 30/6/18) of options covering those attached to bonds issued, matching the amount booked as financial assets held for trading.

SECTION 3

Heading 30: Financial liabilities recognized at fair value

3.1 Financial liabilities recognized at fair value; composition

Type of transaction/Values	Total 30/6/19				
	Book Value	Fair value			Fair value *
		Level 1	Level 2	Level 3	
1. Debts to banks	—	—	—	—	—
1.1 Structured	—	—	—	—	X
1.2 Others	—	—	—	—	X
of which:					
- obligation to distribute funds	—	*X*	*X*	*X*	*X*
- financial release warranties	—	*X*	*X*	*X*	*X*
2. Debts to clients	—	—	—	—	—
2.1 Structured	—	—	—	—	X
2.2 Others	—	—	—	—	X
of which:					
- obligation to distribute funds	—	*X*	*X*	*X*	*X*
- financial release warranties	—	*X*	*X*	*X*	*X*
3. Debt securities	50,000	—	55,859	—	55,859
3.1 Structured	50,000	—	55,859	—	X
3.2 Others	—	—	—	—	X
Total	50,000	—	55,859	—	55,859

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

The above financial liabilities recognized at fair value are matched by equivalent financial assets also recognized at fair value.

SECTION 4

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by type of hedge/ranking

	Notional value 30/6/19	Fair value 30/6/19			Notional value 30/6/18	Fair value 30/6/18		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	9,946,692	—	184,650	—	9,235,466	—	220,713	—
1) Fair value hedges	9,946,692	—	184,650	—	9,235,466	—	220,713	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value hedges	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	9,946,692	—	184,650	—	9,235,466	—	220,713	—

4.2 Hedging derivatives: composition by portfolio hedged/hedge type

Transactions/Type of hedge	Fair Value							Cash flow		Foreign invest.
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and equity index	currencies and gold	credit	commodities	others				
1. Financial assets valuated at fair value with impact taken on comprehensive income	63,980	—	—	—	X	X	X	—	X	X
2. Financial assets valued to amortized cost	28,415	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4 Other operations	—	—	—	—	—	—	X	—	X	—
Total assets	92,395	—	—	—	—	—	—	—	—	—
1. Financial liabilities	92,255	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	92,255	—	—	—	—	—	—	—	—	—
1. Expected transactions	X	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	—	X	—	—

SECTION 6

Heading 60: Tax liabilities

Please see Asset section 10

SECTION 8

Heading 80: Other liabilities

8.1 Other liabilities: composition

	30/6/19	30/6/18
1. Payment agreements (IFRS2)	—	—
2. Impaired endorsements [1]	—	23,658
3. Working capital payables and invoices pending receipt	44,183	33,645
4. Prepayments other than those capitalized on related financial assets	2,917	3,509
5. Amounts due to revenue authorities	33,979	26,226
6. Amounts due to staff	142,053	119,030
7. Other items:	87,207	71,789
- bins for collection	—	—
- coupons and dividends pending collection	2,372	2,324
- avaible sums payable to third parties	6,782	4,489
- premiums, grants and other items in respect of lending transactions	70	—
- fiscal consolidation [2]	3,731	63,918
- other	74,252	1,058
Total	310,339	277,857

[1] With the introduction of the fifth update to Bank of Italy circular 262/05, total provisions in respect of commitments to disburse funds and of financial guarantees issued, which previously were accounted for as "Other liabilities", are now stated as "Provisions".

[2] This refers, as at 30 June 2018, to the amount payable in respect of tax consolidation, which has decreased since last year due to having been classified under "Other assets" as amount receivable in respect of tax consolidation.

SECTION 9

Heading 90: Staff severance indemnity provision

9.1 Staff severance indemnity provision: changes during the period

	Total 30/6/19
A. Opening balance	7,723
B. Increases	896
B.1 Provision of the year [1]	153
B.2 Other increases	743
C. Reductions	750
C.1 Liquidations performed	522
C.2 Other reductions	228
D. Closing balance	7,869
Total	7,869

[1] This refers, as at 30 June 2019, to the amount transferred to the severance provision held at the Italian state pension authority treasury.

9.2 Other information

The staff severance indemnity provision, calculated in accordance with the provisions of the Italian Civil Code, amounts to €7,055,000 (30/6/18: €7,259,000); no new service costs accrued for the year.

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

For some of the assumptions used, reference has been made directly to the Group's own experience (e.g. estimates of disability incidence, frequency of early retirement, annual increase in rate of remuneration, frequency with which advance withdrawals from the provision are requested, etc.), while for the others, account has been taken of the relevant best practice (e.g. the mortality rate has been determined using the IPS55 life tables, whereas the retirement age has been determined taking into account the most recent legislation in this area); for the discount rate, the iBoxx Eurozone Corporate AA index as at 30 June 2019 has been used for similar companies to those being valued (equal to 0.77%), while the inflation rate is 1.50%.

SECTION 10

Heading 100: Provisions

10.1 Provisions: composition

Items/Values	30/6/19	30/6/18
1. Funds for credit risk related to financial obligations and warranties [1]	21,954	—
2. Funds on other obligations and warranties release	—	—
3. Funds of business retirement	—	—
4. Other funds for risks and obligations	96,159	97,786
4.1. legal and fiscal controversies	—	—
4.2. obligations for employees	2,658	3,834
4.3. others	93,501	93,952
Total	118,113	97,786

[1] With the introduction of the fifth update to Bank of Italy circular 262/05, total provisions in respect of commitments to disburse funds and of financial guarantees issued, which previously were accounted for as "Other liabilities", are now stated as "Provisions".

IAS37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

As at 30 June 2019, the heading "Other provisions" totalled €118.1m, and includes €22m in commitments to disburse funds and financial guarantees issued (which until last year were accounted for as other liabilities), €2.7m in in staff-related expenses (which last year reflected €1.4m in withdrawals), and €93.5m for litigation and other contingent liabilities.

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

– Fondazione Monte dei Paschi di Siena ("FMPS"): against the former directors of FMPS and Mediobanca, jointly with thirteen other banks. The liability with which the banks are charged is non-contractual, and consists of participation in the alleged damages caused by execution of the Term Facility Agreement on 4 June 2011 and the consequent breach of

FMPS's Articles of Association (20% limit on debt/equity ratio) in a total amount of €286m. Judgement is currently pending at the court of Florence, and the next hearing has been set for 29 October 2019;

– Lucchini S.p.A. in extraordinary administration ("Lucchini"): against twelve banks, including Mediobanca, for their alleged involvement in the financial disaster which affected the company on account of their having compiled and implemented a business and financial plan for Lucchini based on estimates alleged to have been unrealistic as well as a restructuring agreement pursuant to Article 182-bis of the Italian bankruptcy law which included unduly favourable guarantees in favour of the banks, leading to a delay in Lucchini entering the extraordinary administration procedure. Judgement is currently pending at the court of Milan; the next hearing – for the taking up of any means of test – has been set for 19 November 2019.

With reference to the disputes outstanding with the Italian revenue authorities, during the period under review Mediobanca S.p.A. received notification of the alleged failure to apply the tax on controlled foreign companies (CFCs) required by the regulations in force to revenues generated by Compagnie Monégasque de Banque and Compagnie Monégasque de Gestion. In particular, the notice of assessment regards the alleged failure by Mediobanca to pay tax in FY 2013-14 on 2013 earnings, in an amount of €21.3m (plus fines and interest). The same charge was made in a report of findings for FY 2014-15 (2014 earnings), [11] for which no notice of assessment has yet been issued. The company is convinced there has been no wrongdoing, and has challenged the rulings and is waiting to hear when the appeal session will take place. Furthermore, since 2016 both Group companies have paid income tax in the Principality of Monaco, meaning they would be excluded from application of the CFC regulations.

In addition to the cases described above, there were two other disputes outstanding at 30 June 2019:

– One claim regards the failure by the former Banca Esperia to report a money transfer outside Italy as part of the tax monitoring communications, for which fines of €5.9m were handed down. The company was found guilty at both ruling stages, and paid the disputed amount accordingly; however, an appeal is still pending at the Court of Cassation;

[11] The allegation involved the failure to apply withholding tax to interest expense payable in connection with a secured financing transaction.

– The other claim involves the alleged failure to apply withholding tax to a medium-/long-term loan executed outside Italy, involving a notified higher amount of €375,000 in tax; the Bank was successful at the second stage of the ruling process, but the Italian tax authority has appealed to the Court of Cassation where the case is still pending.

On 26 June 2019, Mediobanca received a tax collection notice following an automatic check carried out on Banca Esperia's Unico tax return. The Bank has taken steps to defend itself and will appeal against the notice before the tax commission.

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

10.2 Provisions for risks and charges: changes during the period

	Provisions on commitments and other guaranties given	Pensions and post retirement benefit obligations	Other risk and obligation funds	Total
A. Initial existence	—	—	97,786	97,786
B. Increases	—	—	276	276
B.1. Reserve of the fiscal year	—	—	276	276
B.2. Variation due to pass of time	—	—	—	—
B.3. Variation due to modifies of discount rate	—	—	—	—
B.4. Other variations	—	—	—	—
C. Decreases	—	—	1,903	1,903
C.1. Use in the exercise	—	—	1,903	1,903
C.2. Variations due to modifies of discount rate	—	—	—	—
C.3 .Other variations	—	—	—	—
D. Final surplus	—	—	96,159	96,159

10.3 Provisions in respect of commitments and financial guarantees issued

	Provisions for credit risk related to financial obligation and warranties release			
	First stage	**Second stage**	**Third stage**	**Total**
1. Obligation to distribute funds	2,934	37	2,153	5,124
2. Financial warranties release	12,239	4,591	—	16,830
Total	15,173	4,628	2,153	21,954

SECTION 12

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

12.1 "Capital" and "Treasury shares": composition

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

On 8 November 2018, the share buyback programme authorized by shareholders at the annual general meeting held on 27 October 2018 and by the European Central Bank pursuant to Articles 77-78 of Regulation (EU) 575/2013 (the "CRR") on 23 October 2018. The buyback involves a maximum of 3% of the share capital (or some 26.6 million shares), for use in connection with possible acquisitions or to implement share-based compensation schemes, current or future. As at 30 June 2019, a total of 15.3 million shares have been purchased, for an outlay of €162.5m. Since the year-end a further 99,000 have been purchased, for an outlay of €0.9m.

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

Item/Type	Ordinary
A. Shares in issue at start of period	886,550,440
- entirely unrestricted	886,550,440
- with restrictions	—
A.1 Treasury shares (-)	(8,714,833)
A.2 Shares in issue: balance at start of period	877,835,607
B. Additions	14,122,756
B.1 New shares issuance as a result of:	665,737
- rights issued	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
- bonus issues	665,737
- to staff members	665,737
- to Board members	—
- others	—
B.2 Treasury shares' disposals	13,457,019
B.3 Other additions	—
C. Reductions	(20,088,481)
C.1 Cancellations	—
C.2 Treasury shares' buybacks	(20,088,481)
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	871,869,882
D.1 Add: treasury shares	(15,346,295)
D.2 Shares in issue at end of period	887,216,177
- entirely unrestricted	887,216,177
- with restrictions	—

12.3 Share capital: other information

The change in treasury shares is due to the launch of the buyback scheme approved by shareholders at the annual general meeting held on 27 October 2018, which involved the acquisition of 20.1 million shares for an outlay of €162.5m, and the use of 13.4 million shares, 11.6 million of which to acquire Messier Maris & Associés. During the year under review, a total of 1,827,063 treasury shares were awarded in connection with the performance share scheme; as at 30 June 2019, there were no other treasury shares tied to awards of any kind.

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

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	443,608	—	—	—	—
Share premium reserve	2,195,606	A – B – C	2,195,606	—	—
Reserves:					
- Legal reserve	88,704	B	88,704	—	—
- Statutory reserve	1,157,437	A – B – C	1,157,437	—	143,217
- Treasury share reserve	141,989	—	—	—	—
- Other reserves	829,535	A – B – C	829,535	—	—
- Valuation reserves					
- FVOCI valuation reserve	83,723	—	—	—	—
- Cash flow hedges	(3,432)	—	—	—	—
- Special revaluation laws	9,632	A – B – C	9,632	—	—
- Defined benefit plans	(4,179)	—	—	—	—
- Treasury shares	(141,989)				
Total	4,800,634	—	4,280,914	—	143,217
Portion unavailable	—	—	88,704	—	—
Remainder distributable	—	—	4,192,210	—	—

Legend:
A: Due to rights issues
B: To cover losses
C: Distribution to shareholders.

Other information

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

	Nominal value of commitments and financial guarantees given			30/6/19
	First stage	**Second stage**	**Third stage**	
1. Commitment to disburse funds	11,240,535	2,525	14,821	11,257,881
a) Central Banks	—	—	—	—
b) Public Administration	4,069,826	—	—	4,069,826
c) Banks	705,928	—	—	705,928
d) Other financial companies	1,141,969	—	—	1,141,969
e) Non-financial companies	5,102,687	2,525	14,821	5,120,033
f) Families	220,125	—	—	220,125
2. Financial guarantees given	7,282,854	76,680	47	7,359,581
a) Central Banks	—	—	—	—
b) Public Administration	—	—	—	—
c) Banks	3,412,618	—	—	3,412,618
d) Other financial companies	1,332,440	—	—	1,332,440
e) Non-financial companies	2,530,812	76,680	47	2,607,539
f) Families	6,984	—	—	6,984

2. Other commitments and guarantees issued

	Nominal value Total 30/6/19
1. Other guarantees issued	136,790
of which: impaired	—
a) Central Banks	—
b) Public Administration	—
c) Banks	25,083
d) Other financial companies	19,519
e) Non-financial companies	27,852
f) Families	64,336
2. Other commitment	—
of which: impaired	—
a) Central Banks	—
b) Public Administration	—
c) Banks	—
d) Other financial companies	—
e) Non-financial companies	—
f) Families	—

The table below shows the data stated in accordance with IAS39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

1. Guarantees and commitments

Operations	**30/6/18**
1) Financial guarantees given to	6,127,832
a) Banks	2,554,934
b) Customers	3,572,898
2) Commercial guarantees given to	77,160
a) Banks	19,598
b) Customers	57,562
3) Irrevocable commitments to disburse funds	10,234,617
a) Banks	1,118,165
i) usage certain	1,118,165
ii) usage uncertain	—
b) Customers	9,116,452
i) usage certain	8,286,231
ii) usage uncertain	830,221
4) Commitments underlying credit derivatives: protection sales [1]	19,593,735
5) Assets formed as collateral for third-party obligations	—
6) Other commitments	3,094,714
Total	39,128,058

[1] Includes transactions fully matched by hedge buys (€9,075,742,000).

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	**Amounts 30/6/19**
1. Financial assets valued to fv with impact taken to profit and loss	5,073,206
2. Financial assets valued to fv with impact taken other comprehensive income	1,996,773
3. Financial assets valued to amortized cost	6,144,500
4. Tangible assets	—
of which: tangible assets that constitue surplus	—

The table below shows the data stated in accordance with IAS39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

2. Assets established as collateral to secure own liabilities and commitments

Portfolio	**30/6/18**
1. Financial instruments held for trading	3,089,233
2. Financial instruments designated at fair value	—
3. Financial instruments available for sale	1,823,019
4. Financial instruments held to maturity	1,262,240
5. Loans and receivables with banks	691,165
6. Loans and receivables with customers	4,966,219
7. Property, plant and equipments	—

5. Assets managed and traded on behalf of third parties

Type of service	**Total 30/6/19**	**Total 30/6/18**
1. Order execution on behalf of client		
a) purchases	14,820,923	16,781,419
1. regulated	14,711,791	16,633,525
2. non-regulated	109,132	147,894
b) sales	14,199,338	16,400,547
1. regolated	14,090,206	16,252,653
2. non regolated	109,132	147,894
2. Individual portfolios management		
a) individual	4,119,329	3,864,382
b) collective	—	—
3. Bonds custody and management		
a) bonds of third parties in depository	12,423,169	8,894,582
1. bonds issued by bank preparing the financial statements	160,049	194,759
2. other bonds	12,263,120	8,699,823
b) bonds of third parties in depository: others	4,703,943	5,054,619
1. bonds issued by bank preparing the financial statements	—	—
2. other bonds	4,703,943	5,054,619
c) Bonds of third parties in own depository	13,048,737	13,673,186
d) own bonds in depository at third parties	14,223,136	14,371,868
4. Other operations	1,702,426	1,934,851

[1] Entirely attributable to the Private Banking division.

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

Instrument type	Gross amount of financial assets (a)	Amount of financial liabilities compensated in balance sheet (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amounts not recognised in Balance Sheet		Net amounts (f=c-d-e) 30/6/19	Net amounts (f=c-d-e) 30/6/18
				Financial instruments (d)	Cash deposit received in guarantee (e)		
1. Derivatives	2,821,219	279,269	2,541,950	1,638,023	28,730	875,197	448,849
2. Repo's	7,033,030	—	7,033,030	7,033,030	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/19	9,854,249	279,269	9,574,980	8,671,053	28,730	875,197	X
Total 30/6/18	8,560,288	—	8,560,288	7,744,542	366,897	X	448,849

7. Financial liabilities subject to netting arrangements or master netting or similar agreements

Instrument type	Gross amount of the financial liabilities (a)	Amount of the financial assets compensed in BS (b)	Net amount of the financial liabilities reportes in BS (c=a-b)	Related amounts not recognised in Balance Sheet		Net amount (f=c-d-e) 30/6/19	Net amount (f=c-d-e) 30/6/18
				Financial instruments (d)	Cash deposit placed to warrant (e)		
1. Derivatives	2,251,364	—	2,251,364	1,638,023	393,766	219,575	233,658
2. Repos	4,953,977	—	4,953,977	4,953,977	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/19	7,205,341	—	7,205,341	6,592,000	393,766	219,575	X
Total 30/6/18	8,161,886	49,050	8,112,836	7,427,332	451,846	X	233,658

8. Securities lending operations

The tables below illustrate the Group's operations in securities lending (and borrowing), broken down by type of instrument (sovereign debt, bank bonds and others), market counterparty (banks, financial intermediaries and clients) and form (loan secured by cash, other instruments, or unsecured).

Securities lending transactions for which collateral is put up in the form of cash fully available to the borrower are represented in the balance sheet as amounts due to or from banks or customers under the heading "Repos". Securities lending transactions for which collateral is put up in the form of other instruments, or which are unsecured, are represented as "Off-balance-sheet exposures". Of the unsecured transactions entered into by Mediobanca and outstanding at 30 June 2019, in 52% the counterparty was three major banking groups, and in another 25% the deals involved other Group companies.

Type of securities lending operations	**Type of securities**		
	Sovereign debt	**Bank bonds**	**Others**
1. Securities borrowedsecured by cash - Due from:	613,777	314,712	401,007
a) Banks	612,808	309,775	351,902
b) Financial intermediaries	969	4,937	41,993
c) Clients	—	—	7,112
2. Securities lend secured by cash - Due to:	(422,226)	(102,199)	(906,691)
a) Banks	(422,226)	(36,644)	(818,099)
b) Financial intermediaries	—	(65,555)	(88,592)
c) Clients	—	—	—
Total lending securities (book value)	191,551	212,513	(505,684)

Type of securities lending operations	**Type of securities**		
	Sovereign debt	**Bank bonds**	**Others**
1. Securities borrowed by other instruments or unsecured:	2,248,654	588,000	1,541,022
a) Banks	552,110	588,000	1,376,632
b) Financial intermediaries	1,599,298	—	164,209
c) Clients	97,246	—	181
2. Securities lend secured by other instruments or unsecured:	(3,068,746)	(966,853)	(1,456,037)
a) Banks	(2,050,476)	(436,582)	(747,535)
b) Financial intermediaries	(1,018,270)	(530,271)	(708,502)
c) Clients	—	—	—
Total lending securities (fair value)	(820,092)	(378,853)	84,985

Part C - Notes to individual profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	12 mths ended 30/6/19
1. Financial assets at fair value with impact taken to P&L:	30,528	2,751	—	33,279
1.1 Financial assets held for trading	28,516	429	—	28,945
1.2 Financial assets designated at fair value	1,416	—	—	1,416
1.3 Other financial assets mandatorly at fair value	596	2,322	—	2,918
2. Financial assets at fair value with impact taken to comprehensive income	63,473	—	X	63,473
3. Financial assets at amortized cost	100,460	437,328		537,788
3.1 Due from banks	19,153	250,790	X	269,943
3.2 Due from customers	81,307	186,538	X	267,845
4. Hedging derivatives	X	X	51,379	51,379
5. Other assets	X	X	1,057	1,057
6. Financial liabilities	X	X	X	19,814
Total	194,461	440,079	52,436	706,790
of which: income interests on impaired financial assets	*—*	*9,990*	*—*	*9,990*

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

1.1 Interest and similar income: breakdown

Voices/Techincal forms	Debt securities	Loans	Other transactions	12 mths ended 30/6/18
1. Financial assets held for trading	9,670	1,486	—	11,156
2. Available for sale financial assets	55,478	—	—	55,478
3. Held to maturity investments	40,212	—	—	40,212
4. Loans and receivables with banks	5,201	259,443	—	264,644
5. Loans and receivables with customers	52,773	194,581	—	247,354
6. Financial assets designated at fair value through profit or loss	-	—	—	—
7. Hedging derivaives	X	X	125,758	125,758
8. Other assets	X	X	18,100	18,100
Total	163,334	455,510	143,858	762,702

1.2 Interest and similar income: other information

Items	12 mths ended 30/6/19	12 mths ended 30/6/18
Interest income on foreign currency financial assets	84,452	71,112
Interest income on finance leasing operations	—	—
Total	84,452	71,112

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Debts	Securities	Other operations	12 mths ended 30/6/19
1. Financial liabilities at amortized cost	(249,723)	(361,112)	—	(610,835)
1.1 Due to central banks	(761)	X	X	(761)
1.2 Due to banks	(235,482)	X	X	(235,482)
1.3 Due to customers	(13,480)	X	X	(13,480)
1.4 Debt securities in issue	X	(361,112)	X	(361,112)
2. Trading financial liabilities	—	—	—	—
3. Financial liabilities designated at fair value	—	(2,450)	—	(2,450)
4. Other liabilities and funds	X	X	—	—
5. Hedging derivatives	X	X	—	—
6. Financial assets	X	X	X	(6,585)
Total	(249,723)	(363,562)	—	(619,870)

1.4 Interest and similar charges: other information

Items	12 mths ended 30/6/19	12 mths ended 30/6/18
Interest expense on foreign currency financial liabilities	(113,265)	(76,144)
Interest expense on finance leasing operations	—	—
Total	(113,265)	(76,144)

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

1.4 Interest expense and similar charges: breakdown

Voices/Techincal forms	**Debts**	**Securities**	**Other transactions**	**12 mths ended 30/6/18**
1. Deposits from central banks	(714)	X	—	(714)
2. Deposits from banks	(203,667)	X	—	(203,667)
3. Deposits from customers	(5,578)	X	—	(5,578)
4. Debt securities in issue	X	(453,987)	—	(453,987)
5. Financial liabilities held for trading	—	—	—	—
6. Financial liabilities at fair value through profit or loss	—	—	—	—
7. Other liabilities and found	X	X	(3,672)	(3,672)
8. Hedging derivatives	X	X	—	—
Total	(209,959)	(453,987)	(3,672)	(667,618)

1.5 Margins on hedging transactions

Items	**Total 12 mths ended 30/6/19**	**Total 12 mths ended 30/6/18**
A. Positive differentials related to hedging operations	183,174	1,535,920
B. Negative differentials related to hedging operations	(131,795)	(1,410,162)
C. Net balance (A-B)	51,379	125,758

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown

Type of service/Values	12 mths ended 30/6/19	12 mths ended 30/6/18
a) guarantees given	8,457	5,773
b) credit derivatives	—	—
c) management, brokerage and consultancy income:	97,501	137,239
1. securities trading	13,798	12,343
2. currency trading	—	—
3. individual portfolio management	23,085	24,122
4. custody and administration of securities	1,588	1,127
5. custodian bank	7,458	7,458
6. placement of securities	37,918	72,554
7. Areception and transmission of orders	83	3,748
8. advisory services	4,896	5,672
8.1 related to investments	4,896	5,672
8.2 related to financial structure	—	—
9. distribution of third parties services	8,675	10,215
9.1 porfolio management	5,046	7,356
9.1.1 individual	3,962	832
9.1.2 collective	1,084	6,524
9.2 insurance products	3,629	2,859
9.3 other products	—	—
d) collection and payment services	185	159
e) securitization servicing	—	—
f) factoring services	—	—
g) tax collection services	—	—
h) management of multilateral trading facilities	—	—
i) management of current account	414	435
j) other services	146,649	141,087
Total	253,206	284,693

2.2 Fee and commission income: by product/service distribution channel

Channels/Values	**12 mths ended 30/6/19**	**12 mths ended 30/6/18**
a) through Group bank branches:	69,678	106,891
1. portfolio management	23,085	24,122
2. securities placement	37,918	72,554
3. others' products and services	8,675	10,215
b) off-site:	—	—
1. portfolio management	—	—
2. securities placement	—	—
3. others' products and services	—	—
c) other distribution channels:	—	—
1. portfolio management	—	—
2. securities placement	—	—
3. others' products and services	—	—

2.3 Fee and commission expense: breakdown

Services/Amounts	**12 mths ended 30/6/19**	**12 mths ended 30/6/18**
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and brokerage services:	(14,932)	(11,471)
1. trading in financial instruments	(2,698)	(3,786)
2. currency trading	—	—
3. portfolios management:	(5,359)	(3,309)
3.1 own portfolio	(5,359)	(3,309)
3.2 third parties portfolio	—	—
4. custody and administration securities	(2,052)	(1,501)
5. financial instruments placement	(4,823)	(2,875)
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	(4,422)	(3,556)
e) other services	(14,989)	(11,108)
Total	(34,343)	(26,135)

SECTION 3

Heading 70: Dividends and similar income

3.1 1 Dividends and similar income: breakdown

Items/Incomes	12 mths ended 30/6/19	
	Dividends	Similar income
A. Financial assets held for trading	87,269	—
B. Other financial assets that are duly measured at fair value	—	13,983
C. Financial assets measured at fair value with impact on overall profitability	4,314	—
D. Shareholdings [1]	332,442	—
Total	424,025	13,983

[1] Refers to dividends received by the subsidiaries Compass Banca and by the associate Assicurazioni Generali.

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

Items/Income	12 mths ended 30/6/18	
	Dividends	Incomes from units in investment funds
A. Financial assets held for trading	61,455	729
B. Available for sale financial assets	2 ,953	18 ,946
C. Financial assets at fair value through profit or loss	—	—
D. Investments	177,506	X
Total	241,914	19,675

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions / Income	Unrealized profit (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net Profit [(A+B) - (C+D)]
1. Financial assets held for trading	167,583	189,857	(272,300)	(225,171)	(140,031)
1.1 Debt securities	98,850	56,498	(112,528)	(41,085)	1,735
1.2 Equity	62,307	132,236	(153,308)	(181,767)	(140,532)
1.3 Units in investments funds.	6,301	953	(6,415)	(2,319)	(1,480)
1.4 Loans	125	170	(49)	—	246
1.5 Others	—	—	—	—	—
2. Financial liabilities held for trading	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Deposits	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities in foreign currency: exchange differences [1]	X	X	X	X	(71,121)
4. Derivatives	2,901,506	1,807,811	(2,966,254)	(1,626,613)	202,888
4.1 Financial derivatives:	2,313,297	1,305,663	(2,384,448)	(1,135,757)	185,193
- Son debt securities and interest rates [2]	1,772,262	680,883	(1,827,423)	(616,363)	9,359
- on equity securities and shares indexes	541,035	624,780	(557,025)	(519,394)	89,396
- on currencies and gold	X	X	X	X	86,438
- other	—	—	—	—	—
4.2 Credit derivatives	588,209	502,148	(581,806)	(490,856)	17,695
of which: natural hedges connected to fair value option	*X*	*X*	*X*	*X*	—
Total	3,069,089	1,997,668	(3,238,554)	(1,851,784)	(8,264)

[1] This item contains valuations for banking book positions based at current exchange rates totalling €18,137,000.

[2] Of which €4,010,000 in negative margins on interest rate derivatives (30/6/18: minus €3,388,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income elements/Amounts	12 mths ended 30/6/19	12 mths ended 30/6/18
A. Income from:		
A.1 Fair value hedging instruments	356,660	499,777
A.2 Hedged asset items (in fair value hedge relationship)	55,527	27,938
A.3 Hedged liability items (in fair value hedge relationship)	30,247	79,090
A.4 Cash-flows hedging derivatives	—	—
A.5 Assets and liabilities denominated in currency	—	—
Total gains on hedging activities (A)	442,434	606,805
B. Losses on:		
B.1 Fair value hedging instruments	(85,399)	(479,784)
B.2 Hedged asset items (in fair value hedge relationship)	(50,519)	(63,163)
B.3 Hedged liability items (in fair value hedge relationship)	(301,038)	(63,036)
B.4 Cash-flows hedging derivatives	—	—
B.5 Assets and liabilities denominated in currency	—	—
Total losses on hedging activities (B)	(436,956)	(605,983)
C. Net profit from hedging activities (A-B)	5,478	822
of which: result of hedges on net exposures	—	—

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: breakdown

Items / Income	12 mths ended 30/6/19		
	Gains	Losses	Net profit
A. Financial assets			
1. Financial assets at amortized cost	9,425	—	9,425
1.1 Loans and receivables with banks	—	—	—
1.2 Loans and receivables with customers	9,425	—	9,425
2. Financial assets at fair value with impact taken to comprehensive income	73,260	(6,461)	66,799
2.1 Debt securities	73,260	(6,461)	66,799
2.2 Loans	—	—	—
Total assets (A)	82,685	(6,461)	76,224
B. Financial liabilities at amortized cost			
1. Deposits with banks	—	—	—
2. Deposits with customers	—	—	—
3. Debt securities in issue	10,762	(3,818)	6,944
Total liabilities (B)	10,762	(3,818)	6,944

Gains on financial assets recognized at fair value through other comprehensive income and those recognized at amortized cost include exchange rate valuations of €14.4m and €3.7m respectively.

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

6.1 Gain (loss) on disposal/repurchases: breakdown

Items/Income	**12 mths ended 30/618**		
	Gains	**Losses**	**Net profit**
Financial assets			
1. Loans and receivables with banks	5,502	(7,350)	(1,848)
2. Loans and receivables with customers	5,232	(1,800)	3,432
3. Financial assets available for sale	130,090	(10,294)	119,796
3.1 Debt securities	33,682	(10,178)	23,504
3.2 Equity instruments	94,241	—	94,241
3.3 Units in investment funds	2,167	(116)	2,051
3.4 Loans	—	—	—
4. Financial assets held to maturity	462	(1,381)	(919)
Total assets	141,286	(20,825)	120,461
Financial liabilities			
1. Deposits with banks	1,097	—	1,097
2. Deposits with customers	—	—	—
3. Debt securities in issue	—	(8,805)	(8,805)
Total liabilities	1,097	(8,805)	(7,708)

The losses on debt securities (AFS and held to maturity) involve exclusively valuations of bonds denominated in foreign currencies (€11.6m, €10.2m of which in the AFS segment).

SECTION 7

Heading 110: Net result of other financial assets and liabilities valued at fair value with impact taken to profit and loss

7.1 Net variation in the value of other financial assets and liabilities valued at fair value with impact taken to profit and loss: composition of financial assets and liabilities designated at fair value

Transactions / Income	Capital gain (A)	Income from negotiation (B)	Capital loss (C)	Realized loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets	—	—	(1,534)	—	(1,534)
1.1 Debt securities	—	—	(1,534)	—	(1,534)
1.2 Loans	—	—	—	—	—
2. Financial liabilities	1,506	—	—	—	1,506
2.1 Outstanding securities	1,506	—	—	—	1,506
2.2 Debts to banks	—	—	—	—	—
2.3 Debts to customers	—	—	—	—	—
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	—
Total	1,506	—	(1,534)	—	(28)

7.2 Net variation in the value of other financial assets and liabilities valued at fair value with impact taken to profit and loss: composition of other financial assets mandatorily valued at fair value

Transactions / Income	Capital gain (A)	Income from negotiation (B)	Capital loss (C)	Realized loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets	39,979	984	(23,654)	—	17,309
1.1 Debt securities	—	984	(72)	—	912
1.2 Equity securities	—	—	—	—	—
1.3 Units investment funds	15,220	—	(15,993)	—	(773)
1.4 Loans	24,759	—	(7,589)	—	17,170
2. Financial assets in currency: exchange differences	X	X	X	X	(1,479)
Total	39,979	984	(23,654)	—	15,830

SECTION 8

Heading 130: Net write-offs (write-backs) for credit risk

8.1 Net write-offs for credit risk related to financial assets valued at amortized cost: breakdown

Transactions/Income	Writedowns			Writebacks		12 mths ended 30/6/19
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Others			
A. Loans and receivables with banks	(5,021)	—	—	—	—	(5,021)
- Loans	(4,156)	—	—	—	—	(4,156)
- Debt receivables	(865)	—	—	—	—	(865)
of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—
B. Loans and receivables with customers	(5,544)	—	(13,691)	4,125	57,621	42,511
- Loans	(5,544)	—	(13,691)	875	57,621	39,261
- Debt receivables	—	—	—	3,250	—	3,250
of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—
Total	(10,565)	—	(13,691)	4,125	57,621	37,490

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

8.1 Net value adjustments for impairment: breakdown

Transactions/Income	Writedowns			Writebacks				12 mths ended 30/6/18
	Specific		Portfolio	Specific		Portfolio		
	Write - offs	Others		A	B	A	B	
A. Loans and receivables with banks								
- Loans	—	—	—	—	—	—	771	771
- Debt securities	—	—	—	—	—	—	—	—
B. Loans and receivables with customers								
Deteriorated purchased receivables								
- Loans	—	—	X	—	—	X	X	—
- Debt securities	—	—	X	—	—	X	X	—
Other receivables								
- Loans	—	(4,677)	—	—	23,153	—	14,475	32,951
- Debt securities	—	—	—	—	—	—	666	666
C. Total	—	(4,677)	—	—	23,153	—	15,912	34,388

Legend

A = interest

B = other amounts recovered

8.2 Net write-offs for credit risk related to financial assets valued at fair value with impact taken to comprehensive income: breakdown

Transactions/Income	Adjustments			Write - backs		12 mths ended at 30/6/19
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Others			
A. Debt Securities	(779)	—	—	—	—	(779)
B. Loans	—	—	—	—	—	—
- To clients	—	—	—	—	—	—
- To banks	—	—	—	—	—	—
of which: impaired financial assets acquired or originated	—	—	—	—	—	—
Total	(779)	—	—	—	—	(779)

SECTION 10

Heading 160: Administrative expenses

10.1 Personnel costs: breakdown

Type of expense/Amounts	12 mths ended at 30/6/19	12 mths ended at 30/6/18
1) Employees	(229,251)	(224,479)
a) wages and salaries	(166,468)	(162,826)
b) social security contributions	(35,301)	(34,976)
c) severance pay (only for Italian legal entities)	(153)	—
d) social security costs	—	—
e) allocation to employees severance pay provision	(5,539)	(5,513)
f) provision for retirement and similar provisions	—	—
- defined contribution	—	—
- defined benefits	—	—
g) payments to external pension funds	(6,985)	(7,019)
- defined contribution	(6,985)	(7,019)
- defined benefits	—	—
h) expenses resulting from share based payments	(11,210)	(10,300)
i) other employees' benefits	(3,595)	(3,845)
2) Other staff	(4,641)	(5,186)
3) Directors and Statutory Auditors	(3,367)	(3,464)
4) Early retirement costs	(4,649)	(5,832)
5) Recovery of expenses for employees seconded to other companies	1,093	1,135
6) Refunds of expenses for third party employees seconded to the company	—	—
Total	(240,815)	(237,826)

10.2 Average number of staff by category

	12 mths ended 30/6/19	12 mths ended 30/6/18
Employees		
a) Senior managers	259	247
b) Managers	550	567
c) Remaining employees staff	165	174
Other staff	105	110
Total	1,079	1,098

10.5 Other administrative expenses: breakdown

Type of services/Amounts	12 mths ended 30/6/19	12 mths ended 30/6/18
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(33.251)	(34.209)
- loan recovery activity	—	—
- marketing and communications	(4.395)	(4.855)
- property	(10.179)	(11.374)
- EDP	(61.606)	(52.763)
-info-provider	(19.991)	(19.486)
- bank charges, collection and payment fees	(1.995)	(1.914)
- operating expenses	(5.857)	(6.586)
- other staff expenses	(9.908)	(11.926)
- other costs [1]	(43.550)	(44.231)
- indirect and other taxes	(5.296)	(5.064)
Total other administrative expenses	(196.028)	(192.408)

[1] Includes €29,000,000 (30/6/18: €30,700,000) of contributions to various resolution funds.

SECTION 11

Heading 170: Net transfers to provisions

11.1 Net transfers for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

	12 mths ended 30/6/19		
	Provisions	**Reallocation surplus**	**Total**
Loan committments	(3,632)	7,549	3,917
Financial guarantees given	(9,851)	7,197	(2,654)
Total	(13,483)	14,746	1,263

11.3 Net transfers to other provisions: breakdown

	12 mths ended 30/6/19		
	Provisions	**Reallocation surplus**	**Total**
1. Other provisions			
1.1 Legal disputes	—	—	—
1.2 Staff costs	—	—	—
1.3 Other	(276)	—	(276)
Total	(276)	—	(276)

SECTION 12

Heading 180: Net adjustments to tangible assets

12.1 Net adjustments to tangible assets: breakdown

Asset/Income	**Depriciation (a)**	**Impairment losses (b)**	**Write-backs (c)**	**Net result (a + b - c)**
A. Property, equipment and investment property				
A.1 Owned	(3,055)	—	—	(3,055)
- For operational use	(2,637)	—	—	(2,637)
- For investment	(418)	—	—	(418)
- Inventories	X	—	—	—
A.2 Acquired through finance lease	—	—	—	—
- For operational use	—	—	—	—
- For investment	—	—	—	—
Total	(3,055)	—	—	(3,055)

SECTION 13

Heading 190: Net adjustments to intangible assets

13.1 Net adjustments to intangible assets: breakdown

	Amortizations (a)	Writeoffs (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(6,881)	—	—	(6,881)
- Software	(6,881)	—	—	(6,881)
- Others	—	—	—	—
A.2 Acquired in leasing transactions	—	—	—	—
Total	(6,881)	—	—	(6,881)

SECTION 14

Heading 200: Other operating income (expense)

14.1 Other operating expense: breakdown

Income-based components/values	12 mths ended 30/6/19	12 mths ended 30/6/18
a) Leasing activity	—	—
b) Sundry costs and expenses	(2,026)	(6,741)
Total	(2,026)	(6,741)

14.2 Other operating income: breakdown

Income-based components/values	12 mths ended 30/6/19	12 mths ended 30/6/18
a) Amounts recovered from customers	181	271
b) Other income	16,447	19,205
Total	16,628	19,476

SECTION 15

Heading 220: Gain (loss) on equity investments

15.1 Gains (losses) on equity investments: breakdown

Income/Value	12 mths ended at 30/6/19	12 mths ended at 30/6/18
A. Incomes	—	—
1. Revaluation	—	—
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	(4.225)	(309)
1. Write-downs	—	—
2. Impairment losses	—	(309)
3. Losses on disposal [1]	(4.225)	—
4. Other expenses	—	—
Net profit	(4.225)	(309)

[1] This amount refers to the winding up of Turkish subsidiary MB Advisory Kurumsal Danismanlik Hizmetleri in extraordinary administration and of SPV Quarzo MB S.r.l.

SECTION 18

Heading 250: Gain (loss) on disposal of investment

18.1 Gain (loss) on disposal of investments: breakdown

Income/Value	12 mths ended at 30/6/19	12 mths ended at 30/6/18
A. Assets	—	—
- Gains on disposal	—	—
- Losses on disposal	—	—
B. Other assets	(27)	—
- Gains on disposal	—	—
- Losses on disposal	(27)	—
Net profit	(27)	—

SECTION 19

Heading 270: Income tax for the year on ordinary activities

19.1 Income tax for the year on ordinary activities: breakdown

Income/Value	12 mths ended at 30/6/19	12 mths ended at 30/6/18
1. Current tax expense (-)	(46,821)	(28,943)
2. Adjustment to current tax of prior periods (+/-)	—	—
3. Reduction in current tax for the period (+)	—	—
3.bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+)	—	—
4. Adjustment to deferred tax income (+/-)	(21,742)	(27,936)
5. Adjustment to deferred tax expense (+/-)	13,563	9,879
6. Tax espense for the year (-1+/-2+3+3bis+/-4+/-5))	(55,000)	(47,000)

19.2 Reconciliation between theoretical and effective tax burden

Income/Value	12 mths ended 30/6/19	
	Amounts %	Absolute value
Total profit or loss before tax from current operations	100.00%	441,245
Theoretical tax rate	27.50%	121,342
Dividends (-)	-19.94%	(87,978)
Gains on disposals of equity investments (PEX) (-)	-0.14%	(608)
Gains on equity-accounted investments (-)	—	—
Changes in deferred tax for previous years (-)	—	—
Other taxes (non-Italian companies) (+/-)	—	—
Non-taxable income 10% IRAP (-)	-0.15%	(679)
Interest on exempt securities (-)	—	—
Tax losses (-)	—	—
Tax sparing credit (-)	-0.09%	(391)
Non-deductible interest expense 4% (+)	—	—
Benefit from tax consolidation (-)	—	—
Impairment (+/–)	0.25%	1,092
Extraordinary items	—	—
Other differences (+/-)	0.39%	1,722
TOTAL IRES	7.82%	34,500
IRAP	4.65%	20,500
TOTAL HEADING [1]	12.46%	55,000

[1] Compared with a tax rate of 12.26% in the previous financial year.

SECTION 22

Earnings per share

22.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/19	12 mths ended 30/6/18
Net profit	386,245	337,034
Avg. no. of shares in issue	871,819,196	859,633,153
Avg. no. of potentially diluted shares	5,081,612	5,738,709
Avg. no. of diluted shares	876,900,808	865,371,862
Earnings per share	0.44	0.39
Earnings per share, diluted	0.44	0.39

Part D – Comprehensive Profit and Loss Account

Breakdown of Comprehensive Profit and Loss Constituents

	Items	Before tax effect	Tax effect	After tax effect
10.	**Net profit (loss) of the year**	**X**	**X**	**386.245**
	Other comprehensive income not reclassified to profit or loss			
20.	Equity instruments designated at fair value through other comprehensive income:	10,965	(432)	10,533
	a) fair value changes	3,677	(227)	3,450
	b) tranfers to other shareholders' equity items	7,288	(205)	7,083
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	—	—	—
	a) fair value changes	—	—	—
	b) tranfers to other shareholders' equity items	—	—	—
40.	Hedge accounting of equity instruments measured at fair value through other comprehensive income:	—	—	—
	a) fair value change (hedged instrument)	—	—	—
	b) fair value change (hedging instrument)	—	—	—
50.	Property, plant and equipment	—	—	—
60.	Intangible assets	—	—	—
70.	Defined benefit plans	(572)	157	(415)
80.	Non-current assets and disposal groups classified as held for sale	—	—	—
90.	Part of valuation reserves from investments valued at equity method	—	—	—
100.	Tax expenses (income) relating to items not reclassified to profit or loss	—	—	—
	Other comprehensive income reclassified to profit or loss			
110.	Foreign investments hedging:	—	—	—
	a) fair value changes	—	—	—
	b) reclassification to profit or loss	—	—	—
	c) other changes	—	—	—
120.	Foreign exchange differences:	—	—	—
	a) fair value changes	—	—	—
	b) reclassification to profit or loss	—	—	—
	c) other changes	—	—	—
130.	Cash flow hedging:	(5,770)	1,696	(4,074)
	a) fair value changes	(5,770)	1,696	(4,074)
	b) reclassification to profit or loss	—	—	—
	c) other changes	—	—	—
	of which: net position	—	—	—
140.	Hedging instruments (not designated items):	—	—	—
	a) fair value changes	—	—	—
	b) reclassification to profit or loss	—	—	—
	c) other changes	—	—	—
150.	Financial assets (different from equity instruments) at fair value through other comprehensive income:	(34,587)	11,409	(23,178)
	a) fair value changes	22,871	(7,592)	15,279
	b) reclassification to profit or loss	(57,458)	19,001	(38,457)
	- impairment losses	815	(269)	546
	- gains/losses on disposals	(58,273)	19,270	(39,003)
	c) other changes	—	—	—
160.	Non-current assets and disposal groups classified as held for sale:	—	—	—
	a) fair value changes	—	—	—
	b) reclassification to profit or loss	—	—	—
	c) other changes	—	—	—
170.	Part of valuation reserves from investments valued at equity method:	—	—	—
	a) fair value changes	—	—	—
	b) reclassification to profit or loss	—	—	—
	- impairment losses	—	—	—
	- gains/losses on disposals	—	—	—
	c) other changes	—	—	—
180.	Tax expenses (income) relating to items reclassified to profit or loss	—	—	—
190.	**Total other comprehensive income**	**(29,964)**	**12,830**	**(17,134)**
200.	**Other comprehensive income (Item 10+190)**	**X**	**X**	**369,111**

Part E – Information on risks and related hedging policies

SECTION 1

CREDIT RISKS

QUALITATIVE INFORMATION

1. General aspects

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

The Group Risk Management unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Group Enterprise Risk Management & Supervisory Relations, which manages the integrated Group processes (ICAAP, RAF, Recovery Plan, support in planning, etc.) and relations with the supervisory authorities, develops the quantitative methodologies for measuring and managing credit, market and counterparty risks, formulates the credit risk management policies, and carries out second-level controls; ii) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator; iii) Market and Liquidity Risk Management, which monitors market, counterparty, liquidity and interest rate risk on the banking book; iv) Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks; v) Group Internal Validation, which defines the methodologies, processes, instruments and reporting for use in internal validation activities, and is responsible for validating the Group's risk measurement systems; vi) Wealth Risk Management, which manages risks related to the investment products and services offered to clients by the Wealth Management division; vii) Risk Management London Branch, which is responsible for controlling risks and co-ordinating operations between the London front office teams and the various risk management sub-units.

The Bank has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for the corporate loan book.

2. Credit risk management policies

2.1 Organizational aspects

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

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

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

Within the framework of the risk governance system implemented by 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; 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 Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments.

2.2 Management, measurement and control systems

In the process of defining its Risk Appetite Framework ("RAF"), 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, a Risk Appetite Framework governance model has been developed, which identifies the roles and responsibilities of the corporate bodies and units involved, with co-ordination mechanisms instituted to ensure the risk appetite is suitably bedded into the management processes.

In the process of defining its risk appetite, Mediobanca:

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

For the purposes of defining the RAF, based on the strategic positioning and risk profile selected, the risk appetite statement is structured into metrics and risk thresholds, which are identified with reference to the four framework risk pillars, in line with best international practice: capital adequacy; liquidity; bank-specific factors; conduct/operational risk. The Board of Directors has a proactive role in defining the RAF, guaranteeing that the expected risk profile is consistent with the strategic plan, budget, ICAAP and recovery plan, and structured into adequate and effective metrics and limits. For each dimension analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the 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 Bank has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Bank prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The 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.

2.3 Methods for measuring expected losses

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

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

In cases where there is no internal rating model for a specific portfolio, the backstop indicators apply as qualitative criteria; the qualitative factors considered by the Group for reclassification to Stage 2 include counterparties being classified in the watchlist as "amber" and "red".

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

2.4 Credit risk mitigation techniques

The Bank has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requisites for eligibility of collateral are set out in in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the "CRR"). Specific criteria are also compiled by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

The Bank also adopts risk mitigation policies through entering into netting and collateral agreements, checking to ascertain that the agreements are legally valid and meet the regulatory criteria in force to be recognized for prudential purposes.

Credit risk mitigation activities are governed by specific directives. In particular, the phases of obtaining the collateral, checking, reporting on and assessing its eligibility may be performed by different units. However, the role of Risk Management in establishing eligibility criteria for regulatory and management purposes remains central. Controls on the mitigation instruments are included in the general risk control and management framework.

3. Non-performing credit exposures

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

Non-performing exposures are identified on the basis of definitions that give equal weight to the guidance provided by the regulations in force on regulatory capital requisites (for the concept of "default"), supervisory statistical reporting (for the definition of "non-performing"), and Stage 3 assets (for the definition of "credit-impaired").

Provisioning is quantified individually, through valuations of discounted cash flows and balance-sheet multiples for companies which operate as going concerns, or asset valuations for companies entering liquidation.

At the monitoring stage the possible need to write off positions is also assessed, i.e. cases in which the credit may not be recoverable, in part or in whole. Accounts may be written off even before legal action to recover the asset is completed, and this does not necessarily entail waiving the Bank's legal right to recover the amount due to it.

4. Financial assets subject to commercial renegotiations and concessions

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

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

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client.

For an exposure to be classified as forborne, the Bank assesses whether or not, such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of difficulty which can be traced to the accumulation, actual or potential (in the latter case if the concessions are not granted), (of more than thirty days past due. Assessment of the borrower's financial difficulties is based on individual analysis.

Both non-performing exposures and exposures for which the difficulties recorded are still compatible with their being treated as performing may be classified as forborne. However, as represented in the previous sections, an account being assigned the status of "forborne" is considered to be incompatible with its being classified as Stage 1. For this reason, the minimum periods of time that an exposure can be assigned the "forborne" status stipulated in the regulations in force on supervisory statistical reporting are reflected in the prudent transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of exposures at Stage 2, the exposures in question cannot return to Stage 1 in less than two years, in line with the minimum duration of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot be returned to Stage 1 in less than three years, in line with the requirement for "non-performing forborne exposure" to retain this status for at least one year, followed (unless the non-performing status requires to be prolonged) by the minimum duration of two years for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply. Accordingly, the monitoring to detect any new needs for exposures to transition back to Stages 2 or 3 is no different from the monitoring reserved to exposures which have not moved from Stage 1. Nonetheless, “forborne” exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, for which, if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure concerned returns immediately to Stage 3 on prudential grounds.

5. Details by individual 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 to be order to appraise the borrower’s credit standing and define the appropriate remuneration for the risk being assumed. The analysis also includes an assessment of the duration and amount of the loans being applied for, the provision of appropriate guarantees, and the use of covenants in order to prevent deteriorations in the counterparty’s credit rating.

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures, inter alia to obtain a positive impact on the Bank’s capital ratios.

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

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

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

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.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolios/quality	Bad loans	Unlikely to pay	Overdue exposures (NPLs)	Other exposures (non performing)	Other not impaired exposures *	Total
1. Financial assets at amortized cost	—	368,977	4	74,870	45,919,547	46,363,398
2. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	3,748,163	3,748,163
3. Financial assets designated at fair value	—	—	—	—	51,975	51,975
4. Other financial assets mandatorily at fair value	264	17,482	—	—	209,580	227,326
5. Financial assets being sold	—	—	—	—	—	—
Total 30/6/19	264	386,459	4	74,870	49,929,264	50,390,862

* No performing exposures which are past due or subject to renegotiation under collective agreements.

Non-performing exposures refer exclusively to the Private Banking segment.

