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MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 443,640,006.50
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 2021

Annual General Meeting 28 October 2021

www.mediobanca.com

translation from the Italian original which remains the definitive version

This document was submitted to the approval of the Board of Directors of Mediobanca on 23 September 2021.

Please note that the Bank's external auditors, PricewaterhouseCoopers S.p.A., are still in the process of completing the activities necessary in order to release the statement required under Article 14 of Italian Legislative Decree 39/10 and by Article 10 of Regulation (EU) no. 575/2013.
The individual and consolidated financial statements for the year ended 30 June 2021, plus the reports by the external auditors and Statutory Audit Committee, will be made available to shareholders and investors for purposes of the Annual General Meeting on 28 October 2021 by the terms set by law.

BOARD OF DIRECTORS

			Term expires
	Renato Pagliaro	Chairman	2023
*	Maurizia Angelo Comneno	Deputy Chairman	2023
*	Alberto Nagel	Chief Executive Officer	2023
*	Francesco Saverio Vinci	General Manager	2023
	Virginie Banet	Director	2023
	Maurizio Carfagna	Director	2023
	Laura Cioli	Director	2023
	Maurizio Costa	Director	2023
	Angela Gamba	Director	2023
	Valérie Hortefeux	Director	2023
	Maximo Ibarra	Director	2023
	Alberto Lupoi	Director	2023
	Elisabetta Magistretti	Director	2023
	Vittorio Pignatti Morano	Director	2023
*	Gabriele Villa	Director	2023

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

Francesco Di Carlo	Chairman	2023
Elena Pagnoni	Standing Auditor	2023
Ambrogio Virgilio	Standing Auditor	2023
Marcella Caradonna	Alternate Auditor	2023
Roberto Moro	Alternate Auditor	2023
Stefano Sarubbi	Alternate Auditor	2023

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Massimo Bertolini	Secretary of the Board of Directors
Emanuele Flappini	Head of Company Financial Reporting

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Overview

Mediobanca S.p.A. delivered a net profit for the twelve months of €578.4m, a strong increase on the €39.4m reported last year, on a generalized improvement in banking activities (total revenues up 31.6%), plus higher dividends collected from associate company Assicurazioni Generali of €204.7m (30/6/20: €101.4m) and subsidiary Compass Banca (€200m).

Total income was up more than 80% on last year, from €562.9m to €1,019.9m, with banking revenues benefiting strongly from the new macroeconomic scenario and recovery. The main income items reflected the following performances:

– **Net interest income** rose by 21.1%, from €99.9m to €121m, as a result of lower interest expense (down 13.6%) due to recourse to less expensive forms of funding, in particular the T-LTRO programme which contributed funds of €57.4m in the twelve months (€18.6m), making up for the reduction in profitability on assets;

– **Net fee and commission income** rose by 30.8%, from €231.7m to €303.1m, with positive contributions from capital markets (fees up from €22.9m to €62.5m), lending (from €33.8m to €45.8m), and Private Banking (from €69.7m to €81.4m);

– **Net treasury income** was up 41.1%, from €127.1m to €179.4m, on positive performances from the proprietary trading book (€32.4m, compared with the €7.7m loss last year) and the banking book (up from €36.2m to €60.2m), which offset the reduction in client business (down from €83m to €58.4m), reflecting the difficulties encountered in distributing structured products, fixed-income especially;

– **Dividends** from equity investments soared from €104.2m to €416.4m, with collections, in addition to those for Assicurazioni and Compass referred to above, from the investments in Messier et Associés (€9.5m) and Burgo (€2.2m).

Operating costs returned to growth at a slower rate than the income items, rising 4.7%, from €402.7m to €421.8m, all concentrated in labour costs which rose by 12.6%, from €221.9m to €249.8m, due to the increase in the variable component in line with the performance in revenues; whereas administrative expenses were down 4.9%, from €180.8m to €172m, as a result of the drastic cut in costs for travel, events and entertainments.

Loan loss provisions reflect writebacks of €75.4m, much higher than last year (€15.7m) due to the provisioning for the Burgo investment being reversed back to earnings (€110m), along with the improvement in the macroeconomic scenario given the high quality of the loan book (which was preserved in the course of the twelve months), meaning there was no impact on profit and loss despite substantial overlays of €63m being provided.

Provisions for other financial assets totalled €44.1m, reflecting upward adjustments to holdings in funds and other mandatory positions (€52.7m, compared with writedowns of €11.3m last year), only marginally offset by the adjustments taken for the banking book securities (€8.7m).

As for **other net income (losses)**, a loss of €29.4m was recorded (compared with €39.7m last year), due to the increase in the contributions to the resolution funds which rose by 15% (from €39.7m to €45.6m), more than offset by the non-recurring tax items of €16.2m (€9.4m of which deriving from the so-called "Patent Box"[1] and €6.8m in tax relief on intangible assets[2]).

On the **balance sheet**, total assets rose from €64.8bn to €72.7bn, on higher customer loans (up 21.6%) covered by higher deposits attributable to CheBanca! (up 38%) plus the increased recourse to the T-LTRO facilities(up €1.8bn).

Mediobanca's **capital ratios** remained at high levels, despite reflecting the proposed dividend and the changes to the regulations.