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Asset portfolio/quality	Non-performing loans				Performing loans			Total (net exposition)
	Gross exposure	Accumulated impairment	Net exposure	Overall partial write-off*	Gross exposure	Accumulated impairment	Net exposure	
1. Financial assets at amortized cost	509,749	140,768	368,981	—	46,036,620	42,203	45,994,417	46,363,398
2. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	3,750,003	1,840	3,748,163	3,748,163
3. Financial assets designated at fair value	—	—	—	—	X	X	51,975	51,975
4. Other financial assets mandatorily at fair value	133,417	115,671	17,746	—	X	X	209,580	227,326
5. Financial assets being sold	—	—	—	—	—	—	—	—
Total 30/6/19	643,166	256,439	386,727	—	49,786,623	44,043	50,004,135	50,390,862

Asset portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	7,308,218
2. Hedging Derivatives	—	—	409,863
Total 30/6/19	—	—	7,718,081

Information on sovereign debt exposures

*A.1.2a Exposures to sovereign debt securities by state, counterparty and portfolio **

Portfolio/quality	Non performing loans				*Performing*			Total net exposure [1]
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(905,979)	(905,979)
France	—	—	—	—	X	X	(643,671)	(643,671)
Italy	—	—	—	—	X	X	229,952	229,952
Germany	—	—	—	—	X	X	(468,815)	(468,815)
United Kingdom	—	—	—	—	X	X	(36,400)	(36,400)
Others	—	—	—	—	X	X	12,955	12,955
2. Financial assets designated at fair value through other comprehensive income	—	—	—	—	2,863,099	—	2,863,099	2,863,099
Italy	—	—	—	—	1,161,290	—	1,161,290	1,161,290
Germany	—	—	—	—	807,022	—	807,022	807,022
United States	—	—	—	—	433,925	—	433,925	433,925
Spain	—	—	—	—	256,482	—	256,482	256,482
Others	—	—	—	—	204,380	—	204,380	204,380
3. Financial assets at amortized cost	—	—	—	—	1,454,673	—	1,454,673	1,454,673
Italy	—	—	—	—	920,431	—	920,431	920,431
France	—	—	—	—	351,946	—	351,946	351,946
Spain	—	—	—	—	100,020	—	100,020	100,020
Germany	—	—	—	—	50,253	—	50,253	50,253
Others	—	—	—	—	32,023	—	32,023	32,023
Total 30/6/19	—	—	—	—	4,317,772	—	3,411,793	3,411,793

* Does not include financial or credit derivatives.

[1] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €14.7m.

A.1.2b Exposures to sovereign debt securities by portfolio

Portfolio/quality	Trading Book [1]			Banking Book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	268,940	229,952	1.90	2,064,818	2,081,721	2,088,488	3.14
Germany	(432,500)	(468,815)	2.23	840,000	857,275	857,681	2.10
Spain	4,400	4,198	0.09	350,000	356,502	358,815	3.37
United States	—	—	—	430,580	433,925	433,925	0.75
France	(582,656)	(643,671)	3.94	500,000	504,451	507,980	2.14
Others	(25,817)	(27,643)	—	82,000	83,898	85,541	—
Total 30/6/19	(767,633)	(905,979)		4,267,398	4,317,772	4,332,430	

* The figure does not include forward sales with a notional amount of €104m.

[1] Does not include sales of €414m on *Bund/Bobl/Schatz* futures (Germany), with a negative fair value of €4.0m; or sales of €156.8m on the *BPT* future (Italy) with a negative fair value of €1.5m. Net hedge buys of €836m have also not been included (virtually all of which allocated to France country risk).

[2] Item does not include Greek GDP-linkers securities in a notional amount of €127m.

A.1.3 Financial assets by past-due buckets (book values)

Portfolios / stages of risk	First step			Second step			Third step		
	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets valued at amortized cost	43,957	9,139	61	9,164	985	11,564	—	39,904	2,036
2. Financial assets valued at fair value with impact on overall profitability	—	—	—	—	—	—	—	—	—
Total 30/6/19	43,957	9,139	61	9,164	985	11,564	—	39,904	2,036

A.1.4 Financial assets, commitments to disburse fund and financial guarantees given: trend in overall writedowns and provisions

Risk stages	Total value adjustments													Total writedowns on commitments to disburse funds and financial guarantees given			Total
	First stage activities				Second stage activities				Third stage activitites				Of which: purchased or originated credit impaired exposures				
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	of which: individual writedowns	of which: collective writedowns		First stage	Second stage	Third stage	
Total openingl adjustments	34,165	2,197	—	36,362	6,040	—	—	6,040	183,717	—	183,717	—	—	15,389	5,512	3,830	250,850
Changes in increase from financial assets acquired or originated	66	—	—	66	3,850	—	—	3,850	12,060	—	12,060	—	—	—	—	—	15,976
Cancellations other than write-offs	—	—	—	—	(4,612)	—	—	(4,612)	—	—	—	—	—	—	—	—	(4,612)
Net value adjustments / write-backs for credit risk (+/-)	457	(14)	—	443	840	—	—	840	(53,090)	—	(53,090)	—	—	(657)	1,334	—	(51,130)
- Gross opening variation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in the estimation methodology	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs non recorded directly in the income statement	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,449)	(1,449)
Other variations	1,298	(343)	—	954	99	—	—	99	(1,919)	—	(1,919)	—	—	441	(2,218)	(228)	(2,870)
Total closing adjustments	35,986	1,840	—	37,825	6,217	—	—	6,217	140,768	—	140,768	—	—	15,173	4,628	2,153	206,765
Recoveries from financial assets subject to write-off	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs recorded directly in the income statement	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portofolios/risk stages	**Gross exposure / Par value**					
	Transfers between first stage and second stage		**Transfers between second stage to thirth stage**		**Transfer between first stage and thirth stage**	
	From first to second stage	**From second stage to first stage**	**From second to third step**	**From thirth to second step**	**From first to thirth step**	**From thirth to first step**
1. Financial assets valued at amortized cost	281,694	73,695	53,242	—	76	18
2. Financial assets valued at fair value with an impact on overall profitability	—	—	—	—	—	—
3. Commitments to provide funds and financial guarantees given	18,274	1,174	—	—	—	—
Total 30/6/19	299,968	74,869	53,242	—	76	18

A.1.6 Cash and off-balance-sheet exposures to banks: gross and net values

Type of exposure/assets	**Gross exposures**		**Accumulated impairment and provisions**	**Net Exposure**	**Total partial write-off***
	Non-performing loans	**Performing loans**			
A. Cash credit exposures					
a) Bad loans	—	X	—	—	—
- of which: forborne exposures	—	*X*	—	—	—
b) Unlikely to pay	—	X	—	—	—
- of which: forborne exposures	—	*X*	—	—	—
c) Overdue exposures (NPLs)	—	X	—	—	—
- of which: forborne exposures	—	*X*	—	—	—
d) Overdue exposures (performing)	X	—	—	—	—
- of which: forborne exposures	*X*	—	—	—	—
e) Other exposures (performing)	X	23,248,049	(14,194)	23,233,855	—
- of which: forborne exposures	*X*	—	—	—	—
Total (A)	—	23,248,049	(14,194)	23,233,855	—
B. Off-balance-sheet exposures					
a) Non-performing	—	X	—	—	—
b) Performing	X	18,924,341	(2,568)	18,921,773	—
Total (B)	—	18,924,341	(2,568)	18,921,773	—
Total (A+B)	—	42,172,390	(16,762)	42,155,628	—

A.1.7 Cash and off-balance-sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures		Total value adjustments and total provisions	Net exposure	Total Write-off
	Impairment	Non impairment			
A. Credit exposures for cash					
a) Non performing loans	11,078	X	(10,814)	264	—
- *of which: forborne exposures*	*4,194*	*X*	*(4,041)*	*153*	—
b) Probable defaults	631,914	X	(245,454)	386,460	—
- *of which: forborne exposures*	*578,810*	*X*	*(234,286)*	*344,524*	—
c) Impaired expired exposures	175	X	(171)	4	—
- *of which: forborne exposures*	—	*X*	—	—	—
d) Expired exposures not impaired	X	75,264	(394)	74,870	—
- *of which: forborne exposures*	*X*	—	—	—	—
e) Other non-impaired exposures	X	31,010,225	(29,454)	30,980,771	—
- *of which: forborne exposures*	*X*	*234,922*	*(298)*	*234,624*	—
Total (A)	643,167	31,085,489	(286,287)	31,442,369	—
B. Non-balance sheet credits exposures					
a) Impaired	14,868	X	(2,153)	12,715	—
b) Not impaired exposures	X	21,959,149	(17,233)	21,941,916	—
Total (B)	14,868	21,959,149	(19,386)	21,954,631	—
Total (A+B)	658,035	53,044,638	(305,673)	53,397,000	—

As at 30 June 2019 non-performing forborne loans amounted to €344.7m (30/6/18: €342.7m), with a coverage ratio of 40.9% (47%), while performing loans qualifying as forborne amounted to €234.6m (€250m), with a coverage ratio of 0.1% (2%).

Overall the non-performing forborne positions represent 1.88% (1.83%) of the total customer loan book, and the performing forborne exposures 1.28% (1.34%).

A.1.9 Cash exposures to customers: trend in gross non-performing exposures

Description/Category	Bad loans	Unlikely to pay	Past due impaired exposures
A. Opening balance (gross amount)	3,825	656,148	738
- Sold but not derecognised	—	—	—
B. Increases	7,254	80,907	1,792
B.1 transfers from performing loans	—	53,386	1,764
B.2 entry from impaired financial assets acquired or originated	—	—	—
B.3 transfers from other impaired exposures	7,091	—	—
B.4 contractual changes without cancellations	—	—	—
B.5 other increases	163	27,521	28
C. Decreases	1	105,141	2,355
C.1 transfers to perfomorming loans	—	—	521
C.2 write-offs	—	—	—
C.3 recoveries	1	98,050	1,834
C.4 sales proceeds	—	—	—
C.5 losses on disposals	—	—	—
C.6 transfers to other impaired exposures	—	7,091	—
C.7 contractual changes without cancellations	—	—	—
C.8 other decreases	—	—	—
D. Closing balance (gross amounts)	11,078	631,914	175
- Sold but not derecognised	—	—	—

A.1.9bis Cash exposures to customers: trend in gross forborne exposures, by credit quality

Description/Quality	Forborne exposures impaired	Forborne exposures not impaired
A. Opening balance (gross amount)	653,258	256,222
- *Sold but not derecognised*	—	—
B. Increases	27,560	3,181
B.1 Transfers from performing not forborne exposures	—	—
B.2 Transfers from performing forborne exposures	—	X
B.3 Transfers from impaired forborne exposures	X	—
B.4 Other increases	27,560	3,181
C. Decreases	97,814	24,481
C.1 Transfers to performing not forborne exposures	X	—
C.2 Transfers to performing forborne exposures	—	X
C.3 Transfers to impaired exposures not forborne	X	—
C.4 Write-offs	—	—
C.5 Recoveries	97,814	24,481
C.6 Sales proceeds	—	—
C.7 Losses on disposals	—	—
C.8 Oother decreases	—	—
D. Closing balance (gross amounts)	583,004	234,922
- *Sold but not derecognised*	—	—

A.1.11 Non-performing cash exposures to customers: trend in overall writedowns

Description/Category	Bad loans		Unlikely to pay		Overdue exposures (NPLs)	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Opening balance overall amount of writedowns	3,825	—	309,807	307,527	111	8
- Sold but not derecognised	—	—	—	—	—	—
B. Increases	6,990	4,041	17,599	6,430	159	—
B.1 impairment losses on acquired or originated assets	—	X	—	X	—	X
B.2 other value adjustments	1,556	888	6,742	6,430	159	—
B.3 losses on disposal	—	—	—	—	—	—
B.4 transfer from other impaired exposure	5,434	3,153	—	—	—	—
B.5 contractual changes without cancellations	—	X	—	X	—	X
B.6 other increases	—	—	10,857	—	—	—
C. Reductions	1	—	81,952	79,671	99	8
C.1 write-backs from assessments	—	—	45,396	45,396	15	—
C.2 write-backs from recoveries	1	—	31,122	31,122	58	—
C.3 gains on disposal	—	—	—	—	—	—
C.4 write-offs	—	—	—	—	—	—
C.5 transfers to other impaired exposures	—	—	5,434	3,153	—	—
C.6 contractual changes without cancellations	—	X	—	X	—	X
C.7 other decreases	—	—	—	—	26	8
D. Closing overall amount of writedowns	10,814	4,041	254,454	234,286	171	—
- Sold but not derecognised	—	—	—	—	—	—

A.2 *Classification of credit exposures by internal and external ratings*

A.2.1 *Financial assets, commitments to disburse fund and financial guarantees given by class of external ratings (gross values)*

Exposures	**External rating classes**						**Without rating**	**Total**
	Class 1	**Class 2**	**Class 3**	**Class 4**	**Class 5**	**Class 6**		
A. Financial assets valued at amortized cost	834,692	5,014,912	22,978,549	1,318,673	140,557	143,225	16,115,761	46,546,369
- First stage	834,692	5,014,912	22,978,549	1,270,572	50,242	143,225	15,384,650	45,676,842
- Second stage	—	—	—	48,101	90,315	—	221,362	359,778
- Third stage	—	—	—	—	—	—	509,749	509,749
B. Financial assets valued at fair value with impact on overall profitability	1,445,338	256,500	1,629,638	202,351	—	69,370	146,806	3,750,003
- First stage	1,445,338	256,500	1,629,638	202,351	—	69,370	146,806	3,750,003
- Second stage	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—
Total (A+B)	2,280,030	5,271,412	24,608,187	1,521,024	140,557	212,595	16,262,567	50,296,372
of which: impaired financial assets acquired or originated	—	—	—	—	—	—	—	—
C. Commitments and financial guarantees given								
- First stage	168,365	440,437	11,032,878	1,231,709	408,632	66	5,241,302	18,523,389
- Second stage	—	—	—	—	18,274	—	60,931	79,205
- Third stage	—	—	—	—	—	—	14,868	14,868
Total (C)	168,365	440,437	11,032,878	1,231,709	426,906	66	5,317,101	18,617,462
Total (A+B+C)	2,448,395	5,711,849	35,641,065	2,752,733	567,463	212,661	21,579,668	68,913,834

The Mediobanca Group adopts the Standard & Poor's ratings for all portfolios subject to assessment.

A.2.2 Financial assets, commitments to disburse funds and financial guarantees given by class of internal ratings (gross values)

Exposures	Internal rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets valued at amortized cost	1,002,615	8,356,805	28,213,524	3,666,231	514,945	504,684	4,287,565	46,546,369
- First stage	1,002,615	8,356,805	28,213,524	3,505,049	366,511	1,933	4,230,405	45,676,842
- Second stage	—	—	—	161,182	148,434	—	50,162	359,778
- Third stage	—	—	—	—	—	502,751	6,998	509,749
B. Financial assets valued at fair value with impact on overall profitability	1,445,338	288,214	1,674,324	262,440	69,370	—	10,317	3,750,003
- First stage	1,445,338	288,214	1,674,324	262,440	69,370	—	10,317	3,750,003
- Second stage	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—
Total (A+B)	2,447,953	8,645,019	29,887,848	3,928,671	584,315	504,684	4,297,882	50,296,372
of which: impaired financial assets acquired or originated	—	—	—	—	—	—	—	—
C. Commitments and financial guarantees given								
- First stage	244,273	515,506	12,513,911	4,173,534	507,396	—	568,769	18,523,389
- Second stage	—	—	—	—	78,633	—	572	79,205
- Third stage	—	—	—	—	—	14,821	47	14,868
Total (C)	244,273	515,506	12,513,911	4,173,534	586,029	14,821	569,388	18,617,462
Total (A+B+C)	2,692,226	9,160,525	42,401,759	8,102,205	1,170,344	519,505	4,867,270	68,913,834

The table is compliant with the classification provided by Bank of Italy circular 262/05 (fifth update), which requires external ratings to be divided into six different classes of credit standing.

The first three risk classes (classes 1, 2 and 3) consist of investment grade exposures, with a Standard & Poor's rating of between AAA and BBB-, and represent 93% of the entire portfolio, excluding unrated counterparties and non-performing loans.

The unrated exposures refer chiefly to Private Banking clients.

A.3 Distribution of secured exposures by type of security

A.3.1 Cash and off-balance sheet secured exposures to banks

	Gross exposure	Net exposures	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Signature loans				
			Property - mortgages	Financial leasing - property	Securities	Other guarantees	CLN	Other derivatives				General go-vernements	Banks	Other financial companies	Other entities	
								Central counter-parties	Banks	Other financial companies	Other entities					
1. Secured balance sheet credit exposures	5,162,575	5,162,335	—	—	5,019,715	—	—	—	—	—	—	—	—	—	—	5,019,715
1.1 totally secured	2,832,697	2,832,457	—	—	2,832,457	—	—	—	—	—	—	—	—	—	—	2,832,457
- *of which impaired*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partially secured	2,329,878	2,329,878	—	—	2,187,258	—	—	—	—	—	—	—	—	—	—	2,187,258
- *of which impaired*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 totally secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- *of which impaired*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- *of which impaired*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Cash and off-balance sheet secured exposures to customers

	Gross exposure	Net exposures	Collaterals (1)				Guarantees (2)									Total
			Property, Mortgages	Financial leasing property	Securities	Other assets	Credit derivatives					Signature loans				
							CLN	Other derivatives				Public Administra-tions	Banks	Other financial companies	Other entities	(1)+(2)
								Central counter-parties	Banks	Other financial companies	Other entities					
1. Secured balance sheet credit exposures	6,759,067	6,519,912	480,736	—	3,746,262	384,642	—	—	—	—	—	6,831	—	107,343	870,607	5,596,421
1.1 totally secured	3,935,501	3,875,643	478,510	—	2,150,520	270,613	—	—	—	—	—	6,831	—	98,562	870,607	3,875,643
- of which: impaired	*89,123*	*40,722*	*40,722*	—	—	—	—	—	—	—	—	—	—	—	—	*40,722*
1.2 partially secured	2,823,566	2,644,269	2,226	—	1,595,742	114,029	—	—	—	—	—	—	—	8,781	—	1,720,778
- of which: impaired	*449,709*	*275,079*	—	—	*9,313*	*14,934*	—	—	—	—	—	—	—	—	—	*24,247*
2. Secured off-balance sheet credit exposures:	1,143,476	1,132,380	32,641	—	220,616	105,040	—	—	—	—	—	10,998	—	99,549	579,390	1,048,234
2.1 totally secured	998,776	987,770	32,641	—	204,809	93,319	—	—	—	—	—	10,998	—	99,549	546,454	987,770
- of which: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2. partially guaranteed	144,700	144,610	—	—	15,807	11,721	—	—	—	—	—	—	—	—	32,936	60,464
- of which: impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Exposures distribution and concentration

B.1 Cash and off-balance sheet exposures to customers by sector

Exposures/Counterparts	Public administration		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Families	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	264	(9,026)	—	—	—	(1,788)	—	—
- of wich: forborne exposures	—	—	*153*	*(4,041)*	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	2,032	(968)	—	—	384,428	(244,486)	—	—
- of wich: forborne exposures	—	—	—	—	—	—	*344,524*	*(234,286)*	—	—
A.3 Overdue exposures (NPLs)	—	—	—	(25)	—	—	2	(29)	2	(117)
- of wich: forborne exposures	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	7,816,798	(775)	14,839,231	(13,194)	1,045,566	(1,846)	7,652,929	(14,267)	746,683	(1,612)
- of wich: forborne exposures	—	—	*201,915*	—	—	—	*23,599*	*(236)*	*9,110*	*(62)*
Total (A)	7,816,798	(775)	14,841,527	(23,213)	1,045,566	(1,846)	8,037,359	(260,570)	746,685	(1,729)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	12,715	(2,153)	—	—
B.2 Performing exposures	4,076,413	—	6,405,932	(3,633)	596,106	(12)	11,168,106	(13,598)	291,465	(2)
Total (B)	4,076,413	—	6,405,932	(3,633)	596,106	(12)	11,180,821	(15,751)	291,465	(2)
Total (A+B) 30/6/19	11,893,211	(775)	21,247,459	(26,846)	1,641,672	(1,858)	19,218,180	(276,321)	1,038,150	(1,731)

B.2 Cash and off-balance sheet exposures to customers by geography

Exposures / Geographical	Italy		Other european countries		United States		Asia		Rest of the world	
	Net exposures	Accumulated impairment	Net exposures	Accumulated impairment	Net exposures	Accumulated impairment	Net exposures	Accumulated impairment	Net exposures	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	264	(10,814)	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	346,556	(235,254)	39,904	(10,200)	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	4	(171)	—	—	—	—	—	—	—	—
A.4 Performing exposures	24,288,753	(25,156)	6,158,875	(4,641)	606,942	(51)	4	—	1,067	—
Total (A)	24,635,577	(271,395)	6,198,779	(14,841)	606,942	(51)	4	—	1,067	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	12,715	(2,153)	—	—	—	—	—	—	—	—
B.2 Performing exposures	10,210,582	(3,114)	9,874,687	(9,651)	1,684,269	(4,177)	170,185	(290)	2,193	(1)
Total (B)	10,223,297	(5,267)	9,874,687	(9,651)	1,684,269	(4,177)	170,185	(290)	2,193	(1)
Total (A+B) 30/6/19	34,858,874	(276,662)	16,073,466	(24,492)	2,291,211	(4,228)	170,189	(290)	3,260	(1)

B.3 Cash and off-balance sheet exposures to banks by geography

Exposures / Geographical Area	Italy		Other european countries		United States		Asia		Rest of the world	
	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	13,538,248	(10,234)	9,648,785	(3,948)	41,775	(10)	5,045	(2)	1	—
Total (A)	13,538,248	(10,234)	9,648,785	(3,948)	41,775	(10)	5,045	(2)	1	—
B. Off-balance sheet credit exposures										
B.1 Deteriored exposures	—	—	—	—	—	—	—	—	—	—
B.2 Non-deteriored exposures	4,429,704	(13)	14,492,053	(2,555)	16	—	—	—	—	—
Total (B)	4,429,704	(13)	14,492,053	(2,555)	16	—	—	—	—	—
Total (A+B) 30/6/19	17,967,952	(10,247)	24,140,838	(6,503)	41,791	(10)	5,045	(2)	1	—

B.4 Large risks

	30/6/19	30/6/18
a) Book value	12,663,699	10,662,567
b) Weighted value	9,172,281	6,801,878
c) No. of exposures	11	8

At the reporting date, aggregate exposures (including market risks and equity investments) to a total of eleven groups of clients (three more than last year) were in excess of 10% of the regulatory capital, for a gross exposure of €12.7bn (€9.2bn, taking into account guarantees and weightings), also basically stable versus the figures at end-June 2018 (which were €10.7bn and €6.8bn respectively). In detail the eleven exposures are to three industrial groups, one insurance company and seven banking groups.

C. Securitization

QUALITATIVE INFORMATION

The bulk of the portfolio consists of the Group's senior securitizations, with €3,851.7m in Quarzo bonds with performing Compass receivables as the underlying instrument; the difference compared to last year involves the sale of Quarzo CQS (deal with Futuro salary-backed finance receivables as the underlying instrument), driving a €49m reduction.

Excluding securitizations of Group company consumer credit receivables (which amount to €3,851.7m as stated above), the Bank also holds a portfolio of securitizations by other issuers totalling €247.8m, €156.4m of which as part of the banking book (almost all HTC recognized at amortized cost) and €91.4m as part of the trading book.

The banking book consists of four senior deals with NPLs as the underlying instrument, as follows: in Italy, Unicredit-FINO, €55.4m (down from €75.6m last year), and Intesa/ICCREA, a deal originated during the year under review in which Mediobanca acted as sponsor (€65.6m); and elsewhere, one security issued against Spanish NPLs in an amount of €21.6m (down from €32.8m last year), and a new deal issued against Dutch NPLs for €9.6m, where again Mediobanca acted as sponsor. Another deal involving Italian NPLs deriving from Intesa worth €49m at 30 June 2018 was wound up during the year under review.

The banking book also includes mezzanine deals worth €3.3m and junior deals of €0.8m, which are the retention shares of transactions in which Mediobanca acted as sponsor.

The trading book increased in value from €21m to €91.4m, on trading of €68.2m and gains realized on disposal totalling €2m, with virtually the whole book renewed. Just under two-thirds of the trading book is accounted for by the senior tranche of the securitization of Italian NPLs originated by Intesa/ICCREA, whereas the remainder consists of CLOs, €23.1m of which in the form of mezzanine tranches.

In general terms the ABS segment performed well, helped by the strong asset quality (minor arrears and delinquencies among the underlying instruments led to an upgrade in the rating) and the expansionist monetary policies announced by the ECB which attracted new investors. Thus there was an increase in the number of ABS issues on the primary market, in 2Q 2019 especially, following clarifications on the new EU regulation on securitizations and renewal of the Italian state guarantee for securitization of non-performing loans (known as "GACS").

Mediobanca also has exposures to:

– Cairn Loan Investments LLP (CLI), a Cairn-branded CLO management company, which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invests in the junior tranches of the CLOs it manages, with an investment of €25.8m;
– Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by Quaestio Capital Management SGR, which is currently invested in four securitizations (Valentine, Berenice, Cube and Este) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €28m.

QUANTITATIVE INFORMATION

C.2 Exposures from main customer securitizations by asset type/exposure

Type of securitized asset/ Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns / writebacks	Book value	Writedowns / writebacks	Book value	Writedowns / writebacks
A. Mortgage loans on properties	—	—	—	—	—	—
B. Other receivables	9,461	(45)	23,144	(5)	—	—
C. Other receivables held by Group's entities	3,851,752	—	—	—	—	—
D. NPLs Italy	179,806	148	2,001	—	643	—
E. NPLs Spain (residential motgages and real estates)	21,643	—	—	—	—	—
F. NPLs Netherland (residential motgages and real estates)	9,684	—	1,289	(1)	198	—
Total 30/6/19	4,072,346	103	26,434	(6)	841	—
Total 30/6/18	4,063,080	(52)	6,911	(73)	3,166	—

C.4 Securitization SPVs not consolidated

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

D. Disclosure on unconsolidated structured entities other than securitization SPVs

QUALITATIVE INFORMATION

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

E. Asset disposal

A. Financial assets sold but not entirely derecognized

E.1 Financial assets sold entirely recognized and related financial liabilities: book values

	Financial assets sold as a whole				Associated financial liabilities		
	Book value	*of which: subject to securitization transactions*	*of which: subject to sale contracts with repurchase agreement*	*of which deteriorated*	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement
A. Financial assets held for trading	3,147,167	—	3,147,167	X	3,162,166	—	3,162,166
1. Debt securities	2,312,251	—	2,312,251	X	2,306,214	—	2,306,214
2. Equities	834,916	—	834,916	X	855,952	—	855,952
3. Loans	—	—	—	X	—	—	—
4. Derivatives	—	—	—	X	—	—	—
B. Other financial assets that are duly measured at fair value	—	—	—	—	—	—	—
1. Debt securities	—	—	—	—	—	—	—
2. Equities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
C. Financial assets designated at fair value	—	—	—	—	—	—	—
1. Debt securities	—	—	—	—	—	—	—
2. Loans	—	—	—	—	—	—	—
D. Financial assets measured at fair value with an impact on overall	529,449	—	529,449	—	521,999	—	521,999
1. Debt securities	529,449	—	529,449	—	521,999	—	521,999
2. Equities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
E. Financial assets measured at amortized cost	330,334	—	330,334	—	238,295	—	238,295
1. Debt securities	158,760	—	158,760	—	160,243	—	160,243
2. Loans	171,574	—	171,574	—	78,052	—	78,052
Total 30/6/19	4,006,950	—	4,006,950	—	3,922,460	—	3,922,460

E.3 Disposals related to financial liabilities with repayment exclusively based on assets sold and not fully derecognized: fair value[1]

	Fully booked	Partially booked	Total
A. Financial assets held for trading	3,147,167	—	3,147,167
1. Debt securities	2,312,251	—	2,312,251
2. Equities	834,916	—	834,916
3. Loans	—	—	—
4. Derivatives	—	—	—
B. Other financial assets that are duly measured at fair value	—	—	—
1. Debt securities	—	—	—
2. Equities	—	—	—
3. Loans	—	—	—
C. Financial assets designated at fair value	—	—	—
1. Debt securities	—	—	—
2. Loans	—	—	—
D. Financial assets measured at fair value with an impact on overall profitability	529,449	—	529,449
1. Debt securities	529,449	—	529,449
2. Equities	—	—	—
3. Loans	—	—	—
E. Financial assets measured at amortized cost (fair value)	339,455	—	339,455
1. Debt securities	162,126	—	162,126
2. Loans	177,329	—	177,329
Total financial assets	4,016,071	—	4,016,071
Total associated financial liabilities	3,922,460	—	X
Net value 30/06/2019	93,611	—	4,016,071

[1] Includes collateralized liabilities operations: REPOs and other secured financing operations.

F. Credit risk measurement models

Mediobanca S.p.A. uses the AIRB model (PD and LGD parameters) for quantifying the capital requirement for the credit risk of the Corporate portfolio. Moreover, it has also been prepared a plan for the progressive passage to internal models for the various credit exposures (Roll-out plan). With regards to these exposures, which are still subject to the Standard methodology for assessing the regulatory capital requirements, Mediobanca has anyway equip itself, for internal management purposes, with internal models. Mediobanca has also equip itself with a portfolio model, with the aim to calculate the economic capital for the credit risk, which allows to monitor concentration and diversification effects, by geography and by activity sector. For further information, see "Section 1.1 Credit risk" of this Part of Individual Financial Statements.

SECTION 2

Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE INFORMATION

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

– Sensitivity – mainly Delta and Vega – to small changes in the principal risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends, correlations, etc.); sensitivity analysis shows the increase or decrease in the value of financial assets and derivatives to local changes in these risk factors, providing a static representation of the market risk of the trading portfolios;

– Value-at-risk calculated using a weighted historical simulation method with scenarios updated daily, assuming a liquidation horizon of one business day and a confidence level of 99%.

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

Other complementary but more specific risk indicators are also used in order to capture other risks on trading positions not fully measured by VaR and sensitivity analysis. The weight of the products requiring use of these supplementary metrics is in any case extremely limited compared to the overall size of the Mediobanca trading book.

The aggregate value-at-risk on the trading book ranged from a low of €2.4m (end-July 2018) and a high of €9.1m in early June 2019. Overall, in the course of the year trading showed an increase in directional positions taken mainly by the proprietary trading desk through positions in derivatives of government securities issued by core Eurozone member countries plus the United Kingdom and through positions in exchange rates. The market scenario reflected especially low volatility levels in all asset classes, except for the temporary increases recorded in exchange rates and equities, driven by the commercial war between the United States and China and by the uncertainties caused by Brexit and the European elections. The average VaR value for FY 2018-19, €4.3m, was therefore much higher than last year (€2.3m). The point-in-time reading for VaR at 30 June 2019 was €6.3m (30/6/18: €2.8m).

The expected shortfall also showed a sharp rise in the average value, from €3m to €5.4m, due to the directional positions mentioned above.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed only two occasions on which the VaR value was departed from. The first occurred in early December 2018, chiefly in the equity segment, following the G20 summit in Buenos Aires at the same time as the extraordinary closure of Wall Street; while the second, at end-March 2019, was due to tensions on the forex and government securities markets in particular in the aftermath of the Federal Reserve's fence-sitting comments and the advent of Brexit.

Tab.1: Value-at-risk and expected shortfall: trading book

(€'000)

Risk factors	**12 mths to 30/6/19**				**12 mths to 30/6/18**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	4,394	614	4,792	2,165	559
Credit	1,441	718	2,637	1,163	784
Share prices	1,747	796	2,384	1,632	1,986
Exchange rates	1,136	607	3,091	1,740	320
Inflation	212	17	531	170	161
Volatility	2,941	579	3,104	1,271	626
Diversification effect *	(5,578)	—	—	(3,824)	(2,105)
Total	6,292	2,401	9,132	4,317	2,330
Expected Shortfall	*8,279*	*2,960*	*10,225*	*5,376*	*3,080*

* Due to mismatch between risk factors.

Apart from the general VaR limit on aggregate trading positions, a system of sub-limits is also in place, reflecting a greater degree of granularity for the individual business units involved. Each trading desk also has limits in terms of sensitivities to movements in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and equity volatility) which are monitored daily. Average exposures have generally increased during the year, with the exception of the equity component, which reflects pronounced swings between highs and lows consistent with the directional positions taken. The delta on interest rates also ranged from €5,000 and €823,000, with an average value of around €323,000, while the fluctuations in the equity delta were even more pronounced, ranging from a low of minus €427,000 to a high of €1.2m per percentage point. The fluctuation in the exchange rate delta was also pronounced, ranging from a low of minus €722,000 to a high of €1.9m per percentage point.

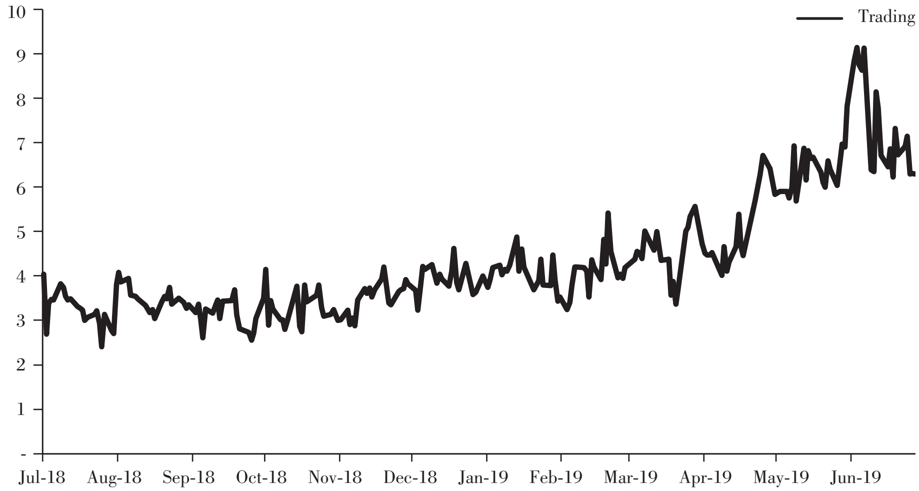
Tab. 2: Summary of trend in main sensitivities for trading book

(€'000)

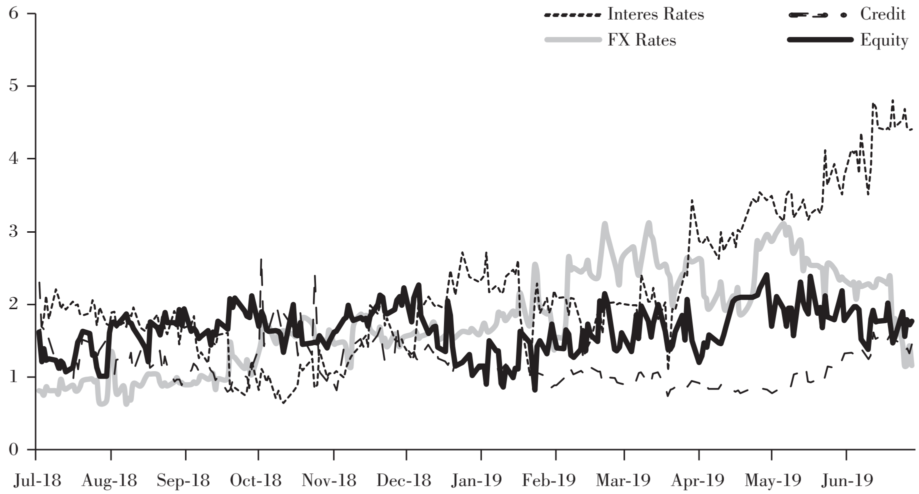
Risk factors	**12 mths to 30/6/19**				**12 mths to 30/6/18 Avg.**
	30/6	**Min**	**Max**	**Avg.**	
Equity delta (+1%)	270,869	(426,916)	1,236,233	664,340	1,166,546
Equity vega (+1%)	1,118,937	(179,215)	1,677,427	618,926	(131,505)
Interest rate delta(+1bp)	730,967	4,579	823,197	323,109	30,265
Inflation delta (+1 bp)	31,891	(9,264)	43,093	13,743	10,118
Exchange rate delta (+1%) *	485,849	(722,481)	1,906,315	703,114	295,358
Credit delta (+1bp)	1,002,754	398,520	1,272,147	750,825	253,825

* Refers to the Euro gaining versus other currencies.

Trends in VaR



Trends in VaR constituents



QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution by residual maturity (repricing date) of financial cash assets and liabilities and financial derivatives

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	65,093	1,933,698	923,937	427,531	—	—	928,208	—
1.1 Debt securities	65,093	1,933,698	923,937	427,531	—	—	928,208	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	65,093	1,933,698	923,937	427,531	—	—	928,208	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	20,945	104,100	1,932,282	1,933,006	96,202	61,550	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	20,945	104,100	1,932,282	1,933,006	96,202	61,550	
3. Financial derivatives	1,644,200	234,617,474	51,015,162	10,610,236	57,457,918	20,367,594	12,434,550	—
3.1 With underlying securities	—	1,930,046	—	—	6,660,264	208,760	—	—
– Options	—	—	—	—	6,620,264	—	—	—
+ long positions	—	—	—	—	3,310,132	—	—	—
+ short positions	—	—	—	—	3,310,132	—	—	—
– Others	—	1,930,046	—	—	40,000	208,760	—	—
+ long positions	—	965,023	—	—	20,000	104,380	—	—
+ short positions	—	965,023	—	—	20,000	104,380	—	—
3.2 Without underlying securities	1,644,200	232,687,428	51,015,162	10,610,236	50,797,654	20,158,834	12,434,550	—
– Options	104,660	175,927,002	32,814,648	3,318,738	10,473,560	5,846,848	2,134,364	—
+ long positions	52,330	87,963,501	16,407,324	1,659,369	5,236,780	2,923,424	1,067,182	—
+ short positions	52,330	87,963,501	16,407,324	1,659,369	5,236,780	2,923,424	1,067,182	—
– Others	1,539,540	56,760,426	18,200,514	7,291,498	40,324,094	14,311,986	10,300,186	—
+ long positions	404,344	30,353,590	8,649,271	3,822,720	19,870,593	6,295,075	4,968,529	—
+ short positions	1,135,196	26,406,836	9,551,243	3,468,778	20,453,501	8,016,911	5,331,657	—

2. Regulatory trading book: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	2,291,640	—	47,024
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Italian	—	—	6,055
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	6,055
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	245,002	—	—
- harmonized	224,655	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	20,347	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	2,536,642	—	53,079

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities: over 97% of the net exposure is to EU member states.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

Mediobanca monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The former quantifies the impact of parallel and simultaneous 200 bps shocks in the interest rate curve on current earnings. In this testing, the balance sheet is 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 BCBS guidelines.

All scenarios present a floor in accordance with the EBA Guidelines (EBA/GL/2018/02) of -1% on demand items with linear progression up to 0% at the 20-year maturity.

For both sensitivities, the balance-sheet items have been treated based on their contractual profile, except for those which involve other Group companies, used to transfer the interest rate risk on retail client current account deposits (which themselves are treated on the basis of behavioural models).

To determine the value of the discounted cash flows, various benchmark curves have been used in order to discount and then determine the future interest rates, based on the value date on which the balance-sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

With reference to the Bank's banking book positions at 30 June 2019, a 200 basis points down parallel shock would cause a reduction in net interest income of approx. €13m.

With reference to analysis of the discounted value of estimated cash flows on the banking book, a flattener shock generates a €54m reduction.

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Bank seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months) [12].

A. Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by the Bank to hedge fixed-rate transactions involving corporate loans and AFS securities or positions accounted for as Loans and receivables, and also to mitigate price risk on equity investments held as available for sale. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged.

[12] This target is maintained even in the presence of hedging contracts with netting counterparties and CSAs (Collateralized Standard Agreements) have been entered into; the valuation of which is made on the basis of EONIA interest rates.

B. Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Bank uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Counterparty risk

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

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of financial assets and liabilities

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	6,100,706	24,716,321	7,190,578	4,083,477	7,018,994	860,142	443,895	—
1.1 Debt securities	—	1,408,211	2,940,414	1,828,688	4,085,690	500,456	6,379	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	1,408,211	2,940,414	1,828,688	4,085,690	500,456	6,379	—
1.2 Loans to banks	2,032,546	14,194,614	935,084	1,803,657	1,527,965	189,595	403,208	—
1.3 Loans to customers	4,068,160	9,113,496	3,315,080	451,132	1,405,339	170,091	34,308	—
– current accounts	1,030,755	—	—	—	—	—	—	—
– other loans	3,037,405	9,113,496	3,315,080	451,132	1,405,339	170,091	34,308	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	3,037,405	9,113,496	3,315,080	451,132	1,405,339	170,091	34,308	—
2. Cash liabilities	21,045,275	9,998,653	2,250,739	6,239,684	7,930,249	2,512,502	1,113,277	—
2.1 Due to customers	4,611,493	721,048	405,781	112,969	288,599	—	—	—
– current accounts	4,244,821	—	—	—	—	—	—	—
– other amounts due	366,672	721,048	405,781	112,969	288,599	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	366,672	721,048	405,781	112,969	288,599	—	—	—
2.2 Due to banks	16,154,638	4,766,491	952,844	3,028,854	3,892,548	—	369,149	—
– current accounts	14,750,381	—	—	—	—	—	—	—
– other amounts due	1,404,257	4,766,491	952,844	3,028,854	3,892,548	—	369,149	—
2.3 Debt securities	279,144	4,511,114	892,114	3,097,861	3,749,102	2,512,502	744,128	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	279,144	4,511,114	892,114	3,097,861	3,749,102	2,512,502	744,128	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	—	—	—	—	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	1,497,097	23,100,005	3,397,672	4,057,744	12,532,684	4,890,976	792,500	—
– Options	—	—	—	200,000	260,000	—	—	—
+ long positions	—	—	—	100,000	130,000	—	—	—
+ short positions	—	—	—	100,000	130,000	—	—	—
– Others	1,497,097	23,100,005	3,397,672	3,857,744	12,272,684	4,890,976	792,500	—
+ long positions	651,198	6,384,819	2,037,672	1,962,744	9,535,930	3,566,976	765,000	—
+ short positions	845,899	16,715,186	1,360,000	1,895,000	2,736,754	1,324,000	27,500	—
4. Other OTC trades	6,818	431,560	1,101,238	114,212	10,243,338	49,762	—	—
+ long positions	6,818	384,179	555,783	50,000	4,962,703	13,981	—	—
+ short positions	—	47,381	545,455	64,212	5,280,635	35,781	—	—

2. Banking book: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	112,168	—	24,120
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Italian	31,203	—	131,167
- harmonized open	31,203	—	—
- non-harmonized open	—	—	—
- closed	—	—	123,078
- reserved	—	—	—
- speculative	—	—	8,089
B.2 Other EU states	176,763	—	207,036
- harmonized	—	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	176,763	—	207,036
B.3 Non-EU states	—	—	2,228
- open	—	—	—
- closed	—	—	2,228
Total	320,134	—	364,551

[1] which 43% Italian and 57% other EU member states.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurements techniques

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown on p. 234 is an effective representation of changes in the risks taken on the forex market, in view of the fact that exposures to foreign exchange rates are managed globally within the Bank's Finance area.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Items	Currencies					
	US Dollars	GB Pounds	Yen	Swedish kronas	Swiss francs	Other currencies
A. Financial assets	2,834,931	2,690,645	18,309	3,631	259,194	26,089
A.1 Debt securities	865,042	607,970	—	—	99,392	—
A.2 Equity securities	105,286	787,637	3,770	—	448	1,584
A.3 Due from banks	1,208,105	1,277,118	14,529	876	32,622	16,195
A.4 Due from customers	241,129	17,920	—	2,755	121,563	8,250
A.5 Other financial assets	415,369		10	—	5,169	60
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	(3,674,408)	(2,273,138)	(845)	(124)	(146,660)	(45,937)
C.1 Due to banks	(1,153,216)	(1,601,506)	(3)	(124)	(80,004)	(40,021)
C.2 Due to customers	(166,432)	(13)	(3)	—	(9)	(5,732)
C.3 Debt securities	(1,920,071)	(666,996)	—	—	—	—
C.4 Other financial liabilities	(434,689)	(4,623)	(839)	—	(66,647)	(184)
D. Other liabilities	—	—	—	—	—	—
E. Financial derivatives						
- Options	1,898	(19,173)	(7,197)	—	1,055	(32)
+ Long positions	123,465	28,337	20,691	—	13,651	5,301
+ Short positions	(121,567)	(47,510)	(27,888)	—	(12,596)	(5,333)
- Other derivatives	821,388	(403,189)	(194,729)	51,564	(160,394)	63,391
+ Long positions	3,798,429	534,113	175,026	126,875	403,102	362,944
+ Short positions	(2,977,041)	(937,302)	(212,255)	(75,311)	(563,496)	(299,553)
Total assets	6,756,825	3,253,095	214,026	130,506	675,947	394,334
Total liabilities	(6,773,016)	(3,257,950)	(240,988)	(75,435)	(722,752)	(350,823)
Difference (+/-)	(16,191)	(4,855)	(26,962)	55,071	(46,805)	43,511

2. Internal models and other methodologies used for sensitivity analysis

Exposures to exchange rates for the principal currencies at the aggregate level for the reflected a stable trend in the first half of the financial year, followed by a pronounced increase in absolute terms until early March, after which they gradually returned to just above the levels recorded in the first six months. Volatility remained at relatively low levels for all the main currencies, with temporary increases at year-end 2018 triggered primarily by commercial tensions. The VaR for the forex component at the aggregate level showed a stable trend until end-November, after which the increase in volatility for certain currencies, together with the increased exposure, drove an increase in VaR which subsequently reduced in line with the lower volatility, which preceded the gradual reduction in the exposure. The average VaR value was around €11.7m, largely unchanged from last year (€11.2m). The VaR figure recorded at 28 June 2019 was €9.2m (30/6/18: €13.2m).

SECTION 3

Derivative instruments and hedging policies

3.1 Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: average and reporting-date notional values

Underlying assets / Type of derivatives	30/6/19			
	Over the counter			Established markets
	Central Counterparts	without central counterparties		
		with clearing arrangements	without clearing arrangements	
1. Debt securities and interest rate	32,013,915	52,535,529	927,838	99,014,423
a) Options	—	12,115,937	280,000	96,703,913
b) Swap	32,013,915	32,309,212	647,838	—
c) Forward	—	124,380	—	—
d) Futures	—	—	—	2,310,510
e) Others	—	7,986,000	—	—
2. Equities and stock indexes	—	14,442,921	2,182,737	14,159,122
a) Options	—	12,289,056	2,182,737	13,822,601
b) Swap	—	2,002,462	—	—
c) Forward	—	151,403	—	—
d) Futures	—	—	—	336,521
e) Others	—	—	—	—
3. Currencies and gold	—	9,473,310	108,554	—
a) Options	—	1,534,191	—	—
b) Swap	—	3,137,018	105,448	—
c) Forward	—	4,802,101	3,106	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other	—	—	—	—
Total	32,013,915	76,451,760	3,219,129	113,173,545

A.2 Trading financial derivatives: positive and negative fair values by product

Types of derivatives	30/6/19			
	Over the counter			Established markets
	Central Counterparts	Without central counterparties		
		With clearing arrangements	Without clearing arrangements	
1. Positive fair value				
a) Options	—	571,984	3,820	487,169
b) Interest rate swap	2,489	993,648	66,165	—
c) Cross currency swap	—	326,406	10,067	—
d) Equity swap	—	9,181	—	—
e) Forward	—	45,221	6,165	—
f) Futures	—	—	—	10,352
g) Others	—	—	—	—
Total	2,489	1,946,440	86,217	497,521
2. Negative fair value				
a) Options	—	677,781	60,315	629,169
b) Interest rate swap	228,968	655,970	7,544	—
c) Cross currency swap	—	99,056	—	—
d) Equity swap	—	20,436	—	—
e) Forward	—	166,527	885	—
f) Futures	—	—	—	20,479
g) Others	—	—	—	—
Total	228,968	1,619,770	68,744	649,648

A.3 OTC trading financial derivatives: notional values, positive and negative fair values by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	180,000	172,467	575,371
- positive fair value	X	59,000	—	7,341
- negative fair value	X	1,047	6,536	467
2) Equities and stock indexes				
- notional value	X	1,519,396	663,318	22
- positive fair value	X	3,461	488	5,859
- negative fair value	X	60,323	15	356
3) Currencies and gold				
- notional value	X	3,106	—	105,448
- positive fair value	X	—	—	10,067
- negative fair value	X	—	—	—
4) Commodities				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	32,013,915	35,554,158	9,327,400	7,653,971
- positive fair value	2,489	518,283	188,233	309,790
- negative fair value	228,968	575,725	274,526	41,916
2) Equities and stock indexes				
- notional value	—	8,692,295	4,097,407	1,653,219
- positive fair value	—	297,342	135,791	93,995
- negative fair value	—	365,647	169,121	26,363
3) Currencies and gold				
- notional value	—	5,305,053	2,376,849	1,791,408
- positive fair value	—	263,651	55,720	83,634
- negative fair value	—	99,963	15,927	50,581
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

A.4 Outstanding life of OTC financial derivatives: notional amounts

Underlying / residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates	16,510,269	44,906,338	24,060,675	85,477,282
A.2 Financial derivative contracts on equity securities and stock indexes	7,762,972	8,760,686	102,000	16,625,658
A.3 Financial derivatives on currencies and gold	5,724,043	2,859,480	998,341	9,581,864
A.4 Financial derivatives on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/19	29,997,284	56,526,504	25,161,016	111,684,804

B. Credit derivatives

B.1 Trading credit derivatives: average and reporting-date notional values

Type of transaction	Trading derivatives	
	with a single counterparty	with more than one counterparty (basket)
1. Protection purchases		
a) Credit default products	4,491,875	17,549,942
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other [1]	873,520	—
Total 30/06/2019	5,365,395	17,549,942
2. Security sales		
a) Credit default products	3,380,660	17,549,944
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other [1]	—	—
Total 30/06/2019	3,380,660	17,549,944

[1] Of which certificates totalling €873,520,000.

The column headed “Several names” shows the positions on credit indexes matched by positions on single names which go to make up the index in skew issues. The derivative embedded in the issues, for the hedge buys, is represented by individual constituents, with notional value equal to the nominal value of the issues.

B.2 Trading credit derivatives: positive and negative fair values by product

Types of derivatives	**30/6/19**
1. Positive fair value	
a) Credit default products	490,191
b) Credit spread products	—
c) Total rate of return swap	—
d) Other	—
Total	490,191
2. Negative fair value	
a) Credit default products	551,263
b) Credit spread products	—
c) Total rate of return swap	—
d) Other [1]	864,440
Total	1,415,702

[1] Of which certificates totalling €864,440,000.

B.3 Trading book OTC credit derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparts	**Bank**	**Other financial companies**	**Other subjects**
Contracts not covered by clearing agreements				
1) Purchase protection				
– notional value [1]	X	1,759,371	300,000	—
– positive fair value	X	20,607	7,158	—
– negative fair value [1]	X	864,440	—	—
2) protection sale				
– notional value	X	14,526	—	—
– positive fair value	X	—	—	—
– negative fair value	X	54,018	—	—
Contracts covered by clearing agreements				
1) Purchase protection				
– notional value	4,093,799	9,904,712	6,857,456	—
– positive fair value	—	65,586	10,162	—
– negative fair value	13,943	220,401	188,337	—
2) protection sale				
– notional value	4,045,557	10,351,698	6,518,822	—
– positive fair value	—	219,471	167,207	—
– negative fair value	—	70,502	4,062	—

[1] Of which certificates with a notional value of €873,520,000 and a fair value of €864,440,000.

B.4 Outstanding life of OTC trading credit derivatives: notional values

Underlying / residual	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1. Sale protection	676,808	18,714,116	1,539,679	20,930,603
2. Buy protection	877,958	20,240,750	1,796,630	22,915,338
Total 30/06/2019	1,554,766	38,954,866	3,336,309	43,845,941

3.2 Hedging policies

A. Financial hedging derivatives

A.1 Financial hedging derivatives: reporting-date notional value

Underlying assets / Type of derivatives	30/6/19			
	Over the counter			Established markets
	Central Counterparts	without central counterparties		
		with clearing arrangements	without clearing arrangements	
1. Debt securities and interest rate	18,787,256	6,038,647	—	—
a) Options	—	130,000	—	—
b) Swap	18,787,256	5,808,647	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	100,000	—	—
2. Equities and stock indexes	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Currencies and gold	—	308,436	—	—
a) Options	—	—	—	—
b) Swap	—	308,436	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other	—	—	—	—
Total	18,787,256	6,347,083	—	—

A.2 Financial hedging derivatives: positive and negative fair values by product

Types of derivatives	Positive and negative fair values				Changes in value used to evaluate the ineffectiveness of the hedge
	30/6/19				30/6/19
	Over the counter			Organized markets	
	Central Counterparts	without central counterparties			
		With clearing arrangements	Without clearing arrangements		
1. Positive fair value					
a) Options	—	6,505	—	—	—
b) Interest rate swap	305,510	96,710	—	—	356,659
c) Cross currency swap	—	1,138	—	—	—
d) Equity swap	—	—	—	—	—
e) Forward	—	—	—	—	—
f) Futures	—	—	—	—	—
g) Others	—	—	—	—	—
Total	305,510	104,353	—	—	356,659
2. Negative fair value					
a) Options	—	14,209	—	—	—
b) Interest rate swap	50,302	120,038	—	—	85,399
c) Cross currency swap	—	101	—	—	—
d) Equity swap	—	—	—	—	—
e) Forward	—	—	—	—	—
f) Futures	—	—	—	—	—
g) Others	—	—	—	—	—
Total	50,302	134,348	—	—	85,399

A.3 OTC financial hedging derivatives: notional values, positive and negative fair values by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
2) Equities and stock indexes				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
3) Currencies and gold				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
4) Commodities				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	18,787,256	5,391,377	297,270	350,000
- positive fair value	305,510	102,560	655	—
- negative fair value	50,302	118,517	2,647	13,083
2) Equities and stock indexes				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional value	—	293,497	14,938	—
- positive fair value	—	1,138	—	—
- negative fair value	—	—	101	—
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

A.4 Outstanding life of OTC financial hedging derivatives: notional values

Underlying / residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates	6,216,016	13,341,702	5,268,185	24,825,903
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currency and gold	—	308,436	—	308,436
A.3 Financial derivative on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/19	6,216,016	13,650,138	5,268,185	25,134,339

C. Non derivatives hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and hedge type

	Book Value			Change in the value used to calculate the ineffectiveness of the hedge		
	Fair value hedge	**Cash flow hedge**	**Foreign investments hedge**	***Fair value hedge***	**Cash flow hedge**	**Foreign investments hedge**
Financial assets other than derivatives	—	—	—	—	—	—
of which: trading activities	—	—	—	—	—	—
of which: other assets mandatorily measured at fair value	—	—	—	—	—	—
of which: assets designated at fair value	—	—	—	—	—	—
Total 30/6/19	—	—	—	—	—	—
Financial liabilities other than derivatives	—	—	—	—	5,417	—
Trading liabilities	—	—	—	—	—	—
Liabilities designated at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	—	—	5,417	—
Total 30/6/19	—	—	—	—	5,417	—

D. Hedged instruments

D.1 Fair value hedges

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: book value
			Accumulated changes in fair value of hedging instrument	Ending of hedge: residual accumulated valute of residual changes in fair value	Change in value used to relieve hedging ineffectiveness	
A. Assets						
1. Financial assets measured at fair value with an impact on total profitability - hedges of:	1,417,736	—	12,219	—	19,199	—
1.1 Debt securities and interest rate	1,417,736	—	12,219	—	19,199	X
1.2 Equity securities and stock price indices	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Credits	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
2. Financial assets measured at amortized cost - hedges of:	3,229,570	—	12,338	—	10,901	—
2.1 Debt securities and interest rate	3,229,570	—	12,338	—	10,901	X
2.2 Equity securities and stock price indices	—	—	—	—	—	X
2.3 Currencies and gold	—	—	—	—	—	X
2.4 Crediti	—	—	—	—	—	X
2.5 Other	—	—	—	—	—	X
Total 30/6/19	4,647,306	—	24,557	—	30,100	—
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedges of:	14,731,229	—	304,272	—	270,791	—
1.1 Debt securities and interest rate	14,731,229	—	304,272	—	270,791	X
1.2 Currencies and gold	—	—	—	—	—	X
1.3 Other	—	—	—	—	—	X
Total 30/6/19	14,731,229	—	304,272	—	270,791	—

D.2 Cash flow and foreign ivestments hedges

	Change in value used to calculate hedging ineffectiveness	Hedging reserves	Cessation of hedging: residual value of hedging reserves
A. Cash flow hedges			
1. Assets	—	—	—
1.1 Debt securities and interest rate	—	—	—
1.2 Equity securities and stock price indices	—	—	—
1.3 Currencies and gold	—	—	—
1.4 Credits	—	—	—
1.5 Other	—	—	—
2. Liabilities	(5,768)	(3,432)	—
1.1 Debt securities and interest rate	—	—	—
1.2 Currencies and gold	(5,768)	(3,432)	—
1.3 Other	—	—	—
Total (A) 30/6/19	(5,768)	(3,432)	—
B. Foreign Investments hedges	X	—	—
Total (A+B) 30/6/19	(5,768)	(3,432)	—

E. Effects of hedging operations to net equity

E.1 Reconciliation of net equity constituents

	Cash flow hedges reserve					Foreign investment hedges reserve				
	Debt securities and interest rate	Equity securities and stock price indices	Currencies and gold	Credits	Others	Debt securities and interest rate	Equity securities and stock price indices	Currencies and gold	Credits	Others
Initial balance	—	—	641	—	—	—	—	—	—	—
Changes in fair value (effective share)	—	—	(4,073)	—	—	—	—	—	—	—
Transfer to P&L	—	—	—	—	—	—	—	—	—	—
of which: future transaction not expected	—	—	—	—	—	*X*	*X*	*X*	*X*	*X*
Other variations	—	—	—	—	—	—	—	—	—	—
of wich: transfer to initial book value	—	—	—	—	—	*X*	*X*	*X*	*X*	*X*
Final balance	—	—	(3,432)	—	—	—	—	—	—	—

3.3 Other information on derivative instruments (trading and hedging instruments)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparty	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	50,801,172	41,125,536	9,797,136	8,579,341
- positive fair value	307,999	679,844	188,889	317,131
- negative fair value	279,269	695,289	283,709	55,467
2) Equity instrument and stock index				
- notional amount	—	10,211,691	4,760,725	1,653,241
- positive fair value	—	300,802	136,279	99,854
- negative fair value	—	425,970	169,136	26,719
3) Currency and gold				
- notional amount	—	5,601,655	2,391,787	1,896,856
- positive fair value	—	264,789	55,720	93,701
- negative fair value	—	99,963	16,028	50,581
4) Commodities				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Other				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
B. Credit derivatives				
1) Hedge purchase				
- notional amount	4,093,799	11,664,082	7,157,456	—
- positive fair value	—	86,193	17,320	—
- negative fair value	13,943	1,084,841	188,337	—
2) Hedge sale				
- notional amount	4,045,557	10,366,225	6,518,822	—
- positive fair value	—	219,471	167,207	—
- negative fair value	—	124,520	4,062	—

SECTION 4

Liquidity risk

QUALITATIVE INFORMATION

Banks are naturally exposed to liquidity risk as a result of the role they perform in the maturity transformation process.

In defining liquidity risk, a distinction is usually made between risks which refer to the short term (known as “liquidity risk”) and risks which refer to the long term (“funding risk”):

- Liquidity risk is defined as the current or potential risk of the entity not being able to manage its own liquidity needs effectively in the short term;
- Funding risk is defined as the risk of the entity not having stable sources of financing in the medium or long term, generating a current or potential risk of it not being able to meet its own financial requirements without incurring an excessive increase in the cost of financing.

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

To meet this objective, the Group Liquidity Risk Management Policy (the “Regulations”) approved by the Board of Directors of Mediobanca S.p.A. stipulates that an adequate level of highly liquid assets must be maintained to cover the cash flows anticipated in the short and medium/long term.

The Regulations set out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics in use, the guidelines for carrying out the stress testing process, the funds transfer pricing system, and the contingency funding plan.

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 Regulations assign various important duties to the Board of Directors, including definition and approval of the guidelines and strategic direction, responsibility for ensuring that the risk governance system is fully reliable, and monitoring the trends in liquidity and funding risk and the Group's Risk Appetite Framework over time.

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

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

– Group Treasury, which is responsible at Group level for managing liquidity, funding, collateral and the funds transfer pricing system;
– Business & Capital Planning, 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 integrated control system for current and future risks, in accordance with the Group's regulations and governance strategies.

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

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

For a description of the metrics used to monitor short- and medium/long-term liquidity, reference is made to Part E of the Consolidated Notes to the Accounts.

In accordance with the Regulations, Mediobanca S.p.A assesses the regulatory indicators - LCR (Liquidity Coverage Ratio), ALMM (Additional Liquidity Monitoring Metrics) and NSFR (Net Stable Funding Ratio) – at individual level. Throughout the period under review, the LCR indicator remained well above the limits set under the regulation in force at all time.

In addition to the risk measurement system described above, an event governance model has also been devised known as the Contingency Funding Plan (described in the Regulations) to be implemented in the event of a crisis by following a procedure approved by the Board of Directors.

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

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

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

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

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by contractual outstanding life

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	5,960,586	253,549	1,000,913	1,436,116	2,811,433	4,724,318	6,187,368	24,103,112	7,993,403	211,382
A.1 Government securities	438	788	32,785	58,608	33,806	130,195	1,957,144	4,277,934	593,120	—
A.2 Other debt securities	1	713	30,745	27,218	91,119	2,703,820	581,886	3,660,900	819,922	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	5,960,147	252,048	937,383	1,350,290	2,686,508	1,890,303	3,648,338	16,164,278	6,580,361	211,382
– to banks	2,032,548	31,621	688,591	647,067	1,167,552	1,079,089	2,438,263	7,050,667	5,637,167	211,382
– to customers	3,927,599	220,427	248,792	703,223	1,518,956	811,214	1,210,075	9,113,611	943,194	—
Cash liabilities	21,045,282	112,305	911,712	451,663	5,727,557	1,952,708	5,378,473	14,513,071	5,237,651	—
B.1 Deposits and current accounts	18,995,202	—	—	—	—	—	—	—	—	—
– to banks	14,750,381	—	—	—	—	—	—	—	—	—
– to customers	4,244,821	—	—	—	—	—	—	—	—	—
B.2 Debt securities	279,150	121	17,493	15,069	137,990	913,172	2,091,822	8,277,870	4,267,784	—
B.3 Other liabilities	1,770,930	112,184	894,219	436,594	5,589,567	1,039,536	3,286,651	6,235,201	969,867	—
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	365,724	232,821	372,692	570,471	801,895	811,237	255,839	2,218,742	563,268	—
– short positions	10,505	71,547	155,955	310,370	322,405	246,539	321,665	4,794,152	435,072	—
C.2 Financial derivatives without principal exchange of										
– long positions	3,218,445	6,324	10,695	5,032	24,898	46,702	84,404	—	—	—
– short positions	3,155,929	2,213	5,267	9,567	21,036	60,516	71,436	—	—	—
C.3 Deposits and loans for collection										
– long positions	2,423,145	235,827	164,565	199,402	—	183,622	1,409,360	166,173	47,965	—
– short positions	—	—	—	130,027	—	473,961	2,049,741	1,508,770	667,558	—
C.4 Irrevocable commitments to disburse funds										
– long positions	—	—	—	22,056	—	68,998	1,446,448	870,372	238,754	—
– short positions	291,865	32,140	148,782	226,084	14,661	186,646	1,372,897	294,595	78,958	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal										
– long positions	—	—	—	—	825,000	36,344	160,972	1,488,716	87,089	—
– short positions	—	—	—	—	43,681	59,585	28,787	2,344,583	121,484	—
C.8 Credit derivatives without exchange of principal										
– long positions	612,669	—	—	—	—	—	—	—	—	—
– short positions	673,747	—	—	—	—	—	—	—	—	—

SECTION 5

Operational risk

QUALITATIVE INFORMATION

Definition

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

Capital requirement for operational risks

The Bank has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the three-year average for the relevant indicator. Based on this method of calculation, the capital requirement as at 30 June 2019 was €117.33m (30/6/18: €112.2m).

Risk mitigation

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

The operating losses recorded in the course of the financial year have been very low and account for only a minor percentage of total income.

As the table below shows, the losses concerned are chiefly legal expenses in litigation cases that have been ongoing for several years and which fall primarily into the following categories: "Clients, products and business practices", and residual process risks in trading and settlement activities ("Execution, delivery and process management").

Event Type	% on Total Loss
Clients, products and business practices	67%
Execution, delivery and process management	11%
Employment practices and workplace safety	20%
Other	2%

Potential operational risks (based on estimates), operational risks are higher than they have been in the past because of launch of the Wealth Management business. The potential risk of low frequency/high severity events remains highg inherent in businesses which feature non-standard and large-sized transactions, such as CIB and in part Wealth Management. Operational risks have been mitigated and continue to be mitigated on an ongoing basis through an increase in the risk assessment and monitoring framework and enhancement of the governance and first-level controls.

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

Litigation risk: risks deriving from cases outstanding

For a description of the claims currently pending against Mediobanca S.p.A., please see Section B – Liabilities on pp. 170-173.

Other risks

For a more indepth description of the other risks, reference is made to Part E – Market Risks – Other Risks in the Notes to the Consolidated Accounts.

Part F – Information on capital

SECTION 1

Capital of the company

QUANTITATIVE INFORMATION

B.1 Net equity: composition

Items/Values	30/6/19
1. Share capital	443,608
2. Share premium reserve	2,195,606
3. Reserves	2,217,665
- earnings	2,076,320
a) legal	88,704
b) statutory	1,157,437
c) treasury shares	141,989
d) others	688,190
- others	141,345
4. Equity instruments	—
5. (Treasury shares)	(141,989)
6. Valuation reserves:	85,744
- Equity instruments valued at fair value with impact taken to comprehensive income	59,562
- Hedging of equity instruments valued at fair value with impact taken to comprehensive income	—
- Financial assets (other than equity instruments) valued at fair value with impact taken to comprehensive income	24,161
- Tangible assets	—
- Intangible assets	—
- Hedging of foreign investments	—
- Hedging of cash flows	(3,432)
- Hedging instruments (not designated instruments)	—
- Exchange differences	—
- Non-current assets and group of assets being sold	—
- Financial liabilities designated at fair value with impact taken to profit and loss (variation of own credit risk)	—
- Actuarial gains (losses) on defined benefits pension schemes	(4,179)
- Valuation reserves share of equity-accounted interests	—
- Extraordinary revaluation laws	9,632
7. Net profit (loss) for the period	386,245
Total	5,186,879

For further information, please see Section 12 “Capital of the company – Headings 130, 150, 160, 170, 180, 190 and 200”.

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

B.1 Net equity: composition

Net equity constituents	30/6/18
1. Share capital	443,275
2. Share premium	2,191,743
3. Reserves	2,292,839
- of gains	2,064,659
a) legal	88,124
b) statutory	1,284,471
c) treasury shares	109,338
d) others	582,726
- others	228,180
4. Equity instruments	—
5. (Treasury shares)	(109,338)
6. Valuation reserves:	129,954
- AFS securities	126,665
- Property, plant and equipment	—
- Intangible assets	—
- Foreign investment hedges	—
- Cash flow hedges	(2,579)
- Exchange rate difference	—
- Non-current assets being sold	—
- Actuarial gains (losses) on defined-benefit pension schemes	(3,764)
- Share of valuation reserves represented by equity-accounted companies	—
- Special valuation laws	9,632
7. Gain (loss) for the period	337,034
Total	5,285,507

B.2 Valuation reserves for financial assets recognized at FVOCI: composition

Assets/Values	30/6/19	
	Positive reserve	Negative reserve
1. Debt securities	30,585	(6,424)
2. Equity securities	60,278	(716)
3. Loans	—	—
Total	90,863	(7,140)

The table below shows the data stated in accordance with IAS 39, as per Bank of Italy circular 262, fourth amendment (15 December 2015), for comparative purposes.

B.2 AFS valuation reserves: composition

Assets/amounts	30/6/19	
	Positive reserve	Negative reserve
1. Debt securities	63,468	(15,260)
2. Equity securities	59,555	(5,506)
3. UCITS units	28,132	(3,726)
4. Loans and advances	—	—
Total	151,155	(24,492)

B.3 Valuation reserves for financial assets recognized at FVOCI: movements during the period

	Debt securities	Equity securities	Loans
1. Opening balance	47,340	52,682	—
2. Increases	33,604	14,279	—
2.1 Increases in fair value	28,661	8,815	—
2.2 Credit risk writedowns	574	X	—
2.3 P&L recycling of negative reserves due to realization	4,369	X	—
2.4 Transfers to other net equity components (equity instruments)	—	5,464	—
2.5 Other variations	—	—	—
3. Decreases	56,783	7,399	—
3.1 Reductions in fair value	13,383	5,365	—
3.2 Credit risk writebacks	29	—	—
3.3 P&L recycling of positive reserves:	43,371	X	—
- due to realization	—	—	—
3.4 Transfers to other net equity components (equity instruments)	—	2,034	—
3.5 Other variations	—	—	—
4. Closing balance	24,161	59,562	—

SECTION 2

Own funds and supervisory capital requirements for banks

Since its inception one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently higher than those required by the regulatory guidelines. The capital surplus is justified by the type of operations on the corporate market.

2.1 Own funds

Scope of application of regulations

Based on the new body of supervisory and corporate governance rules for banks which consists of Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR/CRR2 [13]) issued by the European Parliament starting from 2013 and enacted in Italy in Bank of Italy circular no. 285, Mediobanca has applied the phase-in regime, and in particular, having received the relevant authorizations, has weighted the Assicurazioni Generali investment at 370% as permitted by Article 471 of CRR2, which extended the effectiveness of the phase-in period until 31 December 2024 [14].

Furthermore, in order to mitigate the effect of the new accounting standards on banks' prudential ratios, 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 spreading the impact of introducing IFRS 9 on own funds over a transitional period of five years, by including a decreasing amount of loan loss provisions in CET1 over that time. The Mediobanca Group has applied the static approach to neutralize the effect of the increase in loan loss provisions starting from the financial statements for the year ended 30 June 2018 (IFRS 9 FTA) and for the next five years thereafter [15].

[13] The new Regulation was approved by the European Parliament on 16 April 2019 and it entered into force on 28 June, after being published in the Official Journal of the European Union.

[14] Application of Article 471 is limited to the book value as at December 2012 and to compliance with the concentration limit versus the insurer, i.e. 20% of the limit versus related parties.

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

QUALITATIVE INFORMATION

Common Equity Tier 1 (CET1) capital consists of capital paid up, reserves (including €83.7m of the positive FVOCI financial assets reserves, €6.6m of which in government securities) and the profit for the period (€386.2m) net of the dividend for the year (€409.7m) which represents a €0.47 dividend per share. The deductions regard: treasury shares (€234m), including €136m already owned as at 30 June 2019 and commitments to buy back shares totalling €98m to reach 3% of the share capital, intangible assets (€23.1m), goodwill of €12.5m, and other prudential adjustments of €47.5m (AVAs and DVAs). Interests in financial companies (banking and insurance) worth €144.9m were deducted.

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

Tier 2 capital includes subordinated liabilities issued (down from €1,819.4m to €1,522.7m due to prudential amortization) and the buffer of €2.6m (€9.7m last year) which results from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models.

Issue	30/6/19		
	ISIN	Gross nominal value	Book value *
MB Subordinato Mar 29	XS1579416741	50,000	48,498
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	614,142	165,392
MB OPERA 3.75 2026	IT0005188351	299,820	291,228
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	391,365	151,501
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	500,000	490,881
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	496,617	375,223
Total subordinated debt securities		2,351,944	1,522,724

* The value calculated differs from the book value due to the items recognized at fair value and amortized cost and to buyback commitments entered into.

Subordinated debt securities were down from €1,819.4m to €1,522.7m due to movements during the year and to the amortization (€562.3m). No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

QUANTITATIVE INFORMATION

	30/6/19	30/6/18
A. Common equity tier 1 (CET1) prior to application of prudential filters	4,678,052	4,874,074
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(44,088)	(37,858)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	4,633,964	4,836,216
D. Items to be deducted from CET1	(959,383)	(928,616)
E. Phase-in regime - impact on CET1 (+/-)*	781,643	865,084
F. Total common equity Tier 1 (CET1) (C-D+/-E)	4,456,224	4,772,684
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 (+/-)	—	—
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	1,525,335	1,829,094
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(313,084)	(278,715)
O. Phase-in regime - Impact on T2 (+/-)	—	—
P. Total T2 (M-N+/-O)	1,212,251	1,550,379
Q. Total own funds (F+L+P)	5,668,475	6,323,063

* The adjustments include application of the transitional arrangements for the introduction of IFRS 9.

2.3 Capital adequacy

QUALITATIVE INFORMATION

As at 30 June 2019, Mediobanca's Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 14.37%, lower than at 30 June 2018 (16.24%) due chiefly to the treasury share buyback scheme launched and lower valuation reserve which reduce buffers while increasing the incidence of financial investments deduction (from €300.4m to €457.9m). A prudential filter has been applied to the reduction in net equity which emerged on first-time adoption of IFRS 9 (€18.2m net of the tax effect), in an amount of €2.8m (equal to 95% of the higher loan loss provisions booked on third parties' loans – writebacks on intercompany exposures have not been considered since they benefit from the exemption on RWAs calculation), in line with the phase-in regime.

The increase in RWAs (up from €29.4m to €31m) is mainly due to the higher number of exposures towards the associate Mediobanca International which, being based on a foreign country, cannot benefit from the exemption. Conversely, Total Capital Ratio fell from 21.51% to 18.28%.

B. QUANTITATIVE INFORMATION

Categories/Values	Unweighted amounts *		Weighted amounts/requirements	
	30/6/19	30/6/18	30/6/19	30/6/18
A. RISK ASSETS				
A.1 Credit and counterpart risk	62,062,073	60,220,201	26,417,930	25,055,650
1. Standard methodology	46,695,828	45,590,591	17,714,112	16,734,818
2. Internal rating methodology	15,209,628	14,467,969	8,583,698	8,192,795
2.1 Basic	15,209,628	14,467,969	8,583,698	8,192,795
2.2 Advanced	—	—	—	—
3. Securitization	156,617	161,641	120,120	128,037
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			2,113,434	2,004,452
B.2 Credit valuation risk			49,712	51,090
B.3 Settlement risk			—	—
B.4 Market risk			199,990	183,914
1. Standard methodology			199,990	183,914
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Operational risk			117,328	112,157
1. Basic Indicator Approach (BIA)			117,328	112,157
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			2,480,464	2,351,614
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			31,005,802	29,395,171
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			14.37%	16.24%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			14.37%	16.24%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			18.28%	21.51%

* For the standardized methodology, the "unweighted amounts", as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the AIRB ratings methodology, the "unweighted amounts" correspond to the "exposure at default" (EAD). For guarantees issued and commitments to disburse funds, credit conversion factors are also included in the EAD calculation.

Part G – Combinations involving Group companies or business units

SECTION 1

Transactions completed during the period

On 10 April 2019, Mediobanca S.p.A. completed the acquisition of a 66.4% stake in Messier Maris & Associés. The consideration of €107.9m was paid entirely in Mediobanca shares from the buyback scheme currently in progress.

For further details, please see Part B of the Notes to the Individual Accounts, Section 7 (Equity Investments).

SECTION 2

Transactions completed since the reporting date

No transactions have taken place since the reporting date.

SECTION 3

Retrospective adjustments

No adjustments have been made to the accounts in connection with previous business combinations for the period under review.

Part H - Related party disclosure

1. Board member and senior management remuneration

Remuneration paid to directors, statutory auditors and management with strategic responsibilities (pursuant to Consob resolution no. 18049 of 23 December 2011)

	Compensation			
	Emoluments payable in connection to post	Non-cash benefits *	Bonuses and other incentives	Other compensations
BOARD OF DIRECTORS [1]	2,335.2	1,174.2	1,482.4	5,100.0
of which: management	*300.0*	*1,174.2*	*1,482.4*	*5,100.0*
MANAGEMENT with strategic responsibilities [2]	—	324.3	1,725.4	3,628.3
STATUTORY AUDIT COMMITTEE [3]	460.0	—	—	—

* Includes the value of fringe benefits (according to which items are taxable), including insurance policies and complementary pension schemes, and hence does not include costs in respect of equity payments equal to €3m

[1] Includes fifteen directors in office at 30 June 2019.

[2] Includes eight strategic managers at 30 June 2019.

[3] Includes three statutory auditors in office at 30 June 2019.

2. Related party disclosure

In January 2011 the Group adopted its own related parties procedure, in pursuance of Consob resolution no. 17221 issued on 12 March 2010. The purpose of the procedure is to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has incorporated the Bank of Italy's most recent instructions on this subject to this procedure, which introduce prudential limits for risk activities versus related parties. The new version of the procedure came into force on 31 December 2012 and was updated in June 2019. The full document is published on the Bank's website at www.mediobanca.com.

For the definition of related parties adopted, please see part A of the notes to the accounts (Accounting Policies).

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management's compensation are provided in a footnote to the table.

1.1 Regular financial disclosure: most significant transactions

There were no such transactions to report during the financial year under review.

1.2 Quantitative information

The exposure to non-Group companies (representing the sum of assets plus guarantees and commitments) increased during the year under review, from €1bn to €1.4bn and now represents approx. 2.1% of total assets (30/6/18: 1.6%). Similarly, interest income from such items grew from 2.8% to 3.4%.

Situation as at 30 june 2019

(€m)

	Group companies	Directors, statutory auditors and strategic management	Associates	Other related party	Total
Assets	23,337.8	—	355.1	1,007.7	24,700.6
of which: other assets	*6,880.5*	—	*138.8*	*771.7*	*7,791.0*
loans and advances	*16,457.3*	—	*216.3*	*236.0*	*16,909.6*
Liabilities	18,557.9	—	0.1	389.9	18,947.9
Guarantees and commitments	8,656.9	—	10.0	—	8,666.9
Interest income	335.2	—	8.9	15.2	359.3
Interest expense	(223.2)	—	—	—	(223.2)
Net fee income	14.0	—	0.5	7.0	21.5
Other income (cost)	241.8	(21.2) [1]	0.3	(21.2)	199.7

[1] Of which: short-term benefits amounting to €18.1m and performance shares worth €3m. The figure refers to the eight staff members included in the definition of management with strategic responsibilities.

Situation as at 30 june 2018

(€m)

	Group companies	Directors, statutory auditors and strategic management	Associates	Other related party	Total
Assets	20,553.0	—	407.4	559.1	21,519.5
of which: other assets	*5,707.1*	—	*212.1*	*372.2*	*6,291.4*
loans and advances	*14,845.9*	—	*195.3*	*186.9*	*15,228.1*
Liabilities	16,529.2	—	0.1	177.6	16,706.9
Guarantees and commitments	10,434.1	—	—	43.0	10,477.1
Interest income	320.5	—	8.8	12.2	341.5
Interest expense	(192.5)	—	—	—	(192.5)
Net fee income	20.9	—	2.7	10.0	33.6
Other income (cost)	2.1	(17.6) [1]	(0.7)	(1.5)	(17.7)

[1] Of which: short-term benefits amounting to €19.7m and performance shares worth €2.8m. The figure refers to the eight staff members included in the definition of management with strategic responsibilities.

Part I – Share-based payment schemes

QUALITATIVE INFORMATION

1. Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments

The increases in the Bank's share capital for use in connection with the stock option, performance stock option and performance share schemes approved reflect the following situation:

Extraordinary general meeting	No. of shares approved	Awards expire on	Deadline for exercising option	No. of options and performance shares awarded
Stock options schemes				
28 october 2004	15,000,000	28 October 2009	1 July 2020	12,765,000
Of which: to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	*3,375,000* [2]
27 october 2007	40,000,000	27 June 2012	1 July 2022	15,536,000
Performance shares schemes				
28 october 2015	20,000,000	X	28 October 2020	5,096,209 [3]

[1] At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Board members.

[2] Of these, 2,000,000 were granted to one former director.

[3] In respect of awards made in 2014, 2015, 2016 and 2017.

2. Description of stock option and performance stock option schemes

The stock option and performance stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of eight years and a vesting period of thirty-six months.

The schemes were launched with a dual purpose: encouraging loyalty retention among key staff members, i.e. persuading employees with essential and/or critical roles within the Group to stay with Mediobanca; and making the remuneration package offered to them more diversified and flexible.

The choice of beneficiaries and decisions as to the number of options to be allocated are taken in view of the role performed by the person concerned with the company's organization and their importance in terms of creating value.

Awards of stock options finished with the financial year ended 30 June 2012, and the vesting ended in June 2015; hence the remaining shares from the resolution adopted by shareholders in general meeting cannot be used.

3. Description of performance share scheme

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has also chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2015 (in renewal of the scheme approved by shareholders in annual general meeting on 28 October 2010).

Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– Bring the Bank's remuneration structure into line with the regulations requiring that a share of the variable remuneration component be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;
– Align the interests of Mediobanca's management with those of shareholders to create value over the medium/long term.

In connection with this proposal, a resolution to increase the company's share capital was adopted by shareholders at the annual general meeting referred to above, with up to 20 million new Mediobanca shares being issued; the 15,445,795 treasury shares owned by the Bank may also be used for this purpose.

During the period under review, as part of staff variable remuneration for the 2018 financial year, a total of 1,639,456 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three- or four-year time horizon, will be made available (for Board members and other employees with more strategical functions) in tranches FY 2020/21 (up to 763,905), FY 2021/22 (up to 451,496), FY 2022/23 (up to 327,600) and FY 2023/24 (up to 96,455).

Beneficiaries were also awarded a total of 1,757,556 shares, all treasury shares.

After the reporting date, as part of staff variable remuneration for the 2019 financial year, a total of 1,460,454 performance shares were awarded, at notional cost of €11.7m in connection with the variable component only; the shares, which are conditional upon certain performance targets being met over a three, four and five-year time horizon, will be made available in tranches in November 2021 (up to 698,539), November 2022 (up to 401,034), November 2023 (up to 283,556) and November 2024 (up to 77,325).

QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

	30/6/19			30/6/18		
	No. of option	Avg. price	Avg. maturity	No. of option	Avg. price	Avg. maturity
A. Balance at start of period	642,500	6.51	October 18	4,412,500	6.53	August 18
B. Additions			X			X
B.1 New issues	—	—		—	—	
B.2 Other additions	—	—	X	—	—	X
C. Reductions			X			X
C.1 Performance shares canceled	—	—	X	—	—	X
C.2 Performance shares made available	642,500	6.51	X	3,770,000	6.54	X
C.3 Performance shares expired	—	—	X	—	—	X
C.4 Other reductions	—	—	X	—	—	X
D. Balance at end of period	—	—		642,500	6.51	October 18
E. Performance shares exercisable as at reporting date	—	—	X	642,500	6.51	X

2. Changes to performance share scheme during the period

	30/6/19		30/6/18	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	4,777,174	6.67	4,834,282	6.38
B. Additions				
B.1 New issues	1,639,456	6.73	1,687,656	7.92
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Performance shares canceled	—	—	—	—
C.2 Performance shares made available	1,757,556	6.36	1,500,283	7.08
C.3 Performance shares expired	—	—	—	—
C.4 Other reductions	—	—	244,481	6.99
D. Balance at end of period	4,659,074	6.80	4,777,174	6.67

ANNEXES

Mediobanca S.p.A.: reconciliation of Financial Statements

Mediobanca S.p.A.: comparison between restated balance sheet and format recommended by Bank of Italy circular no. 262/05, fifth update

Balance sheet as at 30 June 2019 (€m)

Assets	Financial assets held for trading	Treasury financial assets	Banking book securities	Customer loans	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	632.6	—	—	—	—	—	632.6
20. Financial assets at fair value with impact taken to profit and loss	10,047.3	—	55.6	223.7	548.4	—	—	10,875.0
a) Financial assets held for trading	*10,047.3*	—	—	—	—	—	—	*10,047.3*
b) Financial assets designated at fair value	—	—	*52.0*	—	—	—	—	*52.0*
c) Other financial assets mandatorily at fair value	—	—	*3.6*	*223.7*	*548.4*	—	—	*775.7*
30. Financial assets at fair value with impact taken to comprehensive income	—	—	3,748.2	—	136.3	—	—	3,884.5
40. Financial assets at amortized cost	—	10,884.8	6,975.5	28,447.3	—	—	55.7	46,363.4
50. Hedging derivatives	—	—	—	—	—	—	409.9	409.9
60. Adjustment of hedging financial assets (+ /-)	—	—	—	—	—	—	—	—
70. Equity investments	—	—	—	—	3,191.8	—	—	3,191.8
80. Property, plant and equipments	—	—	—	—	—	115.2	—	115.2
90. Intangible assets	—	—	—	—	—	32.5	—	32.5
100. Tax assets	—	—	—	—	—	—	182.1	182.1
110. Assets classified as held for sale	—	—	—	—	—	—	—	—
120. Other assets	—	—	—	—	—	—	221.1	221.1
Total assets	**10,047.3**	**11,517.4**	**10,779.3**	**28,671.0**	**3,876.5**	**147.7**	**868.8**	**65,908.1**

Balance Sheet as at 30 June 2019

(€m)

Liabilities and net equity	Funding	Treasury financial liabilities	Financial liabilities held for trading	Other liabilities	Provisions	Net equity and minority interests	Total liabilities and net equity
10. Financial liabilities at amortized cost	42,697.8	8,636.2	—	5.3	—	—	51,339.3
a) Due to banks	*21,752.8*	*7,439.8*	—	*4.9*	—	—	*29,197.5*
b) Due to customers	*4,943.4*	*1,196.4*	—	*0.2*	—	—	*6,140.0*
c) Debt securities in issue	*16,001.5*	—	—	*0.2*	—	—	*16,001.7*
20. Trading financial liabilities	—	—	8,280.3	—	—	—	8,280.3
30. Financial liabilities designated at fair value	55.9	—	—	—	—	—	55.9
40. Hedging derivatives	—	—	—	184.7	—	—	184.7
50. Adjustment of hedging financial liabilities (+ /-)	—	—	—	—	—	—	—
60. Tax liabilities	—	—	—	424.7	—	—	424.7
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	—
80. Oher liabilities	—	—	—	310.4	—	—	310.4
90. Staff severance indemnity provision	—	—	—	—	7.9	—	7.9
100. Provisions	—	—	—	—	118.1	—	118.1
110. Revaluation reserves	—	—	—	—	—	85.7	85.7
120. Redeemable shares repayable on demand	—	—	—	—	—	—	—
130. Equity instruments repayable on demand	—	—	—	—	—	—	—
140. Reserves	—	—	—	—	—	2,217.7	2,217.7
150. Share premium reserve	—	—	—	—	—	2,195.6	2,195.6
160. Share capital	—	—	—	—	—	443.6	443.6
170. Treasury share (-)	—	—	—	—	—	(142.0)	(142.0)
180. Profit/(loss) for the period (+ /-)	—	—	—	—	—	386.2	386.2
Total liabilities and net equity	**42,753.7**	**8,636.2**	**8,280.3**	**925.1**	**126.0**	**5,186.8**	**65,908.1**

Reconciliation between reclassified Profit and loss Account and mandatory Profit and Loss ex Bank of Italy circular 262/2005

(€m)

Profit-and-loss account	Net interest income	Net treasury income	Net fee and commission income	Dividends on investments	Operating costs	Gains (losses) on disposal of equity holdings	Loan loss provisions	Provisions forother financial assets	Impairment on investments	Other income (losses)	Income tax for the period	Net profit
10. Interest and similar income	706.8	—	—	—	—	—	—	—	—	—	—	706.8
20. Interest expense and similar charges	(619.9)	—	—	—	—	—	—	—	—	—	—	(619.9)
30. Net interest income	**86.9**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**86.9**
40. Fee and commission income	3.8	10.6	238.8	—	—	—	—	—	—	—	—	253.2
50. Fee and commission expense	(0.4)	(10.2)	(23.8)	—	—	—	—	—	—	—	—	(34.4)
60. Net fee and commission income	**3.4**	**0.4**	**215.0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**218.8**
70. Dividends and similar income	—	105.6	—	332.4	—	—	—	—	—	—	—	438.0
80. Net trading income	(4.0)	(4.3)	—	—	—	—	—	—	—	—	—	(8.3)
90. Net hedging income (expense)	5.5	—	—	—	—	—	—	—	—	—	—	5.5
100. Gain (loss) on disposal/repurchase	—	83.2	—	—	—	—	—	—	—	—	—	83.2
110. Net result from other financial assets and liabilities measured at fair value with impact	—	—	—	—	—	—	17.0	(1.2)	—	—	—	15.8
120. taken to profit and loss:	**91.8**	**184.9**	**215.0**	**332.4**	**—**	**—**	**17.0**	**(1.2)**	**—**	**—**	**—**	**839.9**
130. Total income	—	—	—	—	—	—	40.3	(3.6)	—	—	—	36.7
140. Net write-offs (write-backs) for credit risk	—	—	—	—	—	—	—			—	—	—
150. Gains (losses) from contractual modifications without derecognition	**91.8**	**184.9**	**215.0**	**332.4**	**—**	**—**	**57.3**	**(4.8)**	**—**	**—**	**—**	**876.6**
160. Net income fromfinancial operations	—	—	(0.3)	—	(407.5)	—	—	—	—	(29.0)	—	(436.8)
170. Administrative expenses	—	—	—	—	(0.3)	—	1.3	—	—	—	—	1.0
180. Net transfers to provisions	—	—	—	—	(3.1)	—	—	—	—	—	—	(3.1)
190. Net adjustments to tangible assets	—	—	—	—	(6.9)	—	—	—	—	—	—	(6.9)
200. Net adjustments to intangible assets	—	—	16.4	—	(1.8)	—	—	—	—	—	—	14.6
210. Other operating income (expense)	**—**	**—**	**16.1**	**—**	**(419.6)**	**—**	**1.3**	**—**	**—**	**(29.0)**	**—**	**(431.2)**
220. Operating costs	—	—	—	—	—	—	—	—	(4.2)	—	—	(4.2)
230. Gain (loss) on equity investments	—	—	—	—	—	—	—	—	—	—	—	—
240. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—	—
250. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—	—
260. Gain (loss) on disposal of investments	**91.8**	**184.9**	**231.1**	**332.4**	**(419.6)**	**—**	**58.6**	**(4.8)**	**(4.2)**	**(29.0)**	**—**	**441.2**
270. Profit (loss) on ordinary activity before tax	—	—	—	—	—	—	—	—	—	—	(55.0)	(55.0)
280. Income tax for the year on ordinary activities	**91.8**	**184.9**	**231.1**	**332.4**	**(419.6)**	**—**	**58.6**	**(4.8)**	**(4.2)**	**(29.0)**	**(55.0)**	**386.2**
290. Profit (loss) on ordinary activities after tax	—	—	—	—	—	—	—	—	—	—	—	—
300. Gain (loss) of ceded operating assets, net of tax	**91.8**	**184.9**	**231.1**	**332.4**	**(419.6)**	**—**	**58.6**	**(4.8)**	**(4.2)**	**(29.0)**	**(55.0)**	**386.2**
Net profit (loss) forthe period												

Table A

Asset Revaluation Statement

			(€)
Revalued assets	**Original revaluation**	**Decrease due to disposal or writedown**	**Current revaluation**
– property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)			
revaluation effected under Law no. 576 of 2 december 1975	2,609,651.24	—	2,609,651.24
revaluation effected under Law no. 72 of 19 march 1983	11,620,280.23	—	11,620,280.23
revaluation effected under Law no. 413 of 30 december 1991	4,174,707.04	—	4,174,707.04
			18,404,638.51
– property in Piazza Paolo Ferrari 6			
revaluation effected under Law no. 72 of 19 march 1983	815,743.67	—	815,743.67
			815,743.67

Balance sheets and profit and loss accounts of investments in Group undertakings (including indirect investments)

Banks (IAS/IFRS)

Table B

BALANCE SHEET

		COMPAGNIE MONEGASQUE DE BANQUE *	CHEBANCA!	COMPASS BANCA
		(€/000)	(€/000)	(€/000)
	ASSETS			
10.	Cash and cash equivalents	3,217	98,948	3,568
20.	Financial assets at fair value with impact taken to profit and loss	51,547	20,220	—
	a) Financial assets held for trading	*40,372*	—	—
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	*11,175*	*20,220*	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	2,319
40.	Financial assets at amortized cost	4,199,286	21,105,140	12,506,024
	a) Due from banks	*2,815,476*	*11,684,537*	*624,893*
	b) Due from customers	*1,383,810*	*9,420,603*	*11,881,131*
50.	Hedging derivatives	812	—	378
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	648	69	103,681
80.	Property, plant and equipments	16,969	6,654	16,450
90.	Intangible assets	10,012	12,639	354,315
	of which:			
	goodwill	—	—	*354,033*
100.	Tax assets	—	42,730	498,550
	a) current	—	*436*	*25,239*
	b) deferred	—	*42,294*	*473,311*
110.	Assets classified as held for sale	—	22,168	—
120.	Other assets	14,564	234,209	165,384
	TOTAL ASSETS	**4,297,055**	**21,542,777**	**13,650,669**

* Table compiled in accordante with the regulation provided under the Article 15 of CONSOB Market Regulation and Article 2, 6, 2 Italian stock exchange regulation (pro-forma, as at 30 June 2019, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

BALANCE SHEET

		COMPAGNIE MONEGASQUE DE BANQUE * (€/000)	CHEBANCA! (€/000)	COMPASS BANCA (€/000)
	LIABILITIES			
10.	Financial liabilities at amortized cost	3,456,896	20,748,619	11,398,142
	a) Due to banks	*25,953*	*5,716,558*	*10,780,603*
	b) Due to customers	*3,430,943*	*15,032,061*	*617,539*
	c) Debt securities in issue	—	—	—
20.	Trading financial liabilities	3,457	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	—	174,864	49,216
50.	Adjustment of hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	—	6,810	46,579
	a) current	—	*3,150*	*43,689*
	b) deferred	—	*3,660*	*2,890*
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	25,940	231,911	232,106
90.	Staff severance indemnity provision	—	2,146	8,263
100.	Provisions	4,520	33,020	6,481
	a) commitments and financial guarantees	—	*156*	*4,145*
	b) post-employment and similar benefits	—	—	—
	c) other provisions	*4,520*	*32,864*	*2,336*
110.	Revaluation reserves	—	(461)	(33,961)
120.	Redeemable shares	—	—	—
130.	Equity instruments	—	—	—
140.	Reserves	661,621	(131,362)	1,081,996
150.	Share premium reserves	4,573	233,750	-
160.	Share capital	111,110	226,250	587,500
170.	Treasury shares	—	—	—
180.	Profit (loss) for the period (+/-)	28,938	17,230	274,347
	TOTAL LIABILITIES AND NET EQUITY	**4,297,055**	**21,542,777**	**13,650,669**

* Table compiled in accordante with the regulation provided under the Article 15 of CONSOB Market Regulation and Article 2, 6, 2 Italian stock exchange regulation (pro-forma, as at 30 June 2019, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

PROFIT AND LOSS

		COMPAGNIE MONEGASQUE DE BANQUE * (€/000)	CHEBANCA! (€/000)	COMPASS BANCA (€/000)
10.	Interest and similar income	57,944	343,566	1,010,957
	of which: interest income calculated according to the effective interest method	—	*164,131*	*1,009,865*
20.	Interest expense and similar charges	(17,169)	(132,671)	(169,876)
30.	**Net interest income**	**40,775**	**210,895**	**841,081**
40.	Fee and commission income	48,100	117,059	54,770
50.	Fee and commission expense	(6,657)	(32,524)	(54,414)
60.	**Net fee and commission income**	**41,443**	**84,535**	**356**
70.	Dividends and similar income	1,814	13	15
80.	Net trading income	4,805	779	—
90.	Net hedging income (expense)	—	(322)	—
100.	Gain (loss) on disposal/repurchase:	—	1,588	(8,751)
	a) financial assets measured at amortized cost	—	*1,588*	*(8,751)*
	b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
	c) financial liabilities	—	—	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	235	(6,155)	—
	a) financial assets and liabilities designated at fair value	*235*	—	—
	b) other financial assets mandatorily valued at fair value	—	*(6,155)*	—
120.	**Total income**	**89,072**	**291,333**	**832,701**
130.	Net write-offs (write-backs) for credit risk:	424	(18,235)	(225,352)
	a) financial assets measured at amortized cost	*424*	*(18,235)*	*(225,352)*
	b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	(241)	—
150.	**Net income from financial operations**	**89,496**	**272,857**	**607,349**
160.	Administrative expenses:	(55,588)	(281,708)	(304,959)
	a) personnel coss	***(35,275)***	***(105,834)***	***(93,995)***
	b) other administrative expenses	***(20,313)***	***(175,874)***	***(210,964)***
170.	Net transfers to provisions:	47	20	(1,231)
	a) commitments and financial guarantees	—	*244*	*(827)*
	b) other sums set aside (net)	*47*	*(224)*	*(404)*
180.	Net adjustments to tangible assets	(1,546)	(1,224)	(2,269)
190.	Net adjustments to intangible assets	(2,086)	(6,234)	(146)
200.	Other operating income (expense)	3,901	42,438	111,962
210.	**Operating costs**	**(55,272)**	**(246,708)**	**(196,643)**
220.	Gain (loss) on equity investments	—	—	—
230.	Net result from fair value valuation of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	—	—
250.	Gain (loss) on disposal of investments	—	—	—
260.	**Profit (loss) on ordinary activity before tax**	**34,224**	**26,149**	**410,706**
270.	Income tax for the year on ordinary activities	(5,286)	(8,919)	(136,359)
280.	**Profit (loss) on ordinary activities after tax**	**28,938**	**17,230**	**274,347**
290.	Gain (loss) of ceded operating assets, net of tax	—	—	—
300.	**Net profit (loss) for the period**	**28,938**	**17,230**	**274,347**

* Table compiled in accordante with the regulation provided under the Article 15 of CONSOB Market Regulation and Article 2, 6, 2 Italian stock exchange regulation (pro-forma, as at 30 June 2019, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€/000)
	ASSETS	
10.	Cash and cash equivalents	1
20.	Financial assets at fair value with impact taken to profit and loss	58,541
	a) Financial assets held for trading	*58,541*
	b) Financial assets designated at fair value	—
	c) Other financial assets mandatorily at fair value	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	7,793,213
	a) Due from banks	*3,287,070*
	b) Due from customers	*4,506,143*
50.	Hedging derivatives	15,564
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	4,150
80.	Property, plant and equipments	10
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	12,580
	a) current	*12,580*
	b) deferred	—
110.	Assets classified as held for sale	—
120.	Other assets	4,544
	TOTAL ASSETS	**7,888,603**
	LIABILITIES	
10.	Financial liabilities at amortized cost	7,480,288
	a) Due to banks	*3,242,845*
	b) Due to customers	*110,028*
	c) Debt securities in issue	*4,127,415*
20.	Trading financial liabilities	55,634
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	91
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	7,406
	a) current	*7,406*
	b) deferred	—
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	2,974
90.	Staff severance indemnity provision	—
100.	Provisions	739
110.	Revaluation reserves	—
120.	Redeemable shares	—
130.	Equity instruments	—
140.	Reserves	328,248
150.	Share premium reserves	—
160.	Share capital	10,000
170.	Treasury shares	—
180.	Profit (loss) for the period (+/-)	3,223
	TOTAL LIABILITIES AND NET EQUITY	**7,888,603**

PROFIT AND LOSS

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€/000)
10.	Interest and similar income	110,325
	of which: interest income calculated according to the effective interest method	—
20.	Interest expense and similar charges	(98,107)
30.	**Net interest income**	**12,218**
40.	Fee and commission income	14,580
50.	Fee and commission expense	(9,560)
60.	**Net fee and commission income**	**5,020**
70.	Dividends and similar income	—
80.	Net trading income	733
90.	Net hedging income (expense)	7
100.	Gain (loss) on disposal/repurchase:	(87)
	a) financial assets measured at amortized cost	*102*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
	c) financial liabilities	*(189)*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets and liabilities designated at fair value	—
	b) other financial assets mandatorily valued at fair value	—
120.	**Total income**	**17,891**
130.	Net write-offs (write-backs) for credit risk:	(3,455)
	a) financial assets measured at amortized cost	*(3,455)*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**14,436**
160.	Administrative expenses:	(10,066)
	a) personnel coss	*(1,961)*
	b) other administrative expenses	*(8,105)*
170.	Net transfers to provisions:	6
180.	Net adjustments to tangible assets	(4)
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	(51)
210.	**Operating costs**	**(10,115)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	—
260.	**Profit (loss) on ordinary activity before tax**	**4,321**
270.	Income tax for the year on ordinary activities	(1,098)
280.	**Profit (loss) on ordinary activities after tax**	**3,223**
290.	Gain (loss) of ceded operating assets, net of tax	—
300.	**Net profit (loss) for the period**	**3,223**

Financial companies (IAS/IFRS)