The Common Equity Ratio phase-in was 14.60%: the profit for the year was entirely absorbed by the proposed dividend, hence the slight reduction from twelve months ago (14.81%) is due to organic growth of RWAs (which accounted for 70 bps) and changes to the regulations (which accounted for 15 bps), including the impact of the new treatment for exposures to UCITS and counterparty risk and the higher deduction for the Assicurazioni Generali investment due to the stricter concentration limit of 25% of CET1 capital only rather than of total eligible capital. These capital

[1] As provided by the 2015 "Stability" law.

[2] In reference to Italian budget law for 2021 (cf. Article 110 of Italian Decree Law 104/20).

absorptions were largely offset by the higher valuation reserves (adding 30 bps) and the capital optimization measures implemented during the twelve months (which added 35 bps following application of the financial duration method for the market requirement and exemption from calculation of the credit valuation adjustment risk for exposures to corporate counterparties). The total capital ratio also fell accordingly, from 18.25% to 17.87%.

The fully-loaded ratios, i.e. without weighting the Assicurazioni Generali investment at 370% and with full application of the IFRS9 effect, stood at 13.36% (CET1 ratio) and 16.96% (total capital ratio), slightly lower than last year, when they were 13.72% and 17.56% respectively).

At the Annual General Meeting to be held on 28 October 2021, shareholders will be asked, subject to authorization from the ECB, to authorize management to cancel the treasury shares held by the Bank and to implement a new share buyback up to the equivalent of 3% of the company's share capital.

* * *

Significant events that took place during the twelve months under review were as follows:

– The Burgo group debt restructuring plan under Article 67 of the Italian Bankruptcy Law has been completed, with the entry of a new institutional investor (the QuattroR fund) and the refinancing of the entire existing debt, senior and convertible. In view of this, the new position has been given assigned performing status, resulting in the writeback of much of the provision previously set aside to cover the previous exposure classified as UTP, releasing approx. €110m to the profit and loss account. At the same time, the equity instrument received in 2015 for a nominal amount of €130m which was written off entirely, has now been recognized at a fair value of €55m (42% of its nominal value);[3]

– An agreement has been signed with the Italian revenue authority for profits deriving from use of the Mediobanca brand to be eligible for tax relief (under

[3] These investments are classified as equity, hence the effects of the valuation, which is based on an internal model, impact only on net equity and are not passed through to profit and loss.

the so-called "Patent Box" regulations);[4] this initiative, which was launched in May 2016, has enabled the current taxation for FY 2020-21 to be reduced by €9.4m, in respect of the 2015-20 five-year period (the maximum period allowed by the regulations);

- Realignment of tax and accounting values for the former Banca Esperia brand and goodwill plus two properties, pursuant to Article 110 of Italian Decree Law 104/20[5], resulting in €6.8m being taken through profit and loss, representing the balance of the provision set aside for the withholding tax to be paid (€4.7m) and the calculation of the tax benefit expected in the coming years (deferred tax of €11.5m);
- The departure of Erik Maris, one of the two founding partners of French-based subsidiary Messier et Associés – Groupe Mediobanca, resulting in the relevant clawback mechanisms being activated for part of the upfront remuneration paid to him (which had been deposited in an escrow account), and in his minority share (of 16.7%) being bought out for a token price of €1. Overall this resulted in a gain for Mediobanca of €13.9m, which, however, was offset by a reduction in the value of the investment, to reflect the likely reduction in profits going forward as a result of the partner's exit.

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Earnings/financial data

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.

[4] Italian Law no. 190 of 23 December 2014, Article 1, paragraphs 37-45.

[5] In accordance with the provisions of the 2021 Italian financial law (Article 110 of Italian Decree Law 104/20).

RESTATED PROFIT AND LOSS ACCOUNT

(€m)

Profit-and-loss data	30/6/21	30/6/20	Chg. (%)
Net interest income	121.0	99.9	21.1%
Net treasury income	179.4	127.1	41.1%
Net fee and commission income	303.1	231.7	30.8%
Dividends on investments	416.4	104.2	n.m.
Total income	**1,019.9**	**562.9**	**81.2%**
Labour costs	(249.8)	(221.9)	12.6%
Administrative expenses	(172.0)	(180.8)	-4.9%
Operating costs	**(421.8)**	**(402.7)**	**4.7%**
Loan loss provisions	75.4	15.7	n.m.
Provisions for other financial assets	44.1	(21.8)	n.s
Impairment on investments	(1.6)	(61.4)	n.s
Other income (losses)	(29.4)	(39.7)	-25.9%
Profit before tax	**686.6**	**53.0**	**n.m.**
Income tax for the period	(108.2)	(13.6)	n.m.
Net profit	**578.4**	**39.4**	**n.m.**

RESTATED BALANCE SHEET

(€m)

Balance Sheet	30/6/21	30/6/20
Assets		
Financial assets held for trading	11,336.8	9,214.7
Treasury financial assets	10,122.1	10,306.8
Banking book securities	8,716.0	9,592.2
Customer loans	37,103.6	30,507.4
Equity Investments	4,475.1	4,089.0
Tangible and intangible assets	167.1	168.4
Other assets	782.8	959.4
Total assets	**72,703.5**	**64,837.9**
Liabilities and net equity		
Funding	52,045.0	46,273.9
Treasury financial liabilities	3,826.5	4,614.1
Financial liabilities held for trading	10,342.4	8,351.7
Other liabilities	937.6	762.7
Provisions	136.5	121.6
Net equity	4,837.1	4,674.5
Profit of the period	578.4	39.4
Total liabilities and net equity	**72,703.5**	**64,837.9**
Regulatory capital (€ mln)	*4,658.3*	*4,617.7*
Solvency margin (€ mln)	*5,702.5*	*5,689.1*
RWA (€ mln)	*31,911.9*	*31,179.4*
Regulatory capital/RWA	*14.60%*	*14.81%*
Solvency margin/RWA	*17.87%*	*18.25%*
No. of shares outstanding (mln)	*887.3*	*887.2*
Market capitalization (€ mln)	*8,739.7*	*5,669.4*
No. of staff	*1.021*	*1.008*