BALANCE SHEET

		FUTURO (€/000)	MBCREDIT SOLUTIONS (€/000)
	ASSETS		
10.	Cash and cash equivalents	—	2
20.	Financial assets at fair value with impact taken to profit and loss	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—
40.	Financial assets at amortized cost	1,698,406	385,230
	a) Due from banks	*191*	*15,604*
	b) Due from financial companies	—	*334*
	c) Due from customers	*1,698,215*	*369,292*
50.	Hedging derivatives	85	—
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Equity investments	9	—
80.	Property, plant and equipments	22	138
90.	Intangible assets	43	632
100.	Tax assets	9,976	15,826
	a) current	*3,183*	*2,365*
	b) deferred	*6,793*	*13,461*
110.	Assets classified as held for sale	—	—
120.	Other assets	8,784	14,948
	TOTAL ASSETS	**1,717,325**	**416,776**
	LIABILITIES		
10.	Financial liabilities at amortized cost	1,537,447	243,209
	a) Due to	*1,537,447*	*243,209*
20.	Trading financial liabilities	—	—
30.	Financial liabilities designated at fair value	—	—
40.	Hedging derivatives	11,808	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	3,464	2,880
	a) current	*3,464*	*2,880*
	b) deferred	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—
80.	Oher liabilities	19,441	12,740
90.	Staff severance indemnity provision	141	4,555
100.	Provisions	1,416	1,794
	a) commitments and financial guarantees	*156*	—
	b) post-employment and similar benefits	—	—
	c) other provisions	*1,260*	*1,794*
110.	Share capital	14,800	32,500
120.	Treasury shares (-)	—	—
130.	Equity instruments	—	—
140.	Share premium reserve	—	—
150.	Reserves	115,410	100,272
160.	Valuation reserves	(7,549)	(731)
180.	Profit (loss) for the period	20,947	19,557
	TOTAL LIABILITIES AND NET EQUITY	**1,717,325**	**416,776**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		FUTURO (€/000)	MBCREDIT SOLUTIONS (€/000)
10.	Interest and similar income	80,956	38,200
	of which: interest income calculated according to the effective interest method	*(80,906)*	—
20.	Interest expense and similar charges	(26,407)	(2,803)
30.	**Net interest income**	**54,549**	**35,397**
40.	Fee and commission income	1,512	25,229
50.	Fee and commission expense	(4,950)	(6,921)
60.	**Net fee and commission income**	**(3,438)**	**18,308**
70.	Dividends and similar income	—	—
80.	Net trading income	—	2
90.	Net hedging income (expense)	—	—
100.	Gain (loss) on disposal/repurchase:	—	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
120.	**Total income**	**51,111**	**53,707**
130.	Net write-offs (write-backs) for credit risk:	(3,402)	15,609
	a) Financial assets valued at amortized cost	*(3,402)*	*15,609*
140.	Gains (losses) from contractual modifications without derecognition	—	—
150.	**Net income from financial operations**	**47,709**	**69,316**
160.	Administrative expenses:	(15,093)	(40,937)
	a) personnel coss	*(5,121)*	*(13,940)*
	b) other administrative expenses	*(9,972)*	*(26,997)*
170.	Net transfers to provisions:	(255)	(138)
	a) commitments and financial guarantees	*(3)*	—
	b) other sums set aside (net)	*(252)*	*(138)*
180.	Net adjustments to tangible assets	(14)	(55)
190.	Net adjustments to intangible assets	(55)	(619)
200.	Other operating income (expense)	(1,273)	1,304
210.	**Operating costs**	**(16,690)**	**(40,445)**
220.	Gain (loss) on equity investments	—	—
230.	Net result from fair value valuation of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gain (loss) on disposal of investments	—	—
260.	**Profit (loss) on ordinary activity before tax**	**31,019**	**28,871**
270.	Income tax for the year on ordinary activities	(10,072)	(9,314)
280.	**Profit (loss) on ordinary activities after tax**	**20,947**	**19,557**
290.	Gain (loss) of ceded operating assets, net of tax	—	—
300.	**Net profit (loss) for the period**	**20,947**	**19,557**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		SELMABIPIEMME LEASING (€/000)
	ASSETS	
10.	Cash and cash equivalents	5
20.	Financial assets at fair value with impact taken to profit and loss	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	1,997,295
	a) Due from banks	*14,793*
	b) Due from financial companies	*10,979*
	c) Due from customers	*1,971,523*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	55,433
90.	Intangible assets	689
100.	Tax assets	40,881
	a) current	*1,016*
	b) deferred	*39,865*
110.	Assets classified as held for sale	—
120.	Other assets	15,690
	TOTAL ASSETS	**2,109,993**
	LIABILITIES	
10.	Financial liabilities at amortized cost	1,850,362
	a) Due to	*1,850,362*
20.	Trading financial liabilities	392
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	11,123
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	10,360
	a) current	*1,976*
	b) deferred	*8,384*
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	16,083
90.	Staff severance indemnity provision	1,812
100.	Provisions	10,351
	a) commitments and financial guarantees	*44*
	b) post-employment and similar benefits	—
	c) other provisions	*10,307*
110.	Share capital	41,305
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	4,620
150.	Reserves	165,410
160.	Valuation reserves	(7,151)
180.	Profit (loss) for the period	5,326
	TOTAL LIABILITIES AND NET EQUITY	**2,109,993**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		SELMABIPIEMME LEASING (€/000)
10.	Interest and similar income	51,721
	of which: interest income calculated according to the effective interest method	*51,721*
20.	Interest expense and similar charges	(11,760)
30.	**Net interest income**	**39,961**
40.	Fee and commission income	2,069
50.	Fee and commission expense	(1,161)
60.	**Net fee and commission income**	**908**
70.	Dividends and similar income	—
80.	Net trading income	40
90.	Net hedging income (expense)	41
100.	Gain (loss) on disposal/repurchase:	—
	a) financial assets at amortized cost	—
	b) financial assets measured at fair value with impact taken to other comprehensive income	—
	c) financial liabilities	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	financial assets and liabilities designated at fair value	—
	b) other financial assets mandatorily measured at fair value	—
120.	**Total income**	**40,950**
130.	Net write-offs (write-backs) for credit risk:	(8,702)
	a) financial assets valued at amortized cost	*(8,702)*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	42
150.	**Net income from financial operations**	**32,290**
160.	Administrative expenses:	(22,738)
	a) personnel coss	*(12,739)*
	b) other administrative expenses	*(9,999)*
170.	Net transfers to provisions:	(2,787)
	a) commitments and financial guarantees	*16*
	b) other sums set aside (net)	*(2,803)*
180.	Net adjustments to tangible assets	(2,053)
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	1,983
210.	**Operating costs**	**(25,595)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	(73)
260.	**Profit (loss) on ordinary activity before tax**	**6,622**
270.	Income tax for the year on ordinary activities	(1,296)
280.	**Profit (loss) on ordinary activities after tax**	**5,326**
290.	Gain (loss) of ceded operating assets, net of tax	—
300.	**Net profit (loss) for the period**	**5,326**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	PROMINVEST (under liquidation and arrangement with customers)	MEDIOBANCA INTERNATIONAL IMMOBILIERE	MB FUNDING LUX	CAIRN CAPITAL LIMITED GROUP *	CMB WEALTH MANAGEMENT LTD (under liquidation) **
	(€/000)	(€/000)	(€/000)	(£/000)	(£/000)
ASSETS					
10. Cash and cash equivalents	—	—	236	—	—
20. Financial assets at fair value with impact taken to profit and loss	—	—	—	1,910	—
a) Financial assets held for trading	—	—	—	—	—
b) Financial assets designated at fair value	—	—	—	—	—
c) Other financial assets mandatorily at fair value	—	—	—	*1,910*	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	—
40. Financial assets at amortized cost	390	92	860,000	1,595	122
a) Due from banks	*197*	*92*	*860,000*	*1,595*	*122*
b) Due from financial companies	—	—	—	—	—
c) Due from customers	*193*	—	—	—	—
50. Hedging derivatives	—	—	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—
70. Equity investments	—	—	—	—	—
80. Property, plant and equipments	—	1,698	—	254	—
90. Intangible assets	—	—	—	—	—
of which:					
goodwill	—	—	—	—	—
100. Tax assets	2	6	—	—	—
a) current	*2*	*6*	—	—	—
b) deferred	—	—	—	—	—
110. Assets classified as held for sale	—	—	—	—	—
120. Other assets	29	10	1,071	8,440	—
TOTAL ASSETS	**421**	**1,806**	**861,307**	**12,199**	**122**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

** The company has not published any individual financial statement, dut to the on-going liquidation process.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	PROMINVEST (under liquidation and arrangement with customers)	MEDIOBANCA INTERNATIONAL IMMOBILIERE	MB FUNDING LUX	CAIRN CAPITAL LIMITED GROUP *	CMB WEALTH MANAGEMENT LTD (under liquidation) **
	(€/000)	(€/000)	(€/000)	(£/000)	(£/000)
LIABILITIES					
10. Financial liabilities at amortized cost	—	—	860,203	5,500	—
a) Due to	—	—	—	*5,500*	—
b) Securities in issue	—	—	*860,203*	—	—
20. Trading financial liabilities	—	—	—	92	—
30. Financial liabilities designated at fair value	—	—	—	—	—
40. Hedging derivatives	—	—	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—
60. Tax liabilities	—	3	21	904	—
a) current	—	*3*	*21*	*904*	—
b) deferred	—	—	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—
80. Oher liabilities	1,020	4	192	1,115	5
90. Staff severance indemnity provision	—	—	—	—	—
100. Provisions	—	—	—	—	—
a) commitments and financial guarantees	—	—	—	—	—
b) post-employment and similar benefits	—	—	—	—	—
c) other provisions	—	—	—	—	—
110. Share capital	743	40	831	—	1800
120. Treasury shares (-)	—	—	—	—	—
130. Equity instruments	—	—	—	—	—
140. Share premium reserve	—	—	—	5,000	—
150. Reserves	(1,191)	1,706	—	3,816	(1,762)
160. Valuation reserves	—	—	—	—	—
180. Profit (loss) for the period	(151)	53	60	(4,228)	79
TOTAL LIABILITIES AND NET EQUITY	**421**	**1,806**	**861,307**	**12,199**	**122**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

** The company has not published any individual financial statement, dut to the on-going liquidation process.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	PROMINVEST (under liquidation and arrangement with customers)	MEDIOBANCA INTERNATIONAL IMMOBILIERE	MB FUNDING LUX	CAIRN CAPITAL LIMITED GROUP *	CMB WEALTH MANAGEMENT LTD (under liquidation) **
	(€/000)	**(€/000)**	**(€/000)**	**(£/000)**	**(£/000)**
10. Interest and similar income	—	—	6,383	5	—
of which: interest income calculated according to the effective interest method	—	—	—	—	—
20. Interest expense and similar charges	(8)	(5)	(6,384)	(147)	—
30. Net interest income	**(8)**	**(5)**	**(1)**	**(142)**	**—**
40. Fee and commission income	—	1	—	14,397	—
50. Fee and commission expense	(1)	—	—	—	—
60. Net fee and commission income	**(1)**	**1**	**—**	**14,397**	**—**
70. Dividends and similar income	—	—	—	172	—
80. Net trading income	—	—	—	(150)	—
90. Net hedging income (expense)	—	—	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—	—	—
a) Financial assets valued at amortized cost	—	—	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—	—	—
c) Financial liabilities	—	—	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—	250	—
a) financial assets designated at fair value	—	—	—	—	—
b) Other financial assets mandatorily valued at fair value	—	—	—	*250*	—
120. Total income	**(9)**	**(4)**	**(1)**	**14,527**	**—**
130. Net write-offs (write-backs) for credit risk:	—	—	—	—	—
a) Financial assets valued at amortized cost	—	—	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—
150. Net income from financial operations	**(9)**	**(4)**	**(1)**	**14,527**	**—**
160. Administrative expenses:	(179)	(32)	(434)	(19,512)	(37)
a) personnel coss	*(12)*	—	—	*(12,480)*	—
b) other administrative expenses	*(167)*	*(32)*	*(434)*	*(7,032)*	*(37)*
170. Net transfers to provisions:	—	—	—	—	—
a) commitments and financial guarantees	—	—	—	—	—
b) other sums set aside (net)	—	—	—	—	—
180. Net adjustments to tangible assets	—	(77)	—	(124)	—
190. Net adjustments to intangible assets	—	—	—	—	—
200. Other operating income (expense)	37	168	511	116	116
210. Operating costs	**(142)**	**59**	**77**	**(19,520)**	**79**
220. Gain (loss) on equity investments	—	—	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—
240. Goodwill write-offs	—	—	—	—	—
250. Gain (loss) on disposal of investments	—	—	—	—	—
260. Profit (loss) on ordinary activity before tax	**(151)**	**55**	**76**	**(4,993)**	**79**
270. Income tax for the year on ordinary activities	—	(2)	(16)	765	—
280. Profit (loss) on ordinary activities after tax	**(151)**	**53**	**60**	**(4,228)**	**79**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—
300. Net profit (loss) for the period	**(151)**	**53**	**60**	**(4,228)**	**79**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

** The company has not published any individual financial statement, dut to the on-going liquidation process.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		COMPAGNIE MONEGASQUE DE GESTION *	RAM ACTIVE INVESTMENTS S.A. *	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. *
		(€/000)	**(CHF/000)**	**(CHF/000)**
	ASSETS			
10.	Cash and cash equivalents	—	—	—
20.	Financial assets at fair value with impact taken to profit and loss	—	303	—
	a) Financial assets held for trading	—	*303*	—
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	—	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	—
40.	Financial assets at amortized cost	1,914	10,559	8,825
	a) Due from banks	*1,514*	*9,731*	*8,825*
	b) Due from financial companies	—	—	—
	c) Due from customers	*400*	*828*	—
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	793	—
80.	Property, plant and equipments	—	1,079	91
90.	Intangible assets	—	100	7
	of which:			
	goodwill	—	—	—
100.	Tax assets	—	310	—
	a) current	—	*289*	—
	b) deferred	—	*21*	—
110.	Assets classified as held for sale	—	—	—
120.	Other assets	3,555	15,228	3,752
	TOTAL ASSETS	**5,469**	**28,372**	**12,675**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

BALANCE SHEET

	COMPAGNIE MONEGASQUE DE GESTION * (€/000)	RAM ACTIVE INVESTMENTS S.A. * (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. * (CHF/000)
LIABILITIES			
10. Financial liabilities at amortized cost	—	—	—
a) Due to	—	—	—
b) Securities in issue	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	
40. Hedging derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	531	915
a) current	—	*531*	*915*
b) deferred	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Oher liabilities	3,748	3,641	8,182
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
a) commitments and financial guarantees	—	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions	—	—	—
110. Share capital	600	1,000	782
120. Treasury shares (-)	—	(4,198)	—
130. Equity instruments	—	500	—
140. Share premium reserve	—	—	—
150. Reserves	(574)	16,177	1,580
160. Valuation reserves	—	—	(34)
180. Profit (loss) for the period	1,695	10,721	1,250
TOTAL LIABILITIES AND NET EQUITY	**5,469**	**28,372**	**12,675**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	COMPAGNIE MONEGASQUE DE GESTION *	RAM ACTIVE INVESTMENTS S.A. *	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. *
	(€/000)	(CHF/000)	(CHF/000)
10. Interest and similar income	4	4	2
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	(86)	(39)
30. Net interest income	**4**	**(82)**	**(37)**
40. Fee and commission income	12,035	39,424	13,182
50. Fee and commission expense	(6,814)	(3,263)	(8,828)
60. Net fee and commission income	**5,221**	**36,161**	**4,354**
70. Dividends and similar income	—	—	—
80. Net trading income	—	27	13
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
a) financial assets valued at amortized cost	—	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
a) financial assets designated at fair value	—	—	—
b) other financial assets mandatorily valued at fair value	—	—	—
120. Total income	**5,225**	**36,106**	**4,330**
130. Net write-offs (write-backs) for credit risk:	—	—	—
a) financial assets valued at amortized cost	—	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**5,225**	**36,106**	**4,330**
160. Administrative expenses:	(2,732)	(21,887)	(2,590)
a) personnel coss	*(1,932)*	*(16,148)*	*(1,768)*
b) other administrative expenses	*(800)*	*(5,739)*	*(822)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	—	(100)	(12)
190. Net adjustments to intangible assets	—	—	—
200. Other operating income (expense)	—	218	—
210. Operating costs	**(2,732)**	**(21,769)**	**(2,602)**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
260. Profit (loss) on ordinary activity before tax	**2,493**	**14,337**	**1,728**
270. Income tax for the year on ordinary activities	(798)	(3,616)	(478)
280. Profit (loss) on ordinary activities after tax	**1,695**	**10,721**	**1,250**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**1,695**	**10,721**	**1,250**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		Messier Maris et Associés S.C.A. * (€/000)	Messier Maris et Associés L.L.C. * (USD/000)
	ASSETS		
10.	Cash and cash equivalents	—	—
20.	Financial assets at fair value with impact taken to profit and loss	—	—
	a) financial assets held for trading	—	—
	b) financial assets designated at fair value	—	—
	c) other financial assets mandatorily at fair value	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—
40.	Financial assets at amortized cost	8,035	231
	a) due from banks	—	*231*
	b) due from financial companies	—	—
	c) due from customers	*8,035*	—
50.	Hedging derivatives	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Equity investments	751	—
80.	Property, plant and equipments	363	—
90.	Intangible assets	17,000	—
	of which:		
	goodwill	—	—
100.	Tax assets	3,146	—
	a) current	*3,146*	—
	b) deferred	—	—
110.	Assets classified as held for sale	—	—
120.	Other assets	520	—
	TOTAL ASSETS	**29,815**	**231**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

BALANCE SHEET

		Messier Maris et Associés S.C.A. * (€/000)	Messier Maris et Associés L.L.C. * (USD/000)
	LIABILITIES		
10.	Financial liabilities at amortized cost	4,296	1,423
	a) due to	*4,296*	*1,423*
	b) securities in issue	—	—
20.	Trading financial liabilities	—	—
30.	Financial liabilities designated at fair value	—	—
40.	Hedging derivatives	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	—	—
	a) current	—	—
	b) deferred	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—
80.	Oher liabilities	10,284	—
90.	Staff severance indemnity provision	—	—
100.	Provisions	—	—
	a) commitments and financial guarantees	—	—
	b) post-employment and similar benefits	—	—
	c) other provisions	—	—
110.	Share capital	50	211
120.	Treasury shares (-)	—	—
130.	Equity instruments	—	—
140.	Share premium reserve	17,732	—
150.	Reserves	(2,843)	(963)
160.	Valuation reserves	—	—
180.	Profit (loss) for the period	296	(440)
	TOTAL LIABILITIES AND NET EQUITY	**29,815**	**231**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	Messier Maris et Associés S.C.A. * (€/000)	Messier Maris et Associés L.L.C. * (USD/000)
10. Interest and similar income	—	—
of which: interest income calculated according to the effective interest method	—	—
20. Interest expense and similar charges	—	—
30. Net interest income	**—**	**—**
40. Fee and commission income	5,307	—
50. Fee and commission expense	—	—
60. Net fee and commission income	**5,307**	**—**
70. Dividends and similar income	—	—
80. Net trading income	4	—
90. Net hedging income (expense)	—	—
100. Gain (loss) on disposal/repurchase:	—	—
a) financial assets valued at amortized cost	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—
c) financial liabilities	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
a) financial assets designated at fair value	—	—
b) other financial assets mandatorily valued at fair value	—	—
120. Total income	**5,311**	**—**
130. Net write-offs (write-backs) for credit risk:	—	—
a) financial assets valued at amortized cost	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—
150. Net income from financial operations	**5,311**	**—**
160. Administrative expenses:	(4,992)	(440)
a) personnel coss	*(3,546)*	*(242)*
b) other administrative expenses	*(1,446)*	*(198)*
170. Net transfers to provisions:	—	—
a) commitments and financial guarantees	—	—
b) other sums set aside (net)	—	—
180. Net adjustments to tangible assets	(23)	—
190. Net adjustments to intangible assets	—	—
200. Other operating income (expense)	—	—
210. Operating costs	**(5,015)**	**(440)**
220. Gain (loss) on equity investments	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—
240. Goodwill write-offs	—	—
250. Gain (loss) on disposal of investments	—	—
260. Profit (loss) on ordinary activity before tax	**296**	**(440)**
270. Income tax for the year on ordinary activities	—	—
280. Profit (loss) on ordinary activities after tax	**296**	**(440)**
290. Gain (loss) of ceded operating assets, net of tax	—	—
300. Net profit (loss) for the period	**296**	**(440)**

* Pro-forma scheme as at 30 June 2019, used for the Consolidated Financial Statements preparation.

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MBFACTA	SPAFID	SPAFID FAMILY OFFICE SIM
		(€/000)	(€/000)	(€/000)
	ASSETS			
10.	Cash and cash equivalents	—	2	1
20.	Financial assets at fair value with impact taken to profit and loss	—	—	—
	a) financial assets held for trading	—	—	—
	b) financial assets designated at fair value	—	—	—
	c) other financial assets mandatorily at fair value	—	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	—
40.	Financial assets at amortized cost	1,997,155	38,160	1,153
	a) due from banks	*59,810*	*31,408*	*468*
	b) due from financial companies	*221,540*	*137*	—
	c) due from customers	*1,715,805*	*6,615*	*685*
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	2,350	—
80.	Property, plant and equipments	13	26	—
90.	Intangible assets	—	7,525	55
	of which:			
	goodwill	—	—	—
100.	Tax assets	5,682	1,546	26
	a) current	*4,200*	*399*	—
	b) deferred	*1,482*	*1,147*	*26*
110.	Assets classified as held for sale	—	—	—
120.	Other assets	345	7,187	88
	TOTAL ASSETS	**2,003,195**	**56,796**	**1,323**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MBFACTA	SPAFID	SPAFID FAMILY OFFICE SIM
		(€/000)	(€/000)	(€/000)
	LIABILITIES			
10.	Financial liabilities at amortized cost	1,833,616	—	—
	a) due to	*1,833,616*	—	—
	b) securities in issue	—	—	—
20.	Trading financial liabilities	—	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	—	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	9,086	—	12
	a) current	*9,066*	—	*12*
	b) deferred	*20*	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	8,475	6,493	334
90.	Staff severance indemnity provision	205	972	69
100.	Provisions	65	—	—
	a) commitments and financial guarantees	*15*	—	—
	b) post-employment and similar benefits	—	—	—
	c) other provisions	*50*	—	—
110.	Share capital	120,000	6,100	1,000
120.	Treasury shares (-)	—	—	—
130.	Equity instruments	—	—	—
140.	Share premium reserve	—	3,500	—
150.	Reserves	12,866	39,821	(330)
160.	Valuation reserves	(26)	(117)	30
170.	Profit (loss) for the period	18,908	27	208
	TOTAL LIABILITIES AND NET EQUITY	**2,003,195**	**56,796**	**1,323**

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MBFACTA	SPAFID	SPAFID FAMILY OFFICE SIM
		(€/000)	(€/000)	(€/000)
10.	Interest and similar income	55,634	2	—
	of which: interest income calculated according to the effective interest method	*55,634*	—	—
20.	Interest expense and similar charges	(7,888)	—	—
30.	**Net interest income**	**47,746**	**2**	**—**
40.	Fee and commission income	6,382	10,255	1,852
50.	Fee and commission expense	(2,153)	(903)	(120)
60.	**Net fee and commission income**	**4,229**	**9,352**	**1,732**
70.	Dividends and similar income	—	—	—
80.	Net trading income	122	—	—
90.	Net hedging income (expense)	—	—	—
100.	Gain (loss) on disposal/repurchase:	—	—	—
	a) financial assets valued at amortized cost	—	—	—
	b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
	c) financial liabilities	—	—	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
	a) financial assets designated at fair value	—	—	—
	b) other financial assets mandatorily valued at fair value	—	—	—
120.	**Total income**	**52,097**	**9,354**	**1,732**
130.	Net write-offs (write-backs) for credit risk:	(14,890)	(300)	—
	a) financial assets valued at amortized cost	*(14,890)*	*(300)*	—
	b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—	—
150.	**Net income from financial operations**	**37,207**	**9,054**	1,732
160.	Administrative expenses:	(9,435)	(8,952)	(1,382)
	a) personnel coss	*(2,709)*	*(5,645)*	*(796)*
	b) other administrative expenses	*(6,726)*	*(3,307)*	*(586)*
170.	Net transfers to provisions:	1	—	—
	a) commitments and financial guarantees	*1*	—	—
	b) other sums set aside (net)	—	—	—
180.	Net adjustments to tangible assets	(7)	(9)	—
190.	Net adjustments to intangible assets	—	(379)	(18)
200.	Other operating income (expense)	344	320	—
210.	**Operating costs**	**(9,097)**	**(9,020)**	**(1,400)**
220.	Gain (loss) on equity investments	—	—	—
230.	Net result from fair value valuation of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	—	—
250.	Gain (loss) on disposal of investments	—	—	—
260.	**Profit (loss) on ordinary activity before tax**	**28,110**	**34**	**332**
270.	Income tax for the year on ordinary activities	(9,202)	(7)	(124)
280.	**Profit (loss) on ordinary activities after tax**	**18,908**	**27**	**208**
290.	Gain (loss) of ceded operating assets, net of tax	—	—	—
300.	**Net profit (loss) for the period**	**18,908**	**27**	**208**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA SGR S.p.A. (€/000)
	ASSETS	
10.	Cash and cash equivalents	2
20.	Financial assets at fair value with impact taken to profit and loss	—
	a) financial assets held for trading	—
	b) financial assets designated at fair value	—
	c) other financial assets mandatorily at fair value	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	29,251
	a) due from banks	—
	b) due from financial companies	—
	c) due from customers	*29,251*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	37
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	64
	a) current	—
	b) deferred	*64*
110.	Assets classified as held for sale	—
120.	Other assets	8,498
	TOTAL ASSETS	**37,852**
	LIABILITIES	
10.	Financial liabilities at amortized cost	1,753
	a) due to	*1,753*
	b) securities in issue	—
20.	Trading financial liabilities	—
30.	*Financial liabilities designated at fair value*	—
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	329
	a) current	*293*
	b) deferred	*36*
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	6,395
90.	Staff severance indemnity provision	389
100.	Provisions	245
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	*245*
110.	Share capital	10,330
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	—
150.	Reserves	13,903
160.	Valuation reserves	27
170.	Profit (loss) for the period	4,481
	TOTAL LIABILITIES AND NET EQUITY	**37,852**

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA SGR S.p.A. (€/000)
10.	Commission income	23,631
20.	Commission expenses	(3,225)
30.	**Net fee and commission**	**20,406**
40.	Dividends and similar income	—
50.	Interest and similar income	—
	of which: interest income calculated according to the effective interest method	—
60.	Interest and similar charges	—
70.	Net trading income	—
80.	Net hedging income (expense)	—
90.	Gain (loss) on disposal/repurchase:	—
	a) financial assets valued at amortized cost	—
	b) financial assets valued at fair value with impact taken to comprehensive income	—
	c) financial liabilities	—
100.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets designated at fair value	—
	b) other financial assets mandatorily valued at fair value	—
110.	**Total income**	**20,406**
120.	Net write-offs (write-backs) for credit risk:	—
	a) *financial* assets valued at amortized cost	—
	b) *financial* assets valued at fair value with impact taken to comprehensive income	—
130.	**Net income from financial operations**	**20,406**
140.	Administrative expenses:	(13,933)
	a) personnel coss	*(8,378)*
	b) other administrative expenses	*(5,555)*
150.	Net transfers to provisions:	—
160.	Net adjustments to tangible assets	(5)
170.	Net adjustments to intangible assets	—
180.	Other operating income (expense)	134
190.	**Operating costs**	**(13,804)**
200.	Gain (loss) on equity investments	—
210.	Net result from fair value valuation of tangible and intangible assets	—
220.	Goodwill write-offs	—
230.	Gain (loss) on disposal of investments	—
240.	**Profit (loss) on ordinary activity before tax**	**6,602**
250.	Income tax for the year on ordinary activities	(2,121)
260.	**Profit (loss) on ordinary activities after tax**	**4,481**
270.	Gain (loss) of ceded operating assets, net of tax	—
280.	**Net profit (loss) for the period**	**4,481**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA COVERED BOND (€/000)	QUARZO S.r.l. (€/000)	QUARZO CQS (€/000)
	ASSETS			
10.	Cash and cash equivalents	—	—	—
20.	Financial assets at fair value with impact taken to profit and loss	—	—	—
	a) financial assets held for trading	—	—	—
	b) financial assets designated at fair value	—	—	—
	c) other financial assets mandatorily at fair value	—	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	—
40.	Financial assets at amortized cost	100	10	10
	a) due from banks	*100*	*10*	*10*
	b) due from financial companies	—	—	—
	c) due from customers	—	—	—
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	—	—
80.	Property, plant and equipments	—	—	—
90.	Intangible assets	—	—	—
	of which:			
	goodwill	—	—	—
100.	Tax assets	—	—	—
	a) current	—	—	—
	b) deferred	—	—	—
110.	Assets classified as held for sale	—	—	—
120.	Other assets	456	377	444
	TOTAL ASSETS	**556**	**387**	**454**
	LIABILITIES			
10.	Financial liabilities at amortized cost	—	—	—
	a) due to	—	—	—
	b) securities in issue	—	—	—
20.	Trading financial liabilities	—	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	—	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	—	1	3
	a) current	—	*1*	*3*
	b) deferred	—	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	480	374	441
90.	Staff severance indemnity provision	—	—	—
100.	Provisions	—	—	—
	a) commitments and financial guarantees	—	—	—
	b) post-employment and similar benefits	—	—	—
	c) other provisions	—	—	—
110.	Share capital	100	10	10
120.	Treasury shares (-)	—	—	—
130.	Equity instruments	—	—	—
140.	Share premium reserve	—	—	—
150.	Reserves	(24)	2	—
160.	Valuation reserves	—	—	—
170.	Profit (loss) for the period	—	—	—
	TOTAL LIABILITIES AND NET EQUITY	**556**	**387**	**454**

Other financial companies (IAS/IFRS) continued Table B

PROFIT AND LOSS

	MEDIOBANCA COVERED BOND (€/000)	QUARZO S.r.l. (€/000)	QUARZO CQS (€/000)
10. Interest and similar income	—	—	—
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	—	—
30. Net interest income	**—**	**—**	**—**
40. Fee and commission income	—	—	—
50. Fee and commission expense	—	—	—
60. Net fee and commission income	**—**	**—**	**—**
70. Dividends and similar income	—	—	—
80. Net trading income	—	—	—
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
a) financial assets valued at amortized cost	—	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
a) financial assets designated at fair value	—	—	—
b) other financial assets mandatorily valued at fair value	—	—	—
120. Total income	**—**	**—**	**—**
130. Net write-offs (write-backs) for credit risk:	—	—	—
a) financial assets valued at amortized cost	—	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**—**	**—**	—
160. Administrative expenses:	(81)	(165)	(114)
a) personnel coss	—	*(13)*	*(13)*
b) other administrative expenses	*(81)*	*(152)*	*(101)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	—	—	—
190. Net adjustments to intangible assets	—	—	—
200. Other operating income (expense)	81	165	116
210. Operating costs	**—**	**—**	**2**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
260. Profit (loss) on ordinary activity before tax	**—**	**—**	**2**
270. Income tax for the year on ordinary activities	—	—	(2)
280. Profit (loss) on ordinary activities after tax	**—**	—	—
290. Gain (loss) of ceded operating assets, net of tax	**—**	**—**	**—**
300. Net profit (loss) for the period	**—**	**—**	**—**

BALANCE SHEET

		COMPAGNIE MONÉGASQUE DE BANQUE 31.12.2018 (€/000)
	ASSETS	
10.	Cash and cash equivalents	31,691
20.	Financial assets at fair value with impact taken to profit and loss	32,642
	a) financial assets held for trading	—
	b) financial assets designated at fair value	—
	c) other financial assets mandatorily at fair value	*32,642*
30.	Financial assets at fair value with impact taken to comprehensive income	449,198
40.	Financial assets at amortized cost	3,557,664
	a) due from banks	*2,307,417*
	b) due from customers	*1,250,247*
70.	Equity investments	12,945
80.	Property, plant and equipments	203,713
90.	Intangible assets	9,464
100.	Tax assets	—
	a) current	—
	b) deferred	—
110.	Assets classified as held for sale	—
120.	Other assets	36,535
	TOTAL ASSETS	**4,333,852**
	LIABILITIES	
10.	Financial liabilities at amortized cost	3,314,855
	a) due to banks	*45,612*
	b) due to customers	*3,269,243*
	c) securities in issue	—
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
60.	Tax liabilities	—
	a) current	—
	b) deferred	—
80.	Oher liabilities	39,615
90.	Staff severance indemnity provision	—
100.	Provisions	23,616
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	*23,616*
110.	Valuation reserves	—
120.	Redeemable shares	—
130.	Equity instruments	—
140.	Reserves	825,156
150.	Share premium reserve	4,573
160.	Shares capital	111,110
170.	Treasury shares (-)	—
180.	Profit (loss) for the year	14,927
	TOTAL LIABILITIES AND NET EQUITY	**4,333,852**

PROFIT AND LOSS

		COMPAGNIE MONÉGASQUE DE BANQUE 31.12.2018 (€/000)
10.	Interest and similar income	49,857
	of which: interest income calculated according to the effective interest method	—
20.	Interest expense and similar charges	(12,124)
30.	**Net interest income**	**37,733**
40.	Fee and commission income	52,927
50.	Fee and commission expense	(3,621)
60.	**Net fee and commission income**	**49,306**
70.	Dividends and similar income	4,014
80.	Net trading income	4,492
90.	Net hedging income (expense)	—
100.	Gain (loss) on disposal/repurchase:	(879)
	a) financial assets valued at amortized cost	*(879)*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
	c) financial liabilities	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets designated at fair value	—
	b) other financial assets mandatorily valued at fair value	—
120.	**Total income**	**94,666**
130.	Net write-offs (write-backs) for credit risk:	286
	a) financial assets valued at amortized cost	*286*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**94,952**
160.	Administrative expenses:	(50,227)
	a) personnel coss	*(29,811)*
	b) other administrative expenses	*(20,416)*
170.	Net transfers to provisions:	2,250
	a) commitments and financial guarantees	—
	b) other sums set aside (net)	*2,250*
180.	Net adjustments to tangible assets	(4,239)
190.	Net adjustments to intangible assets	(18,850)
200.	Other operating income (expense)	(3,350)
210.	**Operating costs**	**(74,416)**
220.	Gain (loss) on equity investments	(212)
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	—
260.	**Profit (loss) on ordinary activity before tax**	**20,324**
270.	Income tax for the year on ordinary activities	(5,397)
280.	**Profit (loss) on ordinary activities after tax**	**14,927**
290.	Gain (loss) of ceded operating assets, net of tax	—
350.	**Net profit (loss) for the period**	**14,927**

Financial companies

BALANCE SHEET

		MEDIOBANCA SECURITIES LLC ($/000)
	ASSETS	
10.	Cash and cash equivalents	—
20.	Financial assets at fair value with impact taken to profit and loss	—
	a) financial assets held for trading	—
	b) financial assets designated at fair value	—
	c) other financial assets mandatorily at fair value	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	6,648
	a) due from banks	*6,648*
	b) due from financial companies	—
	c) due from customers	—
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	7
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	250
	a) current	—
	b) deferred	*250*
110.	Assets classified as held for sale	—
120.	Other assets	48
	TOTAL ASSETS	**6,953**
	LIABILITIES	
10.	Financial liabilities at amortized cost	32
	a) due to	*32*
	b) securities in issue	—
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	—
	a) current	—
	b) deferred	—
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	1,187
90.	Staff severance indemnity provision	—
100.	Provisions	—
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	—
110.	Share capital	2,250
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	—
150.	Reserves	3,254
160.	Valuation reserves	—
180.	Profit (loss) for the period	230
	TOTAL LIABILITIES AND NET EQUITY	**6,953**

Financial companies

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA SECURITIES LLC ($/000)
10.	Interest and similar income	—
	of which: interest income calculated according to the effective interest method	—
20.	Interest expense and similar charges	—
30.	**Net interest income**	**—**
40.	Fee and commission income	1,903
50.	Fee and commission expense	—
60.	**Net fee and commission income**	**1,903**
70.	Dividends and similar income	—
80.	Net trading income	—
90.	Net hedging income (expense)	—
100.	Gain (loss) on disposal/repurchase:	—
	a) financial assets valued at amortized cost	—
	b) financial assets valued at fair value with impact taken to comprehensive income	—
	c) financial liabilities	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets designated at fair value	—
	b) other financial assets mandatorily valued at fair value	—
120.	**Total income**	**1,903**
130.	Net write-offs (write-backs) for credit risk:	—
	a) financial assets valued at amortized cost	—
	b) financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**1,903**
160.	Administrative expenses:	(2,437)
	a) personnel coss	*(1,655)*
	b) other administrative expenses	*(782)*
170.	Net transfers to provisions:	—
	a) commitments and financial guarantees	—
	b) other sums set aside (net)	—
180.	Net adjustments to tangible assets	—
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	885
210.	**Operating costs**	**(1,552)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	—
260.	**Profit (loss) on ordinary activity before tax**	**351**
270.	Income tax for the year on ordinary activities	(121)
280.	**Profit (loss) on ordinary activities after tax**	**230**
290.	Gain (loss) of ceded operating assets, net of tax	—
350.	**Net profit (loss) for the period**	**230**

Financial companies (IAS/IFRS)

BALANCE SHEET

	SOCIÉTÉ MONÉGASQUE D'ETUDES FINANCIÈRES 31.12.2018 (€/000)	CMB ASSET MANAGEMENT S.A.M. 31.12.2018 (€/000)	COMPAGNIE MONÉGASQUE DE GESTION 31.12.2018 (€/000)
ASSETS			
10. Cash and cash equivalents	550	821	11,425
20. Financial assets at fair value with impact taken to profit and loss	—	—	—
a) financial assets held for trading	—	—	—
b) financial assets designated at fair value	—	—	—
c) other financial assets mandatorily at fair value	—	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	400
40. Financial assets at amortized cost	—	—	—
a) due from banks	—	—	—
b) due from financial companies	—	—	—
c) due from customers	—	—	—
50. Hedging derivatives	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	—	—	—
80. Property, plant and equipments	—	—	—
90. Intangible assets	—	—	—
of which:			
goodwill	—	—	—
100. Tax assets	—	239	855
a) current	—	*239*	*855*
b) deferred	—	—	—
110. Assets classified as held for sale	—	—	—
120. Other assets	—	79	2,910
TOTAL ASSETS	**550**	**1,139**	**15,590**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	SOCIÉTÉ MONÉGASQUE D'ETUDES FINANCIÈRES 31.12.2018 (€/000)	CMB ASSET MANAGEMENT S.A.M. 31.12.2018 (€/000)	COMPAGNIE MONÉGASQUE DE GESTION 31.12.2018 (€/000)
LIABILITIES			
10. Financial liabilities at amortized cost	—	—	—
a) due to	—	—	—
b) securities in issue	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	65	—
a) current	—	*65*	—
b) deferred	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Oher liabilities	—	846	13,081
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
a) commitments and financial guarantees	—	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions	—	—	—
110. Share capital	775	150	600
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	—
140. Share premium reserve	—	—	—
150. Reserves	128	74	359
160. Valuation reserves	—	—	—
180. Profit (loss) for the period	(353)	4	1,550
TOTAL LIABILITIES AND NET EQUITY	**550**	**1,139**	**15,590**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	SOCIÉTÉ MONÉGASQUE D'ETUDES FINANCIÈRES 31.12.2018	CMB ASSET MANAGEMENT S.A.M. 31.12.2018	COMPAGNIE MONÉGASQUE DE GESTION 31.12.2018
	(€/000)	(€/000)	(€/000)
10. Interest and similar income	—	—	1
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	—	—
30. Net interest income	**—**	**—**	**1**
40. Fee and commission income	—	2,117	12,382
50. Fee and commission expense	—	—	—
60. Net fee and commission income	**—**	**2,117**	**12,382**
70. Dividends and similar income	—	—	—
80. Net trading income	—	—	—
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
a) financial assets valued at amortized cost	—	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
a) financial assets designated at fair value	—	—	—
b) other financial assets mandatorily valued at fair value	—	—	—
120. Total income	**—**	**2,117**	**12,383**
130. Net write-offs (write-backs) for credit risk:	—	—	—
a) financial assets valued at amortized cost	—	—	—
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**—**	**2,117**	**12,383**
160. Administrative expenses:	(409)	(2,110)	(10,046)
a) personnel coss	—	*(988)*	*(1,735)*
b) other administrative expenses	*(409)*	*(1,122)*	*(8,311)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	—	—	—
190. Net adjustments to intangible assets	—	—	—
200. Other operating income (expense)	56	(1)	(12)
210. Operating costs	**(353)**	**(2,111)**	**(10,058)**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
260. Profit (loss) on ordinary activity before tax	**(353)**	**6**	**2,325**
270. Income tax for the year on ordinary activities	—	—	—
280. Profit (loss) on ordinary activities after tax	**(353)**	**4**	**1,550**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
350. Net profit (loss) for the period	**(353)**	**4**	**1,550**

Financial companies

BALANCE SHEET

	CAIRN CAPITAL GROUP LTD 31.12.2018 (£/000)	CAIRN CAPITAL LTD 31.12.2018 (£/000)
ASSETS		
Non-current assets		
Intangible assets	—	—
Tangible assets	263	—
Equity investments	4,075	—
Total non-current assets	**4,338**	**—**
Current assets		
Trade receivables	5,921	5,715
Cash and liquid assets	324	1,711
Other assets	—	—
Total current assets	**6,245**	**7,426**
TOTAL ASSETS	**10,583**	**7,426**
LIABILITIES		
Share capital	—	1,200
Share premium reserve	5,000	—
Legal reserve	—	—
Other reserves	—	—
Gains (losses) carried forward	152	3,936
Gain (loss) for the period	388	(2,163)
Total net equity	**5,540**	**2,973**
Trade payable	4,839	3,453
Financial liabilities	—	1,000
Provisions	204	—
Total current liabilities	**5,043**	**4,453**
TOTAL LIABILITIES AND NET EQUITY	**10,583**	**7,426**

Financial companies (IAS/IFRS)

PROFIT AND LOSS

	CAIRN CAPITAL GROUP LTD 31.12.2018 (£/000)	CAIRN CAPITAL LTD 31.12.2018 (£/000)
Commission income	3,149	11,803
Dividends and similar income	142	—
Revenues	**3,291**	**11,803**
Administrative expenses	(3,134)	(14,299)
a) personnel costs	*(2,397)*	—
b) other administrative expenses	*(737)*	*(14,299)*
Other income and costs	207	63
Net writedowns/writebacks on tangible assets	(1)	—
Operating result	**363**	**(2,433)**
Interest and similar income	116	6
Interest expense and similar charges	—	(100)
Gain (loss) for the period before tax	**479**	**(2,527)**
Income tax	(91)	364
Gain (loss) for the period after tax	**388**	**(2,163)**

Financial companies

continued **Table B**

BALANCE SHEET

	RAM ACTIVE INVESTMENTS S.A. 31/12/2018 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31/12/2018 (CHF/000)
ASSETS		
Non-current assets		
Intangible assets	40	6
Tangible assets	794	46
Equity investments	1,092	—
Total non-current assets	**1,926**	**52**
Current assets		
Trade receivables	11,852	3,523
Cash and liquid assets	14,546	6,240
Other assets	1,310	609
Total current assets	**27,708**	**10,372**
TOTAL ASSETS	**29,634**	**10,424**
LIABILITIES		
Share capital	1,000	782
Statutory retained earnings	500	—
Treasury shares	(4,198)	—
Revaluation reserve	—	(34)
Legal reserve	—	120
Other reserves	1,022	421
Equity instruments	500	—
Gains (losses) carried forward	5,480	1
Gain (loss) for the period	15,244	1,803
Total net equity	**19,548**	**3,093**
Trade payable	2,873	1,359
Due to Group societies	—	4,693
Provisions	711	—
Other liabilities	6,502	1,279
Total current liabilities	**10,086**	**7,331**
TOTAL LIABILITIES AND NET EQUITY	**29,634**	**10,424**

Financial companies

continued **Table B**

PROFIT AND LOSS

	RAM ACTIVE INVESTMENTS S.A. 31/12/2018 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31/12/2018 (CHF/000)
Revenues	42,929	14,546
Personnel costs	(18,260)	(1,520)
Other administrative expenses	(7,025)	(10,389)
Operating result	**17,644**	**2,637**
Net adjustments to tangible assets	(56)	(7)
Interest and similar income	2,141	3
Interest expense and similar charges	(148)	(131)
Non-operational income	70	50
Extraordinary costs	—	(57)
Gain (loss) for the period before tax	**19,651**	**2,495**
Income tax	(4,407)	(692)
Gain (loss) for the period after tax	**15,244**	**1,803**

Financial companies

BALANCE SHEET

	Messier Maris et Associés S.C.A. 31/12/2018 (€/000)	Messier Maris et Associés L.L.C. 31/12/2018 (USD/000)
ASSETS		
Non-current assets		
Intangible assets	51	—
Tangible assets	255	—
Equity investments	90	—
Total non-current assets	**396**	**—**
Current assets		
Trade receivables	36,601	—
Cash and liquid assets	1,787	850
Other assets	13	—
Total current assets	**38,401**	**850**
TOTAL ASSETS	**38,797**	**850**
LIABILITIES		
Share capital	41	199
Treasury shares	—	—
Revaluation reserve	—	—
Legal reserve	4	—
Other reserves	—	—
Equity instruments	—	—
Gains (losses) carried forward	750	—
Gain (loss) for the period	9,177	9
Total net equity	**9,972**	**208**
Provisions	13	—
Trade receivables (current accounts)	8,774	642
Due to Group societies	—	—
Tax liabilities	15,182	—
Other liabilities	4,856	—
Total current liabilities	**28,825**	**642**
TOTAL LIABILITIES AND NET EQUITY	**38,797**	**850**

PROFIT AND LOSS

	Messier Maris et Associés S.C.A. 31/12/2018 (€/000)	Messier Maris et Associés L.L.C. 31/12/2018 (USD/000)
Revenues	47,516	3,134
Personnel costs	(13,113)	(1,145)
Other administrative expenses	(20,497)	(2,038)
Operating result	**13,906**	**(49)**
Adjustments to tangible assets and other writedowns	(73)	—
Interest and similar income	—	—
Interest expense and similar charges	(12)	—
Foreign exchange gains (losses)	63	—
Contributions to provisions	(14)	—
Other gains (losses)	(15)	63
Gain (loss) for the period before tax	**13,855**	**14**
Income tax	(4,678)	(5)
Gain (loss) for the period after tax	**9,177**	**9**

Non-financial undertakings

continued **Table B**

BALANCE SHEET

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
ASSETS					
Non-current assets					
Intangible assets	—	21,684	2,413	—	3
Tangible assets	—	31,903	11	—	4
Other non-current financial assets	—	18,624	—	—	—
Advance tax assets	—	255	914	—	—
Total non-current assets	**—**	**72,466**	**3,338**	**—**	**7**
Current assets					
Trade receivables	22	—	—	—	—
Other receivables	1	7,899	3,725	437	5,592
Sundry receivables and other current assets	361	19,437	168	8	45
Curret tax assets	25	357	870	57	—
Other current financial assets	5	—	—	—	—
Cash and liquid assets	687	83	8,825	1,120	7,035
Total current assets	**1,101**	**27,776**	**13,588**	**1,622**	**12,672**
TOTAL ASSETS	**1,101**	**100,242**	**16,926**	**1,622**	**12,679**
LIABILITIES					
A) Shareholders' equity					
Share capital	100	35,000	14,500	500	500
Reserves	—	—	—	—	1,072
Share premium reserve	—	—	4,495	—	—
Gains (losses) carried forward	—	2,515	(1,921)	760	4,223
Legal reserve	3	—	33	66	50
Gain (loss) for the period	—	1	(3,937)	90	916
Total shareholders' equity	**103**	**37,516**	**13,170**	**1,416**	**6,761**
Non-current liabilities					
Provisions	—	450	—	—	—
Staff severance	188	836	251	47	—
Deferred tax liabilities	—	556	—	—	1,199
Other non-current liabilities	—	473	—	—	—
Total non-current liabilities	**188**	**2,315**	**251**	**47**	**1,199**
Current liabilities					
Due to banks	—	—	—	—	—
Trade payables	241	9,506	3,007	14	1,109
Due to associates	—	—	—	55	
Current tax liabilities	52	—	157	43	—
Current financial liabilities	—	47,921	—	—	—
Other current liabilities	517	2,984	341	47	3,610
Total current liabilities	**810**	**60,411**	**3,505**	**159**	**4,719**
TOTAL LIABILITIES AND NET EQUITY	**1,101**	**100,242**	**16,926**	**1,622**	**12,679**

Non-financial undertakings

continued **Table B**

PROFIT AND LOSS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.
	(€/000)	**(€/000)**	**(€/000)**	**(€/000)**	**(€/000)**
Revenues	2,239	98,693	10,307	794	19,218
Production costs	(829)	(66,593)	(9,528)	(442)	(14,924)
Employees' costs	(1,389)	(11,310)	(2,142)	(235)	(977)
Other operating costs	—	(8,681)	—	—	(3)
Sundry costs	(16)	—	—	—	(1,801)
Adjustments to tangible assets	—	(9,976)	(2,338)	—	—
Adjustments to intangible assets	—	(1,990)	(13)	—	—
Other writedowns	—	—	(867)	—	—
Writedowns of current receivables	—	—	(72)	—	—
Operating result	**5**	**143**	**(4,653)**	**117**	**1,513**
Financial gains	—	—	—	3	—
Financial expenses	—	(1)	—	—	—
Other gains	—	31	—	—	36
Other expenses	—	(5)	(12)	(1)	—
Profit (loss) before taxes	**5**	**168**	**(4,665)**	**119**	**1,549**
Fiscal gain (expense)	(5)	(167)	728	(29)	(633)
Taxes for the period	(5)	(167)	—	(27)	(633)
Deffered and advance taxes	—	—	728	(2)	—
Net profit (loss) for the period	**—**	**1**	**(3,937)**	**90**	**916**

Insurance companies

continued **Table B**

BALANCE SHEET

	COMPASS RE S.A. (€/000)
ASSETS	
A) Amounts due from shareholderes by way of unpaid amounts on capital call	**—**
B) Intangible assets	**—**
C) Fixed assets	**358,709**
I) Lands and PPEs	—
II) Investments in affiliated undertakings and partecipating interests	
3) Loans to enterprises	315,009
a) parent company	*100,000*
e) others	*215,009*
III) Other financial investments	43,700
6) Banks deposits	*43,700*
D) Investments for the benefit of insured parties (life)	**—**
E) Receivables	**10,798**
II) Receivables arising out of reinsurance operations	10,769
III) Other receivables	29
F) Other assets	**6,893**
II) Cash at bank and in hand	6,893
G) Accrued income and deferred expenses	**18,073**
1. Due to interests	3,207
3. Others	14,866
TOTAL ASSETS	**394,473**
LIABILITIES	
A) Shareholders' equity	**78,222**
I) Share capital	15,000
IV) Legal reserve	1,500
VIII) Gains (losses) carried forward	30,865
IX) Net gain (loss) for the period	30,857
B) Subordinated liabilities	
C) Technical reserves	**299,919**
I) Non-life business	
1. Premiums reserve	*162,203*
2. Claims reserve	*8,635*
3. Equalization reserve	*129,081*
D) Tchnical reserves where risk is borne by insured party	**—**
E) Provisions	**34**
2) Taxation-related provisions	34
F) Deposits received from reinsurers	
G) Payables and other liabilities	**15,847**
VII) Other payables	
3. Due to social agencies	*15,847*
H) Accrued income and deferred expenses	**451**
3. Others accruals and deferrals	451
TOTAL LIABILITIES AND NET EQUITY	**394,473**

PROFIT AND LOSS

	COMPASS RE S.A. (€/000)
I) TECHNICAL ACCOUNT	
Gross premiums written	55,625
Change in the gross provision for unearned premiums	3,549
Total net premiums written	**59,174**
Gains arising from non-technical accounts investments	—
1) TOTAL REVENUES	**59,174**
Claims incurred, net of reinsurance (Gross amount)	(8,523)
Change in the provision for claims (Gross amount)	1,467
Acquisition costs	(5,686)
Change in deferred acquisition costs	27
Administrative expenses	(782)
2) TOTAL COSTS	**(13,497)**
Change in deferred acquisition costs	(10,600)
Technical-account profit (loss)	**35,077**
II) NON-TECHNICAL ACCOUNT	
Income form other investments	5,472
Gains on the realisation of investments	1,707
Investment management charges, including interest	(180)
Value adjustments on investments	—
Losses on the realisation of investments	(741)
Underwriting profit (loss)	**6,258**
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**41,335**
Income taxes for the period	(10,211)
Other taxes not shown under the preceding items	(267)
NET PROFIT (LOSS) FOR THE PERIOD	**30,857**

Associate companies

continued **Table C**

BALANCE SHEET

	ASSICURAZIONI GENERALI S.P.A. 31.12.2018 (€/000)
ASSETS	
A) Subscribed capital unpaid	**—**
B) Total intangible assets	**39,193**
C) Investments	
I) Land and buildings (total)	99,866
II) Investments in Group and other undertakings (total)	32,665,377
III) Other financial investments	
1) Shares and stock units	35,266
2) Mutual fund units	890,425
3) Bonds and other fixed-income securities	1,824,461
4) Loans	743
6) Deposits with banks	142,060
7) Other financial investments	9,337
Total other financial investments	2,902,292
IV) Deposits with reinsurers	5,342,732
Total investments (C)	**41,010,267**
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	**228,850**
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	539,845
II) Life business (total)	551,801
Total reinsurers' share of technical reserves (Dbis)	**1,091,646**
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	158,687
II) Amount due in respect of reinsurances (total)	603,240
III) Other accounts receivable	1,075,749
Total accounts receivable (E)	**1,837,676**
F) Other assets	
I) Tangible assets and inventories (total)	3,729
II) Cash (total)	757,353
IV) Other assets (total)	204,942
Total other assets (F)	**966,024**
G) Accruals and prepayments (total)	**180,815**
TOTAL ASSETS (A+B+C+D+Dbis+E+F+G)	**45,354,471**