Review of key items

Funding – funding grew from €46.3bn to €52bn, chiefly reflecting the increase in CheBanca! deposits (from €12.2bn to €16.8bn, mostly in connection with centralized treasury activities[6]) and the increased use of the T-LTRO programme (up from €5.7bn to €7.4bn) in view of the extension of the favourable terms offered (additional premium of 50 bps) with the aim of reducing the Group's cost of funding. The debt security component remained basically stable, edging up from €16.3bn to €16.4bn, on new issues of €2.7bn against redemptions and buybacks on the market totalling €2.6bn. The new issues included the first senior unsecured green bond (€500m), the return to the institutional subordinated market (with the issue of a €250m Tier 2 bond), plus the first Italian covered bond issued at negative interest rates (€750m) with an effective time-to-market.

	30/06/21		30/06/20		Chg.
	(€m)	%	(€m)	%	
Debt securities	16,430.3	32%	16,331.8	35%	0.6%
Interbank funding	5,524.3	11%	5,439.3	12%	1.6%
ECB (T-LTRO / LTRO)	7,445.4	14%	5,660.8	12%	31.5%
Other funding	22,645.0	43%	18,842.0	41%	20.2%
- of which: CheBanca! intercompany	16,752.5	32%	12,166.5	26%	37.7%
- of which: private banking	4,038.9	8%	4,330.3	9%	-6.7%
Total funding	**52,045.0**	**100%**	**46,273.9**	**100%**	**12.5%**

Loans and advances to customers – the 21.6% increase in customer loans, from €30.5bn to €37.1bn, chiefly regards loans to Group companies, which rose from €16.9bn to €23.5bn, in particular CheBanca! (up from €7bn to €10.7bn) and Compass Banca (up from €4.8bn to €7.2bn), the upward trend reflecting once again the centralized treasury management component as well as ordinary activities. Loans and advances to Private Banking customers increased slightly, from €1.1bn to €1.3bn, while loans to corporate clients remained stable at €12.3bn (€12.4bn) despite a spike in early redemptions (€1.7bn) which impacted on the recovery in new loans (up 5.3%, to €4.4bn), virtually all of which, however, were concentrated in the investment grade so as not to affect the quality of the portfolio.

[6] In order to improve the efficiency of interest rate and liquidity management, Mediobanca S.p.A. has funded much of the Group's mortgage lending activity directly, which has increased the centralized current account component.

	30/06/21		30/06/20		Chg.
	(€m)	%	(€m)	%	
Corporate customers	12,303.5	33%	12,413.7	41%	-0.9%
Private customers	1,250.4	3%	1,144.8	4%	9.2%
Group companies	23,549.7	64%	16,948.9	55%	38.9%
Total loans and advances to customers	**37,103.6**	**100%**	**30,507.4**	**100%**	**21.6%**
– of which: impaired assets	*74.3*		*287.3*		*-74.0%*

	30/06/21		30/06/20		Chg.
	(€m)	%	(€m)	%	
Italy	9,366.9	69%	9,020.6	67%	3.8%
France	1,422.5	10%	1,275.0	9%	11.6%
Spain	1,051.9	8%	892.0	7%	17.9%
Germany	913.7	7%	1,243.1	9%	-26.5%
UK	500.0	4%	653.4	5%	-23.5%
Other non-resident	298.9	2%	474.4	3%	-37.0%
Total loans and advances to customers	**13,553.9**	**100%**	**13,558.5**	**100%**	**—**

	30/06/21		30/06/20		Chg.
	(€m)	%	(€m)	%	
Compass Banca	7,202.6	31%	4,822.0	29%	49.4%
CheBanca!	10,732.5	46%	6,974.3	42%	53.9%
Leasing	1,034.2	4%	1,091.6	6%	-5.3%
Mediobanca International	3,560.0	15%	2,341.8	14%	52.0%
Others	1,020.4	4%	1,719.2	10%	-40.6%
Total loans and advances to Group companies	**23,549.7**	**100%**	**16,948.9**	**100%**	**38.9%**

Non-performing loans recorded their lowest levels for the past decade: gross NPLs totalled €144.9m (€468.7m), regard just two corporate positions and four Private Banking exposures, and account for 1.07% of total loans (3.5%). Net NPLs totalled €74.3m (€287.2m last year), equal to 0.55% of the total loan book, with a higher coverage ratio of 48.7% (38.7%). Bad debts totalled €10.3m, all of which in relation to Private Banking activity, and have been written off in full. The figures also include non-performing exposures backed by intercompany guarantees issued to Mediobanca International involving a gross amount of €21m, with provisions of €4.1m.

The net balance of positions classified as Stage2 decreased from €437.2m to €334.3m (0.90% of total loans), and chiefly regards the Large Corporate segment (up from €386.3m to €287.1m), with €242.9m of the reduction attributable to repayments which offset the €143.8m transfers to Stage2, most of which for counterparties which have seen a significant increase in credit risk as a result of their individual credit rating being revised.

The coverage ratio for performing loans was basically stable, decreasing from 0.23% to 0.22%), as a result of the careful provisioning policy which absorbed the effects of application of the IFRS9 model, which involved setting aside overlays of €63m. In particular, with the update of the macroeconomic scenario at end-June 2021, the expected loss calculated by the models reduced significantly versus the levels observed at end-December 2020; the effect of this change was neutralized with overlays totalling €46m, in addition to the approx. €17m set aside for prudential reasons in order to increase the provisioning for all borrowers operating in the sectors worst affected by Covid-19 or which have applied for waivers since the start of the pandemic.

In response to the economic crisis generated by the medical emergency, Mediobanca has adhered to the provisions introduced by the "*Cura Italia*" decree,[7] allowing SME clients to suspend repayments for a time. As at 30 June 2021, the moratoria period had expired for all of the three counterparties that had taken up this option, involving a total amount of €0.9m.

Mediobanca has received around thirty applications for waivers to financial covenants from corporate clients; of these, only some have not met a capital or interest payment. Given the temporary nature of the difficulties involved and the lack of structural problems for these counterparties in terms of their liquidity, only two of these waivers constitute forbearance measures. Nonetheless, some of these positions have been reclassified as Stage2 on prudential grounds in any case (as at 30 June 2021, these represented approx. one-quarter of the applications and involved a total exposure of €349m,[8] or 0.9% of the total performing loan book).

Equity investments – this heading includes controlling interests, interests in associates, shares held as part of the banking book and classified as Hold to Collect and Sell, and holdings in funds which under IFRS9 have to be recognized at fair value through profit and loss.

[7] Italian Decree Law 18/2020 (the so-called "*Cura Italia*" decree), as converted into law by Italian Law 27/2020.

[8] This represents the total amount of gross on-balance-sheet exposures on the books of Mediobanca S.p.A., plus the total amount of the exposures for which waivers have been granted by other Group companies (Wholesale Banking) but guaranteed by the parent company.

(€m)

	30/06/21		30/06/20	
	Book value	**HTC&S reserve**	**Book value**	**HTC&S reserve**
Associates and subsidiaries	3,457.4	n.m.	3,150.7	n.m.
Other listed shares	130.2	71.9	112.5	62.5
Other unlisted shares	88.8	62.5	26.5	3.7
Other equity assets	169.6	9.6	160.0	—
Seed capital	418.6	—	413.7	—
Private equity	79.4	—	68.5	—
Other funds	131.1	—	157.1	—
Total equities	**4,475.1**	**144.0**	**4,089.0**	**66.2**

The increase in equity investments, from €4.1bn to €4.5bn, chiefly involves the capital increases implemented by some of the Group companies, in particular CheBanca! (€280m).

Investments in associates are unchanged at €1,135.3m, and consist of the investment in Assicurazioni Generali (equal to 12.8% of the ordinary share capital) booked at €1,096.3m, and the investment in Istituto Europeo di Oncologia (25.4% of the ordinary share capital), booked at €39m. At the reporting date, the unrealized gain on the Assicurazioni Generali investment is above €2bn (€2,526m based on current stock market prices).

Interests in subsidiaries rose from €2,015.4m to €2,322.1m, the increase being due to the following:

– The capital increase implemented by CheBanca! in an amount of €280m, which was necessary in order to improve the company's individual leverage ratio;
– The capital increase implemented by Cairn Capital (£22.8m subscribed for, against an increase in the share capital of £26.5m) in connection with the Revenue Sharing Agreement entered into as part of the Bybrook deal, plus the buyout of certain minority interests amounting to £7m which takes the share which Mediobanca owns in the company to 85.13%;
– The buyout of minority interests in RAM (€10.1m), taking the share owned by Mediobanca in the company to 94.7%; acquisition of this stake, at fair value, enabled the impact of the impairment charges (in line with those taken at the consolidated level) to be kept to just €1.5m;
– The reduction in the book value at which the Messier et Associés investment is carried, of €13.9m, to reflect the reduced profitability going forward after one of the two equity partners left the company, offset by the gain realized on activating the clawback mechanisms provided, and acquisition of a further

16.7% stake in the company for a token price of €1; overall Mediobanca now holds a stake of 83.11% in the company, which is carried at a book value of €93.9m (30/6/20: 66.42%, at €107.9m).

Equities (listed and unlisted) and other equity instruments rose from €299.1m to €388.6m, chiefly to adjustments to fair value at the reporting date (adding €77.8m, booked to the net equity reserves), €55m of which refer to the Burgo equity instrument. Seed capital invested in funds managed by Group companies rose by €4.9m, representing the difference between net divestments in the twelve months (€-41.9m) and alignment to the investments' respective NAVs at the reporting date (for a total of €46.8m). Holdings in private equity and other funds decreased from €225.6m to €210.5m, following redemptions of €20.1m against upward value adjustments of €5.1m.

	Percentage shareholding	30/06/21	30/06/20
Associates			
Assicurazioni Generali	12.8	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		2,322.1	2,015.4
Total equity investments		**3,457.4**	**3,150.7**

Banking book debt 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, have to be recognized at FVPL.