Associate companies

BALANCE SHEET

	ASSICURAZIONI GENERALI S.P.A. 31.12.2018 (€/000)
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,565,165
II-VII) Reserves (total)	11,941,412
IX) Profit (loss) for year	1,473,283
X) Negative reserve for treasury shares in portfolio	(3,040)
Total shareholders' equity (A)	**14,976,820**
B) Subordinated liabilities	8,290,802
C) Technical reserves	
I) General business (total)	2,166,273
II) Life business (total)	6,753,491
Total technical reserves (C)	**8,919,764**
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	225,895
E) Provisions for risks and charges (total)	132,149
F) Deposits received from reinsurers	518,396
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	29,532
II) Amounts payable in respect of reinsurance	243,555
III) Bond issues	3,127,770
IV) Amounts payable to banks and financial institutions	989,806
VI) Loans and other debt	4,780,159
VII) Staff termination indemnity provision	2,394
VIII) Other accounts payable	2,339,540
IX) Other liabilities	460,550
Total accounts payable and other liabilities (G)	**11,973,306**
H) Accruals and deferrals (total)	317,339
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	**45,354,471**

Associate companies

continued **Table C**

PROFIT AND LOSS (non-technical account)

	ASSICURAZIONI GENERALI S.P.A. 31.12.2018
	(€/000)
1) Underwriting profit (loss) from general business	206,581
2) Underwriting profit (loss) from life business	346,586
3) Investment income in general business	
a) Dividends	1,143,261
b) Other investment income (total)	89,386
c) Writebacks in book value of investments	1,989
d) Gain on disposal of investments	14,262
Total investment income in general business (3)	1,248,898
4) (+) Portion of investment income transferred from technical accounts of life business	759,761
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid	16,737
b) Writedowns to investments	38,277
c) Loss on disposal of investments	4,501
Total operating and financial expenses in general business (5)	59,515
6) (-) Portion of investment income transferred from technical accounts of general business	138,861
7) Other income	281,097
8) Other expenditure	1,508,703
9) Profit (loss) on ordinary operations	1,135,844
10) Extraordinary income	238,794
11) Extraordinary expenditure	48,153
12) Net extraordinary income (expenditure) (10-11)	190,641
13) Earnings before tax	1,326,485
14) Taxation for the year	(146,798)
15) Profit (loss) for the year (13-14)	**1,473,283**

Associate companies

continued **Table C**

BALANCE SHEET

	BURGO GROUP S.P.A. 31.12.2018 (€/000)
ASSETS	
Non-current assets	**982,819**
Tangible assets	**478,735**
Property, plant and equipment	478,345
Real-estate investments	390
Intangible assets	**12,758**
Goodwill and other long-term intangible assets	10,837
Other intangible assets with defined life	1,921
Investments in subsidiaries, associates and other non-current	**422,104**
Investments in subsidiaries	412,443
Investments in associates	—
Other investments	9,661
Other non-current financial assets	**6,192**
Financial receivables from subsidiaries	2,800
Non-current financial receivables	3,392
Anticipated-taxes assets	**63,030**
Current assets	**438,551**
Inventories	134,413
Trade receivables	187,562
Sundry receivables and other current assets	25,807
Available-for-sale financial assets	775
Other current financial assets	39,641
Cash and liquid assets	50,353
TOTAL ASSETS	**1,421,370**
LIABILITIES	
Shareholders' equity	**396,915**
Share capital	20,000
Reserves	350,915
Gains (losses) carried forward	18,264
Gain (loss) for the period	7,736
Non-current liabilities	**604,455**
Non-current financial liabilities	539,872
Severance provision and other employees-related provisions	27,013
Provisions	35,037
Non-current trade payable	2,533
Current liabilities	**420,000**
Financial current liabilities	37,217
Trade payables	348,824
Current-taxes liabilities	4,797
Other payables and other current liabilities	29,162
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,421,370**

Associate companies

continued **Table C**

PROFIT AND LOSS

	BURGO GROUP S.P.A. 31.12.2018 (€/000)
Revenues	1,211,963
Other gains	43,662
Total revenues and operating gains	**1,255,625**
Raw-materials and services-related costs	1,090,097
Employees costs	97,715
Other operating costs	20,113
Variation in inventories (±)	30,313
Costs for improvements, capitalized	517
Total operating costs	**1,177,095**
Earnings before depreciations, amortizations and non-recurring restructuring expenses	**78,530**
Depreciations	56,314
Write-offs (write-backs) on tangible assets	22,603
Proceeds from sale of plants and equipments	1,941
Net non-recurring income/(expenses)	(427)
Restructuring expenses	—
Operating result before financial items	**1,127**
Financial expenses	24,738
Proceeds from investments	29,137
Gain (loss) before taxes	**5,526**
Taxes	2,210
Gain (loss) for the period	**7,736**

Associate companies

continued **Table C**

BALANCE SHEET

	GB HOLDING S.R.L. 31.12.2018 (€/000)
ASSETS	
B) Fixed assets:	
I) Intangible	—
II) Tangible	—
III) Financial	6,269
Total B	**6,269**
C) Current assets:	
II) Receivables:	
Due w/i 12 months	—
Due over 12 months	2
Total receivables	2
IV) Cash and liquid assets	1
Total C	**3**
TOTAL ASSETS	**6,272**
LIABILITIES	
A) Shareholders' equity:	
I) Share capital	97
II) Share-premium reserve	6,154
IV) Legal reserve	19
VII) Other reserves	—
IX) Gain (loss) for the period	(8)
Total A	**6,262**
D) Payables:	
Due w/i 12 months	—
Due over 12 months	10
Total payables	10
Total D	**10**
TOTAL LIABILITIES AND NET EQUITY	**6,272**

Associate companies

continued **Table C**

PROFIT AND LOSS

	GB HOLDING S.R.L. 31.12.2018 (€/000)
A) Revenues:	
Other gains	—
Total revenues and other gains (A)	**—**
B) Production costs:	
7) Services-related	8
Total production costs (B)	**8**
Operating result (A-B)	**(8)**
C) Financial gains (expenses)	
15) Proceeds from investments	—
16) Interest and similar income	—
17) Interest expense and similar charges	—
Total financial gains (expenses) (C)	**—**
D) Writedowns on financial assets	
19) Writedowns	
a) on investments	—
Total writedowns on financial assets (D)	**—**
Gain (loss) before taxes (A - B ± C ± D)	**(8)**
Gain (loss) for the period	**(8)**

Associate companies

continued **Table C**

BALANCE SHEET

	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. 31.12.2018 (€/000)
ASSETS	
A) SUBSCRIBED CAPITAL UNPAID	—
B) FIXED ASSETS	
I - INTANGIBLE ASSETS	
3) Industrial patents right-of-use	—
4) Concessions, licences, brands and similar rights	1,585
6) Work-in-progress investments and advances	2,004
7) Others	484
TOTAL INTANGIBLE ASSETS	**4,073**
II - TANGIBLE ASSETS	
1) Lands and buildings	19,614
2) Plants and equipments	6,222
3) Industrial and commercial machineries	22,179
4) Other goods	4,449
5) Work-in-progress investments and advances	3,935
TOTAL TANGIBLE ASSETS	**56,399**
III - FINANCIAL ASSETS	
1) Investments in:	
a) Subsidiaries	52,310
d-bis) Others	345
Total investments	52,655
2) Receivables	
d-bis) Others	998
Total receivables	998
3) Other securities	
Total other securities	500
TOTAL FINANCIAL ASSETS	**54,153**
TOTAL INVESTMENTS (B)	**114,625**
C) CURRENT ASSETS	
I - INVENTORIES	
1) Raw-materials and consumable goods	9,278
TOTAL INVENTORIES	**9,278**
II - RECEIVABLES	
1) From customers	52,546
2) From subsidiaries	139
3) From associates	215
5-bis) Tax-related receivables	1,811
5-quater) From others	4,596
TOTAL RECEIVABLES	**59,307**
III - NON-FIXED FINANCIAL ASSETS	
6) Other securities	5,517
TOTAL NON-FIXED FINANCIAL ASSETS	**5,517**
IV - CASH AND LIQUID ASSETS	
1) Bank and postal deposits	32,978
3) Cash in hands	104
TOTAL CASH AND LIQUID ASSETS	**33,082**
TOTAL CURRENT ASSETS (C)	**107,184**
D) Prepaid income and deferred expenses	
Prepaid income	2,659
Deferred expenses	1,626
TOTAL PREPAID INCOME AND DEFERRED EXPENSES (D)	**4,285**
TOTAL ASSETS (A + B + C + D)	**226,094**

Associate companies

BALANCE SHEET

	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. 31.12.2018 (€/000)
LIABILITIES	
A) SHAREHOLDERS' EQUITY	
I - Share capital	80,579
IV - Legal reserve	5,721
V - Statutory reserve	
- Research and development allowance	30,300
IX - Gain (loss) for the period	8,519
TOTAL SHAREHOLDERS' EQUITY (A)	**125,119**
B) PROVISIONS	
- Insurance-risks provision	4,324
- SSN-receivable provision	4,071
- Provision for other risks	95
TOTAL PROVISIONS (B)	**8,490**
EMPLOYEES SEVERANCE PROVISION (C)	**5,789**
D) PAYABLES	
7) To suppliers	47,846
9) To subsidiaries	34
10) To associates	52
12) Fiscal liabilities	3,612
13) To social-securities entities and other social entities	4,852
14) Other payables	17,000
TOTAL PAYABLES (D)	**73,396**
E) DEFERRED INCOME AND ACCRUED EXPENSES	
Deferred income	67
Accrued expenses	13,233
TOTAL DEFERRED INCOME AND ACCRUED EXPENSES (E)	**13,300**
TOTAL LIABILITIES AND NET EQUITY (A + B + C + D + E)	**226,094**

Associate companies

continued **Table C**

PROFIT AND LOSS

	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. 31.12.2018 (€/000)
A) REVENUES	
1) Revenues from sales and services	205,916
5) Other gains:	
- Sums received for research programmes	21,991
- Other proceeds	13,844
TOTAL REVENUES (A)	**241,751**
B) PRODUCTION COSTS	
6) Raw-materials and other goods	56,991
7) Services-related	55,929
8) Third-parties goods and services	8,028
9) Employees costs:	
a) Remunerations	67,374
b) Social costs	14,563
c) Staff-severance	3,463
e) Other costs	123
10) Depreciations, amortizations and writedowns:	
a) Amortizations	883
b) Depreciations	9,332
d) Writedowns of current financial assets and other liquid assets	1,070
11) Variations of inventory for raw-materials, consumables and other goods (±)	(2,057)
12) Contributions to provisions	4,288
14) Other operating expenses	16,561
TOTAL OPERATING COSTS (B)	**236,548**
OPERATING RESULT (A - B)	**5,203**
C) FINANCIAL GAINS (EXPENSES)	
15) Gains on equity investments	
- dividends and other income from other entity	430
16) Other financial gains	
d) gains other than preceding	
- interests on current accounts and other deposits	93
17) Interests and other financial expenses	
- others	127
17-bis) Gains and expenses on foreign exchange rates (±)	(21)
TOTAL FINANCIAL GAINS (EXPENSES) (C)	**375**
D) WRITEDOWNS ON FINANCIAL ASSETS	
18) Writebacks:	
a) on investments	4,159
19) Writedowns:	
a) on investments	169
TOTAL WRITEDOWNS (D)	**3,990**
GAIN (LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	**9,568**
22) Taxes for the period (current, deferred and advance)	
- Current taxes	1,049
GAIN (LOSS) FOR THE PERIOD	**8,519**

Table D

FEES PAID AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-*duodecies* of Consob resolution 11971/99

(€/000)

Type of service	Mediobanca S.p.A.		Group companies *	
	Pricewaterhouse Coopers S.p.A.	**Pricewaterhouse Coopers S.p.A. network**	**Pricewaterhouse Coopers S.p.A.**	**Pricewaterhouse Coopers S.p.A. network**
Auditing	685	—	580	424
Statements	178	—	41	189
Other services	—	26	—	26
– *Observation and analysis of the administrative/accounting internal control system*	—	—	—	—
– *Other*	—	*26*	—	*26*
Total	863	26	621	639

* Group companies and other companies consolidated line-by-line.

Figures shown above do not include VAT, expenses and the supervisory contribution paid to Consob.

REPORT ON REMUNERATION SUBMITTED TO APPROVAL OF SHAREHOLDERS IN ANNUAL GENERAL MEETING ON 28 OCTOBER 2019

CONTENTS

REPORT ON REMUNERATION

Dear Shareholders,

We have called you together in general meeting to:

A) Submit the Mediobanca Group's new remuneration and incentivization policies, approved by the Board of Directors on 19 September 2019, to your approval; and

B) Report on the remuneration policies adopted for the twelve months ended 30 June 2019.

During the twelve months under review, the governing bodies of Mediobanca have continued to pay close attention to its staff remuneration and incentivization policies, taking into account *inter alia* the new documents published by the supervisory authorities on this issue. The following documents in particular are of importance in this area:

– The Bank of Italy's Supervisory Instructions on "Remuneration and Incentivization Policies and Practices" issued on 23 October 2018, which bring the Italian regulations into line with the EBA Guidelines on Sound Remuneration Policies in force since 2017, and with other recent guidance issued by international organizations on the same issue;

– The regulations on "Transparency in Banking and Financial Operations and Services. Proper Conduct in Relations between Intermediaries and Clients" issued by the Bank of Italy on 19 March 2019;

– Italian Legislative Decree 49/19 enacting Directive (EU) 2017/828 (the "Shareholders' Rights Directive"), which requires remuneration and incentivization policies to pursue a corporate strategy aimed at delivering sustainable profitability in the long term through clear presentation of the objectives set.

This document incorporates all the changes to the regulations and meets the disclosure requirements set forth in the Bank of Italy and Consob regulations.

SECTION 1

Mediobanca Group staff remuneration and incentivization policy

1 Introduction

The main changes regard:

- A specific policy to identify "Material Risk-Takers" (or "Identified Staff") has been adopted;
- A more detailed description of the activities performed by the control units in the area of monitoring the types of transaction and financial investments made by Identified Staff which could compromise the remuneration mechanisms' risk alignment;
- Provision for exception, duly justified, to the 2:1 cap on variable to fixed remuneration in force for all staff including those defined as Material Risk-Takers, exclusively for personnel operating in asset management;
- Revision to the company units to which the 33% cap on variable to fixed remuneration is applicable;
- Revision of the variable remuneration deferral mechanisms for Identified Staff (time horizon for distribution, percentages payable in the form of financial instruments, remuneration limits applicable);
- Definition of a mechanism for calculating the maximum amounts payable in the event of the working relationship ending early (including provision for managing any non-competition clauses);
- Reference to those parts of this policy which are most closely related to Corporate Social Responsibility principles (CSR).

2 Governance

The governance process for the Group remuneration and incentivization policy is structured across two levels.

a) Governing bodies

Under the current Articles of Association:

- Shareholders in general meeting set the annual fixed fee payable to members of the Board of Directors when they are appointed, and for the entire duration of their term of office, to be allocated among the individual members based on the Board's own decision. Directors who are not members of the Group's senior management are entitled to receive refunds for expenses incurred by them in the performance of their duties.

– Shareholders in general meeting, within the terms set by the regulations in force at the time, approve the remuneration and incentivization policies and compensation schemes based on financial instruments for Group directors, staff and collaborators, and set the criteria for establishing compensation to be agreed in the event of a beneficiary leaving the company or office, including the limits on annual fixed salary and the maximum amounts payable as a result of the policies' application.

– At the Board of Directors' proposal, shareholders in general meeting may, if the requisite quorum is achieved, establish the variable remuneration of Group staff and collaborators up to a maximum of 200% of their fixed salaries or any other limit set by the regulations in force at the time.

– The Board of Directors institutes the committees provided for by the regulations in force from among its own number, including the Remunerations Committee, establishing their composition and powers.

Under the regulations in force:

– The Board of Directors compiles the staff remuneration and incentivization policy, submits it to the approval of shareholders in general meeting, reviews it at least once a year, and is responsible for ensuring it is applied correctly in practice. The Board also approves the results of the Material Risk-Takers identification process, including any exclusions; defines the remuneration and incentivization systems for senior figures; ensures that these systems are consistent with the Bank's overall choices in terms of risk-taking, strategies, long-term objectives, corporate governance structure and internal controls system; and ensures, among other things, that the remuneration and incentivization systems are able to guarantee compliance with the legal, regulatory and statutory provisions and any codes of ethics or conduct in force, encouraging recipients to adopt conduct in accordance with such provisions or codes.

– The Remunerations Committee consists of between three and five members, all non-executive directors, the majority of whom qualify as independent and from among whose number a chairman is appointed. The Committee's duties include proposing compensation for staff whose remuneration and incentivization systems are decided by the Board of Directors; it serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff; and monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this connection. It also prepares the documentation to be submitted to the Board of Directors for the relevant decisions to be taken; works together with the other internal committees, in particular the Risks Committee; and ensures that all relevant company units are involved in compiling and checking the remuneration and incentivization policies and practices. It gives its opinion on the results of the Material Risk-Takers identification process, including any exclusions, and on whether the performance objectives to which the incentivization schemes are linked have been reached; it establishes whether the other conditions precedent to payment of compensation have been met, on the basis *inter alia* of information received from the other company units; and provides feedback on the activities performed to the governing bodies. To be able to perform its activities effectively and responsibly, the Remunerations Committee has access to company information relevant for such purposes, is endowed with sufficient funds to guarantee it is independent in operational terms, and may call on the services of experts, including from outside the company, on matters which fall within its remit. The Committee is regularly constituted at meetings where a majority of the directors in office are in attendance, and adopts resolutions on the basis of the majority of those present voting in favour. Minutes of Committee meetings are taken and kept in separate registers.

– The Risks Committee ascertains whether the incentives provided by the remuneration system take due account of the Group's risks and comply with the minimum capital and liquidity requisites at consolidated level, liaising with the Remunerations Committee to this end.

– The Chief Executive Officer presents the proposed Group staff remuneration and incentivization policies to the governing bodies, is responsible for staff management, and after consulting with the General Manager, determines the variable remuneration based on the criteria established by the Board of Directors and then distributes it.

b) Organizational units

– Group HR directs and governs the entire remuneration and incentivization process, involving the governing bodies, control units and other teams responsible for verifying the Group's earnings and financial data.

– The Planning, Accounting and Financial Reporting area provides the data for ascertaining that the gateways have been met and for determining the business areas' and divisions' annual and long-term performances based on the results achieved.

– The Group Risk Management unit helps in defining the metrics used in order to calculate the risk-adjusted company performance, validating the results and the gateways, and checking that these are consistent with the provisions of the Risk Appetite Framework.

– The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the sector regulatory framework, the Bank's Articles of Association, and any applicable codes of ethics or standards of conduct. It is also responsible, after consulting with the other control units, for checking whether or not any compliance breaches have been committed which may be relevant for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time, including in terms of establishing the identified staff, analysing the metrics adopted, and the practice in cases where the beneficiary has left the company.

– The Group Audit unit checks that the staff remuneration and incentivization practices correspond to the policies approved and the regulations in force on at least an annual basis. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

c) Application to Banking Group

Mediobanca liaises constantly with its Group companies to ensure that the remuneration and incentivization systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation, organizational structures, regulations applicable according to type of business and geographical location. In particular the parent company manages the process of defining Identified Staff, issues guidance to be adopted, and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries.

Mediobanca approves the amount of the variable remuneration, including that for identified staff in the different companies and their allocation; establishes the objectives for the CEOs and/or General Managers of the Group companies, ascertaining whether they have been met; and defines the basic principles of the guidelines of the incentives mechanism for the other staff at the companies, leaving the specific decisions up to their respective Boards of Directors.

3) Policy for identification of Material Risk-Takers

Material Risk-Takers, i.e. staff members whose professional activity may impact substantially on the Mediobanca Group's risk profile, are identified annually at the end of a formalized process involving Mediobanca S.p.A. and the other Group companies.

a) Criteria adopted

In order to identify Material Risk-Takers, Mediobanca adopts the criteria set down in Commission Regulation (EU) 604/2014 which also establishes who should be excluded from such definition. The criteria are:

- Qualitative: linked to role (including for non-executive directors) and decision-making powers assigned and responsibilities taken within the Group structure, consistent with the nature, range and complexity of the activities performed. Factors considered include organizational position within the Group, materiality of the business unit (not just in terms of the capital allocated to them, but also of volumes and complexity [1]), risk profile assigned, including with reference to reputation, participation in internal Group committees, independence in terms of decision-making and operations, geographical location of the office at which they work (in view of the pay differences between different countries), and specific characteristics of the sectors concerned (e.g. asset management).
- Quantitative: based on the total overall remuneration received in the previous financial year.[2]

[1] The regulatory criterion for inclusion as a material business unit is that the capital allocated to it must represent at least 2% of the Banking Group's overall capital. Additional criteria include: whether or not the individual entities/business units form part of higher-level divisions in accordance with management reporting and the strategic plan; business volumes; organizational complexity and size; type of activity performed if the primary risk profile involved is not credit, market or liquidity risk. For the asset management area, in addition to the above, the main criteria considered is the amount of AUM above the limit which would qualify it as a material company under the regulations normally applicable in the respective national legislations on UCITS/AIFM.

[2] Mediobanca may also decide that individual staff members, including Financial Advisors, do not impact on the Group's risk profile despite receiving total remuneration ≥ €500,000, as permitted by the regulations in force.

The definition of Material Risk-Taker also includes financial and insurance brokers and financial advisors authorized to offer products door-to-door.[3]

b) Process

– Group HR is responsible for the process, and ensures that a unified approach is adopted at Group level;

– Compliance validates the process, ascertaining that the applicable regulations have been properly applied;

– Planning, Accounting and Financial Reporting collects the earnings data to be analysed and the criteria to be applied;

– Group Risk Management takes part in the analysis, to identify the impact of the same resources on the risk profile of material and non-material business units;

– Group Audit checks that the criteria have been correctly applied and the assessment made has been properly formalized. The unit participates in the process, providing support to Group HR in checking that the regulations have been properly applied.

All the Group companies take part in the annual definition of Identified Staff. The mapping is carried out on an individual basis by all the banks in the Group (CheBanca!, Compagnie Monégasque de Banque CMB, Compass and MB International) and the asset management companies, based in Italy (MB SGR) and elsewhere (Cairn Capital, RAM and MB Management Company), subject to the sector regulations. The information collected is then sent to Mediobanca S.p.A. to be consolidated, whereas for the other, non-banking subsidiaries, the parent company carries out its own assessment.

Group HR monitors organizational changes which could lead to differences in the scope of definition on an ongoing basis.

A record of the whole process is kept in the form of minutes of the meetings held by the parent company units involved. When the process is complete, a list with the names of the Identified Staff for the financial year concerned is drawn up, specifying those who have been included for the first time and any others who have been excluded, with an indication of their roles, responsibilities and the divisions of which they form part, and a comparison with the previous

[3] For the CheBanca! financial advisors, all Network Managers and Area Managers with a percentage of AUM managed by the FAs under them equal to more than 10% of the total AUM managed by the network are included in the definition of Group Identified Staff according to the qualitative criterion. All FAs linked to the Group who individually manage assets equal to more than the 10% threshold of the AUM for their own network qualify as identified in any case according to the qualitative criterion.

financial year. Any exclusions are highlighted and duly justified. A primary external consultancy company certifies the entire process.

The results are approved by the Board of Directors, at the Remuneration Committee's proposal.

Once the process is complete, individual notice is provided in writing to staff included in the scope of Material Risk-Takers.

If, at the end of the identification process, there are staff identified by quantitative criteria for whom the notification and/or exclusion procedure must be launched, Group HR does so in accordance with the Bank of Italy Supervisory Instructions.

c) Identified staff as at 30 June 2019 (approved by BoD on 26 June 2019)

As at 30 June 2019 the Group's "identified staff" (including the non-executive directors) broke down as follows:

Cluster	Definition		EBA regulations	PPR # 2019	PPR # 2018
1) Non-executive directors	Non-executive members of BoD, including Chairman		Article 3. 2	1 (+12)	1 (+11)
2) Directors with executive duties	Management who are members of Executive Committee		Article 3. 1	2	2
3) Senior management and heads of relevant BUs (principal business lines, geographical areas and other senior business figures)	• Co-Head, CIB • Co-Head, CIB/Head, Inv. Banking Division • CEO, Compass/CB! • Head, Principal Investing • Head, MB Private Banking	• Head, CIB Markets Division • Head, CIB Debt Division • Head, London office • Head, Governance & Treasury • Head, Finance division • CEO, CMB	Article 3.3 Article 3.5 Article 3.6	11	15
4) Heads and senior staff of internal control units	• Compliance & Group AML • Group Risk Management • Group Audit		Article 3. 4 Article 3.7 Article 3.15	20	16
5) Staff with managerial responsibilities in relevant business units	• Heads of trading desks, liquidity, origination, trading, and brokerage/sales • Staff with significant responsibility in business and product areas • General and commercial managers, Compass and CB!; CEO, SelmaBipiemme, MB SGR, MB • Facta • Financial Advisors with managerial responsibilities and/or 10% of the network AUM		Article 3.8 Article 3.15	32	23
6) Heads and senior staff in Staff and support units	• Dirigente Preposto • Controllo di gestione e budgeting • Chief Operating Officer • Chief Information Officer	• Group Head of HR • Group Head of Reward • Legal counsel • Macroeconomic Strategist	Article 3. 9 Article 3.15	8	8
7) Quantitative criteria	Roles with total compensation ≥ €500,000 or same remuneration bracket in previous financial year not included in categories listed above		Article 4	34	23
Material Risk-Takers excluded based on notification/exclusion process [4]				2	4
	TOTAL as at 30/6/19 [5]			108 (120)	88 (99)
	As % of total Mediobanca Group staff			2.24%	1.87%

[4] For the twelve months ended 30 June 2019, a total of two such staff members (employed in Asset Management – Cairn Capital – in the United Kingdom), with overall remuneration in the previous year in excess of €500,000, for whom the notification of exclusion from the definition of MRTs made for the first time in 2018 has been confirmed.

[5] The Mediobanca Group headcount as at 30 June 2019 consists of 4,805 staff, split as follows: 621 Corporate & Investment Banking (41 Identified Staff), 1,936 Wealth Management (16 Identified Staff, two of whom in the control units of the companies that form part of the division), 1,427 Consumer Banking (5 Identified Staff, two of whom in the control units of the companies that form part of the division), 810 Holding Functions (33 Identified Staff employed by Mediobanca S.p.A., 16 of whom in the control units and 17 in other units), 11 Principal Investing (1 Identified Staff). The definition of Identified Staff also includes 12 Financial Advisors, six of whom qualify by the qualitative criterion and six by the quantitative criterion (out of a total of approx. 340 FSs linked to the Mediobanca Group).

Management with strategic responsibilities as defined in the Consob resolution issued in 2011 other than directors (i.e. the three heads of the control units, the Head of Company Financial Reporting, the Head of Group HR & Organization, the Head of the Consumer Banking division and Wealth Management/Affluent-Premier business line, and the two Co-Heads of the Corporate and Investment Banking division) are all included in the definition of Identified Staff.

4 Remuneration structure

a) General principles and objectives

The Mediobanca Group Remuneration and incentivization policy is intended to attract and retain highly qualified professional and ethical staff members, who are suited to the complexity, increasing internationalization and specialization of its businesses, based on a rationale of prudent management and sustainability of costs and results over time.

Responsible, ethical and transparent compensation mechanisms grow and protect the Bank's reputation, credibility and consensus over time, laying the foundation for sustainable development of the business which is able to create and defend value for all stakeholders.

b) Pay mix constituents

The structure of the Group's staff remuneration is based on various components, with the objective of: balancing the fixed and variable parts over time (pay mix), implementing a flexible approach to remuneration, and helping to gear compensation towards performance in view of the significance of role within the company without encouraging risky and/or short-term behaviour.

To ensure that the remuneration package on offer is competitive and retain the best talent in terms of performance and potential, Mediobanca carries out annual benchmarking activity to assess the Group staff's positioning in terms of compensation relative to the market. The benchmarking is performed with the support of leading specialists in this area, and takes account of the divisions and geographical locations in which staff are employed.[6]

I. Fixed salary

This reflects technical, professional and managerial capabilities, and the related responsibilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are adapted to changes in the market scenario from time to time, avoiding excessive reliance on the variable component while at the same time being careful not to make the overall package unduly inflexible.

II. Variable remuneration

This is the incentivizing component which functions as recognition and reward for the results achieved and objectives met, and is calculated based on risk-adjusted indicators. It constitutes an important motivational factor, and for some business figures (in the Wholesale Banking and Wealth Management divisions in particular) forms a significant portion of their annual pay, in line with reference market practice, without prejudice to the cap and to the other conditions established by the regulations in force.

Variable remuneration is paid on the basis of pre-set performance indicators. The time horizon for evaluation may be short-term (i.e. linked to the annual budget, as is typical of short-term incentive systems) or long-term (as in cases where long-term incentive schemes are run).

The variable remuneration is paid in cash and equity instruments, in part upfront and in part deferred to subsequent years, subject to additional performance conditions being met. Any shares awarded are subject, after the respective rights have vested, to an additional holding period for retention purposes.

[6] The benchmarking activity is based on a significant and coherent sample of peers diversified according to the Group's individual divisions: for the Consumer (Compass) and WM Affluent/Premier (CheBanca!) divisions, the sample is based on the leading commercial players operating on the Italian market; for the Corporate and Investment Banking division, it is based on the bulge-bracket investment banks, independent advisory boutiques and the CIB divisions of the leading European commercial banks; for the WM HNWI division (MB Private Banking), the sample is based on the market of Italian operators and non-Italian players operating in Italy; for the Group's asset managers, the sample is constructed from independent companies and others forming part of banking groups or insurers operating in the relevant geographical areas. For the Chief Executive Officer and General Manager, the sample comprises a mixture of midcap firms which are comparable to Mediobanca in terms of either business model taken as a whole or individual segment of activity represented within the Group (i.e. advisory, asset management, innovative retail, etc.): these include Close Brothers, Lazard, Julius Baer Group, Macquarie, Natixis, Schroder's, CYBG, Fineco Bank and Banca Generali.

III. Limits on variable remuneration

Subject to approval by shareholders in annual general meeting, in accordance with the national and international regulations in force on this subject, the upper limit on variable remuneration for all staff belonging to the Mediobanca Group [7] and hence the entire scope of Identified Staff has been set, as in the previous Remuneration Policies, at 200% of fixed remuneration (without prejudice to the provisions in force for staff employed in the control units).

The reasons justifying this proposed limit are primarily:

– The need to attract and retain the most talented staff, in investment banking especially, by aligning the Bank's practice with that of its competitors;
– The need to maintain the appropriate operating flexibility, minimizing the risks that would be associated with increasing the fixed labour cost component excessively;
– To ensure that the remuneration policy is consistent with incentives which seek to promote virtuous conduct in the pursuit of business objectives and value creation;
– To align the Bank with the policies adopted by the leading Italian and international banks;
– The increasing presence of competitors in sectors (financial institutions which are not banks, private equity, hedge funds) or geographies (United States, Far East) with a liberalized regulatory framework;
– The possibility of ensuring that funds are distributed appropriately between the most deserving candidates.

The sustainability of this limit is guaranteed by the provisions of the remunerations policies regarding the determination of the variable component, the correlation between risk and performance, and the performance conditions, malus conditions and clawback provisions.

As permitted by the Bank of Italy's Supervisory Instructions currently in force, Mediobanca has taken up the option to make an exception to the 2:1 cap on variable remuneration relative to fixed salary for all staff, including those qualifying as Identified Staff at Group level, belonging to the Mediobanca Group

[7] With the exception of Financial Advisors linked to the Group under agency contracts, and for staff employed at the Group's non-Italian companies which are not banks which perform pure advisory services, despite not being included in the definition of Group Identified Staff.

companies which operate in asset management in Italy (MB SGR) and elsewhere (Cairn, RAM, MB Management Company, CMG) [8]. This exception is based on the following points:

– These companies are individually subject to UCITS/AIFM sector regulations which do not set limits on variable remuneration and operate in markets where other players are: a) independent; b) owned by international banking groups that can apply exceptions to the salary cap under the regulations in force in the countries where they are headquartered; and c) owned by insurance companies;

– The need to safeguard the appeal and competitiveness of the remuneration package for staff employed in asset management, as per sector practice, by aligning ourselves with the policies operated by our leading Italian and non-Italian competitors;

– Strengthening in the Wealth Management sector is one of the Group's main pillars of growth;

– The asset management companies have a different risk profile to the dominant one in the Banking Group's activity, and are not subject to direct financial risks (market, credit or liquidity) for investment products where the assets at risk belong to the client subscribing to them. For asset management products, the risk profile for the client is an integral part of the mandate regulations, and as such is governed and expressly represented in the documentation which the customer receives when they subscribe to the product;

– The incentivization system designed for the fund manager is based on the same mechanisms provided for clients, meaning their interests are aligned within the system of controls that can be implemented for the asset management sector;

– With reference to operational and reputational risks linked to realization of the product investment process and potential related complaints from customers, including complaints related to conduct issues by staff, cannot directly result in any conflict of interest or incentive for staff to increase the direct exposure to the assets' financial risks to beyond the company's own risk appetite, in order to reach their remuneration targets.

[8] As at 30 June 2019, the Group's Identified Staff working for the asset management companies consisted of one person working for MB SGR, identified on the basis of qualitative criteria (cluster 5), and five working for RAM, identified on the basis of quantitative criteria. MB SGR has set a cap on the percentage of variable to fixed remuneration of 5:1 for the fund manager's Identified Staff.) RAM and Cairn, the MB Group companies recently acquired in Switzerland and the United Kingdom, have an extremely limited impact on the Group's overall figures. As at 30 June 2019 they employed a total of 44 and 54 staff, posting revenues of €35.7m and €16.3m, and costs of €21.5m and €22.3m respectively. Considered jointly, their impact on the same Group indicators was limited, at 2% of the total Group headcount (consisting of 4,805 staff), 2% of Group revenues (which totalled €2,525m) and 3.7% of Group costs (which totalled €1,162m).

Applying this exemption does not impact on the earnings/financial sustainability of the companies involved, as their staff remuneration and incentivization mechanisms guarantee close correlation to results, consistent with the companies' characteristics and size, internal organization, nature, and the range and complexity of their activities. The mechanisms are implemented over a period of time which is appropriate to the life and/or investment cycle of the UCITS or AIFs managed, or to the holding period for the instruments recommended to the investors, to ensure that the valuation process is based on longer-term results and that actual payment of the results-based remuneration components is distributed over a period that takes due account of the investment risks and repayment policy (if any).

IV. Other remuneration components

Buyout, sign-on and entry bonuses may be awarded to staff with particularly important profiles but only at the recruitment stage, and for the first year of their employment by the company, as per the regulations in force. They also include bonuses awarded at recruitment to compensate for any loss in earnings from previous jobs, in accordance with sector practice. Such bonuses are decided and paid in accordance with the policies and regulations in force.

For specific categories of staff and/or on an individual basis, in cases which involve ongoing employment or its termination, contracts may be signed with minimum guaranteed duration clauses (sometimes referred to as stability pacts), or non-competition agreements or other arrangements as permitted under the applicable employment law and other regulations.

Any compensation paid to Group management for positions held on behalf of Mediobanca in Group or investee companies is paid to Mediobanca itself.

V. Benefits and welfare

Based on an awareness that corporate welfare makes a significant contribution to the implementation of CSR, the Group has adopted instruments which produce positive effects outside the company, benefiting not only staff members but also their family and the local community in general. Corporate welfare creates value that is shared with a broad range of stakeholders, and so helping to produce collective benefits that endure over time.

From this viewpoint and in line with the market, the remuneration package is complemented by a series of benefits that reflect the attention devoted by Mediobanca to the personal needs and welfare of its staff, including those already in retirement. The benefits are for the Group's entire population, and may be distinguished by families of professionals and geographical areas but do not make provision for individual discretionary systems.

– Complementary pension scheme: employees are entitled to participate in complementary corporate pension schemes, with contribution rates distinguished by category and length of time employed by the company.

– Healthcare scheme: this scheme covers healthcare, dental and preventative medicine expenses for staff members and their family. An extensive network of doctors and dentists who are part of the scheme enables beneficiaries to have direct access to services without having to pay in advance and providing significant financial benefits.

– Accident insurance policy, Life insurance policy, and Long-term care insurance policy: the first of these policies guarantees coverage to staff in the event of their having an accidents either work- or non-work-related, is in operation 24 hours a day and has no restriction in terms of geographical application; the second entitles claimants to a guaranteed capital sum in the event of an employee's death; and the third pays out an annuity in the event of permanent incapacitation.

– Company welfare/flexible benefit systems: these have been instituted for all staff or like-for-like categories of staff, as provided by the applicable tax legislation and regulations in force.[9] Such systems involve the provision of non-cash services and instruments (e.g. training activities, study and education courses, welfare services, etc.), which Group companies make available to their staff and families, with the possibility of paying any amounts unused to the complementary pension scheme. Production and/or result bonuses provided for under complementary company contracts may be used to this end, or other amounts earmarked for the welfare of similar categories of employee and according to marginality criteria relative to the capacity to pay principle. The objective is to: expand the range of welfare initiatives offered contractually, in order to provide increased benefit to staff members and their families by

[9] In Italy the applicable regulations are laid down by Article 51, paragraphs 2 and 3 of the Italian Income Tax Act, as amended by the 2016 budget law as amended. These have introduced certain changes to how income from paid employment is taxed, increasing the range of possibilities and examples of sums and benefits not included in the calculation of income from paid employment, and which for this reason were previously considered to be instances requiring protection from the legislator. The changes have made it easier to introduce corporate welfare schemes, which make available a basket of options to staff members from which they can choose the benefits that are most appropriate to their own needs and family situations.

enabling them to access specific products and services which can be tailored to their specific requirements; offer increased protection for public welfare provision; and obtain improved purchasing power for overall remuneration, through relief on tax and social security contributions permitted by law.

– Company cars: these are assigned only to the highest professional figures or those with commercial roles. The range of cars available is notable for the number of hybrid and/or electric vehicles on offer, in accordance with environmental sustainability criteria..

5 Incentivization system

Variable remuneration and the correlation between risks and performance is determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term.

The incentivization system is consistent with a strategy that combines growth and sustainability, distinctive features of the Mediobanca Group based on the conviction that ethics and profit do not have to be in conflict with each other.

a) Gateways and risk-performance correlation

Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if the following indicators or "gateways" are met:

a) Capital adequacy and liquidity requirements included in the Risk Appetite Framework[10] approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP. These are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio.

b) Positive operating profit delivered at Group level.[11]

[10] The Risk Appetite Framework identifies the risks which the Bank is willing to take, and for each risk defines the objectives and limits in normal and stressed conditions, identifying the management actions necessary to bring the risk back within the set limit. It is based on assessment of the principal risk drivers to which the Bank is exposed, both macroeconomic and specific. The RAF is subject to ongoing fine-tuning and update, in line with the continual changes in the risk metrics and analysis methodologies adopted, not to mention to the regulatory framework and the corporate processes with which it is integrated.

[11] Total income less operating costs and loan loss provisions, as shown in the consolidated restated financial statements.

b) Annual variable remuneration (short-term incentives)

I. Budget phase

In the process for defining the annual incentivization system and subsequently determining the divisional variable remuneration, the budget approved by the Board of Directors includes the estimated cost of labour for the financial year to come, including the amount of variable component, determined on the basis of the all the Mediobanca Group divisions' expected earnings performance targets, the market scenario and historical pay trends.

II. Determination and allocation of annual divisional variable remuneration

Once the final results have been closed, the annual variable remuneration payable to the Group's business divisions, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

– Wholesale Banking division:[12] the Chief Executive Officer of Mediobanca identifies the share of the share of the division's Economic Profit to be used for the variable remuneration. The aggregate amount also reflects assessment of other quantitative parameters (Group results, Risk Appetite Framework indicators other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the long-term business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and share, retention of key staff, need to recruit new professional talent). The amount determined is related to the results of the scorecards for the individual business units, which may be fine-tuned to ensure that overall sustainability is maintained. These scorecards use Economic Profit or other risk-adjusted metrics depending on the nature of the business and activity, and other secondary metrics, both quantitative (such as reference to budget objectives and historical results trends) and qualitative, with a cap instituted.

[12] Economic Profit (EP) is defined as the pre-tax profit earned by the Wholesale Banking division, net of variable labour costs and the cost of regulatory capital (not represented in the accounts) required to perform such activities. It therefore measures the additional profit generated after the return on capital, the cost of which is calculated based on a risk-free rate in the medium/long term, the risk premium and taking into account the Division's cost of funding. As required by the supervisory authorities, the EP metric reflects both present and future risks and the sustainability of results over time.

- For Mediobanca Private Banking: For the Private Banking division, the Chief Executive Officer of Mediobanca identifies the share of ordinary gross operating profit, net of the cost of risk, to be set aside as variable remuneration. To determine this amount, other secondary quantitative metrics, such as inter-company cross-selling, cash/AUA transformation to AUM, and operational risk assessment) and qualitative metrics (adequate transparency in banking and financial transactions and services provided to clients; management of resources, compliance with regulations) are also used. Variable remuneration is allocated on the basis of an evaluation of the individual's contribution to area results (indicators used include Net New Money, AUM, revenues, cost/income ratio attributable to each individual banker) and their internal organizational unit.
- Principal Investing division: the variable remuneration is determined on the basis of specific qualitative and quantitative performance indicators for the area.
- Holding Functions/control, staff and support units: the aggregate variable remuneration is established by the Chief Executive Officer of Mediobanca on the basis of general earnings sustainability. The variable component, which is usually small, is not related to earnings performance or the Group's results, but to individual qualitative performance (value of staff, quality of performance, retention strategies) and to the role's positioning relative to the reference market.
- Group Treasury, Strategic and Trading Portfolio: aggregate variable remuneration is determined on the basis of scorecards which use quantitative metrics, linked to both risk and earnings indicators according to the nature of the business and activity (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio, cost of funding, HQLA and P&L thresholds). Secondary qualitative metrics are also provided for.
- For the other divisions and business lines (Consumer Banking, Wealth Management Affluent/Premier, CMB and the entities performing asset management activities, Speciality Finance) the amounts are determined by the Chief Executive Officers of the relevant related legal entities, who to this end liaise with the General Manager and Group HR based at Mediobanca.

III. Individual performance evaluation

The individual incentivization system and assignment of variable remuneration to individual beneficiaries are established via an annual performance assessment process based on merit and professional quality, with particular attention to reputational issues: indeed, the variable remuneration may either not be paid or may be reduced for staff guilty of committing compliance breaches of either internal or external regulations in the course of the year. The entitlement to receive variable remuneration is subject to the beneficiary fully maintaining their status as an employee [13] of the Mediobanca Group throughout the assessment period and still being in the company's employment at the actual date of distribution and/or not serving a period of notice for resignation or dismissal. The remuneration may not be split over fractions of years, hence if the employment relationship begins or ceases in the course of the relevant financial year, the staff member concerned is not entitled to any variable remuneration, even pro rata. For identified staff, the performance assessments are ratified individually by the Chief Executive Officer and General Manager of Mediobanca with the support of Group HR.

Mediobanca valorizes its staff on a meritocratic basis, developing their professional capabilities and career opportunities in accordance with the principle of equal opportunities and in line with the Bank's own strategic, organizational and business choices. Difference of gender and thought is treated as a value to be leveraged, providing a source of enrichment in cultural and professional terms. Professional development is facilitated through the provision of the appropriate training, practical work experience under the leadership of line managers, mobility across different positions, assessment of performance, and ultimately the career advancement and promotion process. The Group also encourages its staff to take part actively in its company volunteering programme, to foster talent, passion and commitment on the part of staff by including them in the various environmental and social initiatives which the Group supports.

All these instruments together provide an opportunity for the Group's staff to feel valued. Our people represent a fundamental part of our capital and are indispensable to making us competitive and so helping the Bank deliver performances that are sustainable over the long term.

[13] The other contractual forms provided for by the regulations apart from full employment contracts (e.g. collaboration or employment agency contracts) are considered equivalent.

At the start of the year the professional, personal and company objectives for each staff member are assigned and discussed with the respective line manager. Such objectives are meant to be achievable, challenging and weighted according to the priority assigned to each staff member. Particular attention is paid to proper individual conduct in accordance with the provisions of the Code of ethics, Organizational model and Business conduct policy, and in general terms with the principles established by the laws, regulations, operational rules and internal procedures, with reference in particular to those considered to be most relevant in terms of reputational risk. Increasing consideration is being devoted as part of the evaluation process to the achievement of environmental, social and governance (ESG) objectives within the individual and business areas of responsibility.

At the end of each year, the line managers make their assessment of the individual staff members based on these objectives. Mid-term feedback throughout the year also allows the line managers and staff to agree on the extent to which the objectives have been met, as part of objective discussion of individual performances. In this way the organization is able to reach its objectives while respecting its corporate values, and transparency is assured in the area of training opportunities, professional development and evaluation criteria.

For staff belonging to the business units, the evaluation reflects:

- Earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios;
- Qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, reputational and compliance issues, and adherence to the Bank's values.

For all the other units, the main aspects of the evaluation are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of resources. In particular, for staff employed in the accounting, planning and control areas the following aspects are considered: all obligatory, supervisory and market disclosure requirements being complied with, all the accounting processes, related electronic procedures and tax requirements being managed efficiently and accurately. For staff employed in the internal control units, i.e. Group Audit, Compliance and Risk Management, continuous monitoring and control of the Bank's processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly; continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

In close relation to the evaluation process, staff may also be promoted to a new contractual level or being assigned a new corporate title, as part of the career advancement process linked to covering new organizational roles based on experience acquired and results achieved. Promotions are proposed by the head of the business unit concerned, agreed with Human Resources and approved by the General Manager and/or the Chief Executive Officer (for middle management). For higher levels (senior management or equivalent), the process involves specific appraisal of the candidate concerned, including by other senior Bank staff from a variety of different professional backgrounds, experience and roles. The process is closely linked to that of succession planning which involves researching, identifying and managing individual candidates for senior positions (specifically executive directors, including in cases where such figures have to be replaced ahead of the scheduled expiry of their term of office, in view of the fact that under Mediobanca's current Articles of Association, some of the directors must be chosen from among staff with at least three years' experience as senior management employed by Mediobanca Banking Group companies). The process also requires a pool of possible high-potential replacements to be identified (the "senior talent pool") for key positions, including the business areas, control units, and staff and support roles, in view of likely future requirements in terms of strategic leadership and/or professional and managerial capabilities based on a global organizational approach, without neglecting to monitor the market on an ongoing basis. Growth and career development pathways are devised for such staff, including involvement in specific strategic projects, exposure to Board/ committee meetings, and international and intra-Group rotation. Selection is based on assessment of professional and technical skills, as shown by CV and company record as well as performance over time, possession and development of key leadership capabilities.

The remunerations policies are therefore co-ordinated with the selection, appointment, succession and assessment of the adequacy of company representatives and Key Function Holders and the Staff management policies.

IV. Exceptions (variable remuneration for retention purposes and floors)

The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations Committee in favour, may authorize payment of variable remuneration for Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. The scope of the staff and the amount involved is based mainly on the following criteria: the contribution of the individual beneficiary to the overall results of the division and the Group, the importance of the profile to the sustainability of future results, benchmark analysis of the market and competitive scenario, the need to ensure business continuity, and consistency with the succession planning policy.

Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

c) Long-term variable remuneration (long-term incentive)

Upon the approval of a long-term Group strategic plan, the Board of Directors may choose to adopt a long-term incentivization scheme conditional upon the objectives set out in the plan itself being reached.

Such a plan directs activities towards creating long-term value for shareholders; correlates a part of the variable remuneration to achieving objectives over the medium and long term; is constructed in such a way as to ensure that achieving the plan's results does not encourage taking more risk than the governing bodies have decided is sustainable; and promotes loyalty retention. It is consistent with sustainability objectives that endure over time and is able to create value that is shared with all stakeholders.

The long-term incentive scheme has specific quantitative/financial and qualitative/non-financial objectives linked to the scheme's time horizon, and is subject to gateways.

Payment will be made in accordance with the terms, conditions and methods provided for the variable remuneration component in this Policy, unless stipulated otherwise by the Board of Directors after consulting with the Remunerations Committee, in accordance with the regulations in force for long-term incentivization schemes and for payment of the variable remuneration accrued, including any specific resolutions requiring to be adopted in general meetings. In addition to the Chief Executive Officer and General Manager, other Group senior representatives may be included in the long-term incentivization scheme, with a specific pay mix identified for them between short- and long-term variable components. The 2:1 cap on variable/fixed remuneration approved by the shareholders in general meeting must be complied with for each year.

At present no such long-term incentivization scheme is in force.

d) Payment of variable component

I. Timing and instruments

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payment is structured in the form of annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For directors with executive duties and senior management (i.e. groups 2 and 3 in the table of Identified Staff), the deferral period is always five years. The deferred component is:

– 60% (55% in equities and 45% in cash), for variable remuneration equal to or higher than €425,000;

– 50% (56% in equities and il 44% in cash) for variable remuneration of less than €425,000.

For other Identified Staff, deferral is over a three-year time horizon, made up as follows:

– 60% (50% in equities and 50% in cash), for variable remuneration equal to or higher than €425,000;

– 40% (50% in equities and 50% in cash), for variable remuneration of less than €425,000.

For the Material Risk-Takers, the upfront component is paid half in cash and half in Mediobanca shares.

The €425,000 threshold has been identified in accordance with the regulations, as it is less than 10x the average overall compensation within the Group (approx. €82,500) and 25% of the overall remuneration for Italian high earners stated in the EBA 2019 report (i.e. €425,000). This threshold can be reviewed at least once every three years.

For Identified Staff, the deferral mechanism applies starting from a materiality threshold of variable remuneration equal to or higher than €80,000.

After the vesting period, the shares are subject to a further retention holding period of one year.

The time horizon over which the variable remuneration is distributed, in cash and shares, is therefore six years for senior management and four years for the other Identified Staff.

An overview of the timing for the various distributions is shown in the table below:

	Anno T	**T+1**	**T+2**	**T+3**	**T+4**	**T+5**
Senior management with variable remuneration ^{3} €425,000	20% Upfront cash	20% Upfront equity	13% Deferred cash	11% Deferred equity	11% Deferred equity	11% Deferred equity 14% Deferred cash
Senior management with variable remuneration < €425,000	25% Upfront cash	25% Upfront equity	11% Deferred cash	9% Deferred equity	10% Deferred equity	9% Deferred equity 11% Deferred cash
Other Identified Staff with variable remuneration ^{3} €425,000	20% Upfront cash	20% Upfront equity 5% Deferred cash	15% Deferred cash 10% Deferred cash	15% Deferred equity 15% Deferred cash		
Other Identified Staff with variable remuneration < €425,000	30% Upfront cash	30% Upfront equity	10% Deferred equity 10% Deferred cash	10% Deferred equity 10% Deferred cash		

Mediobanca also applies a 30% deferral over a three-year time horizon, all in cash and subject to malus conditions, to all staff not included in the definition of identified staff who receive variable remuneration equal to or higher than €100,000.[14]

II. Performance share scheme

In order to have ordinary shares for use as components of staff remuneration, Mediobanca has adopted a performance share scheme, approved by shareholders at the annual general meeting to be held on 28 October 2015. The plan is subject to review by shareholders in annual general meeting, to adapt it to the conditions set forth in the section entitled ”Timing and instruments” above, to which reference is made for all further details.