	30/06/21		30/06/20	
	(€m)	%	(€m)	%
Hold to Collect	4,316.8	49.5%	6,053.2	63.1%
Hold to Collect & Sell	4,346.9	49.9%	3,485.9	36.3%
Other (mandatorily measured at FV)	52.3	0.6%	53.1	0.6%
Total banking book securities	**8,716.0**	**100%**	**9,592.2**	**100%**

This segment reflects a value of €8,716.0m, lower than last year (€9,592.2m), following the repayment of certain Compass Banca securitizations (€1.4bn). External purchases amounted to €4.3bn (mostly Italian government securities classified as HTC&S), and outweighed disposals and redemptions totalling €3.8bn, with €48.7m in profits realized. The OCI reserve increased from €13.1m to €73m, chiefly due to upward adjustments to reflect fair value at end-June 2021 totalling €107.5m.

The share of sovereign debt securities increased from €4.4bn to €5.1bn, of which €3.3bn Italian, with duration of approx. three years; the Group's securitizations (with Compass Banca receivables as the underlying instrument) fell from €2.6bn to €1.2bn.

Unrealized gains on securities classified as HTC (which are recognized at cost) increased from €49.6m to €123.5m.

	30/06/21			30/06/20		
	Book value		OCI reserve	Book value		OCI reserve
	HTC	**HTC&S**		**HTC**	**HTC&S**	
Italian government securities	1,053.0	2,229.3	41.6	1,293.1	1,740.0	2.6
Other government securities	483.5	1,366.5	(1.3)	533.0	873.6	(0.4)
Bonds issued by financial institutions	2,691.8	468.6	20.5	4,009.9	613.3	8.3
of which: Consumer Banking ABS securities	1,196.7			2,574.3		
Corporate bonds	88.5	282.5	12.2	217.2	259.0	2.6
Total banking book securities	**4,316.8**	**4,346.9**	**73.0**	**6,053.2**	**3,485.9**	**13.1**

Net treasury assets – the balance between financial instruments held for trading purposes and trading assets and liabilities totalled €7,290m, higher than the €6,555.7m reported last year, due to trading in financial assets, in particular equities (up from €1,789.7m to €2,238.5m) and bonds (up from €597.4m to €870.9m), largely offset by the increase in trading liabilities due to the rise in issues of certificates (from €1,357.1m to €1,882.9m) and the reduction in net treasury funding, which decreased from €4,614.1m to €3,826.5m.

More efficient liquidity management led to a reduction in deposits held with the ECB (from €3.1bn to €1.6bn) in favour of more dynamic treasury assets (such as time deposits, repos, secured/unsecured trades, etc.), while seeking to preserve the liquidity indicators, such as the LCR and Asset Encumbrance Ratio, and minimize the impact of any temporary excess liquidity.

	30/06/21	30/06/20	Chg.
	(€m)	(€m)	%
Financial assets held for trading	11,336.8	9,214.7	23.0%
Treasury funds	10,122.1	10,306.8	-1.8%
Financial liabilities held for trading	(10,342.4)	(8,351.7)	23.8%
Treasury funding	(3,826.5)	(4,614.1)	-17.1%
Total Net treasury assets	**7,290.0**	**6,555.7**	**11.2%**

	30/06/21	30/06/20	Chg.
	(€m)	(€m)	%
Loan trading	4.0	3.9	3%
Derivatives contract valuations	(236.1)	(170.9)	38%
Certificates	(1,882.9)	(1,357.1)	39%
Equities	2,238.5	1,789.7	25%
Bond securities	870.9	597.4	46%
Financial instruments held for trading	**994.4**	**863.0**	**15.2%**

	30/06/21	30/06/20	Chg.
	(€m)	(€m)	%
Cash and current accounts	1,194.1	1,179.7	1%
Cash available at BCE	1,554.1	3,101.4	-50%
Deposits	3,547.4	1,411.6	n.m.
Net treasury	**6,295.6**	**5,692.7**	**10.6%**

(€m)

	30/06/21		30/06/20	
	Assets	Liabilities	Assets	Liabilities
Italian government securities	1,758.3	(1,741.4)	1,274.8	(1,109.2)
Other government securities	1,120.0	(2,059.4)	606.2	(1,828.4)
Bonds issued by financial institutions	1,201.6	—	1,291.3	—
Corporate bonds	537.3	(0.9)	333.7	—
Asset Backet Securities (ABS)	55.4	—	29.0	—
Shares	2,499.2	(260.7)	2,014.8	(225.1)
Total banking book securities	**7,171.8**	**(4,062.4)**	**5,549.8**	**(3,162.7)**

(€m)

	30/06/21		30/06/20	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	702.4	(744.6)	1,073.2	(959.0)
Foreign exchange	210.8	(303.2)	223.2	(278.3)
Interest rate options/futures	5.5	(20.1)	43.6	(10.5)
Equity swaps e options	2,922.8	(2,973.6)	2,135.3	(2,336.9)
Credit derivaties	319.6	(355.7)	185.6	(247.1)
Pricing derivates	**4,161.1**	**(4,397.2)**	**3,660.9**	**(3,831.8)**

(€m)

	30/06/21		30/06/20	
	Assets	Liabilities	Assets	Liabilities
Deposits for securities lending/PCT	3,009.5	(1,548.9)	3,134.7	(2,596.1)
Depositsper stock lending	407.1	(449.5)	324.4	(318.7)
Other Deposit	3,957.3	(1,828.1)	2,566.6	(1,699.3)
Deposits	**7,373.9**	**(3,826.5)**	**6,025.7**	**(4,614.1)**

Tangible and intangible assets – this item remained virtually unchanged, following depreciation and amortization charges totalling €8.9m (including the IFRS16 effect) offset by new additions totalling €8.3m (including the increase in the right of use under IFRS16).

	30/06/21		30/06/20		Chg.
	(€m)	%	(€m)	%	
Land and properties	129.0	77%	129.3	77%	0%
- of which: core	*104.8*	*63%*	*104.8*	*62%*	*0%*
Other tangible assets	9.3	6%	10.0	6%	-7%
Other intangible assets	28.8	17%	29.2	17%	-1%
- Of which: goodwill	*12.5*	*7%*	*12.5*	*7%*	*0%*
- Of which: brand	*15.5*	*9%*	*15.5*	*9%*	*0%*
Total tangible and intangible assets	**167.1**	**100%**	**168.5**	**100%**	**-1%**

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

	Sqm.	Book value (€m)	30/6/21 Book value per sqm (€/000)
Milano:			
– Piazzetta Enrico Cuccia n. 1	9,318	14.4	1.5
– Via Filodrammatici n. 1, 3, 5, 7 - Piazzetta Bossi n. 1 - Piazza Paolo Ferrari 6	13,390	*62.7*	4.7
– Foro Buonaparte n. 10	2,926	*9.1*	3.1
Total core properties	**25,634**	**86.2**	

Provisions – provisions totalled €136.5m, higher than last year (€121.6m), the increase being due to the higher amounts set aside for commitments to disburse finance and for guarantees issued (from €42.5m to €60.2m) mostly due to the ongoing uncertainty of the macroeconomic scenario. The staff severance indemnity provision reduced slightly, from €7.7m to €7.4m, as did the provisions for other risks and expenses (from €71.4m to €68.9m), reflecting withdrawals for legal expenses and labour costs.

	30/06/21		30/06/20		Chg.
	(€m)	%	(€m)	%	
Commitments and financial guarantees given	60.2	44%	42.5	35%	41.6%
Provisions for risks and charges	68.9	51%	71.4	59%	-3.5%
Staff severance provision	7.4	5%	7.7	6%	-3.9%
of which: staff severance provision discount	*0.8*	—	*0.9*	—	*-11.1%*
Total provisions	**136.5**	**100%**	**121.6**	**100%**	**12.3%**

Net equity – the increase in net equity, from €4,713.9m to €5,415.5m, reflects the profit for the year (€578.4m) and the higher valuation reserves, which more than doubled, from €74m to €184m, due to FVOCI financial assets (the balance of which increased from €70.5m to €183.8m). The share capital remained unchanged, at €443.6m, while treasury shares owned were down slightly (at 24.9 million, or 2.81% of the share capital, compared with 26.6 million and 3% last year), after 1.7 million shares were used in connection with the performance share scheme.

(€m)

	30/06/21	30/06/20	Chg.
Share capital	443.6	443.6	—
Other reserves	4,209.5	4,156.9	1.3%
Valuation reserves	184.0	74.0	*n.m.*
-of which: OCI	*183.8*	*70.5*	*n.m.*
cash flow hedge	—	—	*n.m.*
Profit for the period	578.4	39.4	n.m.
Total net equity	**5,415.5**	**4,713.9**	**14.9%**

Of the OCI reserve, €144m involved shares (including €55m for the Burgo equity instrument) and €73m other securities (of which €41.6m in Italian government securities) net of the €33.2m tax effect.

(€m)

	30/06/21	30/06/20	Chg.
Equity shares	144.0	66.3	n.m.
Bonds	73.0	13.1	n.m.
of which: Italian government bonds	*41.6*	*2.6*	*n.m.*
Tax effect	(33.2)	(8.9)	n.m.
Total OCI reserve	**183.8**	**70.5**	**n.m.**

Profit and loss account

Net interest income – Net interest income rose from €99.9m to €121m, an increase of 21.1%, reflecting the substantial reduction in interest expense (from €467.4m to €403.7m), due chiefly to the lower cost of funding (in turn attributable to the increased recourse to the T-LTRO facility), which offset the reduction in interest income (from €567.3m to €524.7m) reflecting the lower returns on loans and the decrease in NII from the banking book (down €131.5m to €103.2m).

(€m)

	30/06/21	30/06/20	Chg.
Interest income	524.7	567.3	-7.5%
Interest expense	(403.7)	(467.4)	-13.6%
Interest margin	**121.0**	**99.9**	**21.1%**

Net treasury income totalled €179.4m, an increase of 41.1% on last year (€127.1m). This result was driven in particular by the contribution of the proprietary trading book, which went from a €7.7m loss last year to a €32.4m profit, and by that of the banking book (the profit on which rose from €36.2m to €60.2m), offsetting the reduction in Capital Market Solutions client activity (from €83m to €58.4m) due to the difficulties encountered in distributing structured products, which hit the fixed-income segment in particular, which was made even more pronounced by last year's good performance. Dividends and other income from funds invested as part of Principal Investing increased from €15.6m to €28.4m due in part to certain non-recurring items (dividends from Jakala and Philogen).