[14] For personnel not included among the definition of Identified Staff, the Group companies are free to adopt or not adopt their own internal deferral mechanisms and respective thresholds, including on the basis of specific sector regulations (e.g. in asset management). The deferral structure adopted to this end by the Mediobanca applies to those Group companies which do not have a policy or other specific remuneration and incentivization of their own, and which therefore adopt the Group policy directly without further specification.

The scheme involves the award of Mediobanca shares to staff members (employees, collaborators, staff on agency contracts) as the equity component of the variable remuneration granted to them as a result of the performance evaluation process, both short-term in relation to the annual budget (short-term incentive plan) and long-term (long-term incentive plan) usually assigned in conjunction with approval of the strategic plan.

The performance shares allocated as upfront equity component are subject to a holding period of no less than one year before they are actually awarded, subject to the beneficiary continuing to work with the Mediobanca Group.[15]

The performance shares awarded as deferred equity component are:

– Assigned within an overall vesting period for all deferred components over a time horizon of at least three years, provided that the beneficiaries are still employed by the Group[16] and that the additional performance conditions stipulated in the remuneration policies in force at the time regarding the sustainability of the results achieved have been met, with the conditions regarding the company's capital solidity and liquidity and/or proper individual conduct in particular respected.
– Subject to a further holding period of at least one year prior to the their actual assignation, which remains conditional upon the beneficiary continuing to work with Mediobanca.[17]

Awards which are spread over time are an incentive to staff, in accordance with their role and business activities, to adopt conduct which is consistently geared towards ensuring that Mediobanca retains a solid capital base, substantial liquidity, control of all risks and profitable results, thus guaranteeing that the remuneration systems in place remain sustainable over the long term.

The Chief Executive Officer of Mediobanca may also use ordinary shares as an instrument outside the annual award cycle, to define remuneration packages upon the occasion of recruiting new key staff, including outside the annual and/or long-term award cycle and with specific deferral mechanisms. The governing bodies may also award quantities of performance shares as part of compensation agreed in respect of

[15] I.e. the existence of a co-operation agreement between the beneficiary and the company, whether an employment contract or some other arrangement, not during a period of advance notice for resignation/withdrawal/termination, whether voluntary or due to dismissal/withdrawal on the part of the company. For Directors of Group companies who are not tied to the Group by employment contracts, when their terms of office come to an end as a result of expiring naturally or failing to be renewed, the rights are maintained subject to the provisions of the specific individual agreements and provided that the person concerned has not left office due to compliance breaches or other deeds attributable to them.

[16] See previous note.

[17] See note 15.

early termination of the working relationship, to link it to the performance delivered and the risks taken by the individual and the Bank, as required by the regulations and consistent with the provisions of the remunerations policies in force at the time.

The shares received are personal, without prejudice to inheritance rights. The right to receive shares is retained in the event of retirement or the beneficiary being permanently disabled and/or suffering from an illness which makes them unable to continue working. Conversely, the right to receive shares is forfeited in cases where the working relationship ends, whether governed by an employment contract or some other arrangement, due to resignation, dismissal and/or withdrawal. Exceptions to the foregoing are handled by the governing bodies within their respective areas of authority, namely the Board of Directors, Remunerations Committee and the Chief Executive Officer of Mediobanca, based on the powers vested in them, particularly in cases which involve departures by mutual consent within the limits defined by the remunerations policies in force at the time. The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies, and without prejudice to any regulations providing for more favourable treatment instituted by the applicable local legislations.

Performance shares are awarded from capital increases approved by the shareholders in general meeting or from any treasury shares the Bank may possess (once again subject to a resolution being passed in general meeting). The maximum number of shares that may be awarded under the terms of the existing scheme is 20 million, from the capital increase reserved for award to Mediobanca Group staff members before 28 October 2020, pursuant to Article 2349 of the Italian Civil Code, which was approved by shareholders on 28 October 2015. A total of 5,140,540 shares remain, and at present there is a total of 6,676,384 performance shares assigned against the resolution adopted by shareholders but not yet allocated on account of their being subject to vesting and/or holding periods. Alternatively and/or in addition, those of the treasury shares currently held by the Bank and not reserved for other purposes may be used to this end.[18] The fully-diluted percentage of the share capital accounted for by the equity instruments assigned to Group staff amounts to approx. 0.75%. The impact on the stock's value and the possible dilution of the share capital is negligible, given that there are several schemes in operation over different years and with different vesting and holding periods over a medium-/long-term time horizon.[19]

[18] In accordance with the provisions of the resolution adopted by shareholders in the annual general meeting held on 27 October 2018.

[19] At the extraordinary annual general meeting held on 27 June 2007, the shareholders of Mediobanca adopted a stock option, which was then revised by the Board of Directors at a meeting held on 24 June 2011 to become a performance stock option scheme. No options remain to be taken up from that scheme. The 24,464,000 shares remaining from the capital increase (to be implemented by 1 July 2022) can no longer be used.

III. Performance conditions, malus conditions and clawback

The deferred variable remuneration component is paid, after the performance (short-term incentive) or long-term (long-term incentive), provided that:

– The beneficiary is still a Group employee [20] and not serving a period of notice for resignation or dismissal;

– In each of the financial years, the performance conditions equating to the gateways described in the section entitled "Gateways and risk-performance correlation" are met;

– The beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as validated by the Risk Management unit;

– The beneficiary has not committed any compliance breaches (i.e. has not been subject to disciplinary measures under the terms, *inter alia*, of Mediobanca's Code of ethics, Organizational model, Business conduct policy and other internal regulations [21]) and no losses have been incurred which were attributable to their actions.

[20] Equivalent provisions have also been provided for working arrangements other than employment itself (e.g. co-operation or agency contracts). For Directors of Group companies who are not tied to the Group by employment contracts, when their terms of office come to an end as a result of expiring naturally or failing to be renewed, the rights are maintained subject to the provisions of the specific individual agreements and provided that the person concerned has not left office due to compliance breaches or other deeds attributable to them.

[21] The remuneration and incentivization system must not only discourage inappropriate behaviour but must also contribute to promoting good conduct. For this reason conduct is an important issue of the remuneration polices, which must take due account of individual and collective responsibilities in the event of misconduct and establish their impact on remuneration. To this end Mediobanca has drawn up a Group directive which lays down the rules for identifying and assessing compliance breaches and their impact on the variable remuneration component, whether already awarded or still to be awarded. In more detail, in the event of compliance breaches being committed malus mechanisms can be activated to reduce or wipe out the value of: (i) the variable remuneration to be assigned for each year in connection with the annual performance assessment of the individual concerned or a specific unit; and/or (ii) deferred component for previous years as yet unpaid; or clawback mechanisms, which require an amount of the variable remuneration already distributed to be repaid. For the purposes of identifying a compliance breach, account is principally taken of violations noted by the control units (Compliance & Group AML, Group Audit and Group Risk Management) and the authorities (e.g. Bank of Italy, Consob). To ensure greater effectiveness, and in accordance with the principle of proportionality, under the terms of the Directive only relevant violations constitute compliance breaches, i.e. incidents which have exposed Mediobanca to a significant risk of non-compliance with the regulations. In general terms, this involves violations which give rise to criminal or administrative liability as a result of a crime being committed (e.g. those contemplated in Italian Legislative Decree 231/01) and violations specific to the banking and financial sector (e.g. market abuse, provision of banking or investment services, anti-money-laundering, business conduct). Any more minor breaches noted by the control units and/or behavioural violations detected by Group HR, despite not constituting compliance breaches, may in any case be taken into consideration in connection with payment of variable remuneration as part of the performance evaluation process which always includes assessment of general conduct among the objectives, along with the individual operating targets. The materiality of the violation is assessed on the basis of the following issues: seriousness of the violation, extent of the violation, and external relevance. Each compliance breach is assessed on the basis of each of the foregoing criteria, assigning a value of nil, low, medium or high and establishing an overall score. For each score the variable component is reduced by a certain amount affecting the remuneration for the current financial year (in-year adjustment) and/or the deferred component assigned in previous years but not yet distributed. In the event of enquiries or disciplinary proceedings being launched by the authorities which have not resulted in procedural violations being clearly established, it may be decided to suspend payment of the variable remuneration, either the upfront and/or deferred component as yet unpaid depending on the results of the enquiries. The outcome of the assessment and the impact on the variable remuneration, individual or unit scorecard is formalized and stored by the Compliance unit, with regular reporting to the governing bodies.

This method is consistent with the requirement for staff, in accordance with their role and business activity, to conduct themselves at all times in such a way as to ensure that Mediobanca retains a solid capital base, a strong liquidity position and close control of all risks as well as positive earnings results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

For staff employed at other Group companies, the Chief Executive Officer may choose to identify one or more specific economic indicators in place of those referred to above.

The Board of Directors, with the favourable opinion of the Remunerations Committee, may, at the Chief Executive Officer's proposal, authorize payment of the deferred component, including in part, even if the gateways are not achieved, either to business divisions or individuals who during the year have delivered particularly outstanding performances or who are expected to be decisive with regard to the sustainability of results over time, for retention purposes.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established. In particular, provision for such measures is made in cases involving breach of the obligations imposed under Article 26 of the Italian banking act (company representatives – personal and professional qualifications and independence) or, where relevant to the party involved, Article 53, paras. 4ff (regulatory supervision), of the obligations in respect of remuneration and incentivization.

Clawback clauses can be applied to Identified Staff up to the fifth year following payment of variable remuneration, upfront or deferred, and up to one year for other staff.

e) Ban on hedging strategies

Staff members are not allowed to use hedging or insurance strategies on their remuneration or other aspects which could alter or otherwise distort the risk alignment effects inherent in the compensation mechanisms, especially if they refer to the variable component paid in the form of financial instruments.

As governed by the applicable internal regulations, [22] Identified Staff must give notice of transactions executed by them directly or indirectly in financial instruments issued by Mediobanca and those with Mediobanca instruments as underlying, transactions identified as potentially able to affect the risk alignment mechanisms, and more generally, to impact on achieving the objectives of the regulations in force in the area of remuneration [23]. Identified Staff are required to give notice of contracts executed with counterparties that generate the same effect (e.g. OTC derivatives). They are also obliged to disclose, from the moment they are included in the definition of Identified Staff and once a year if their inclusion is confirmed:

– All custody and administration accounts – opened with the Group or with other intermediaries – of which they are holders and/or joint account holders at the disclosure date. Also relevant in this connection are any accounts attributable to them indirectly (e.g. made out to companies 100% owned by them);
– The list of the financial instruments listed above with an indication of their respective quantities;
– The fact that no contracts have been entered into with third parties for hedging and/or insurance purposes.

Failure to disclose the above information could constitute a compliance breach.

The foregoing is without prejudice to the obligations and restrictions in force under any additional internal regulations governing trading in financial instruments on a personal basis.

Based on the information contained in the above disclosures, the control units carry out checks on the accounts and make further enquiries which may include asking to see the statements of account as appropriate.

[22] "Disclosure of accounts and trades by Group Identified Staff", "Regulations on internal dealing" and "Regulations governing personal transactions involving financial instruments made by relevant persons".

[23] Specific provisions are adopted for the companies operating in asset management, as the variable remuneration in such cases may be assigned in the form of fund stock units and/or fund-linked products.

6 Retribution structure for particular categories of staff

a) Non-executive directors

The emolument payable to non-executive directors of Mediobanca and the Group companies is fixed by the shareholders in general meeting, and no provision is made for incentives linked to the Bank's performance.

The directors of Mediobanca and all the Group companies are covered by a D&O insurance policy.

The Chairman is entitled to receive fixed remuneration only. The Board of Directors may, after consulting with the Remunerations Committee and within the limits set by the regulations in force, assess whether or not it is appropriate to pay him a variable component, on an exceptional basis, to be paid in accordance of the rules of this policy.

b) CEO and General Manager of Mediobanca

The remuneration of the CEO and the General Manager is regulated by individual agreements approved by the Board of Directors, and comprises:

1) A fixed salary;
2) A variable annual component (short-term incentive) which only accrues if the gateways stipulated in these policies are met (see the section entitled "Gateways and risk-performance correlation"), commensurate with the quantitative/financial and qualitative/non-financial performance indicators contained in an individual scorecard approved annually by the Board of Directors at the Remunerations Committee's proposal being met.
   The scorecards provide for performance objectives for each individual manager's sphere of responsibility. For example, these may regard: risk-adjusted profitability; revenues, Group-wide or for particular divisions; profitability, or Economic Profit of individual areas for which they are responsible; and/or other objectives consistent with the guidelines of the strategic plan with respect to capitalization, liquidity or new business initiatives. Each objective is weighted according to the relevance assigned to it by the Board of Directors and the actual margin of autonomy in terms of decision-making. If the quantitative/financial objectives are met, this

triggers the payment of a variable bonus ranging from 50% (or 40% if the minimum target is only partially met, i.e. at least 85%) of the gross annual salary on certain minimum objectives being reached (usually related to the budget objectives) to a maximum of 180% in the event of particularly good performances. Regarding the qualitative objectives, the variable component deriving from the quantitative objectives may be adjusted by the Board of Directors based on the degree to which the non-financial objectives have been reached, in a range from -10% to +15%. The qualitative objectives are considered as having equal weighting, and are to be assessed individually. The 200% cap applies in all cases.

Of the variable component, 60% is deferred over a five-year time horizon, in cash and in Mediobanca shares, in accordance with the provisions of these Policies in the section entitled "Timing and instruments". All deferred components are subject to the performance and malus conditions stipulated in these Policies (see the section entitled "Performance conditions, malus conditions and clawback").

For the financial year ending 30 June 2020, the Chief Executive Officer has been assigned the following quantitative objectives:

Objective	Weighting
Profit before Taxes (PBT) from Group banking activities/capital absorbed (to optimize return and capital allocated to core activities)	35%
RWA density: Finrep assets/RWAs (focus on loan quality)	25%
Total fees (for focus on capital-light revenues)	20%
AUM-AUA-AUC as % of TFAs (for growth in indirect funding and reduction in weight of liquidity)	20%

The General Manager has been assigned the following objectives:

Objective	Weighting
Profit before Taxes (PBT) from Group banking activities/capital absorbed (to optimize return and capital allocated to core activities)	35%
RWA density: Finrep assets/RWAs (focus on loan quality)	20%
Banking cost/income ratio (to support balanced growth between revenues and costs)	20%
ROAC Wealth Management (to optimize return on capital absorbed by WM division)	25%

The following non-financial objectives have been assigned for the year ending 30 June 2020: to the Chief Executive Officer, management of Corporate Social Responsibility objectives, and strengthening the distribution platforms in the Wealth Management, Consumer Banking and CIB divisions; to the General

Manager, maximizing synergies between distribution network and product factories, and management of IT Growth to the Business and Data Quality projects.

For the year ending 30 June 2020, with a view to achieving convergence with the new long-term incentive plan shortly to be introduced as described below, the annual variable component may entail payment of up to a maximum of 150% of the annual fixed remuneration as recognition for achievement of the quantitative/financial objectives set, while the Board of Directors will be authorized to adjust the payment upwards if non-financial objectives are met too, up to a maximum cap of 160%.

3) When long-term plans are approved, the Board of Directors may approve a long-term incentive plan for the Chief Executive Officer and General Manager related to achievement of the strategic plan's objectives.

   Individual scorecards are used to show when the quantitative/financial and qualitative/non-financial objectives have been reached, whereupon the amount of the bonus awarded to the CEO and General Manager ranges from 20% to 40% of the value of their annual fixed remuneration for each year of the strategic plan. The final amount payable at the end of the plan, pro rata to the overall performance delivered, is determined by evaluating each of the objectives contained in the scorecard based on the weighting assigned to them.

4) The Chief Executive Officer and General Manager also receive their emoluments as directors, but not those due in respect of participation in committees. An insurance policy is available to cover them for third-party liability, and they also benefit from participation in the complementary pension scheme, other benefits and welfare schemes operated for Mediobanca Group management staff.

5) The Chief Executive Officer is required to hold a number of Mediobanca shares equal in value to twice the amount of his fixed remuneration, and the General Manager one time, even after the shares deriving from the award of the variable component have actually been assigned, until the respective vesting/holding periods expire (known as the "stock ownership requirement"). The equivalent amount of shares, to be delivered in

a timespan of five years from the date of their first award, must be held throughout the duration of their terms of office, to ensure their interests are aligned with those of the shareholders. [24]

c) Identified Staff employed in control units

The remuneration package for the Group's Identified Staff in the control units (Group Audit, Compliance and Risk Management) is structured so that the fixed component represents the majority, with a variable component assigned annually based on qualitative criteria in relation to the effectiveness and quality of control action. The variable component has a maximum limit of 33% of the fixed component, while that of the heads of unit is set annually by the Board of Directors, at the Remuneration Committee's proposal.

d) Persons working for Group companies

In Group companies, the incentivization system is reserved specifically to senior staff who, on account of their professional specialization, organizational role and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are identified by the Chief Executive Officer and/or General Managers of the companies themselves, after consulting with the General Manager of Mediobanca and with Group HR. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is usually the Economic Profit and/or ROAC delivered by the business division in which they work or by other specific risk-adjusted metrics based on the type of activity, as is the case with asset management) and other secondary, quantitative objectives. Specific long-term incentivization plans may also be implemented, with performances evaluated over a time horizon of several years.

[24] At 30 June 2019, the Chief Executive Officer held 2,786,050 Mediobanca shares and the General Manager 1,065,000 Mediobanca shares, equal to approx. 14x and 6.4x their fixed remuneration respectively.

For the commercial branch and credit management network, the variable component is determined on the basis on specific quantitative indicators that can be applied individually or collectively by organizational unit. Valuation indicators are also adopted to incentivize proper relations with clients, including (but not limited to): customer satisfaction analysis, commodity checks, lack of complaints attributable to specific responsibilities due to improper conduct versus clients, transparency in banking and financial transactions and services offered to clients, evaluation of other quality indicators (e.g. correct MiFID profiling, absence of contractual irregularities, observance of internal processes in the area of powers, proxies and guidelines). Due consideration is also taken of the results of checks made by the control units. The evaluation is completed by consideration of whether or not individual and project objectives have been achieved. For the staff, support and control units, allocation is based primarily on qualitative criteria.

Below given limits, the bonus is paid entirely in cash in the year in which it accrues. Above such limits provision is made for forms of deferral, on a three-year basis. In the event of losses related (including, but not limited to) to provisions which prove to be insufficient, contingent liabilities or other items which might prejudice the integrity of the accounts (such instances not to be construed restrictively; the "malus conditions"), all or part of the deferred share may not be paid.

In line with the provisions in place for Mediobanca, the incentivization schemes in operation at the Group companies too place particular emphasis on the issue of proper individual conduct (i.e. compliance with regulations and internal procedures, and transparency versus clients) by adopting the concept of compliance breaches, both at the stage of award of the variable component, and in assessment of whether or not to pay any deferred components.

e) Persons working for asset management companies

The Group includes companies in the asset management sector (UCITS and AIFs) which operate in different jurisdictions (Italy, United Kingdom, Switzerland, Luxembourg, Principality of Monaco). They are subject to the sector regulations instituted by the local regulators (for the European companies this means the national regulations transposing the UCITS V and AIFMD directives [25])

[25] In Italy this refers to the joint Bank of Italy/Consob regulations issued on 28 April 2017 which transposes and combines the UCITS V and AIFMD guidelines.

based *inter alia* on the criteria of proportionality and within the broader framework of the consolidated banking regulations on subjects including:

– Role of shareholders in general meeting, governing bodies, Remunerations Committee, and governance processes in general where applicable;

– Definition of identified staff at individual and consolidated levels;

– Remuneration and incentivization system structures correlated to performance indicators for the manager and the UCITS and AIFs managed and measured net of the risk concerning their operations, and which take account of the level of the capital and liquidity resources necessary to cover the activities and investments made;

– Application of specific means of deferral between different categories of risk-takers, including variable remuneration assigned in the form of financial instruments linked to shares in funds or equivalent non-cash instruments;

– Caps on variable remuneration, if any, as a result of forming part of the banking group and the regulations applicable to it from time to time and/or the relevant jurisdiction (see section above on "Limits on variable remuneration" and exceptions to the 2:1 cap on variable to fixed remuneration);

– Specific malus clauses and clawback mechanisms;

– Dismissal or resignation;

– Disclosure requirements.

f) External networks and financial advisors

To achieve its strategic objectives and provide services to its clients, the Group also uses financial advisors retained on the basis of agency contracts in the Wealth Management division, and wealth managers in the Consumer Banking division. This allows them to promote and sell financial products and services without representation, on an independent and exclusive basis.

In view of the independent nature of their employment relationship, their remuneration is entirely variable but split between recurring and non-recurring components.

The recurring component chiefly consists of direct commissions (on various products, such as asset management, individual asset management, insurance, asset administration, direct funding, bank services, bank products offered by the Mediobanca Group), and indirect commissions ("oven" fees if a management mandate is issued, calculated based on the business promoted by the advisors co-ordinated and concluded by the Bank).

These are credited back on various grounds (e.g. sales, maintenance, management, negotiation and distribution fees) based on the commission table in force from time to time and attached as an annex to the agency contract. They constitute the more stable, ordinary component of their remuneration and in themselves do not serve for incentivization purposes (comparable to the fixed remuneration component for employees).

The non-recurring component does serve for incentivization purposes (and is therefore comparable to the variable remuneration component for employees) and is linked, for example, to beating certain targets in terms of funding (bonus for developing portfolios or growing the Bank's customers), launch of new products, long-term incentivization schemes operative over several years, etc.

As required by the regulations in force, the Group includes staff members belonging to this category in the process of defining Identified Staff. The qualitative identification criteria adopted refer to the possible liability on the part of the relevant organizational units for the earnings, financial or reputational risk to which they could expose the Group. The quantitative criteria provided for by the regulations are also adopted for employees to be included in the definition of Identified Staff; these regulations also govern exclusion mechanisms and procedures, if any.

In accordance with the provisions for employees, for financial advisors too, particular attention is paid to the issue of assessment of proper individual conduct and control of operational and reputational risks (such as compliance with the regulations and internal procedures, and transparency versus clients) through adoption of the mechanism known as compliance breach. Specific events or behaviours are monitored ex post, including (without limitation): sanctions or precautionary measures taken by the supervisory authorities against the financial advisor, complaints made by clients for actions attributable to the financial advisor, fraudulent behaviour or wilful misconduct by the financial advisor, failure to comply with the sector regulations, internal procedures and conduct obligations versus clients, with reference in particular to the duty to act in accordance with the principles of professionalism and proper conduct in relations with clients. Appropriate organizational procedures to prevent such situations from occurring are put in place ex ante.

The same rules apply to non-recurring remuneration received by financial advisors included in the definition of Group Identified Staff as apply to the payment of variable remuneration for the other Identified Staff (i.e. gateways, cap, deferral, malus clause and clawback).

7 Policies in the event of the beneficiary leaving office or the employment arrangement being terminated

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases where beneficiaries leave office or the employment arrangement is terminated early, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

a) Treatment for directors leaving office early

Mediobanca does not make payments other than the ordinary component to directors who leave office for any reason.

b) Treatment for employees

Treatment for individuals linked to Mediobanca Group companies under the terms of employment contracts (i.e. including directors who are members of the Group's senior management and all Identified Staff, including the aggregate of management with strategic responsibilities) involves payment of:

– The amount established and due in accordance with the provisions of law and the locally applicable contractual regulations in respect of the cost of failure to give notice [26] and other entitlements payable upon termination (severance provision, holiday leave etc.);

[26] In Italy the period of notice required is established on the basis of the national collective labour contracts in force at the time. Usually the notice period will be from six to twelve months, depending on the employees' number of years' service.

– An additional amount by way of severance if appropriate: severance pay is the main instrument recognized in the various jurisdictions for cases where the employment arrangement is terminated by mutual consent, in order to minimize the earnings and reputational risks, present and future, which the Bank might face as a result of possible disputes;
– Other types of arrangement, e.g. to cover non-competition agreements or settlements paid in respect of potential moral or material damages.

c) Severance

The amount of severance pay is determined by taking into account the various factors normally stipulated in the applicable provisions of employment law and jurisprudence and in employment contracts (collective or individual), as well as the practice adopted on the respective reference markets. Although it is difficult to provide an exhaustive definition of the concrete situation ex ante, given the variety of individual cases, the following factors in particular are taken into account: number of years' service within the Group, age and personal and social conditions, role and organizational position held, the historical performance in qualitative/quantitative terms delivered by the individual, the reasons for employment arrangement being terminated (which in some cases may be organizational and strategic rather than related to individual performance), the performance of activities that have caused problems for the risk profile decided by the Group, personal conduct that does not conform to company values, and the existence of risks for the Bank linked to possible disputes. The approach adopted reflects the effective and long-term results of the individual and company performance.

The basis for calculating the additional monthly salaries to be paid by way of severance is usually the most recent fixed salary, the average variable remuneration paid over a given time horizon (generally the last three years), and in some cases the value of fringe benefits.

Mediobanca defines the total maximum amount payable by way of severance as 24 monthly salaries, as previously defined and in any case no more than €5m, unless provided otherwise by shareholders in general meeting.

It does not include any amounts paid as indemnity for failure to give notice and the other amounts due in connection with termination of the employment relationship (severance provision, holiday leave etc.).[27] It does, however, include any non-competition agreements. Severance payments may not under any circumstances exceed the limits set by the applicable laws, regulations and collective contracts.

For Identified Staff, amounts paid as severance are included in calculating the limit on variable remuneration as a percentage of fixed remuneration represented by the cap, where instituted, with reference to the last year of employment. Any amounts agreed and/or paid under the terms of a non-competition agreement are included for purposes of calculating the cap only up to the amount which exceeds the share of the last year's annual fixed salary, for each year of the non-competition agreement's duration.

As provided by the regulations in force, in calculating whether or not the cap has been reached, no account is taken of any amounts agreed and/or paid under the terms of an agreement between the Bank and staff to settle a dispute that has already arisen (or at least is feared with good reason), at any stage of the settlement process, calculated as illustrated below. In order to quantify the risk objectively, the Bank takes advice from external lawyers specializing in employment law whose opinions are substantiated by objective legal references.

[27] To express this in terms of number of years' annual fixed salary, for staff members who have received variable remuneration equal to 2x their fixed salaries (given the 2:1 cap) on an ongoing basis over the whole time horizon taken into consideration, a total of six annual fixed salaries would be payable. This estimate, which is purely theoretical, is balanced by the maximum amount payable in absolute terms established by the remuneration policies.

Amounts agreed and/or paid as severance under the terms of an agreement between the Bank and staff in order to settle a dispute which has already arisen (or at least is feared with good reason), without reference to the cap, are therefore determined[28] on the basis of the following formula:

Severance = monthly salary (MTC) x indicator representing number of years' service (Y) ± correction factor (CF)

or

Severance = (MTC x Y) ± FC

where:

MTC	Calculation basis: average monthly total gross compensation, or fraction thereof, usually derived from the most recent annual fixed salary, the average variable remuneration paid over a given time horizon (last three years where applicable), and the value of any fringe benefits.
Y	Indicator representing the number of years' service in the Mediobanca Group: these are considered as not less than 7 and not more than 12.
CF	Correction factor: determined and justified, on the basis of objective and suitably documented parameters, to be calculated according to the criteria set forth below: • Age; • Personal and social conditions provided for under the internal regulations; • Role and position within organization; • Historical individual qualitative and quantitative performance delivered; • Reason for end of employment arrangement (in some cases may be organizational and strategic and not strictly related to individual performance); • Activities performed that have caused problems with respect to the risk profile adopted by the Group; • Personal behaviour not aligned with company values; • Existence of risks for the Bank as a result of disputes that have already arisen or are feared with good reason, based on opinions obtained from leading lawyers; and • Specific refinements which take into account the employment law provisions in force in the specific countries other than Italy where the Group operates. The Bank determines analytically in its internal regulations the weightings used to define the overall correction factor applicable in practice, which in general terms may vary between - 100% and + 100%.

Severance may not be paid in cases where the conduct of individual staff members has damaged the integrity of the Bank's capital, profitability and earnings/financial or reputational situation, whether or not fraud and/or wilful misconduct is established.

d) Timing and instruments

For identified staff included in clusters 2 and 3 in the table shown in the section entitled "Policies for identification of Material Risk-Takers", the methods and timescales provided for in making severance payments and any

[28] Net of the cost of any amounts paid by way of indemnity in lieu of notice and amounts due in connection with severance mentioned in point b) above, and with the provisos specified in the foregoing note 26.

compensation for non-competition agreements (except in the latter case for the share of any such amounts that does not exceed the last year's payment in terms of fixed salary) entered into upon terminating an employment relationship include payment based on the timescales and deferral mechanisms instituted for payment of variable remuneration, use of shares or instruments related to them, payment being made subject to malus conditions in the event of liability being established in cases of fraud and/or wilful misconduct and/or attributed in a court of law to the individual staff member's own responsibility during the period in which they worked for the company which emerge after the employment relationship has been terminated. For other identified staff, forms of deferral and risk adjustment may be applied, with the appropriate methods to be identified based on the amount to be paid by way of severance, in addition to the considerations described under point c) above. The Bank also reserves the right to use the claw back mechanism in the cases provided for in the applicable employment law regulations.

e) Treatment of deferred component and fringe benefits

Entitlement to receive deferred variable remuneration components, in cash and/or equity, awarded in previous years but not yet paid, is forfeited in cases where staff members tender their resignations or are dismissed, as does the entitlement to any company benefits.

for treatment in cases of "good leavers", [29] exceptions providing for more favourable treatment in individual cases and the possibility of applying more favourable local legislations, are handled by the governing bodies within their respective areas of responsibility, namely the Board of Directors, Remunerations Committee and Chief Executive Officer, based on the powers vested in them.

f) Decisions by third parties

The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies.

[29] "Good leavers" are defined as those staff members whose employment arrangement ends by mutual consent (including in cases of retirement or early retirement), death or permanent incapacity, duly certified, if it remembers the staff member concerned unable to perform their duties. In all other cases where the employment arrangement is ended, including resignations, the staff members concerned are considered "bad leavers", even though the Bank may decide to treat them as "good leavers" in any case, in view of the specific features of the case concerned, to be evaluated on the basis of suitably justified and documented objective criteria.

g) Involvement of governing bodies

Regular reporting is made to the Remunerations Committee on any decisions taken vis-à-vis employees qualifying as Identified Staff, and the Committee itself is involved promptly in deciding on the treatment of the most significant individual cases.

h) Arrangements for the Chairman, CEO and General Manager of Mediobanca

In cases where the Chairman (if a member of the Group's management), Chief Executive Officer and/or General Manager leave the Bank's employment for any reason, the provisions of the Group's remuneration policies for Identified Staff and the sector regulations in force from time to time shall apply. Any amounts paid in cash, in addition to notice, shall be subject to contributions to the company's complementary pension scheme, and save in cases of dismissal for just cause, the said persons will be allowed to retain any financial instruments assigned to them up to the time when the employment arrangement is terminated.

SECTION 2

Report on application of staff remuneration and incentivization policies for year ended 30 June 2019

a) Introduction

The Mediobanca Group delivered an excellent set of results for the year ended 30 June 2019, which placed it among the top European banks for growth in revenues, profitability, shareholder remuneration and stock market performance. All divisions delivered good performances, with the main highlights as follows:

- Total revenues: up 4%, to €2.5bn;
- Net interest income: up 3%, to €1.4bn, due to growth in loans (up 8%, to €44bn) and a reduction in the cost of funding (from 90 bps to 80bps);
- Asset quality improving further, with the cost of risk declining (from 62 bps to 52 bps), gross NPLs down 8%, to €1.8bn, representing 3.9% of total loans (4.6%);
- GOP up 8%, to over €1.1bn;
- Adjusted net profit up 8% to €860m, adj. EPS up 8% to €0.97;
- Profitability higher: adj. ROTE 10.2%, vs 9.5% in 2018;
- CET 1 ratio stable at 14.1%;
- Payout ratio 50% (vs 48%), proposed dividend of €0.47 per share.

The 2016-19 strategic plan objectives have been fully achieved, on the back of our distinctive business model and financial solidity, factors which allow the Mediobanca Group to focus on growth and place us in the privileged position of being able to strengthen distribution, organically and via acquisitions. All divisions improved in terms of positioning and profitability: Wealth Management now visible by brand, scale and contribution to Group figures; record results posted in Consumer Banking; and CIB now leader in Southern Europe.

Decisions on staff remuneration have been taken in a business environment that increasingly requires the contribution of highly-skilled professionals.

b) Governance

The governing bodies and company units have governed the entire process of applying the remunerations policies.

In particular, as described *inter alia* in the Annual statement on corporate governance and ownership structure, the Remunerations committee has met on eight occasions, and the meetings on average lasted around 1 hour and 45 minutes. The Committee is made up of four non-executive members, a majority of whom qualify as independent under Article 19 of the Bank's Articles of Association. The Statutory Audit Committee also participated in the Committee meetings, as did (apart from in one case) the Chief Executive Officer and the General Manager as guests. The Chief Risk Officer and the head of Group HR also took part , along with other members of the Group's staff.

The main items discussed in Committee meetings, in addition to this report, are as follows: formulation of proposals to the Board of Directors regarding the variable remuneration of the Chief Executive Officer and General Manager (defining and marking their scorecards); assessment of a long-term incentive scheme for Group senior management in connection with approval of the new strategic plan; decisions made by the Chief Executive Officer regarding the variable remuneration of other staff; review of the internal processes and procedures adopted in connection with the remuneration system; analysis of the new Bank of Italy instructions issued on 23 October 2018 on the subject of remuneration and incentivization policies and practices with a particular focus on the remuneration of financial advisors and staff working in asset management; analysis of market benchmark compensation and guidance from institutional investors and proxy advisors; and application of the severance policy.

Group HR has provided full support for all activities, co-ordinating the process of formulating the proposals and resolutions, and executing them. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and finalizing the new remunerations policies.

The Compliance unit has issued a report stating that the remunerations policies conform to the Bank of Italy and internal regulations, and the Group

Audit Unit checked that they were implemented correctly. The Risk Management unit, too, has been involved in ascertaining that the gateways have been met. The Planning, Accounting and Financial Reporting areas also provided the data for determining the business areas' performances and gateways.

c) Incentivization system: determination of variable remuneration and allocation using risk-adjusted metrics based on sustainable results over time

All the Group's gateways for the year ended 30 June were met: consolidated gross operating profit €1,140m, CET 1 ratio 14.1%; Leverage ratio 8.4%; AFR/ECAP 192%; average Liquidity Coverage Ratio 177%; Net Stable Funding Ratio 107%. For the Group companies which adopt their own RAF on an individual basis (Compass, CB! and Mediobanca International), in the course of the twelve months their risk profile remained consistent with the objectives and limits set, with no breaches of the thresholds recorded.

The other quantitative and qualitative metrics were also met, in the sense that the Group's results reflected the required risk/return balance, in compliance with all the objectives set in the Risk Appetite Framework. From a qualitative perspective, Mediobanca confirmed its positioning and market share in a difficult market scenario.

The Group's results for the year ended 30 June 2019 reflect:

– Stable capital solidity indicators (CET 1 ratio >14%);
– Growing GOP (€1.14bn), 7.8% higher than last year and 4.5% ahead of budget;
– Revenues of €2.5bn (up 4%), with net interest income increasing despite market rates remaining in negative territory;
– Good performance in trading activity (up 25% year-on-year);
– Loan loss provisions decreasing for the fifth year in a row (from €247m to €223m).

The Wholesale Banking division's results in the twelve months ended 30 June 2019 reflect a gross operating profit of €338m, following writebacks to loans totalling €63m, with its market leader position confirmed. The Economic Profit earned by Wholesale Banking totalled €252m, impacted by a negative performance from the proprietary trading portfolio in turn offset by the healthy trend in CIB Client business, which was ahead of budget and up 9% year-on-year due to CMS, Corporate Finance and an improved cost of risk. CIB Client in particular delivered:

- Economic Profit up 9%, from €253m to €275m;
- Investment banking revenues showed strong growth in Corporate Finance, a low capital-absorption product with higher pay-out consistent with market practice, and growth in Capital Market Solutions. The overall figure was penalized by the downturn in lending activity, where revenues were down 9%, in a difficult market scenario, but was boosted by writebacks which were far higher than the need for provisioning;
- Market leadership in advisory business;
- Fixed labour costs down slightly, due to more efficient organization in various teams plus a more favourable GBP/EUR exchange rate.

For Mediobanca Private Banking, the results were as follows:

- Profit from ordinary activities up 9%, from €14.1m to €15.4m;
- GOP €17m (30/6/18: €13.6m, reflecting €0.6m in provisions);
- AUM/AUA €15.5bn (€14.9bn); NNM approx. €2.5bn, €2.1bn of which liquid assets.

For the Consumer Banking division (Compass and Futuro):

- Revenues up 3%, and above budget, on resilient returns and volumes;
- Further improvement in asset quality drove a reduction in loan loss provisions, from €242m to €238m, due to the risk-taking and recovery policies;
- GOP €496m (up 7% Y.o.Y. and 11% above budget);
- ROAC for Consumer Banking division 30%, slightly higher than in 2018 (29%);
- Cost/income and compensation/income ratios stable Y.o.Y.

With regard to the Wealth Management – Affluent / Premier division (CheBanca!):

– Growth of 16% in gross profit (from €41m to €47m);

– TFAs up 12% to €25.4bn; of the €2.8bn added, approx. 70% were AUA;

– Healthy trend in revenues (up 2%);

– ROAC for CheBanca! almost double at 14% vs 8% in 2018 (helped by adoption of AIRB models);

– Cost/income and compensation/income ratios stable Y.o.Y.

Principal Investing delivered growth in profits, from €295m to €332.4m, with a ROAC of 15%, despite the lack of gains on disposals.

Having therefore ascertained that all the conditions precedent to the distribution of the variable component had been met, and in application of the criteria provided for in the remuneration policies, the Chief Executive Officer, after consulting with the General Manager, and the relevant internal and control units, thus established the overall amount for distribution to the Mediobanca S.p.A. divisions at approx. €74m (basically stable compared with 2018). Variable remuneration for the WB division was set at €48.2m (€47.6m), of which €46.8m for CIB Client (vs €45.1m in 2018), translating to payouts of 19% (18%) and 17% (18%) of Economic Profit respectively. The variable component for Private Banking totalled €7.2m (€6.7m), corresponding to a payout ratio of 29% (30%). A total of €18.6m was allocated to the PI division, MAAM and the Holding Functions units (versus €19.3m in 2018). The bonus pool includes the variable remuneration reserved to the Chief Executive Officer and the General Manager and the heads of the control units of Mediobanca S.p.A.

The variable/fixed remuneration ratio for WB division staff was 98%, basically flat versus last year (101%). For Mediobanca Private Banking the ratio is 38% (44%). Considering Identified Staff only the ratio was 116% (135%) for WB and 128% (174%) for Mediobanca Private Banking. If all Mediobanca staff are considered, the ratio falls to 65%, from 67% in 2018.

One of the main objectives in making individual awards of variable remuneration was to maintain a competitive compensation package for younger and business staff from a talent retention perspective. Group HR and the

Compliance unit reviewed potentially relevant instances in connection with application of the compliance breach mechanism.

The amount of the variable remuneration for the Consumer division and CheBanca! reflects excellent earnings results, including on a risk-adjusted basis. The total variable remuneration awarded to the Consumer division was approx. €8m, in line with 2018, with Compass's commercial network, like in previous years, reaching the cap instituted as part of the incentivization system. For CheBanca! the variable remuneration was around €11m, largely stable versus 2018.

The variable/fixed ratio for identified staff in the Consumer division was around 102%, compared with 109% in 2018, and approx. 56% compared with 48% in 2018 for CheBanca! identified staff. Considering for the headcount as a whole for the Consumer division, the ratio was 9% (10% in 2018), and 13% (15%) for CheBanca!

As at 30 June 2019, management with strategic responsibilities other than the executive directors and referred to in the Consob resolution issued in 2011, consisted of eight persons: the three heads of the control units, the head of company financial reporting, the head of Group HR & Organization, the head of the Consumer Banking division and the Wealth Management/Affluent-Premier business line, plus the two co-heads of the Corporate and Investment Banking division. Their remuneration package reflects the provisions of the remuneration policies, based on the individual category of Identified Staff to which they belong.

d) Variable remuneration of the Chief Executive Officer and General Manager of Mediobanca

This reflects the achievement of the quantitative and qualitative targets assigned in the individual scorecards approved by the Board of Directors. If the quantitative objectives are met, the amount of the variable remuneration payable to the CEO and the General Manager may be between 50% and 180% of their gross annual salary. This amount may be adjusted by the BoD according to whether or not qualitative objectives have also been met (without prejudice to the 2:1 cap).

The quantitative performance indicators assigned for the financial year ended 30 June 2019 were for the CEO as follows:

Objective	Weighting	Reached
i) RWA density: RWA/total assets (to focus on asset quality)	25%	Comfortably exceeded
ii) Profit Before Taxes (PBT) from Group banking activities (to grow banking activities)	25%	Achieved
iii) Group ROTE (to ensure optimal use of overall capital)	25%	Achieved
iv) Growth in Total Financial Assets - AUM/AUA/direct funding (with focus in growth in assets in WM division)	25%	Comfortably exceeded

For the General Manager, the following objectives were assigned:

Objective	Weighting	Reached
i) Loans/funding ratio (to ensure effective balance between deposits and applications of funds)	20%	Partially achieved
ii) Profit Before Taxes (PBT) from Group banking activities (to grow banking activities)	30%	Achieved
iii) Banking activities cost/income ratio (to ensure that growth in costs is proportionate to trend in revenues)	20%	Partially achieved
iv) Net New Money in Private Banking business line (focus on growth in Private Banking)	30%	Comfortably exceeded

For the CEO the qualitative objectives involved managing the Corporate Social Responsibility initiatives and activities directed towards growing the Group's management, in relation to the succession planning; and for the General Manager, the data quality project, and implementation of the new governance/organization structure at the Wealth Management division. In both cases the objectives were found to have been achieved.

Based on the results of the scorecards, the Board of Directors, at the Remunerations Committee's proposal, resolved to award variable remuneration of €2,650,000 (€2,484,000 in 2018) and of €1,900,000 (€2,070,000 in 2018) to the General Manager, equal to 147% (138% in 2018) and 127% (138% in 2018) of their fixed salaries. Contributions to the complementary pension scheme are also paid on the upfront cash component only. Of the variable remuneration awarded, half in cash and half shares, 60% will be deferred over a five-year time horizon and is subject to performance conditions being met. The upfront equity component is subject to a two-year holding period. The ratio in 2019 between the CEO's gross total compensation and the average gross total compensation for Group staff members was approx. 55x.

e) Means of distributing the variable component

The means of distribution are as provided in the remuneration policies.

The equity component (“performance shares”) to be paid to Identified Staff is equal to approx. €15m which in part will be booked to the accounts over the next five financial years under the accounting standards currently in force. Accordingly, the Board of Directors adopted a resolution to award Group staff a total of 1,716,197 performance shares [30] (at the average stock market value of Mediobanca shares in the month prior to the award, i.e. €9.3 per share) including those awarded to Identified Staff employed at Group companies. For Identified Staff employed in the asset management area (Mediobanca SGR), the financial instruments component was awarded in cash, linked to an index representative of the SGR funds’ stock units, as permitted by the sector regulations in force.

[30] Of these, 142,358 were awarded to the CEO and 102,067 to the General Manager. The total also includes 141,669 performance shares already awarded to the CMB group’s Identified Staff for the year ended 31 December 2018 and under recruitment agreements in the period from June 2019 – September 2019.

Dear shareholders,

In view of the foregoing, we invite you to adopt the following proposed resolution for which, as in previous years, three separate votes will be held:

"At an ordinary general meeting, the shareholders of Mediobanca,

in view of the Staff remunerations policies for FY 2018-19 as illustrated in the Board of Directors' report,

HEREBY RESOLVE

Resolution 1: to approve the new staff remuneration policies as illustrated in the Board of Directors' report;

Resolution 2: to adopt the provision instituted in the section entitled "Limits on variable remuneration", which sets the ratio between variable and fixed remuneration at a maximum of 2:1, without prejudice to the fact that such ratio may not in any case exceed the maximum amount permitted by the law and regulations in force and without prejudice to the exception to the above limits permitted for personnel working in the asset management area;

Resolution 3: to adopt the provision instituted in the section entitled "Policies in the event of the beneficiary leaving office or the employment arrangement being terminated" establishing the criteria for determining the compensation to be agreed in cases where directors or staff leave office or cease working for Mediobanca early, including the limits on such compensation in terms of the number of annual fixed salary payments to be made and the maximum amount deriving from their application;

and to confer on the Board of Directors and the Chief Executive Officer and/or the General Manager on its behalf, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement each of the three foregoing resolutions including the power to make all amendments to the new staff remunerations policies that prove necessary to bring them into line with the law and regulations in force from time to time".

Milan, 19 September 2019

THE BOARD OF DIRECTORS

SECTION 3

Tables with quantitative data

TABLE 1: Compensation paid to members of the Bank's governing and control bodies, general managers and other managerial staff with strategic responsibilities (as per "Delibera Consob 18049" – 23rd December 2011)

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Renato Pagliaro	Chairman	01/07/18	30/06/19	30/06/20	100,000	1,800,000	1,900,000				350,356		2,250,356		
	Member of Appointments committee										of which complementary pension scheme 346,413				
	(I) Compensation in company preparing the accounts				**100,000**	**1,800,000**	**1,900,000**				**350,356**		**2,250,356**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**100,000**	**1,800,000**	**1,900,000**	**–**	**–**	**–**	**350,356**	**–**	**2,250,356**	**–**	**–**
Maurizia Angelo Comneno	Deputy Chairman of Board of Directors	01/07/18	30/06/19	30/06/20	135,000		135,000						135,000		
	Member of Executive Committee	01/07/18	30/06/19	30/06/20	90,000		90,000						90,000		
	(I) Compensation in company preparing the accounts				**225,000**		**225,000**						**225,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**225,000**	**–**	**225,000**	**–**	**–**	**–**	**–**	**–**	**225,000**	**–**	**–**
Alberto Pecci	Deputy Chairman of Board of Directors	01/07/18	30/06/19	30/06/20	135,000		135,000						135,000		
	Member of Executive Committee	01/07/18	30/06/19	30/06/20	30,000		30,000						30,000		
	(I) Compensation in company preparing the accounts				**165,000**	**–**	**165,000**	**–**			**–**		**165,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**165,000**	**–**	**165,000**	**–**	**–**	**–**	**–**	**–**	**165,000**	**–**	**–**

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Alberto Nagel	CEO	01/07/18	30/06/19	30/06/20	100,000	1,800,000	1,900,000		854,000		454,804		3,208,804	1,048,984	
											of which complementary pension scheme 449,942				
	(I) Compensation in company preparing the accounts				**100,000**	**1,800,000**	**1,900,000**	**–**	**854,000**	**–**	**454,804**	**–**	**3,208,804**	**1,048,984**	**–**
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**100,000**	**1,800,000**	**1,900,000**	**–**	**854,000**	**–**	**454,804**	**–**	**3,208,804**	**1,048,984**	**–**
Francesco Saverio Vinci	General Manager	01/07/18	30/06/19	30/06/20	100,000	1,500,000	1,600,000		628,400		369,045		2,597,445	781,448	
											of which complementary pension scheme 362,517				
	(I) Compensation in company preparing the accounts				**100,000**	**1,500,000**	**1,600,000**	**–**	**628,400**		**369,045**		**2,597,445**	**781,448**	**–**
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**	**–**					**–**		
	(III) Total				**100,000**	**1,500,000**	**1,600,000**	**–**	**628,400**	**–**	**369,045**	**–**	**2,597,445**	**781,448**	**–**
Marie Bolloré	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Member of Appointments committee	01/07/18	30/06/19	30/06/20	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**120,000**	**–**	**120,000**	**–**			**–**		**120,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**120,000**	**–**	**120,000**	**–**	**–**	**–**	**–**	**–**	**120,000**	**–**	**–**
Maurizio Carfagna	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Member of Risks committee and Related parties committee	01/07/18	30/06/19	30/06/20	80,000		80,000						80,000		
	Chairman of Remunerations committee	01/07/18	30/06/19	30/06/20	40,000		40,000						40,000		
	(I) Compensation in company preparing the accounts				**220,000**	**–**	**220,000**	**–**			**–**		**220,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2019				**35,000**		**35,000**	**–**					**35,000**		
	(III) Total				**255,000**	**–**	**255,000**	**–**	**–**	**–**	**–**	**–**	**255,000**	**–**	**–**

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Maurizio Costa	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Chairman of Appointments committee	01/07/18	30/06/19	30/06/20	25,000		25,000						25,000		
	(I) Compensation in company preparing the accounts				**125,000**	**–**	**125,000**	**–**			**–**		**125,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**125,000**	**–**	**125,000**	**–**	**–**	**–**	**–**	**–**	**125,000**	**–**	**–**
Angela Gamba	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Member of Risks committee and Related parties committee				80,000		80,000						80,000		
	(I) Compensation in company preparing the accounts				**180,000**	**–**	**180,000**		**–**		**–**		**180,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**180,000**	**–**	**180,000**	**–**	**–**	**–**	**–**	**–**	**180,000**	**–**	**–**
Valérie Hortefeux	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Member of Remunerations committee				30,000		30,000						30,000		
	Member of Risks committee and Related parties committee				80,000		80,000						80,000		
	(I) Compensation in company preparing the accounts				**210,000**	**–**	**210,000**		**–**		**–**		**210,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**210,000**	**–**	**210,000**	**–**	**–**	**–**	**–**	**–**	**210,000**	**–**	**–**
Maximo Ibarra	Director	20/09/18	30/06/19	30/06/20	77,808		77,808						77,808		
	(I) Compensation in company preparing the accounts				**77,808**	**–**	**77,808**		**–**		**–**		**77,808**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**77,808**	**–**	**77,808**	**–**	**–**	**–**	**–**	**–**	**77,808**	**–**	**–**
Alberto Lupoi	Director	01/07/18	30/06/19	30/06/20	100.000		100.000						100,000		
	Member of Remunerations committee	01/07/18	30/06/19	30/06/20	30.000		30.000						30.000		
	Member of Appointments committee	01/07/18	30/06/19	30/06/20	20.000		20.000						20.000		
	(I) Compensation in company preparing the accounts				**150,000**	**–**	**150,000**		**–**		**–**		**150,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**150,000**	**–**	**150,000**	**–**	**–**	**–**	**–**	**–**	**150,000**	**–**	**–**

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Elisabetta Magistretti	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Chairman of Risks committee and Related parties committee	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Member of Appointments committee	01/07/18	30/06/19	30/06/20	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**220,000**	**–**	**220,000**						**220,000**	**–**	**–**
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**220,000**	**–**	**220,000**	**–**	**–**	**–**	**–**	**–**	**220,000**	**–**	**–**
Vittorio Pignatti - Morano	Director	20/09/18	30/06/19	30/06/20	77,808		77,808						77,808		
	Member of Risks committee and Related parties committee	20/09/18	30/06/19	30/06/20	62,247		62,247						62,247		
	(I) Compensation in company preparing the accounts				**140,055**	**–**	**140,055**						**140,055**	**–**	**–**
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**140,055**	**–**	**140,055**	**–**	**–**	**–**	**–**	**–**	**140,055**	**–**	**–**
Gabriele Villa	Director	01/07/18	30/06/19	30/06/20	100,000		100,000						100,000		
	Member of Executive Committee	01/07/18	30/06/19	30/06/20	90,000		90,000						90,000		
	(I) Compensation in company preparing the accounts				**190,000**	**–**	**190,000**		**–**		**–**		**190,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019 [2]				**3,699**		**3,699**						**3,699**		
	(III) Total				**193,699**	**–**	**193,699**	**–**	**–**	**–**	**–**	**–**	**193,699**	**–**	**–**
Massimo Tononi	Director	01/07/18	25/07/18	25/07/18	6,849		6,849						6,849		
	Member of Risks committee and Related parties committee	01/07/18	25/07/18	25/07/18	5,479		5,479						5,479		
	(I) Compensation in company preparing the accounts				**12,329**	**–**	**12,329**		**–**		**–**		**12,329**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019														
	(III) Total				**12,329**	**–**	**12,329**	**–**	**–**	**–**	**–**	**–**	**12,329**	**–**	**–**

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Dirigenti con responsabilità strategiche						3,628,314	3,628,314		1,725,390		324,331		5,678,035	1,843,118	
											di cui fondo pensione integrativo 283,957				
	(I) Compensation in company preparing the accounts					**3,628,314**	**3,628,314**		**1,725,390**		**324,331**	**–**	**5,678,035**	**1,843,118**	
	(II) Compensation from subsidiaries/associates at 30/06/2019					**738,930**	**738,930**		**376,500**		**7,136**		**1,122,566**		
	(III) Total				**–**	**4,367,244**	**4,367,244**	**–**	**2,101,890**	**–**	**331,467**	**–**	**6,800,601**	**1,843,118**	**–**
Natale Freddi	Chairman of Statutory Audit Committee	01/07/18	30/06/19	30/06/20	180,000		180,000						180,000		
	(I) Compensation in company preparing the accounts				**180,000**	**–**	**180,000**		**–**		**–**		**180,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**180,000**	**–**	**180,000**	**–**	**–**	**–**	**–**	**–**	**180,000**	**–**	**–**
Laura Gualtieri	Member of Statutory Audit Committee	01/07/18	30/06/19	30/06/20	140,000		140,000						140,000		
	(I) Compensation in company preparing the accounts				**140,000**	**–**	**140,000**		**–**		**–**		**140,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**140,000**	**–**	**140,000**	**–**	**–**	**–**	**–**	**–**	**140,000**	**–**	**–**
Francesco Di Carlo	Member of Statutory Audit Committee	01/07/18	30/06/19	30/06/20	140,000		140,000						140,000		
	(I) Compensation in company preparing the accounts				**140,000**	**–**	**140,000**		**–**		**–**		**140,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2019						**–**						**–**		
	(III) Total				**140,000**	**–**	**140,000**	**–**	**–**	**–**	**–**	**–**	**140,000**	**–**	**–**

Managerial staff with strategic responsibilities at 30 June 2019

1) Fees due in respect of position held in Mediobanca SGR

2) Fees due in respect of position held in Spafid

Table 3A: Incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

			Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and allocated		Financial instruments attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Post	Scheme	No. and type of instrument	Periodo di vesting	No. and type of financial instrument	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value upon vesting	Fair value
Alberto Nagel	CEO	28-ott-10	36,782 Performance shares	Nov. 2019							36,781	283,692	56,246
		28-ott-15	110,373 Performance shares	Nov. 2019 – Nov. 2021							73,583	567,546	115,727
		28-ott-15	152,387 Performance shares	Nov. 2019 – Nov. 2022									314,329
		28-ott-15	150,981 Performance shares	Nov. 2020 – Nov. 2023									265,601
		28-ott-15			142,358 Performance shares	1,122,202	Nov. 2021 – Nov. 2024	27 settembre 2019	10.069				297,081
Francesco Saverio Vinci	GM	28-ott-10	30,570 Performance shares	Nov. 2019							30,570	235,786	48,484
		28-ott-15	54,977 Performance shares	Nov. 2019 – Nov. 2021							36,650	282,681	57,644
		28-ott-15	116,830 Performance shares	Nov. 2019 – Nov. 2022									240,985
		28-ott-15	125,818 Performance shares	Nov. 2020 – Nov. 2023									221,335
		28-ott-15			102,067 Performance shares	804,590	Nov. 2021 – Nov. 2024	27 settembre 2019	10.069				213,000
Managerial staff with strategic responsibilities		28-ott-10									20,646	159,243	
		28-ott-10	37,498 Performance shares	Nov. 2019							64,385	497,615	59,471
		28-ott-15	188,858 Performance shares	Nov. 2019 – Nov. 2021							134,894	1,042,393	199,178
		28-ott-15	256,802 Performance shares	Nov. 2019 – Nov. 2022									534,885
		28-ott-15	254,309 Performance shares	Nov. 2020 – Nov. 2023									453,172
		28-ott-15			282,782 Performance shares	2,233,902	Nov. 2021 – Nov. 2024	27 settembre 2019	10.069				596,412
Total			**1,516,185**		**527,207**	**4,160,694**					**397,509**	**3,068,956**	**3,673,550**

Managerial staff with strategic responsibilities at 30 June 2019

Maximum number of shares that can be awarded if the performance objectives set in the Remunerations policy in force at the time are met and/or subsequent to the holding period elapsing, in accordance with the Remuneration policies in force at the time.

Table 3B: Cash incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

A	B	(1)	(2)			(3)			(4)
Name and surname	Post	Scheme	Bonus for the year			Previous years' bonuses			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
Alberto Nagel	CEO	FY 2018/2019	530,000	795,000	Nov. 2020 - Nov. 2024				
		FY 2017/2018						745,200	
		FY 2016/2017					324,000	486,000	
		FY 2015/2016						378,000	
		FY 2014/2015						337,500	
Francesco Saverio Vinci	GM	FY 2018/2019	380,000	570,000	Nov. 2020 - Nov. 2024				
		FY 2017/2018						621,000	
		FY 2016/2017					248,400	372,600	
		FY 2015/2016						188,280	
		FY 2014/2015						280,500	
Management with strategic responsibilities		FY 2018/2019	1,222,200	1,540,800	Nov. 2020 - Nov. 2024				
		FY 2017/2018						1,216,800	
		FY 2016/2017					549,350	782,150	
		FY 2015/2016						631,377,50	
		FY 2014/2015					330,340	13,725	
Total			**2,132,200**	**2,905,800**			**1,452,090**	**6,053,132,50**	

Managerial staff with strategic responsibilities at 30 June 2019

Investments held by members of the governing and control bodies and by general managers

Name and surname	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
Pagliaro Renato	Chairman	MEDIOBANCA	2,200,000	==	100,000	**2,100,000**
Nagel Alberto	CEO	MEDIOBANCA	2,725,550	110,364 [1]	49,864	**2,786,050**
Vinci Francesco Saverio	GM	MEDIOBANCA	1,028,500	67,220 [1]	30,720	**1,065,000**
Carfagna Maurizio	Director	MEDIOBANCA	51,000	10,000	==	**61,000** [2]
Pecci Alberto	Director	MEDIOBANCA	4,677,500	==		**4,677,500** [3]
Pignatti-Morano Vittorio	Director	MEDIOBANCA	==	90,000	==	**90,000** [4]

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.

[1] Shares awarded in execution of performance shares scheme

[2] of which n. 40.000 shares owned through subsidiaries and n. 1.000 through marriage

[3] Investment owned through subsidiaries

[4] Investment owned through fiduciary company

Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares owned at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
8 *	MEDIOBANCA	84,585	219,925	113,584	190,926 **

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.

* Managerial staff with strategic responsibilities as at 30.6.2019.

** Shares awarded in execution of performance share scheme.

Aggregate quantitative information by division as required by Bank of Italy instructions

Mediobanca area of activity	FTE	Fixed Salary	Variable Remuneration	% Variable maximum	% Variable on fixed salary	Cash Upfront	Instruments Upfront	Deferred Cash	Instruments equity
Management body Supervisory function - Mediobanca	14	3,973,890	—	—	—	—	—	—	—
Management body Management function (CEO/GM) - Mediobanca	2	3,500,000	4,550,000	200%	130.0%	910,000	910,000	1,365,000	1,365,000
Staff, Support, holding units	1,241	71,732,161	12,490,709	200%	17.4%	11,565,436	188,000	557,773	179,500
Control functions (Risk Management, Compliance, Audit)	299	19,639,237	3,538,477	33%	18.0%	3,324,002	65,700	104,975	43,800
Investment Banking - business	595	59,783,746	48,790,848	200%	81.6%	27,759,148	5,085,450	10,727,950	5,218,300
Retail e Consumer - business	2,568	133,589,273	16,401,725	200%	12.3%	14,925,700	476,550	526,775	472,700
Private Banking / Asset Management - business	385	46,378,271	19,792,576	200%	42.7%	16,676,189	449,400	2,255,388	411,600
	5,103	**338,596,580**	**105,564,335**	**—**	**31.2%**	**75,160,474**	**7,175,100**	**15,537,861**	**7,690,900**

Gross amounts included for Group Directors emoluments payable in respect of their office.

Includes Financial Advisors (recurrent component in Fixed salary and non recurrent component in variable remuneration)

EBA classification (2019 Organizational structure)

Includes Group companies which ended FY on 31 December 2018. Messier Maris & Ass. not included.

Aggregate quantitative information by the various categories of "identified staff" as required by the Bank of Italy instructions

Mediobanca Group - Material Risk Takers		#	Fixed Salary	Variable Remuneration	% Variable maximum	% Variable on fixed salary	*Cash Upfront*	Instruments Upfront	Deferred Cash	Instruments Deferred
1)	Non-executive directors (non-executive members of BoD, including Chairman)	1	1,800,000	—	—	—	—	—	—	—
2)	CEO	1	1,800,000	2,650,000	200%	147%	530,000	530,000	795,000	795,000
	GM	1	1,500,000	1,900,000	200%	127%	380,000	380,000	570,000	570,000
3)	Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	11	7,243,657	8,347,000	200%	115%	1,669,400	1,669,400	2,504,100	2,504,100
4)	Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	20	3,319,128	969,650	33%	29%	816,350	65,700	43,800	43,800
5)	Staff with managerial responsibilities in relevant business units	32	10,693,359	8,136,500	200%	76%	2,094,950	2,094,950	1,973,300	1,973,300
6)	Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	8	1,946,489	764,000	200%	39%	477,000	123,000	82,000	82,000
7)	Quantitative criteria	30	13,293,218	8,069,500	200%	61%	2,312,050	2,312,050	1,722,700	1,722,700
		104	**41,595,851**	**30,836,650**	**—**	**74%**	**8,279,750**	**7,175,100**	**7,690,900**	**7,690,900**

Gross amounts in €'000 – Performance variable FY ending 30 June 2019

For Group Directors does not include emoluments payable in respect of their office.

Includes relevant staff employed at Group company which financial year ended 31 December 2018, identified at that date.

Includes Financial Advisors (recurrent component in Fixed salary and non recurrent component in variable remuneration)

Messier Maris & Ass. not included.

Mediobanca Group - Material Risk Takers	#	Deferred from previous years and paid during the year in cash	#	Deferred from previous years and paid during the year in number of MB shar [1]
1) Non-executive directors (non-executive members of BoD, including Chairman)	-	-	-	-
2) CEO - GM	2	572,400	2	1,369,705
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	11	1,470,490	10	2,884,285
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	2	22,290	1	39,722
5) Staff with managerial responsibilities in relevant business units	23	2,302,150	14	3,127,605
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	2	64,450	2	149,933
7) Quantitative criteria	18	1,791,050	10	1,969,269
	58	**6,222,830**	**39**	**9,540,519**

[1] Equivalent value in € at the award date.

Mediobanca Group - Material Risk Takers	#	Treatment at start of relationship	#	Treatment at end of relationship [1]
1) Non-executive directors (non-executive members of BoD, including Chairman)	-	-	-	-
2) CEO - GM	-	-	-	-
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	1	1,800,000	1	435,409
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	-	-	1	850,000
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	-	-	-	-
7) Quantitative criteria	-	-	1	450,000
	1	**1,800,000**	**3**	**1,735,409 ***

[1] With reference to the identified staff identified as of 30 June 2018.

* Of which € 163.000 by way of incentive, 40% deferred.

The highest amount paid to an individual person was € 850.000 included notice and complementary pension scheme contributions.

Total remuneration awarded over € 1 mln.		#
€	1 million - 1,5 millions	10
€	1,5 - 2 millions	4
€	2 - 2,5 millions	
€	2,5 - 3 millions	1
€	3 - 3,5 millions	
€	3,5 - 4 millions	2
€	4 - 4,5 millions	
€	4,5 - 5 millions	1
Total		18

UPDATE THE PERFORMANCE SHARE SCHEME FOR GROUP STAFF

Dear shareholders,

As in previous years, the staff remuneration and incentivization policies submitted to your approval include performance shares among the incentivization instruments provided for. The previous scheme, approved at the annual general meeting held on 28 October 2015, needs to be updated in order to incorporate certain changes that have been made to the regulations, in particular the Bank of Italy's Supervisory Instructions on remuneration and incentivization policies and practices, issued on 23 October 2018. The maximum number of shares established by shareholders at the annual general meeting held on 28 October 2015 and the scheme's expiry date are unchanged, the latter coinciding with the expiry date set by shareholders at the same 2015 AGM for the Board's authorization to increase the company's share capital in connection with the scheme.

As well as revising the data on use of the performances shares and the number of shares outstanding, the main change refers to the time horizon over which the instruments may be distributed.

1. Recipients

The recipients of the performance share scheme are staff who, under the regulations in force and the remunerations policies approved by yourselves, receive a share of their variable remuneration in the form of equity instruments. These include employees who fall within the definition of the Mediobanca Group's identified staff, identified on a regular basis by the appointed bodies based on the criteria set by the regulations in force at the time and formalized in the Remuneration policies. Additional staff members considered relevant in organizational terms to the achievement of the Group's strategic objectives may also be recipients of the performance share scheme.

Recipients of the performance share scheme may include the following members of the Board of Directors: the Chairman Renato Pagliaro;[1] the Chief Executive Officer of Mediobanca, Alberto Nagel; and the General Manager, Francesco Saverio Vinci.

Persons with management duties who have regular access to inside information and who may take management decisions which can impact on the performance and future prospects of the issuer of the shares referred to under Article 152-*sexies*, para. 1, letter c)-c.2, in addition to the directors who are members of the Group's senior management listed above, include the "Strategic management" identified by the Board of Directors in the resolution in force at the time. At the date of this resolution there are a total of eight such strategic management members: the heads of the three control units, the head of company financial reporting, the head of Group HR & Organization, the head of the Consumer Banking division and the Wealth Management/Affluent-Premier business lines, and the two co-heads of the Corporate and Investment Banking division.

There are no categories of staff for which different treatment is provided in the performance share scheme, which is the same for all recipients.

2. Rationale for adopting the scheme

The scheme enables Mediobanca to:

- Align itself with the regulatory requirements regarding the payment of a share of the variable remuneration in the form of equity instruments, over a long-term time horizon, subject to performance conditions, i.e. to the sustainability of positive results delivered over time;
- Ensure that the interests of the Bank's management are aligned with those of its shareholders with reference to value creation in the medium/long term.

[1] The Chairman only receives a fixed salary. However, provision is made in the Remuneration policies for the Board of Directors to consider the possibility, after consulting with the Remunerations Committee and up to the limits provided by the regulations in force, of paying the Chairman a variable component, to be awarded in accordance with the rules of the policies themselves, including in the form of performance shares. To date the Board has never adopted a resolution of this kind.

3. Governance

The Board of Directors approves the proposals of the Remunerations Committee and the Chief Executive Officer regarding:

– The total quantity of shares to be issued for each award cycle, in accordance with the criteria and methods established in the Remunerations policies in force at the time;

– The award of performance shares to directors who are members of the Group's senior management;

– The scheme's regulations, which set down the rules by which it operates in practice.

The Chief Executive Officer is responsible for operating the scheme, with the assistance of Group HR, to establish the quantities to be awarded to the individual recipients.

4. Means of award

Under the terms of the scheme, Mediobanca shares are granted to people linked to the Group (employees, collaborators, staff employed under agency contracts, etc.) as the equity component of the variable remuneration awarded to them based on the results of the performance evaluation process, both short-term (i.e. in relation to the annual budget – the short-term incentive plan) and long-term (the long-term incentive plan, usually awarded when the strategic plan is approved).

The performance shares assigned as the upfront equity component are subject to a holding period of no less than one year before they are actually awarded, provided the beneficiary remains part of the Group.[2]

[2] By "remaining part of the Group" what is meant here is that the co-operation arrangement between the recipient and the company is ongoing, whether such arrangement takes the form of permanent employment or some other contractual agreement, not in a period of notice being served for resignation/withdrawal/termination from the contract, whether voluntary or due to dismissal/withdrawal on the part of the company. For Directors of Group companies not linked to the Group by means of an employment contract, when their term of office comes to an end or is not renewed, their rights continue to apply without prejudice to the provisions of any individual specific agreements and provided their term of office has not come to an end due to compliance breaches attributable to them.

The performance shares assigned as the deferred equity component are:

– Assigned as part of the overall vesting period for all deferred components over a time horizon of at least three years, provided the beneficiary is still linked to the Group[3] and that the additional performance conditions identified by the remuneration policies in force at the time have been regarding the sustainability of the results achieved, the company's capital solidity and liquidity conditions continuing to be met, and the proper conduct of the individual beneficiary;
– Subject to a subsequent holding period of no less than one year prior to their actual award, provided the beneficiary still works for Mediobanca [4].

Deferring the awards over time in this way acts as an incentive to recipients, consistent with their role and business activity, to conduct themselves at all times in such a way as to ensure that Mediobanca retains a solid capital base, substantial liquidity, control of all risks and profitable results, thus ensuring that the remuneration systems are sustainable over the long term.

The remuneration policies in force at the time set out in detail the performance evaluation period and the specific vesting and holding periods applicable to the performance shares with reference to the provisions of this resolution. The Board of Directors may also identify additional performance indications on the occasion of each individual award cycle. For Group company staff members the Chief Executive Officer of Mediobanca, after consulting with the CEOs of the Group companies themselves, may identify one or more specific economic indicators.

As provided by the remuneration policies, Mediobanca reserves the right to take measures to claw back variable remuneration already paid in the event of damage emerging to the integrity of its capital, profitability and earnings/financial or reputational situation which is attributable to the conduct of individual staff members, regardless of whether such behaviour constitutes instances of wilful misconduct or fraud. Such measures are also provided for cases which involve breach of the obligations set under Article 26 of the Italian Banking Act (Company representatives – Professional qualifications, fit and proper person requisites, and independence of company representatives), or, when the person concerned is an interested party, Article 53, paras 4ff (Regulatory supervision), or the obligations in respect of remuneration and incentivization.

[3] See previous note.

[4] See note 2.

The Chief Executive Officer may also use performance shares in defining remuneration packages in connection with the recruitment of key staff, including outside of the annual and/or long-term award cycle and with specific deferral mechanisms as provided under the terms of this resolution. The governing bodies may also award shares in relation to compensation agreements entered into in connection with early termination of the working relationship, to ensure these are correlated to the performance achieved and the risks taken by the individual concerned and the Bank, in accordance with the regulatory requirements and the aims set by the Remuneration policies in force at the time.

The entitlement to receive shares is retained if the beneficiary retires or in the event of permanent disability and/or illness making them unable to continue working. Such entitlement is lost, however, in cases where the working arrangement, whether based on an employment contract or other form of agreement, ends due to resignation, dismissal and/or withdrawal. The governing bodies (Board of Directors, Remunerations Committee, CEO of Mediobanca) are responsible for handling any exceptions, under the powers attributed to them respectively, in particular in cases where the working relationship is ended by mutual consent as defined in the remuneration policies in force at the time. The foregoing is without prejudice to decisions taken, if any, by a third party authorized to do so (such as the judicial and/or arbitration and/or conciliation authorities) and to regulations, if any, providing more favourable treatment issued by the applicable local legislations.

5. Characteristics of instruments awarded

The scheme provides for the award of ordinary Mediobanca shares. The shares are delivered after the dividend, if any, has been paid and in compliance with the Group regulations in force at the time on internal dealing and personal trading in financial instruments by management with strategic duties. The shares are awarded personally, without prejudice to succession rights. The shares, once received, subject to the performance conditions and after the holding period has ended, may be traded immediately up to the limits set by the law and regulations in force (e.g. on market abuse). The performance share scheme makes no provision for restrictions on voting rights or property rights in relation to the ordinary Mediobanca shares awarded.

6. Funding

The maximum number of shares that may be awarded under the terms of this scheme is 20 million, from the capital increase approved on 28 October 2015, reserved to Mediobanca Group staff members by or before 28 October 2020, pursuant to Article 2349 of the Italian Civil Code. Of thus, at present a total of 5,140,540 are still available for future distributions; 6,676,384 have been allocated but not yet awarded as they are still covered by vesting/holding periods. Treasury shares held by the Bank which are freely available and not earmarked for some other purpose may also be used for the performance share scheme.

The remaining shares for use in the scheme currently represent 0.57% of the company's share capital fully diluted. The impact on the stock market value and possible dilutive effects on the Bank's share capital are not considered to be material, given that the awards take place over several years.

7. Changes and amendments to the scheme

No particular procedures have been set in place to revise the Mediobanca performance share scheme, other than those entailed by the powers vested in the governing bodies.

If extraordinary events with significant impact on the Group's earnings/financial performance take place, the performance share scheme may be revised and/or abolished at Board of Directors' discretion after consulting with the Remunerations Committee. In the event of extraordinary transactions taking place which involve the Bank's share capital, the allocation of performance shares not yet available will be amended accordingly.

8. Accounting and tax issues

Under the accounting policies adopted, the performance shares awarded are booked to the profit and loss account based on a notional cost split over several financial years in view of the benefit received and the vesting period. The notional cost is equal to the value of the shares at the time of the award, adjusted to reflect the probabilistic elements connected with the scheme (e.g. possibility of beneficiaries resigning, actuarial parameters, etc.). The total expense for Mediobanca in the event of all 20 million shares being awarded was originally €158m, to be split across the entire vesting period. At present the expense is €45m, based on the shares outstanding and the current stock market price. It is not possible to state the actual total cost, as the number of shares to be awarded is up to the governing bodies based on the regular award cycles. The performance shares shall be subject to taxation and social security contributions in line with the regulations in force in the country of residence for tax purposes of each individual beneficiary.

9. Other information

The performance share scheme:

- Makes no provision for the award of other financial instruments, only ordinary Mediobanca shares traded on regulated markets;
- is not influenced by tax or accounting issues. It will take into account the taxation and social security regime in force at the time in the individual beneficiaries' country of residence.

No provision is made under the terms of the performance share scheme for shares awarded to be bought back.

No provision is made for support from the Special Fund to incentivize investment by employees in the companies for which they work instituted under Article 4, para. 112, of Italian law 350/03.

It should be noted that no individual persons control Mediobanca.

The Board of Directors, having received the favourable opinion of the Remunerations Committee on 11 September 2019, on 19 September 2019 approved the revised version of the scheme resolution to be submitted to shareholders in annual general meeting. The market price of the ordinary Mediobanca shares on the two dates referred to above was €9.57 and €9.69 respectively. The awards for the performance share scheme will be notified to the market pursuant to and within the meaning of the regulatory provisions currently in force.

Dear shareholders,

You are invited to approve the proposal included on the agenda and, accordingly, to adopt the following resolution:

"The shareholders of Mediobanca, gathered in ordinary general meeting, having heard the Board of Directors' proposal,

HEREBY RESOLVE

– To approve the revised version of the performance share scheme for selected Mediobanca Group staff on the terms and by the methods illustrated above;
– To confer on the Board of Directors, the Chairman and the Chief Executive Officer, jointly and severally, all suitable powers to:
  a) Enact this resolution and adopt any other measures that should become necessary to implement the resolution approved;
  b) Make such amendments and/or additions to this resolution (that do not alter the substance hereof) that should prove necessary to bring it into line with any legal or regulatory provisions or guidance issued by the regulatory and/or supervisory authorities that come into force in the meantime

Milan, 19 September 2019

THE BOARD OF DIRECTORS

STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

CONTENTS

Statement on Corporate Governance and Ownership Structure 2019[1]

Introduction

This statement has been prepared in accordance with the provisions of Article 123-bis of Italian legislative decree 58/98 and the Code of Conduct for listed companies (available on the Corporate Governance Committee's website at www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm), to which Mediobanca adheres, on the terms set forth below. The Corporate Governance Committee monitors its application in practice, and informs listed companies of possible areas for improvement. The recommendations made by the Chairman of Corporate Governance Committee in a letter dated 21 December 2018 were brought to the attention of the Appointments Committee (on 14 March 2019) and the Board of Directors (on 20 March 2019), and were incorporated at the self-assessment stage.

The statement is also intended to meet the public disclosure requirements for banks instituted by the Bank of Italy's supervisory instructions on the issue of corporate governance.

This statement has also been submitted to the external auditor. The judgement regarding its consistency required under Article 123-bis of the Italian Finance Act is contained in the reports drawn up in compliance with Article 14 of Italian Legislative Decree 39/2010, included with the individual and consolidated financial statements.

1. Mediobanca Group profile

Mediobanca is the parent company of the Mediobanca Banking Group. Various components contribute to the business performance: corporate/investment banking, consumer banking and wealth management.

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. It provides its clients with lending and other services in financial advisory and asset management. It has branch offices in London, Paris, Frankfurt and Madrid, and subsidiaries based in New York, Luxembourg and London. It also holds a 12.92% interest in Assicurazioni Generali.

[1] Where not otherwise specified, information refers to the situation at 30 June 2019

Over time it has strengthened its footprint in specialist banking activities provided to corporates (lending, intermediation and advisory) and households in the form of consumer credit with Compass Banca and retail banking market with CheBanca!.

With the approval of the 2016-19 strategic plan, priority has been given to asset management and investment activities for households, which has led to the establishment of a Wealth Management division combining CheBanca!, which collects households' savings, Mediobanca Private Banking, Compagnie Monégasque de Banque and Spafid which collect AUM for Private & HNWI clients. As part of the organization of a full, integrated product offering the new Mediobanca Asset Management product factory brings together the activities of Cairn Capital, Compagnie Monégasque de Gestion, Mediobanca SGR and RAM Active Investments (the latter with offices in Geneva, Zurich and Luxembourg).

As a listed company, Mediobanca qualifies among the largest and most complex banks, and as such is subject to prudential supervision by the ECB.

Mediobanca, in its capacity as parent company of the Mediobanca Group, directs and co-ordinates the companies forming part of the Banking Group (activities which are regulated by the Group Regulations) by governing the process of planning at the Group level, issuing Group-wide Policies, Regulations and Directives, providing centralized risk management, and issuing guidance on how to implement instructions received from the European Central Bank.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors, an Executive Committee and a Statutory Audit Committee. This corporate governance system combines maximum efficiency in terms of operations with effective control. The Articles of Association also provide for three executives from the Banking Group to be represented on the Board of Directors, as part of a system of corporate governance based on wide-ranging powers being granted to the Executive Committee and the Chief Executive Officer for the management of the Company's day-to-day business.

2. Information on ownership structure

2.1 Structure of share capital, powers to increase share capital and authorization to acquire treasury shares

The Bank's share capital at 30 June 2019 totalled €443,608,088.50, made up of 887,216,177 ordinary par value €0.50 shares. The shares are registered shares, and entitle shareholders to one vote per share in the general meeting.

The powers vested in the Board of Directors by shareholders at the annual general meeting held on 28 October 2015 are as stated in Article 4 of the Articles of Association and involve in particular:

- Authorization, under Articles 2443 and 2420 –ter of the Italian Civil Code, to issue shares or convertible bonds up to a maximum of up 200 million ordinary par value €0.50 shares;
- Authorization, under Article 2443 of the Italian Civil Code, to issue up to a maximum of 80 million ordinary shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded, under and pursuant to the provisions of Article 2441 paragraph four, second sentence of the Italian Civil Code;
- Authorization, under Article 2349 of the Italian Civil Code, to issue a maximum of up to 20 million ordinary shares to be awarded to Mediobanca Group staff members by way of performance shares. The performance share schemes approved by shareholders at the 2015 general meeting, and the press release regarding the awards made are published on the Bank's website at www.mediobanca.com.

At an annual general meeting held on 27 October 2018, shareholders adopted a resolution to buy back the company's shares up to 3% of the share capital (26,611,288 shares). As at 30 June 2019 Mediobanca owned a total of 15,445,795 treasury shares (average book value €8.3171 per share). As at the date of this statement, the number of treasury shares owned was 17,964,417.

2.2 Ownership structure

Mediobanca has approximately 45,000 shareholders.

As at the date of this statement, Shareholders with interests in excess of 3% are as follows:

Shareholder	NO. of shares owned	% of share capital
UniCredit group °	78,141,556	8.81
Bolloré group	69,681,608	7.86
Leonardo Del Vecchio ◊	61,577,870	6.94
Black Rock group *	44,171,756	4.98
Mediolanum group	29,095,110	3.28

° Of which 0.41% held via subsidiary UniCredit Bank AG, which owns another 0.57% under put option contracts taken out to hedge the risks deriving from market maker activities in respect of financial instruments (form 120B, 10 July 2019).

◊ Indirect shareholding.

* Black Rock Inc. (NY) via fifteen asset management subsidiaries, 0,514% of which by way of potential investment as part of securities lending and 0.216% as contracts of differences (form 120B, 29 October 2018).

Some shareholders, including Unicredit and Mediolanum,[2] representing approximately 21% of the company's share capital, are parties to a consultation agreement which makes no provision for commitments in terms of lock-up or votes in respect of the shares syndicated to it. By signing this agreement, which has been in force since 1 January 2019, the parties confirm their common interest in the growth of the Group. The agreement governs the means by which the parties meet to share reflections and considerations regarding the Group's performance, without prejudice to the principle of full parity of information versus the market. The parties also recognize that the preferred practice is for the outgoing Board to submit a list of Directors to be reappointed to the Board, as already provided for in the Articles of Association. The agreement is valid until 31 December 2021 and is automatically renewed for further three-year periods between those parties who have not given notice of their intention to withdraw from it at least three months prior to the original or extended date of expiry. The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website www.mediobanca.com/Corporate Governance.

2.3 Change of control clauses

Mediobanca is a party to shareholder agreements in unlisted Group companies which provide, in the event of a change of control, for the other parties to exercise put options over their own interests.

[2] The other parties to the agreement are: Schematrentatre S.p.A. (Benetton), Fininvest, FIN.PRIV, Gavio group, Ferrero group, Pecci group, Angelini Partecipazioni Fin., Finprog Italia (Doris), Sinpar (Lucchini), Mais Partecipazioni Stabili (Seragnoli), Vittoria Assicurazioni and Romano Minozzi.

Furthermore, as part of its ordinary activities, Mediobanca is a party to master agreements and contracts which may include provision for specific effects if a change of control occurs, such as amendment to or termination of the contract itself. Such master agreements or contracts should not be considered significant in themselves, either in terms of amount or effects.

3. General meetings

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders.

Issues which fall within the jurisdiction of shareholders in general meeting, which are usually held in a single session on 28 October each year, include the following:

1) Approval of financial statements and allocation of profits;
2) Appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
3) Engagement of, and termination of agreements with, external legal auditors;
4) Remuneration policies and compensation schemes based on financial instruments adopted for directors, Group employees and collaborators;
5) Transactions required by law to be approved by shareholders in extraordinary general meeting.

The right to attend and vote at General Meetings is governed by the Articles of Association (Section III, Articles 5ff), and the notice of meeting for the AGM illustrates the methods and conditions for attendance.

The Bank has not adopted a specific set of regulations for holding general meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, has the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

As provided under Article 127-ter of the Italian consolidated finance act, shareholders may table questions on items on the agenda even prior to the meeting itself. Questions received prior to the meeting will be answered during the meeting itself at the latest, including by means of a single answer if other questions with substantially the same content have been received. The notice of meeting contains an indication of the deadline by which questions must be submitted.

The Board of Directors reports on the activities performed to shareholders at the general meeting, in its Review of Operations; and prepares reports on the various items of agenda within the timeframe set by the regulations in force.

4. Board of Directors

4.1 Composition and appointment

The Board of Directors consists of between nine and fifteen members, with two places reserved for the list submitted by minority shareholders. Of the Directors thus appointed, three are managers with at least three years' experience working for the Mediobanca Banking Group, at least two qualify as independent as required by Article 148, para. 3 of the Italian Legislative Decree 58/98 and at least one-third qualify as independent in accordance with the definition provided in Article 19 of the Articles of Association. At least one-third of the Directors must be of the less-represented gender. No person may be appointed director if they are aged seventy-five or over.

The independence qualifications provided by Article 19 of the Articles of Association are basically aligned with those in the Code of conduct for listed companies. Under the Articles, Directors are held not to qualify as independent if they hold an interest of over 2% in the company or are significant representatives of the group to which the company belongs, regardless of whether they are parties to shareholder agreements. Furthermore, given that such requisites are stipulated in the Articles, by their nature no exceptions to them are possible.

The Board of Directors of the parent company of a banking group has overall responsibility for management of the group as a whole and for the rules and mechanisms of governance to ensure such management is prudent and effective. In particular, the Board of a bank which, like Mediobanca, adopts the so-called "traditional" governance model has responsibilities of both management and supervision/control.

In this connection, the Board of Directors must be formed of members:

- Who are fully aware of the powers and obligations relating to the functions they are each required to carry out;
- Who have a suitable professionalism for the role they are to perform, including for any committees within the board, and calibrated in relation to the operational and dimensional characteristics of the bank;;
- With expertise that is spread between all members and suitably diversified, in order to allow each of the members, within the committees they are part of and in collegial decisions, to contribute effectively to ensuring an effective governance of the risks in all areas of the bank;
- Who dedicate suitable time and resources to the complexity of their assignment.

The Report on the qualitative and quantitative composition of the Board of Directors illustrates, based on the regulations in force, the requisites for Board members in terms of professional qualifications, fitness to hold office and independence, time commitment, maximum number of directorships to be held, and skills (cf. Report dated 14 June 2017). In addition to the requisites set by the regulations in force (cf. ECB guide to fit and proper assessments, EBA/ESMA joint guidelines on the assessment of the suitability of members of the management body and key function holders), Mediobanca has instituted additional requisites of its own: in order to limit the risk of conflicts of interest for Directors, they are not allowed to perform executive duties in banks, insurances or asset management companies, or sit on their advisory boards; may not be either directly or indirectly significant shareholders (i.e. with shares of above 10%) in banks, insurances or asset management companies. Checks are performed in order to ascertain that these requisites are met on an ongoing basis and formally in conjunction with the annual self-assessment process, and the checks to confirm that the Board as a whole is collectively suitable and reflects the qualitative and quantitative composition held to be optimal, including in terms of compliance with the gender quotas. All the Directors in office meet these requirements.

The current Board of Directors of Mediobanca was appointed by shareholders in a general meeting held on 28 October 2017 for the 2018-20 three-year period, and following the resignation of two Directors, was restored to its full complement on 20 September 2018 through two new Directors being co-opted, and subsequently confirmed to their posts by shareholders at the Annual General

Meeting held on 27 October 2018. The appointments in 2017 were made, as required by the Articles of Association, on the basis of lists of candidates in possession of the requisites stipulated by law, the applicable regulations and the Articles of Association (Article 15). Such lists are submitted by shareholders representing in the aggregate at least 1% of the company's share capital.

In submitting their lists of candidates, the shareholders took account of the guidance issued by the Board of Directors in its "Report on the qualitative-quantitative composition of the Board of Directors" dated 14 June 2017. Together with each list, and along with the other information and statements required by the regulations in force at the time, the CVs of the individual candidates were submitted, containing details of their professional qualifications, plus declarations in which they state, under their own responsibility, that there are no grounds that would render them incompatible with or ineligible for office, that the requisites stipulated by the law in force and the Articles of Association are met, and attaching a list of the management and control positions held by them in other companies.

As at 30 June 2019, the Board of Directors consisted of 15 members, eleven of whom qualify as independent under Article 148, para. 3 of the Italian Finance Act, eight of which eleven also qualify as independent under Article 19 of the Articles of Association. The Board's composition complies with the legal requirements on gender representation.

The Board of Directors has found that the independence requirements have been met: i) as stated under Article 148, para. 3 of the Italian Finance Act, by Maurizia Angelo Comneno, Marie Bolloré, Maurizio Carfagna, Maurizio Costa, Angela Gamba, Valérie Hortefeux, Maximo Ibarra, Alberto Lupoi, Elisabetta Magistretti, Vittorio Pignatti Morano and Gabriele Villa; and ii) as stated under Article 19 of the Articles of Association, by Maurizio Carfagna, Maurizio Costa, Angela Gamba, Valérie Hortefeux, Maximo Ibarra, Alberto Lupoi, Elisabetta Magistretti and Vittorio Pignatti Morano. The Statutory Audit Committee then checked that the criteria and procedures adopted by the Board of Directors had been applied correctly with respect to the ascertaining of its members' independence.

In accordance with the Supervisory Instructions for banks in the area of corporate governance and with the Articles of Association, Directors who are not members of the Group's management but who are part of the Executive Committee are treated as though there were executive directors and accordingly do not form part of the Remunerations, Appointments and Risks Committees.

Member (as at 30/6/19)	**Post held**	**Date of birth**	**Indep. ***	**Indep. ****	**Management**	**In office since *****
Renato Pagliaro ♦	Chairman	20/2/1957			X	2/7/2007
Maurizia Angelo Comneno ♦	Deputy Chair	18/6/1948		X		28/10/2014
Alberto Pecci ♦	Deputy Chair	18/9/1943				27/10/2012
Alberto Nagel ♦	CEO	7/6/1965			X	2/7/2007
Francesco Saverio Vinci ♦	General Manager	10/11/1962			X	2/7/2007
Marie Bolloré ♦	Director	8/5/1988		X		28/10/2014
Maurizio Carfagna ♦	Director	13/11/1947	X	X		28/10/2014
Maurizio Costa ♦	Director	29/10/1948	X	X		28/10/2014
Angela Gamba ■	Director	15/8/1970	X	X		28/10/2017
Maximo Ibarra •	Director	13/12/1968	X	X		20/9/2018
Valérie Hortefeux ♦	Director	14/12/1967	X	X		28/10/2017
Alberto Lupoi ■	Director	29/3/1970	X	X		28/10/2017
Elisabetta Magistretti ♦	Director	21/7/1947	X	X		28/10/2011
Vittorio Pignatti Morano •	Director	14/9/1957	X	X		20/9/2018
Gabriele Villa ♦	Director	18/6/1964		X		28/10/2017

* Independent in accordance with the definition provided in Article 19 of the Articles of Association.

** Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

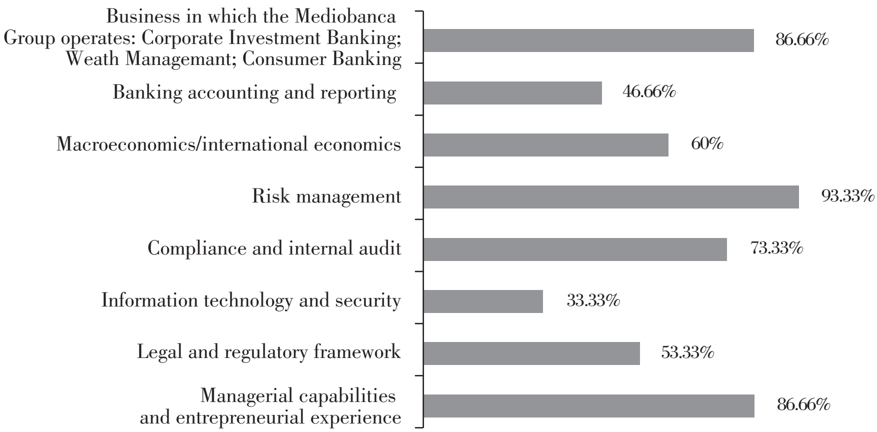
*** Period also comprises post held in governing bodies under dualistic governance system adopted by Mediobanca from 27/6/07 to 28/10/08.

♦ Taken from the list submitted by shareholder Unicredit S.p.A., owner of 8.46% of the company's share capital.

■ Taken from the list submitted by a group of investors holding 3.889% of the share capital.

• Co-opted on 20 September 2018.

The composition of the Board of Directors reflects the appropriate combination of capabilities and professional expertise.



The Board of Directors is comprised of 10 men (66.67%) and 5 women (33.33%); a breakdown of the Board members by age bracket is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	3	3	1	2	1	4

A breakdown of the Board of Directors by years of seniority is shown below.

0-2 years	3-5 years	>6 years
40%	27%	33%

The documentation submitted by the Directors for appointment to the Board of Directors, including their CVs, is available on the Bank's website at www.mediobanca.com/Corporate Governance in the lists or proposals published in the section entitled "General meetings".

4.2 Role and functioning

Under the Articles of Association currently in force, the following matters are the sole jurisdiction of the Board of Directors:

1. Definition and approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
2. Approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
3. Decisions concerning the acquisition or disposal of equity investments which are equal to 10% of the investee company's share capital and also involve an amount which is above 5% of the Group's consolidated regulatory capital;
4. Appointment and dismissal of the Executive Committee, Chief Executive Officer, General Manager, head of company financial reporting and the heads of the Group Audit, Compliance and Risk Management units;
5. Definition of the overall governance arrangements and approval of the Bank's organizational structure, ensuring clear distinction of duties and function and preventing conflicts of interest.

Under the regulations currently in force, and the resolution in respect of powers, the following matters are also under the sole jurisdiction of the Board of Directors:

– Proposals to be submitted to shareholders in ordinary and extraordinary general meetings, including staff remuneration policies;
– Proposals to be submitted to shareholders in ordinary and extraordinary general meetings, including staff remuneration policies;
– Approval of "most significant" transactions involving related parties of relevance to the Bank of Italy's prudential regulations, and, if they do not qualify as ordinary transactions, transactions with related parties for purposes of the transparency regulations;
– Approval of the Risk Appetite Framework and the general guidelines for the ICAAP and ILAAP processes;
– Approval of the Recovery Plan (required under EU Directive 2014/59);
– Approval of annual plans and review of reports by the internal control units.

Twice a year the Board of Directors also assesses the adequacy of the Bank's administrative and accounting structure, with particular attention paid to the internal control system and risk management based on the enquiries made by the Control and risks committee and the report presented by the head of company financial reporting on the adequacy and application of administrative and accounting procedures required by Italian law 262/05.

The delegated bodies report to the Board of Directors on the Bank's general performance, outlook, and the principal transactions in terms of size or characteristics that have been executed either by Mediobanca itself or by Mediobanca Group companies.

The Board normally adopts resolutions on proposals from the Executive Committee or Chief Executive Officer, with a majority of those in attendance voting in favour.

The means by which Board meetings are called are established by Article 17 of the Articles of Association.

The Chairman is responsible for ensuring that the Directors receive adequate information on the various items on the agenda in good time for the meeting (the documentation on the items on the agenda is normally sent at the same time as the notice of meeting, i.e. five days before the meeting itself is held, and after the Board committee responsible for processing the documentation has assessed it), and ensures that sufficient room is given for discussing the individual items, giving priority to issues of strategic relevance and guaranteeing that the debate is effective. The Chairman regularly invites Board members to indicate issues of interest to them which require further analysis or explanation. The secretary to the Board is available to arrange induction sessions or further analysis for the individual directors.

The Secretary to the Board, the Chief Risk Officer and other Group staff and representatives invited on the basis of the items on the agenda also take part in Board meetings.

A total of ten Board meetings took place in the period from 1 July 2018 to 30 June 2019. The average duration of Board meetings was around 3 hours and 35 minutes.

The independent Directors meet regularly without the other Directors present. In the period from 1 July 2018 to 30 June 2019, the independent Directors met on two occasions, discussing the self-assessment process for the Board of Directors, and the thoroughness and effectiveness of the flow of reporting from the delegated bodies to the Board of Directors in particular.

4.3 Role of the Chairman

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings and Board meetings, and ensures that the other Directors are provided with adequate information regarding the items on the agenda. No person aged seventy or over may be elected as Chairman.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Chief Executive Officer and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees.

He ensures that the self-assessment process is completed effectively, and that the corrective measures devised in order to meet any shortcomings detected are implemented in practice; he ensures that the directors are able to take part in meetings to analyse strategic issues in greater depth, with a view to providing adequate knowledge of the company itself, principles of proper risk management and the regulatory framework.

The Board of Directors has not tasked the Chairman with specific duties or vested him with powers of proposal save for his role in liaising with the Group Audit Unit, which he performs on the basis of reports on the results of the audits carried out and via monitoring of the remediation measures identified.

In addition to the duties associated with his role, the Chairman of Mediobanca, Renato Pagliaro is a member of the Appointments Committee and is invited to take part in certain committee meetings, including management committees, in order to facilitate effective reporting flows versus the Board of Directors.

4.4 Induction and regular training

The Board promotes induction and training programmes for members of the governing bodies, ensuring that the necessary resources are provided to this end.

The objective of the induction meetings is to provide participants with knowledge to enable them to take an informed part in the Board of Directors' discussions and deliberations.

The training meetings serve to refresh members' knowledge of general issues in the banking world, such as the regulatory scenario, risks, etc. Training meetings are open to participation by the Directors and Statutory Auditors of the Group's other banks as well.

The induction and training programmes spread out meetings over the financial year according to a timetable which is set annually. In setting the agenda, the Chairman takes account of the findings to emerge from the self-assessment process from the governing bodies, any comments from the Directors themselves, and suggestions made by the heads of area and control units.

Each meeting is supported by documentation which is sent to participants in advance.

The following induction and training meetings were arranged during the year outside of the Board meetings themselves, for the benefit of directors and statutory auditors:

– Six induction meetings for the whole Board on the following topics: Wealth Management and commercial networks: control measures and main risks; Investor Relations and analysts' reports; activities outsourced by Mediobanca and the other banks in the Group and related risks; strategy; Group IT systems; and corporate social responsibility;

– Two induction meetings addressed to the Risks Committee and subsequent debate by the Board of Directors on the following issues: ICAAP-ILAAP; and Group Recovery Plan;

– Four induction meetings addressed specifically to newly-appointed members on the following issues: integrated risks monitoring, rating systems governance policy and credit risk governance policy; Mediobanca Alternative Asset Management (Cairn Capital and RAM Active Investments) and Mediobanca SGR: structure and services/products offered; RAF/RAS and risk monitoring, ICAAP and internal models, ILAAP; mail balance-sheet data, IFRS 9, resolution; meeting with heads of control units to present teams and duties;

– Five training sessions on more general issues (open also to Board members of other Group banks) on the following issues: geopolitical scenario; non-executive directors' liability; security, cybercrime and fintech; provisioning calendar.

The average duration of the induction and training meetings was about two and a half hour.

4.5 Self-assessment of the Board of Directors

The process of self-assessment of the size, composition and functioning of the Board of Directors and its committees required by the Supervisory Instructions for banks in the area of corporate governance and by the relevant EU regulations, was conducted in the months between March and July 2019, with the assistance of an external advisor (Egon Zehnder), under the supervision of one of the independent Directors who is also a member of the Appointments Committee (and was mandated by the Committee itself to perform this duty).

The process was structured in three different phases:

– Obtaining each Director's recommendations, on the basis of a standardized questionnaire which was the same for all recipients, structured in three sections: the first on individual suitability, the second on collective suitability, and the third on the Board's functioning. The questionnaire also sought to identify new topics of discussion for next year's induction sessions. Each Director may approach the Director appointed to supervise the self-assessment process and/or the external advisor;
– The Appointments Committee's analysis of the data collected in aggregate form;
– The Board of Directors' approval of the Summary Report, including the principal results at the Appointments Committee's proposal.

The self-assessment process, in which all of the directors participated and also, in line with the supervisory instructions for banks, the three standing auditors plus four members of the Bank's management external to the Board, revealed a positive situation which confirms the effectiveness of the work carried out by the Board of Directors.

The following positive aspects emerged in particular from the self-assessment process: i) The individual and collective composition (in terms of size, capabilities, background, diversity – including in terms of gender – and number of independent members; ii) the flow of information ahead of the meetings (including with reference specifically to the Corporate Governance Committee's recommendation on pre-Board reporting), documentation on risks facing the company and risk controls, and segmentation of budget and closing data by business line, were all held to be satisfactory; iii) a positive assessment of the role of the Chairman; iv) the work done by the Board was adjudged to be satisfactory in terms of the number and duration, level of debate and minutes of the meetings and the induction and training programme; v) the participation of the heads of the control units and the Group's main business areas in Board and induction meetings was appreciated; vi) increased focus by the Board on senior management succession issues and visibility over key function holder development schemes; and vii) the Executive, Appointments, Remunerations and Risks Committees were felt to be excellent in terms of role, functioning, composition and size.

It is also worth noting that based on the self-assessment exercises held in previous years, the need has never emerged for a Lead Independent Director to be appointed, partly because the Chairman and Chief Executive Officer are not the same person.

Areas for improvement in the coming year involved:

- More space for sustainability issues in the Board's agenda;
- Step up the involvement of Group senior management in Board and induction meetings;
- Increased level of detail in minute-taking and hoped livelier debate;
- Regular reporting to the Appointments Committee and the Board on the composition of the governing bodies of the most important Group companies;
- With reference to the reporting flow by the Executive Committee, comment on the rationale for the main decisions taken by the delegated bodies in Board meetings.

As mentioned earlier, the recommendations made in the letter by the Chairman of the Corporate Governance Committee sent on 21 December 2018 have been taken into consideration in the self-assessment process. No need for specific action emerged, as the governance organization is already basically aligned with the recommendations.

The Board of Directors has been informed that the Statutory Audit Committee has carried out its own self-assessment, resulting in a positive opinion of the supervisory body's collective suitability, composition in qualitative and quantitative terms, and functioning.

4.6 Appointed bodies

4.6.1. Chief Executive Officer

The Board of Directors appoints a Chief Executive Officer from among the Directors who have been members of the Banking Group's management for at least three years, who must not be more than sixty-five years old.

The Board of Directors, without prejudice to the provisions of the Articles of Association, establishes the duties and powers of the Chief Executive Officer. In particular, the Chief Executive Officer has executive powers and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee, which he chairs, and also:

1) Within the limits of his powers, implements the plans and strategic guidelines set by the Board of Directors and Executive Committee;

2) Is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts, and the principal internal regulations;

3) Is empowered to make proposals to the Committee instituted pursuant to Article 18, para. 4 of the Articles of Association concerning the decisions to be taken regarding appointments to the governing bodies of the investee companies (in which the Bank holds a stake of at least 10% of the share capital and for which the value of such stakes represents more than 5% of the Group's consolidated regulatory capital), if listed.

4) Is responsible for staff management, and, having sought the opinions of the General Manager, if appointed, appointment of managerial staff;

5) Ensures that the organizational, administrative and accounting systems of the Bank are adequate for the operations and size of the company;

6) Reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries;

7) Is responsible for supervising activities in the area of sustainability, including preparing the Consolidated Non-Financial Statement to be published annually. In performing these duties, the Chief Executive Officer is assisted by the Corporate Social Responsibility management committee.

The Chief Executive Officer is Alberto Nagel.

4.6.2. General Manager

The Board of Directors may, if proposed by the Chief Executive Officer's proposal with an indication of powers and duties, appoint a General Manager from among the Directors who have been members of the Banking Group's management for at least three years and are not more than sixty-five years old.