(€m)

	12 mths ended 30/6/21	12 mths ended 30/6/20	Chg.
Dividends	28.4	15.6	82.1%
Fixed-income trading profit	121.2	77.6	56.2%
Equity trading profit	29.8	33.9	-12.1%
Net trading income	**179.4**	**127.1**	**41.1%**

Net fee and commission income rose from €231.7m to €303.1m, an increase of 30.8% attributable to all segments but in particular to intense activity in Equity Capital Markets which delivered an outstanding performance of €62.5m, through participating in all the largest domestic deals. Fees from lending also increased, from €33.8m to €45.8m, while the contribution from advisory business was virtually unchanged (down marginally from €78.6m to €77.6m). Private Banking operations contributed fees of €81.4m, a sharp increase on last year (€69.7m), helped by a good performance in management and brokerage fees which offset the reduction in performance fees (from €5.9m to €2.1m) to which should be added fees credit back to others in connection with private equity initiatives placed with clients (approx. €8m).

(€m)

	12 mths ended 30/6/21	12 mths ended 30/6/20	Chg.
Lending	45.8	33.8	35.5%
Advisory M&A	77.6	78.6	-1.3%
Capital Market	62.5	22.9	n.m.
Private Banking	81.4	69.7	16.8%
of which perfomance fees	2.1	5.9	-64.4%
Other income	35.8	26.7	34.5%
Net fee and commission income	**303.1**	**231.7**	**30.8%**

Dividends from equity investments and investments in Group companies – these totalled €416.4m, far higher than last year (€104.2m), due to the higher contribution from Assicurazioni Generali (up from €101.4m to €204.7m), Compass Banca resuming payment of a dividend (€200m), and amounts collected from Messier et Associés (€9.5m, the ordinary dividend for 2020) and Burgo (€2.2m, a one-off distribution linked to the company's restructuring).

Operating costs – operating costs rose by 4.7%, from €402.7m to €421.8m, and chiefly regard labour costs (up 12.6%, from €221.9m to €249.8m), reflecting the higher variable component aligned with the outstanding results delivered by the Bank in all its business lines and in investment banking in particular. Administrative expenses were down 4.9% (from €180.8m to €172m), due in particular to the reduced impact of spending on travel, events and entertainment (other labour costs); the increase in other data processing costs reflects the investments in technology and the resumption of project activities, and also includes the component for software that is no longer acquired directly so the share of the amortization is gradually replaced by the service charge.

(€m)

	12 mths ended 30/6/21	12 mths ended 30/6/20	Chg.
Labour costs	249.8	221.9	12.6%
of which: directors	*3.4*	*2.8*	*21.4%*
stock options and performance shares schemes	*12.8*	*11.2*	*14.3%*
Sundry operating costs and expenses	172.0	180.8	-4.9%
of which: depreciations and amortizations	*9.1*	*13.6*	*-33.1%*
administrative expenses	*162.6*	*166.5*	*-2.3%*
Operating costs	**421.8**	**402.7**	**4.8%**

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

(€m)

	12 mths ended 30/6/21	12 mths ended 30/6/20	Chg.
Legal, tax and professional services	9.9	11.6	-14.7%
Other consultancy expenses	19.8	16.8	17.9%
Marketing and communication	3.1	3.8	-18.4%
Rent and property maintenance	4.0	4.8	-16.7%
EDP	71.9	65.8	9.3%
Financial information subscription	21.6	22.3	-3.1%
Bank services, collection and payment commissions	1.2	2.9	-58.6%
Operating expenses	6.1	6.3	-3.2%
Other labour costs	1.3	6.5	-80.0%
Other costs	17.8	19.2	-7.3%
Direct and indirect taxes	5.9	6.5	-9.2%
Total administrative expenses	**162.6**	**166.5**	**-2.3%**

Loan loss provisions – writebacks increased from €15.7m to €75.4m, continuing to benefit from the reduction in UTP positions and the related release of funds back to profit and loss (the Burgo effect was equal to €110m). The heading also reflects the increased use of overlays for performing positions made on prudential grounds (approx. €35m for on-balance-sheet positions and approx. €28m for off-balance-sheet positions), to neutralize the writebacks deriving from the adaptation of the macroeconomic scenario in the IFRS9 models, so as to maintain the same level of provisioning as at end-2020.

Provisions for other financial assets[9] – this heading reflects net writebacks of €44.1m for the twelve months (compared with €21.8m in net writedowns last year), representing the balance between upward adjustments for financial assets mandatorily recognized at fair value (investments in Group funds and other private

[9] Under IFRS9, the impairment process is extended to include all financial assets (securities, repos, deposits and current accounts) recognized at cost (HTC) and debt securities recognized FVOCI (HTC&S), including intercompany accounts.

equity and real estate funds) of €52.7m, and the provisioning for the banking book assets (accounting for €8.7m) linked to the adaptation of the IFRS9 models along with the setting aside of prudential overlays. In particular, recognizing the seed capital invested in equity products (RAM AI) and credit products (Cairn Capital) generated €41.7m, comfortably offsetting the €10.9m net loss reported last year.