The Board of Directors vests the General Manager, who is the head of the internal organization and as such is part of the management function, with powers to carry out the day-to-day business of the company, which specifically involves supervision of the other Group companies, and to implement resolutions passed by the Board of Directors or by the Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Chief Executive Officer. The General Manager is responsible for approving the guidelines to ensure that the risk mitigation techniques implemented are effective and that suitable training programmes are instituted to embed the requisite risk culture.

The General Manager is Francesco Saverio Vinci, who is responsible for supervising the Holding Functions division, which includes Finance and Group Technology and Operations, and also, in conjunction with the Chief Executive Officer, for directing and co-ordinating operations at Group level.

5. Board Committees

In accordance with Article 20 of the Articles of Association, the Board of Directors, at the Appointments Committee's proposal, have confirmed the institution of the Executive Committee and the three Board Committees (Risks, Remuneration and Appointments), consisting exclusively of non-executive directors, the majority of whom are independent, from whom the Chairman is selected. Another Committee has also been set up pursuant to Article 18 of the Articles of Association, regarding appointments to be made to the governing bodies of particular investee companies at their annual general meetings, companies, that is, in which the Bank holds a stake of at least 10% of the share capital and for which the value of such stakes represents more than 5% of the Group's consolidated regulatory capital.

The Board committees reach a quorum when the majority of directors in office participate and resolutions are adopted on the basis of the majority of those participating voting in favour.

Minutes are taken of meetings by each Committee which are kept in specific registers. The Chairman of each Committee reports to the Board of Directors at the first available meeting on its activities and the Committee's proposals to be submitted for examination by the Board.

5.1 Executive Committee

The Executive Committee consists of between three and five directors.

Members (as at 30/6/19)	Post held	Executive
Alberto Nagel (Chair)	Chief Executive Officer and Committee Chairman	X
Maurizia Angelo Comneno *	Deputy Chair	
Francesco Saverio Vinci	General Manager	X
Gabriele Villa *	Director	

* Independent as defined under Article 148, para. 3 of the Italian Finance Act.

The Executive Committee comprises three men (75%) and one woman (25%). A breakdown of the committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
0	0	0	2	1	0	0	1

Without prejudice to situations of incompatibility and the restrictions set under the regulations in force, the directors who are members of the management of Mediobanca Group companies are members of the Executive Committee *de jure*. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for companies or entities other than those owned by Mediobanca. The other Executive Committee members, again without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for other banking or insurance groups. The Executive Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Executive Committee is chaired by the Chief Executive Officer. The Chairman of the Board of Directors is also invited to take part in Executive Committee meetings, to ensure adequate information and reporting flows to the full Board of Directors. The Statutory Audit Committee also participates, as do the Secretary, the Chief Risk Officer and the Head of Company Financial Reporting.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour. Meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of eleven meetings were held in the period from 1 July 2018 to 30 June 2019, with an average duration of roughly 1 hour and 40 minutes.

Under the Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the Bank, vested with every power, including the power to disburse credit, without prejudice to those issues for which the Board of Directors has sole jurisdiction or which the Board has otherwise delegated to the Chief Executive Officer. In particular, the Executive Committee:

– Approves resolutions, in accordance with the guidelines and general directives adopted by the Board of Directors, to grant loans, including pursuant to Article 136 of the Italian banking act, and trading involving shareholdings considered relevant under the terms of the Articles and for percentage values not to exceed those over which the Board of Directors has decision-making powers;
– Establishes operating limits on the taking of various types of risk, in accordance with the Risk Appetite Framework;
– Is responsible for the Group's investment process.

The Executive Committee reviews transactions which qualify as "most significant" under the regulations in force that have received a negative opinion from the Risk Management, and, if appropriate, authorizes them; and informs the Board of Directors and the Statutory Audit Committee of such transactions.

The Executive Committee may delegate some of their powers to internal managerial committees or to individual management staff, while giving priority to the principle of collegiality in decision-making. In accordance with the provisions of the Articles of Association, and in order to facilitate the smooth running of the company's operations, the Executive Committee has assigned the following powers to the following committees:

– Group Risk Management, for issuing guidance in respect of credit, issuer, operational and conduct risk, and with approval powers on market risks;
– Lending and Underwriting, with powers of approval for credit, issuer and conduct risk;
– Group ALM and Operating ALM, 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;

- Investments, for the equity investments referred to in Article 18 of the Bank's Articles of Association and other equities and banking book investments (excluding those in Banking Group companies);
- New Operations, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models;
- Group Operational Risks, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions;
- Group Wealth Investments, for defining market views at Group level based on analysis of the economic situation for relevant markets and countries and for monitoring their track record;
- Private Investments, for defining strategic and tactical asset allocation, selecting investment houses, funds and other financial instruments.

Reports on these committees' activities are presented at each Executive Committee meeting.

The Committee regularly assesses the general operating performance, including on the basis of information received from the Chief Executive Officer and the internal management committees.

5.2 Risks and Related Parties Committee

As at 30 June 2019, the Committee consisted of five non-executive Directors who qualify as independent as defined in Article 19 of the Articles of Association. The person chairing the Committee is an independent director in possession of the requisite experience in accounting and financial matters, on account of their being a registered auditor.

Members (as at 30/6/19)	Independent (Article 19)*	Independent (Finance Act)**
Elisabetta Magistretti (Chair)◊	X	X
Maurizio Carfagna	X	X
Angela Gamba	X	X
Valérie Hortefeux	X	X
Vittorio Pignatti Morano	X	X

◊ Registered auditor.

* Independent as defined in Article 19 of the Articles of Association.

** Independent as defined in Article 148, para. 3 of the Italian Finance Act.

The Committee consists of three women (60%) and two men (40%). A breakdown of the Committee members by age is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
0	0	1	1	0	1	0	2

The Secretary and the Statutory Audit Committee (with which the Committee exchange information and coordinate itself) take part in Committee meetings, and the Chief Executive Officer and General Manager are also invited to take part. The head of company financial reporting, the heads of the control units and if considered necessary other Group staff also attend.

The Committee:

– Performs duties of monitoring, instruction and support to the Board of Directors in respect of:
  - Defining the Risk Appetite Framework, monitoring its thoroughness, adequacy, functioning and reliability and those of the risk governance policies;
  - Defining the guidelines for the internal control and risk management system, to ensure that the principal risks facing the Bank and its Group companies are properly identified and adequately measured, managed and monitored;
  - Dealing with risk resulting from any prejudicial events of which the Board of Directors may become aware;
  - Reviewing, at least once a year, the adequacy of the internal control and risk management system vis-à-vis the Bank's characteristics and the risk profile assumed;

– Issues opinions on the appointment of any external advisors which the Board might retain;

– Makes recommendations to the Board on any risk strategy adjustments that might prove necessary based on the business model, market developments or which otherwise derive from Risk Management;

– Expresses non-binding opinions, with the assistance of the Appointments Committee, on the appointment and dismissal of the heads of the internal control units (Group Audit, Compliance and Risk Management), their salaries and powers, and the means guaranteed for them to exercise their functions;

– Examines the regular reports and work plans of the Group Audit, Compliance and Risk Management units, and supervises the internal auditing system;

– Reports to the Board, at least once every six months, on the activities performed and the adequacy of the internal control and risk management system;
– Reviews plans for calculating the adequacy of the Bank's aggregate capital and liquidity, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP and ILAAP), reporting back to the Board on this issue;;
– Checks that the Bank's remuneration and incentivization system is consistent with the Risk Appetite Framework;
– Reviews the Consolidated Non-Financial Statement.

With reference to the structure of the Bank's financial reporting organization, the Committee, together with the Head of Company Financial Reporting and after consulting the external auditors and the Statutory Audit Committee , assess the correct application of accounting standards for purposes of drawing up individual and consolidated financial statements, assess the external auditors' recommendations, and generally serves in an advisory capacity to assist the Board of Directors in taking the decisions for which it has responsibility on matters of financial documents.

The Risks Committee currently also acts as the Related Parties Committee instituted pursuant to the Regulations for transactions with related parties approved on 20 June 2012 and most recently revised on 27 June 2019 (www.mediobanca.com/Corporate Governance), with the following duties:

1) Expressing opinions in advance on the adoption of, and possible amendments to, the Regulations;
2) Participating in negotiating and processing the most significant transactions with related parties, by receiving thorough and prompt reporting on them with the right to request further information and make comments;
3) Expressing reasoned opinions (binding only in respect of the largest transactions) on the Bank's interest in executing the transaction with related parties and the convenience and substantial correctness of the financial terms, including with the help of independent experts.

The Committee met on a total of eleven occasions in the period from 1 July 2018 to 30 June 2019 and on ten occasions as the Related Parties Committee.

The average duration of Risk Committee meetings was roughly three hours and 15 minutes, and that of Related Parties Committee meetings around 30 minutes.

5.3 Remunerations Committee

As at 30 June 2019, the Committee consisted of four non-executive members, the majority of whom qualify as independent under the terms of Article 19 of the Articles of Association, including the Committee Chair.

Members (as at 30/6/19)	**Indep. (Article 19) ***	**Independent (Finance Act) ****
Maurizio Carfagna (Chair)	X	X
Valérie Hortefeux	X	X
Alberto Lupoi	X	X
Alberto Pecci		

* Independent as defined in Article 19 of the Articles of Association.

** Independent as defined in Article 148, para. 3 of the Italian Finance Act.

The Committee currently consists of three men (75%) and one woman (25%). A breakdown of the Committee members by age is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
0	0	1	1	0	0	0	2

The Committee has duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the proposals formulated by the Chief Executive Officer regarding the guidelines for the remuneration system for senior management and Group staff remuneration, loyalty retention and incentivization schemes. In particular the Committee:

1) Regularly assesses the adequacy, overall consistency and practical application of the remuneration policy for directors and relevant staff;

2) Formulates proposals and/or opinions regarding the remuneration of the Chief Executive Officer and the General Manager;

3) Monitors application of the rules on the remuneration of the heads of the company's control units, liaising closely with the body with responsibility for control;

4) Gives its opinion on the Remunerations Policies to be submitted to the approval of the Board of Directors and shareholders in annual general meeting, with reference in particular to the issue of whether or not the performance objectives on which the incentivization schemes are based have been reached, and to ascertaining whether or not the further conditions set to payment of bonuses have been met.

5) Proposes the allocation of the aggregate fixed compensation to the Board of Directors established by shareholders in annual general meeting to the Board itself for approval.

The Chairman of the Board of Directors, the Secretary, the Statutory Audit Committee, the Chief Risk Officer and Head of Human Resources take part in Committee meetings, along with (in an advisory capacity) the Chief Executive Officer, the General Manager, and any other Group staff considered necessary.

The Committee met eight times in the period from 1 July 2018 to 30 June 2019, including one meeting not attended by the executive directors, to formulate proposals to the Board of Directors regarding their remuneration and the structure of a long-term incentive plan shortly to be adopted. For further information on the issue of remuneration, please see the Report on Remuneration available on the Bank's website at www.mediobanca.com/Corporate Governance.

The average duration of Committee meetings was roughly one hour and 45 minutes.

5.4 Appointments Committee

As at 30 June 2019, the Appointments Committee consisted of five non-executive directors, the majority of whom qualify as independent under Article 19 of the Articles of Association, including the Chairman.

Members (as at 30/6/19)	Independent (Article 19) *	Independent (Finance Act) **
Maurizio Costa (Chair)	X	X
Marie Bolloré		X
Alberto Lupoi	X	X
Elisabetta Magistretti	X	X
Renato Pagliaro		

* Independent as defined in Article 19 of the Articles of Association.

** Independent as defined in Article 148, para. 3 of the Italian Finance Act.

The Committee consists of three men (60%) and two women (40%). A breakdown of the Committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	1	0	0	1	1	1

The Committee has duties of consultation and enquiry with regard to:

- The Board of Directors' annual self-assessment exercise;
- Identification of the optimal qualitative/quantitative composition of the Board of Directors, and subsequently checks to ascertain that it corresponds to the actual composition which results from the appointment process;
- Proposals of submission of lists for the Board of Directors, co-opting of new directors to replace those who have left their post, and for the appointment of the Executive Committee, Chief Executive Officer and, at the CEO's proposal, the General Manager;
- Succession planning for directors who are members of the Bank's management and key function holders (heads of the Group's control units and main business areas);
- Governance issues.

The Committee also supports the Risks Committee in identifying the heads of the company control units.

The Secretary, Chief Executive Officer and General Manager take part in Committee meetings, along with any other Group staff considered necessary.

The Committee met nine times in the period from 1 July 2018 to 30 June 2019. The average duration of committee meetings was roughly 1 hour and 40 minutes.

5.5 Committee instituted pursuant to Article 18 of the Articles of Association

In addition to the Committees provided for in the regulations and codes of conduct, the Board of Directors has also set up a committee pursuant to Article 18, para. 4 of the Articles of Association which adopts resolutions in respect of decisions to be taking regarding appointments to be made to the governing bodies of particular investee companies at their annual general meetings, companies, that is, in which the Bank holds a stake of at least 10% of the share capital and for which the value of such stakes represents more than 5% of the Group's consolidated regulatory capital.

As at 30 June 2019, the Committee consisted of the Chief Executive Officer, General Manager and two Directors, one of whom qualifies as independent.

Members (as at 30/6/19)	Independent (Article 19) *	Independent (Finance Act) **
Alberto Nagel (Chair)		
Marie Bolloré		X
Elisabetta Magistretti	X	X
Francesco Saverio Vinci		

* Independent as defined in Article 19 of the Articles of Association.

** Independent as defined in Article 148, para. 3 of the Italian Finance Act.

The Committee consists of two men (50%) and two women (50%). A breakdown of the Committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/76
1	0	0	1	1	0	0	1

The Committee met on one occasion during the last financial year.

6. Other information required under Article 123-bis of the Italian Finance Act on severance pay agreements

The aggregate compensation payable to the Board of Directors is set by shareholders in general meeting, in a fixed amount for each year in which the Board is in office,[3] with no provision made for incentives linked to the Bank's performance. This compensation is split by the Board on the basis of the individual members' participation in the Board Committees.

It does not include the remuneration paid to the Executive Directors (Chief Executive Officer and General Manager) which, as members of the Group's senior management, is governed by the "Mediobanca Group staff remuneration and incentivization policy", approved annually by the shareholders in general meeting.[4] The policy provides for a fixed salary,[5] a variable short-term component, and in some cases a variable long-term component as well, plus other staff benefits such as complementary pension scheme, healthcare policy, corporate welfare, etc. Directors who are members of the Group's senior management receive the emolument due to them for serving on the Board but no further emoluments for serving on the Board Committees.

[3] The remuneration determined by shareholders at the Annual General Meeting held on 28 October 2017 was €2,500,000.

[4] The Remuneration Policy for FY 2018-19 as approved by shareholders in annual general meeting is available at www.mediobanca.com/Corporate Governance.

[5] The annual gross fixed salary of the Chief Executive Officer is €1,800,000, that of the General Manager €1,500,000.

The Chairman is entitled to receive fixed remuneration only. The Board of Directors may, after consulting with the Remunerations Committee and within the limits set by the regulations in force, assess whether or not it is appropriate to pay him a variable component, on an exceptional basis.

With reference to the requirements of Article 123-bis of the Italian Finance act, in the event of the directors employed by Mediobanca ceasing to work for the company for any reason, the provisions of the Group's remuneration policy shall apply.

7. Conflicts of interest and related party transactions

7.1 Conflict of interests policy

Consistent with the requirements of the regulations in this area, Mediobanca has adopted a conflict of interest management policy to identify, monitor and manage conflicts which may arise in the provision of investment or ancillary services. Taking into account the provisions of the ECB Guide to fit and proper assessments for Directors, it also governs the measures to be taken in the event of one of them or a Statutory Auditor becoming involved in a conflict of interest.

The Policy describes the methods by which to identify and manage real and potential conflicts of interest that affect Mediobanca's ability to act independently and could thereby harm the interests of the Bank or of one or more of its clients.

Mediobanca believes prompt, correct identification and management of conflicts of interest is not only necessary in order to comply with the provisions of the laws and regulations but of essential importance for protecting clients' rights and safeguarding Mediobanca's assets and reputation before its clients, the market, other institutions and the authorities

7.2 Transactions with related parties

At a Board meeting held on 27 June 2019, following the unanimous favourable opinion of the Related Parties Committee and the Statutory Audit Committee, the Directors of Mediobanca approved a revised version of the Regulations in respect of transactions with related parties and their associates adopted in pursuance of Consob resolution 17221/10 and the Bank of Italy's 2011 provisions on this subject, which lay down the regulations with which the Bank must comply to ensure that transactions with related parties carried out directly or via Group companies are executed transparently, fairly in terms of both substance and procedure, objectively and impartially, whether directly or via subsidiaries, and also that the prudential limits on risk assets vs related parties are complied with.

The Regulations use a definition of "related party" which combines the areas of application provided under the Consob regulations with Bank of Italy instructions in respect of procedural and approval obligations. The scope of the definition of related parties to which the prudential limits set by the Bank of Italy and the transparency regulations set by Consob apply remains distinct.

The Regulations are activated every time the Bank intends to implement a transaction with a related party (as defined in Annex 1 of the Regulations). They involve an initial classification between "Most significant transactions" and "Transactions of minor significance", which determines the respective responsibilities and approval procedures. The Regulations do not apply to transactions which qualify as "Exemptions" (which include "Ordinary transactions of minor significance carried out on market terms" and "Transactions involving negligible amounts").

The Regulations also prescribe a specific "transparency regime" which defines the reporting requirements and deadlines versus both the public and the company's governing bodies. These Regulations are published on the Bank's website at www.mediobanca.com/Corporate Governance.

8. Internal controls and risk management system

The internal controls system is a fundamental part of banks' overall governance system. It has a central role in the organization, and allows risks and the inter-relations between them to be governed in an effective manner, to ensure that the business is carried on in line with the company strategy and policies, and is based on sound and prudent management principles.

8.1 Bodies and functions

8.1.1 Board of Directors

The Board of Directors sets the direction for the internal controls and risk management system, in accordance with the strategic guidelines and risk appetite chosen. In this way it ensures that the principal risks are identified correctly, and measured, managed and monitored adequately, *inter alia* according to how they develop.

To this end, it reviews the Group's Risk Appetite Framework annually, in accordance with the budget process and strategic plan definition timing, to ensure that business develops in line with the desired risk profile.

The Board makes its assessments and decisions on the internal controls and risk management system. It appoints the heads of the control units, approves the plans of their activity, and receives regular reporting from them.

The senior management of Mediobanca is responsible for the adequacy of the Bank's internal controls and risk management system. It is the senior management which draws up measures to ensure that the internal controls system is effective and efficient and remains so over time, on the back of an understanding of all the risks facing the company and the inter-relations between them with a view to ensuring integrated risk management.

8.1.2 Risks Committee

The Risks Committee performs duties of instruction and consultation for the Board of Directors on matters pertaining to risks and the internal controls system as described in section 5.2.

8.1.3 Group Risk Management unit

The unit co-operates in the definition and execution of the Risk Appetite Framework and the related risk governance policies, through an adequate risk management process. It plays an important role in strategy and risk-taking decisions, in the appraisal of extraordinary transactions, and in identifying, measuring, valuing, managing, mitigating, monitoring and reporting risks in the event of unauthorized exposures being noted.

In particular it is responsible for identifying and implementing an efficient risk management process and for ensuring this is embedded across the Group. To this end it presides over the functioning of the Bank's and the Group's risk management systems, defining the appropriate methodologies for measuring the current and future set of risks faced by them. The unit ensures ongoing control of the aggregate exposure, at Group and individual unit level, to credit, financial, operational and other relevant risks, within the limits set by the internal and supervisory regulations. The unit also issues guidance to the Group companies, to ensure that the entire Group's exposure to the above risks is governed appropriately.

In the exercise of his duties of control, the Group Chief Risk Officer is the person responsible for identifying and implementing an efficient risk management process through developing risk management policies which include defining and quantifying risk appetite and risk limits at both the individual operating unit and Group-wide level, calling on the assistance also of the other Risk Management teams of the various Group companies which to this end report in functional terms to the Group Chief Risk Officer.

The unit is also responsible for the Group's stress testing process and execution.

As part of the Risk Appetite Framework, the Risk Management unit performs a set of regular internal controls with the aim of measuring the current level of the metrics relative to the limits set in the framework. It also gives prior opinions on whether Most Significant Transactions are consistent with the Risk Appetite Framework and identifies any needs in terms of decision-making escalation. If needs be, and depending on the nature of the transaction, it also seeks the opinion of other units involved in the risk management process.

The Head of the unit attends meetings of the Risks Committee, assisting it in its control tasks. Once a year the unit submits a report to the Risks Committee, the Board of Directors and the Statutory Audit Committee on the activities performed and an assessment of the Group's risk profile and the adequacy of the Group's risk management measures; once a quarter it draws up the integrated risks, RAF and Recovery Plan monitoring report.

The Risk Management unit is involved in making decisions regarding the Bank's entry into new markets, introduction of new products, and extraordinary operations, in order to assess the impact of these changes and operations on the overall risk level.

The Group Risk Management unit reports directly to the Chief Executive Officer under the leadership of the Group Chief Risk Officer, Pierpaolo Montana. In functional terms the unit reports to the Risks Committee.

8.1.4 Compliance unit

The Compliance unit manages the regulatory and reputational risks of the Group, and checking in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank and the Group. For the Bank, the unit proposes and monitors the adoption of procedures intended to manage risks of non-compliance linked to the provision of banking services and MiFID investment and ancillary services, ensuring staff are fully updated on developments in the domestic and European regulatory scenario. The unit manages compliance risks at the Group level as well, with the assistance of representatives and officers of the various Group companies, who in functional terms report to the head of the Compliance unit on such matters.

The head of Compliance takes part in Risks Committee meetings, providing support to the committee in its control activities. The Compliance unit reports to the Risks Committee, the Board of Directors and the Statutory Audit Committee once a year, plus an executive summary once a quarter to flag up any critical issues in a timely manner. The Compliance unit is headed up by Massimiliano Carnevali, who reports directly to the Chief Executive Officer. In functional terms the unit reports to the Risks Committee.

8.1.5 Group Anti-Money-Laundering unit

The Anti-Money-Laundering unit, as required by the instructions issued by the Bank of Italy in a measure dated 26 March 2019, is responsible for ongoing monitoring of the Bank's and Group's procedures to ensure they are adequate to prevent and tackle breach of the regulations on money-laundering and terrorist financing. In 2018, the unit was centralized at Mediobanca for the Italian Group companies, while at the non-Italian companies the unit manages these risks with the assistance of the respective representatives and officers, who in functional terms report to the head of the AML unit on such matters.

The head of the Group AML unit is Andrea Verger, who reports to the head of the Compliance unit.

8.1.6 Group Audit unit

Mediobanca maintains a Group Audit Unit, centralized at Mediobanca S.p.A., which is organized so as to assess the thoroughness, adequacy, functioning and reliability of the company's internal control system. The activities regard all companies in the Group under the terms of specific outsourcing contracts, or in limited cases, based on the governance role performed by equivalent local units (i.e. in cases where there is a unit responsible for third-level controls, notably CMB), or alternatively in the capacity of headquarters.

Centralizing internal audit activities in this way allows Mediobanca's role of co-ordination of the internal controls system to be strengthened and makes the whole third-level control structure more efficient by:

- Allocating co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;
- Defining a Banking Group audit plan, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;
- Sharing specialized skills (e.g. IT auditing, quantitative issues), and audit methodologies and reporting standards vis-à-vis governing bodies and senior management.

The unit operates independently and has direct access to all information useful to it, and adequate means are made available for it to be able to perform its mandate.

The head of the Group Audit Unit takes part in meetings of the Risks Committee, providing support in relation to aspects regarding the internal control system. The unit submits a report to the Risks Committee, meeting in conjunction with the Statutory Audit Committee, and to the Board of Directors once a year on the activities performed and remediation of any critical issues noted, and a quarterly report to flag up any critical issues in a timely manner.

The plan of activities, drawn up in accordance with the unit's own Regulations, is executed in accordance with the provisions contained in the Audit Plan approved each year by the Board of Directors.

The head of the Group Audit Unit is Giorgio Paleari, who reports to the Board of Directors.

8.2 Financial reporting process

8.2.1. Head of Company Financial Reporting

On the proposal of the Chief Executive Officer, and with the Statutory Audit Committee's favourable opinion, the Board of Directors appoints one person to act as head of financial reporting, chosen from among the Bank's management and must have held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at another leading bank. The post is currently held by Emanuele Flappini.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, plus all other reporting of a financial nature. The appointed bodies and the Head of Company Financial Reporting issue statements regarding the adequacy of the administrative and accounting procedures and their application in practice, and regarding whether or not they correspond to the data recorded in the company's documents, books and accounts, as required by law.

The Board of Directors exercises supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

8.2.2. Financial control process

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (CoSO[6] and CobIT Framework[7]). The system provides for:

– Company level controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force in the Group. Company level controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached.

[6] The version of the COSO entitled "Internal Control – Integrated framework", published in September 1992, has been used as the benchmark by the US regulators which have oversight in this area (SEC and PCAOB – Public Company Accounting Oversight Board) for purposes of applying the regulations contained in the Sarbanes Oxley Act, the Bank of Italy's Supervisory Instructions, and the Code of conduct for listed companies operated by Borsa Italiana.

[7] The version of the COBIT entitled "IT Control Objective for Sarbanes Oxley" has been considered appropriate for purposes of applying the regulations contained in the Sarbanes Oxley Act.

– Administrative/accounting model: organizational processes (operators, activities, risks and controls) which generate the most significant earnings and asset figures included in the financial statements and information disclosed to the market.
– General IT controls: general rules governing technologies and applications developments which are common to the architectures and IT applications used to generate financial reporting.

The system has been constructed and is applied according to the relevance of Group companies, accounts or processes.

For the risks identified in the assessment of the administrative and accounting processes, the appropriate control measures are identified to ensure they are represented truthfully and accurately in the financial reporting. Such measures include "key" controls, i.e. those without which there is the risk of serious error in the financial statements.

To measure the adequacy of these controls and ensure they are up-to-date at all times, tests are carried out twice a year on the design of the controls, and the test of controls itself, chiefly using the self-assessment methodology.[8] At this stage the possible impact is assessed of any irregularities detected in the course of the controls, to ensure the administrative and accounting procedures are adequate and applied effectively in order that the financial statements can be drawn up correctly.

The Group Audit unit, working together with the head of company financial reporting, performs regular checks to ascertain that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

Any gaps that emerge from the testing activity are analysed in conjunction with the heads of the organizational units responsible for the process, and possibly also with the areas that will be involved in solving the problems. Co-ordinated by the Head of company financial reporting a plan of corrective action is drawn up which assigns responsibilities and defines timescales.

Assessment of the adequacy and operational effectiveness of the controls, conducted in accordance with the model adopted, enables the Head of Company Financial Reporting to issue:

[8] Based on the self-assessment methodology, the tests are performed by the process owners, i.e. those responsible for managing the specific process.

– The declarations attached to the annual report, the interim report and the consolidated financial statements, issued in conjunction with the Chief Executive Officer, as required by Article 154-bis, para. 5 of the Italian Finance Act, that the procedures in force are adequate and have been effectively applied during the period to which the documents apply, and that the documents correspond to the data recorded in the company's books and accounts ledgers and are adequate for the purpose of providing a truthful and adequate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.
– The declarations, required under Article 154-bis, para. 2 of the Italian Finance Act, to be attached to the financial reporting issued to the market, regarding the results for the period (analyst presentations and press releases), and the Basel III Pillar III disclosure, annual and interim.

8.3 External auditors

At the annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers to audit the company's full-year financial statements and interim accounts, and to perform other activities provided for under Italian Legislative Decree 39/10 for the 2013-21 period.

8.4 Organizational model instituted pursuant to Italian Legislative Decree 231/01

At a Board meeting held on 31 July 2018, the Directors of Mediobanca approved the revised version of the new organizational model following changes to the external regulatory framework and certain important internal organizational changes (e.g. establishment of the Private Banking division).

The organizational model consists of:

1. A **General Part**, which provides an overview of the set of principles on which the model is based and functions, containing references to the primary regulations and with them a list of the crimes pursuant to Italian Legislative Decree 231/01, the cases of possible exemption from liability, an indication of the requisites for the supervisory body and its

members, references to the disciplinary system and reporting flows versus the supervisory body.

2. **Special parts**:
   - **Map of crimes and activities at risk:** for each category of crime and organizational unit, the sensitive activities, control measures and organizational units involved are identified.
   - **Protocols**, summarizing the principles of conduct and operating procedures for each sensitive area.
   - The Group Code of Ethics, which has been adopted by all Group companies, constitutes an integral part of the model, and contains references and principles which are complementary to the legal obligations and self-regulation requirements for directors, advisors, outside staff and suppliers, and are continuous and consistent with the Group's mission and its basic values.
   - **Reporting flows** from/to the supervisory body, containing the data and information which each organizational unit is required to transmit to the supervisory body. Obtaining such data allows the supervisory body to monitor the model's functioning and compliance with it, and to propose revisions where these may be necessary in order to render the company's organizational and internal control measures more effective.
   - **Form for reporting** suspected breaches of the model to the supervisory body.
   - List of crimes: document describing the crimes assumed to be applicable to the Bank.

The Statutory Audit Committee also performs the functions assigned to the supervisory unit instituted pursuant to Italian legislative decree 231/01. In this connection, the Statutory Audit Committee is responsible for monitoring the functioning of and compliance with the model and the functioning of the disciplinary system. It maintains and ensures flows of information to the Board of Directors, including:

- Presenting an annual report on the activity carried out;
- Serious breaches of the model, also informing the Chairman of the Risks Committee.

8.5 Corporate Social Responsibility, codes of ethics and conduct, whistle-blowing, internal dealing and personal trading

8.5.1. Corporate Social Responsibility

Growth and sustainability are two of the Group's distinctive traits. Our development strategy is based on the conviction that ethics and profits can and indeed must go hand in hand, because in the long term there cannot be economic growth without social and environmental growth as well. Responsible, proper and transparent conduct grows and protects a company's reputation, credibility and consensus over time, laying the foundation for sustainable business development which aims to create and protect value for all stakeholders. In line with our commitment in this area, the Group contributes to promoting the universal principles contained in the Global Compact, of which it is a member, and to realization of the Sustainable Development Goals (SDGs) set out in the United Nations' 2030 Agenda, supporting and encouraging new sustainable growth and development prospects at the global level.

The Group staff incentivization system reflects these principles, and CSR objectives are included in the CEO's and the General Manager's performance evaluation scorecards used to determine the variable component of their remuneration.

In 2017 a Group Sustainability unit was set up, with its own head and a management committee chaired by the CEO, with responsibility for: defining the Group's policies in the area of Corporate Social Responsibility (CSR) to be submitted to the Board of Directors for approval; promoting the implementation of practices consistent with this policy up to the limits of its own budget, and monitoring performance.

Since the reporting date, the Board has set up its own Corporate Social Responsibility committee, with duties of instruction with regard to the items to be submitted to the Board's attention, including in particular the Group CSR Policy and the Consolidated Non-Financial Statement prepared by the management committee. The CSR Committee also liaises with the Remunerations Committee in assessing whether or not the objectives identified in the scorecards used for senior management performance evaluation have been met. The Committee is made up of the CEO himself plus Directors Angela Gamba, Maximo Ibarra and Elisabetta Magistretti.

8.5.2. Codes of ethics and conduct

Since 2010 Mediobanca has adopted a Code of Ethics summarizing the ethical principles on which the Bank bases its activity and describing the values which underpin its daily operations.

These principles have also been set out in a Code of Conduct, which represents the benchmark for governing, in cases not expressly covered by the regulations, the Banks's internal and external relations in ethical terms, describing the standard of conduct required from all staff and collaborators.

8.5.3. Whistle-blowing

Mediobanca has also adopted a policy on whistle-blowing to enable staff to report, including anonymously, any issues with the functioning of the Bank's organizational structure or internal control systems, or any other irregularity in the Bank's operations or breaches of the regulations on banking activity. The policy provides for liaison with the supervisory body, to which reports relevant for Italian legislative decree 231/01 are addressed. The policy, adopted by all Group companies, defines the principles, methods and measures to ensure that such instances of whistle-blowing are managed correctly, respecting the confidentiality of the parties involved.

The head of the internal reporting system for Mediobanca is Massimiliano Carnevali, who is also responsible for the Compliance unit.

8.5.4. Internal dealing and personal trading

The Board of Directors has adopted Regulations on Internal Dealing to govern reporting requirements for transactions involving financial instruments issued by Mediobanca. Persons defined as "relevant" (chiefly Directors, statutory auditors and strategic management) notify Mediobanca of any transaction involving such instruments, within two days of execution. Mediobanca then discloses all such information to the market and Consob. Relevant persons may not effect such transactions in the thirty days prior to the date on which the Board of Directors' approval of the Bank's annual, interim and quarterly accounts is made public (black-out period). A more restrictive regime has also been introduced for certain management figures, limiting the restrictions on them trading to certain "window" periods only, i.e. the 15 open market days subsequent to the results for the period being published.

Mediobanca, in accordance with the provisions of regulations in this area, has adopted a procedure to ban and/or identify personal transactions made (or transactions recommended, solicited or divulged to third parties) by relevant persons (including members of the Executive Committee and the Statutory Audit Committee, and also other Directors in cases where they have been included in the insider or transaction watch lists) which could give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

The Regulations also institute a ban on staff members executing trades in financial instruments with equity content (shares, convertible bonds, derivatives, etc., apart from those involving Mediobanca or SPVs promoted by Mediobanca) if the main market on which the instrument is listed or the issuer's registered office is in one of the member states of the European Union.

9. Statutory Audit Committee

The Statutory Audit Committee consists of three standing auditors and three alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least twenty-five calendar days prior to the date scheduled for the general meeting to be held in the first or only instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law, the applicable regulations and the Articles of Association. The Articles in particular provide that, without prejudice to the provisions of the law, members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under the Bank of Italy's Supervisory Instructions, hold the post of Chief Executive Officer, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca. The Articles of Association further state that lists may only be submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the date of the general meeting (currently 1%).

The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.

Its composition also ensures the gender balance stipulated in Italian law 120/11.

The Statutory Audit Committee, appointed on 28 October 2017 for the 2018, 2019 and 2020 financial years, is made up as follows:

Members (as at 30/6/19)	**Position**	**In office since**
Natale Freddi *	Chairman	28/10/11
Laura Gualtieri ♦	Standing Auditor	28/10/14
Francesco Di Carlo ♦	Standing Auditor	28/10/17
Alessandro Trotter ♦	Alternate Auditor	28/10/14**
Barbara Negri ♦	Alternate Auditor	28/10/14
Stefano Sarubbi *	Alternate Auditor	28/10/17

♦ Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.46% of the company's share capital.

* Appointed from the list submitted by a group of investors owning 3.889% of the share capital.

(**) Alternate auditor until 2 July 2007; member of Management Board from 2 July 2007 to 28 October 2008; and alternate auditor from 28 October 2014.

The members of the Statutory Audit Committee all qualify as independent under Article 148 of Italian legislative decree 58/98 and the Code of Conduct.

The CVs of the Statutory Auditors deposited along with the lists for appointments to the Statutory Audit Committee may be found on the Bank's website at www.mediobanca.com/Corporate Governance.

The Statutory Audit Committee performs the duties and functions required of it under the regulations in force. In particular it monitors:

- Compliance with the provisions of the law, regulations and the Company's Articles of Association, as well as with the principles of proper management;
- Adequacy of the organizational, administrative and accounting arrangements set in place by the company and the financial reporting process;
- The thoroughness, adequacy, functioning and reliability of the internal control system and Risk Appetite Framework;
- The process of auditing the annual and consolidated financial statements;
- The independence of the external auditors, in particular regarding the provision of non-audit-related services;

– The thoroughness, adequacy, functioning and reliability of the business continuity plan.

The Statutory Audit Committee is also responsible for:

– Reviewing the plans of activity for the company's control units, along with the reports prepared by them on the work carried out;
- Expressing its opinion on the appointment and/or dismissal of the heads of the control units and Head of Company Financial Reporting;
- Monitoring the process of calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP);
- Informing the Board of Directors of the results of the auditing process, and sending the additional report required under Article 11 of European regulation no. 537/2014, along with any comments it might have;
- Proposing the audit company for approval by shareholders in annual general meeting to act as the Bank's legal external auditors;
- Reviewing the working plan prepared by the external auditors to audit the Bank's accounts, and the results as described in their report and their letter containing suggestions;
- Assessing the adequacy of the procedures adopted to regulate transactions involving related parties and compliance with them;
- Checking that the criteria and procedures adopted by the Board of Directors to assess the independence of its members are applied correctly;
- Monitoring compliance with the requirements provided for in Italian Legislative Decree 254/16 on sustainability;
- Reporting any irregularities in operations or breaches of the regulations noted to the supervisory authorities.

The statutory auditors are vested with the broadest powers provided for by the legal and regulatory provisions in force.

The Statutory Audit committee takes part in all meetings of the Board of Directors, the Executive Committee and the other committees set up by the Board for which their participation is required under the Board's regulations.

In this way the Statutory Audit Committee is kept informed at all times of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, transactions with related parties, and transactions in which the Directors have an interest either in their own right or by means of third parties.

The Statutory Audit Committee receives information flows organized and channelled via the company's control units, i.e. Group Audit, Risk Management and Compliance, deals with issues in conjunction with the Risks Committee, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, and with other Group companies' Statutory Audit Committees. The heads of the various areas of the company hold regular meetings with the Statutory Audit Committee to provide further analysis or training on issues that are of interest to them.

The Statutory Audit Committee regularly illustrates the critical issues that emerge in the course of its control activities to the Board of Directors.

A total of thirty-one meetings of the Statutory Audit Committee were held in the last financial year, eleven of which were held jointly with the Risks Committee, and the Committee met on several occasions with representatives of the external auditors retained to audit the company's financial statements pursuant to the Italian Finance Act.

The average duration of committee meetings was roughly 3 hours.

10. Succession planning and diversity criteria

At a Board meeting held on 12 July 2018, the Directors approved the "Policies for the selection, appointment, succession and performance assessment of company representatives and Group Key Function Holders" governing *inter alia* the procedure for the succession of executive directors (including the Chief Executive Officer and the General Manager) and non-executive directors, the Statutory Auditors and the Key Function Holders, including the emergency plan for renewal of appointments to senior management positions in the event that this should suddenly become necessary. Key Function Holders are persons who are not Board members but have a significant influence on the Bank's management (the heads of the control units, the head of company financial reporting, the heads of the Mediobanca Group business areas (CIB, Retail/Consumer, Private Banking, Principal Investing, CMB, MAAM), and the Group HR Director.

Regarding succession planning for the Chief Executive Officer and General Manager, the policies stipulate, in addition to the requirements specified by the regulations in force, that candidates for succession must have the specific capabilities required by the role and complexity of the business that must be met in full. In emergency situations, the policies provide that the Chairman shall swiftly call a meeting of the Board of Directors to assign interim powers in order to ensure continuity of business, and to launch ordinary succession procedures with the Appointments Committee's involvement. The Appointments Committee has ascertained that the requirements stipulated are met and has identified a select number of Group senior management members whose personal and professional qualifications make them potential candidates for succession.

If a member of the Executive Committee requires to be replaced, the responsibility for proposing a replacement falls to the Appointments Committee. In general terms, an executive director must possess all requisites stipulated in general for directors, plus specific experience in banking, professional or corporate areas which highlights their capability to take decisions quickly and on an informed basis. To this end the Appointments Committee assesses the profiles represented on the Board to gauge which candidates might be suitable for inclusion in the Executive Committee.

Regarding the succession of non-executive directors, those appointed from the minority list are replaced, where possible, by unappointed directors from the same list, in accordance with the provisions in force on equal gender representation. For directors appointed from the majority list, in line with best practice, the selection of candidates will reflect the guidance issued by the Board in its Report on the qualitative-quantitative composition of the Board of Directors, giving priority to candidates in possession of the same characteristics as the Director leaving office (in terms of gender, independence, international experience and specialization).

As for the Key Function Holders, a total of eleven positions have been identified (currently covered by twelve individuals): for each of them, the respective capabilities required to perform them have been defined and formalized. The Appointments Committee ascertains that all the current holders of the eleven positions meet the requirements, and for each of them has identified an internal candidate with the requisite qualifications who is therefore able to succeed them.

Mediobanca is fully aware of the benefits deriving from diversity of gender, and accordingly, if the minimum quota for the least represented gender in the governing bodies currently stipulated by law should cease to be met, nonetheless recommends that it continue to be respect in the composition of both Board of Directors and Statutory Audit Committee.

Since January 2019 Mediobanca has been one of the 230 companies in the 2019 Bloomberg Gender-Equality Index, an initiative that selects companies on the basis of the transparency of their approach, as demonstrated in the reporting on gender issues and by adopting an increasingly egalitarian approach towards women. The Group currently has around 4,600 staff, more than 40% of whom are women. All issues relating to female employment are fully discussed in the Group's Consolidated Non-Financial Statement.

11. Relations with shareholders and investors

Mediobanca maintains an ongoing dialogue with its shareholders, institutional investors and individual holders of shares and bonds and with all other stakeholders within the national and international financial community.

Transparency and prompt disclosure are the hallmarks of the relationship between Mediobanca and its interlocutors, in compliance with the regulations and the internal procedures governing the circulation of inside information.

To enable all shareholders to exercise their rights knowingly, information concerning the Group's business model, corporate governance structure, earnings/financial data, products and services, and social and cultural initiatives is available on the Bank's website; to promote the greatest possible participation in annual general meetings, the relevant documentation is sent beforehand to the addresses of who requested it.

Furthermore, to promote dialogue via its institutional website at www.mediobanca.com (content in English and Italian), Mediobanca offers interested parties an opportunity to be kept up-to-date with the Group's earnings results and strategic objectives. As well as making available the full documentation produced by the Bank (again in both languages), the website also offers an opportunity to follow the conference calls organized for publication of the Bank's quarterly, half-yearly and annual results via a web streaming service.

Relations with institutional investors, financial analysts and journalists are handled by the relevant units (Paola Schneider – Group Corporate Affairs, Jessica Spina - Group Investor Relations & Strategic Corporate Development and Lorenza Pigozzi – Communications and Marketing).

Milan, 19 September 2019

Table 1: Structure of Board of Directors and Committees as at 30 June 2019

Board of Directors													Executive Committee		Risks Committee		Remunerations Committee		Appointments Committee	
Office	Member *	Year of birth	Date first appointed **	In office since	In office until	List	Non-exec	Esec.	Indep. (Article 19)	Indep. (Finance Act)	No. of other posts held ***	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)
Chair	Renato Pagliaro	1957	28/10/08 (1)	28/10/17	28/10/20	(a)	X				1	100%								100%
Deputy Chair ♦	Maurizia Angelo Comneno	1948	28/10/14	28/10/17	28/10/20	(a)		X		X	0	100%		100%						
Deputy Chair	Alberto Pecci	1943	27/10/12	28/10/17	28/10/20	(a)	X				3	100%						75%		
Chief Executive Officer ◊ ♦	Alberto Nagel	1965	28/10/08 (1)	28/10/17	28/10/20	(a)		X			0	100%	P	100%						
Director and General Manager ♦	Francesco Saverio Vinci	1962	28/10/08 (1)	28/10/17	28/10/20	(a)		X			0	100%		100%						
Director	Marie Bolloré	1988	28/10/14	28/10/17	28/10/20	(a)	X			X	10	70%								77.78%
Director	Maurizio Carfagna	1947	28/10/14	28/10/17	28/10/20	(a)	X		X	X	4	90%				100%	P	100%		
Director	Maurizio Costa	1948	28/10/14	28/10/17	28/10/20	(a)	X		X	X	1	100%							P	100%
Director	Angela Gamba	1970	28/10/17	28/10/17	28/10/20	(b)	X		X	X	2	90%				100%				
Director	Valérie Hortefeux	1967	28/10/17	28/10/17	28/10/20	(a)	X		X	X	3	100%				90.91%		100%		
Director	Maximo Ibarra	1968	20/09/18	27/10/18	28/10/20		X		X	X	1	100%								
Director	Alberto Lupoi	1970	28/10/17	28/10/17	28/10/20	(b)	X		X	X	0	100%						100%		100%
Director	Elisabetta Magistretti	1947	28/10/11	28/10/17	28/10/20	(a)	X		X	X	2	100%			P	100%				100%
Director	Vittorio Pignatti Morano	1957	20/09/18	27/10/18	28/10/20		X		X	X	8	85.7%				62.50%				
Director ♦	Gabriele Villa	1964	28/10/17	28/10/17	28/10/20	(a)		X		X	1	100%		100%						

DIRECTORS WHO LEFT OFFICE DURING FY 2018-19

Board of Directors												Executive Committee		Risks Committee		Remunerations Committee		Appointments Committee	
Office	Member (*)	Year of birth	Date first appointed (**)	In office since	In office until	List (***)	Non-exec.	Esec.	Indep. (Code)	Indep. (Finance Act)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)	A (Office)	B (%)
Director	Massimo Tononi	1964	28/10/17	28/10/17	25/07/18	(a)	X		X	X	100%				100%				

* The CVs submitted by the directors in conjunction with the lists for appointment to the Board of Directors are available on the Bank's website at www.mediobanca.com/Corporate Governance.

** The "date first appointed" for each Director refers to the date on which they were appointed for the first time (ever) to the issuer's Board of Directors.

*** Data refers to posts held in other listed companies in regulated markets, including outside Italy, in financial companies, banks and/or insurances of significant size.

♦ Members of the Executive Committee.

(a) Taken from the majority list submitted by Unicredit S.p.A. which holds 8.46% of the Bank's share capital.

(b) Taken from a minority list submitted by a group of investors representing an aggregate 3.889% of the Bank's share capital

A. Indicates the director's role within the committee: "C": Chairman.

B. Indicates the directors' attendance records in percentage terms at meetings of the Board of Directors and Committees (no. of meetings which each director attended out the total no. of meetings which they could have attended).

◊ Main person responsible for managing the issuer (Chief Executive Officer or CEO).

(1) Member of the Management Board from 2 July 2007 to 28 October 2008.

No. of meetings held during year ended 30 June 2019:

Board of Directors: 10	**Executive Committee: 11**	**Risks Committee: 11**	**Related Parties Committee: 10**	**Remunerations Committee: 8**	**Appointments Committee: 9**
Quorum required for minority shareholders to submit lists for the appointment of one or more directors:			at least 1% of the share capital		

• During the twelve months ended 30 June 2019, the Board of Directors also held two meetings of independent Directors, six induction sessions and five training meetings.

Table 2: Structure of Statutory Audit Committee as at 30 June 2019

Office	Member	Year of birth	Date first appointed*	In office since	In office until	List	Indep., Code of Conduct	Percentage of Committee meetings attended	No. of other posts held **
Chair	Natale Freddi	1952	28/10/11	28/10/17	28/10/20	(b)	X	100%	-
Standing Auditor	Francesco Di Carlo	1969	28/10/17	28/10/17	28/10/20	(a)	X	90%	1
Standing Auditor	Laura Gualtieri	1968	28/10/14	28/10/17	28/10/20	(a)	X	100%	2
Alternate Auditor	Alessandro Trotter	1940	28/10/00	28/10/17	28/10/20	(a)			
Alternate Auditor	Barbara Negri	1973	28/10/14	28/10/17	28/10/20	(a)			
Alternate Auditor	Stefano Sarubbi	1965	28/10/17	28/10/17	28/10/20	(b)			

No. of meetings held during the year ended 30 June 2019§: 31

Quorum required for minority shareholders to submit lists for the appointment of one or more Statutory Auditors:	at least 1% of the share capital

§ 11 of which in conjunction with the Risks Committee.

* The "date first appointed" for each Statutory Auditor refers to the date on which they were appointed for the first time (ever) to the issuer's Statutory Audit Committee.

** Indicates the no. of posts as director or Statutory Auditor held by the person concerned in other companies listed on regulated Italian markets.

(a) Taken from the majority list submitted by Unicredit S.p.A. which holds 8.46% of the Bank's share capital.

(b) Taken from a minority list submitted by a group of investors representing an aggregate 3.889% of the Bank's share capital.

Table 3: Other requirements under code of conduct for listed companies

	YES	NO	Reasons for any departures from recommendations made in the Code
Powers to represent the Bank and related party disclosure			
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits	X		
b) methods for exercising such powers	X		
c) regular reporting requirements?	X		
Has the Board of Directors reserved for itself the right to inspect and approve all significant transactions in terms of earnings, capital and finances (including transactions with related parties)?	X		
Has the Board of Directors set guidelines and established criteria for identifying "significant" transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board of Directors implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
Procedures for most recent appointments to Board of Directors/Statutory Audit Committee			
Were candidates' applications for the post of director lodged at least twenty-five days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they accompanied by statements regarding the candidates' eligibility to stand as independent Board members?	X		
Were candidates' applications for the post of statutory auditor lodged at least twenty-five days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
General meetings			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the company's Articles of Association, as shown by the minutes of the meeting.
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report as to where they may be obtained or downloaded?		X	
Internal controls			
Has the company designated staff to take charge of internal control?	X		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	X		
Organizational unit responsible for internal control	X		Group Audit
Investor relations			
Has the company appointed a head of investor relations?	X		
If so, what are the head of the IR unit's contact details?	Jessica Spina Tel. no.: (0039) 02 8829.860 - Fax no.: (0039) 02 8829.819 e-mail investor.relations@mediobanca.it		

Annex

*Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca in office at 30 June 2019 **

Name	Post held in Mediobanca	Main posts held in other companies
PAGLIARO Renato	Chair	Director, Istituto Europeo di Oncologia
ANGELO COMNENO Maurizia	Deputy Chair and Executive Committee member	=
PECCI Alberto	Director	Chair, Pecci Filati Chair, Tosco-Fin Director, El.EN.
NAGEL Alberto	Chief Executive Officer and Executive Committee Chairman	=
VINCI Francesco Saverio	General Manager, Director and Executive Committee member	=
BOLLORE Marie	Director	Director, Bolloré S.A. Director, Financiere de l'Odet Director, Bolloré Participations Director, Financière V Director, Omnium Bolloré Director, Blue Solutions Director, Société Industrielle et Financière de l'Artois Supervisory Board member Sofibol Chair of Supervisory Board, Compagnie du Cambodge Chief Executive Officer, System and Telecoms Division of Bolloré Group
CARFAGNA Maurizio	Director	Chief Executive Officer, H-Invest Director, Futura Invest Director, FingProg Italia S.p.A. Director, Istituto Europeo di Oncologia
COSTA Maurizio	Director	Director Amplifon
GAMBA Angela	Director	Director, FPS Investments S.r.l. Director, Medical Technology and Devices SA
HORTEFEUX Valérie	Director	Director, Blue Solutions Director, Ramsay – Générale de Santé Director, Socfinasia
IBARRA Maximo	Director	Chief Executive Officer, Royal KPN [9]
LUPOI Alberto	Director	=
MAGISTRETTI Elisabetta	Director	Director, Luxottica Group Director, Smeg
PIGNATTI MORANO Vittorio	Director	Chair, Gamenet Group Director, Trilantic Capital Management GP Director, Trilantic Capital Partners Management Director, Trilantic Capital Partners V Management Director, Ocean Ring Jersey Co Director, Ocean Trade Lux Co Director, Marex Group Director, Istituti Clinici Scientifici Maugeri
VILLA Gabriele	Director	Standing Auditor, Edison S.p.A.

[9] According to press reports, Mr Ibarra tendered his resignation from this position on 25 June 2019, with effect as from 30 September 2019.

* The full list of positions is available at https://www.mediobanca.com/it/corporate-governance/consiglio-di-amministrazione/incarichi-consiglieri.html

Mercurio GP - Milan