(€m)

	12 mths ended 30/6/21	**12 mths ended 30/6/20**	**Chg.**
Hold-to-Collect securities	(2.5)	(5.7)	-56.1%
Hold-to-Collect & Sell securities	(6.1)	(4.8)	27.1%
Other	52.7	(11.3)	n.m.
Total	**44.1**	**(21.8)**	**n.m.**

Other gains (losses) – this item reflects a net loss of €29.4m, representing a slight recovery from the €39.7m loss incurred last year. This heading consists of:

– Contributions to resolution funds totalling €45.6m, split between the EU Single Resolution Fund (€34.1m, 14% higher than last year), the final tranche of the additional contribution to the national resolution fund (€11.1m), and the contribution to the Italian deposit guarantee scheme (DGS) (€0.4m);

– The one-off gain (€16.2m) deriving from adhering to the "Patent Box" process[10] for the Mediobanca brand (€9.4m) and the tax relief[11] on former Banca Esperia intangible assets and portions of real estate assets (€6.8m), representing the balance between withholding tax payable (€4.7m) and the benefit from alignment of advance/deferred income tax (€11.5m).

Income tax rose from €13.6m last year to €108.2m, on a tax rate that declined from 25.7% to 15.8%, due to the lower percentage accounted for by the non-deductible component of labour costs, depreciation/amortization and other administrative expenses for IRAP purposes. The tax rate was boosted by the partial exemption of dividends on equity investments.

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

[10] In accordance with the provisions of the Italian stability law for 2015.

[11] In reference to Italian budget law for 2021 (cf. Article 110 of Italian Decree Law 104/20).

In May 2021, the Board of Directors of Mediobanca S.p.A. adopted the guidelines and conduct principles for the Group in applying the tax regulations in Italy and elsewhere. These are contained in the document on Tax conduct principles which has been published on the Group's website, and constitute one of the prerequisites for adopting the Tax Control Framework.

* * *

Related parties disclosure

Financial accounts outstanding as at 30 June 2021 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 27.5 million Mediobanca shares were traded on behalf of customers, worth €224.5m.

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 (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. 73 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 fact that so many of the one-off items recorded this year are unlikely to be repeated should be offset by the marked improvement in the macroeconomic scenario. The likely absence of so many big tickets in investment banking (which at present are not foreseeable) should be compensated by further acceleration in Private Banking business and a recovery in corporate lending, while the expected lower income from Principal Investing and the banking book should be offset by more buoyant client-driven activities.

At the same time, operating costs are set to grow, following the resumption of project activities and travel and entertainment-related expenses which this year were at an all-time low.

The cost of risk continues to be conditional upon the performances of the UTP positions and to the substantial overlays set aside, which should help repeat the good levels seen in recent years.

Milan, 23 September 2021

THE BOARD OF DIRECTORS

Financial year ended 30 June 2021: proposal to approve financial statements and allocation of profit

Dear shareholders,
The net profit for the year was € 578,366,244.96 to be allocated as follows:

€	4,656.60	To the *Legal reserve*, which accordingly would amount to €88,728,001.30, or 20% of the Bank's share capital;
€	57,831,967.90	To the *Statutory reserve*;
€	520,529,620.46	Profit remaining

We therefore propose to distribute a €0.66 dividend on each of the 862,369,906 shares in issue entitling their holders to such rights, taking account of the redistribution of treasury shares attributable, for a total amount of €569,164,137.96, consisting of the remaining profit plus €48,634,517.50 taken from the Statutory Reserve, as shown in the table below.

It should be noted that the dividend per share will remain unchanged even if the Bank at the record date owns more treasury shares than it does at the date hereof. If this were to happen, the overall amount of the profit distributed will be reduced accordingly, and the difference taken to the Statutory Reserve.

Accordingly, you are invited to approve the financial statements for the year ended 30 June 2021, including the balance sheet, profit and loss account and accompanying schedules, plus the following profit allocation:

Net profit for the year	€ 578,366,244.96
To the *Legal Reserve*	€ 4,656.60
To the *Statutory Reserve*	€ 57,831,967.90
Remaining profit	€ 520,529,620.46
From the *Statutory Reserve*	€ 48,634,517.50
Dividend of €0.66 per share on 862,369,906 shares	€ 569,164,137.96

The dividend of €0.66 per share will be paid on 24 November 2021, with the shares going ex-rights on 22 November 2021.

Milan, 23 September 2021

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF THE INDIVIDUAL FINANCIAL STATEMENTS

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

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1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare, and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the separate financial statements:
   – were adequate in view of the company's characteristics;
   – were effectively applied in the year ended 30 June 2021.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the individual financial statements as at 30 June 2021 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 frameworks).

3. It is further hereby declared that

   3.1 the separate financial statements:
   – has 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;
   – corresponds 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 they are exposed.

Milan, 23 September 2021

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

AUDITORS' REPORT

STATUTORY AUDITORS' REPORT

INDIVIDUAL FINANCIAL STATEMENTS*

* Figures in Euros

Mediobanca S.p.A. Balance Sheet

Assets	30.6.21	30.6.20
10. Cash and cash equivalents	1,554,663,368	3,101,950,320
20. Financial assets at fair value with impact taken to profit and loss	12,662,968,472	9,961,363,593
a) Financial assets held for trading	*11,336,788,624*	*9,214,719,667*
b) Financial assets designated at fair value	*680,538,985*	*51,002,314*
c) Other financial assets mandatorily at fair value	*645,640,863*	*695,641,612*
30. Financial assets at fair value with impact taken to comprehensive income	4,735,494,473	3,785,000,554
40. Financial assets at amortized cost	49,343,113,969	43,711,163,840
a) Due from banks	*28,336,762,319*	*20,537,546,640*
b) Due from customers	*21,006,351,650*	*23,173,617,200*
50. Hedging derivatives	312,815,688	471,648,325
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	3,457,429,555	3,150,667,961
80. Property, plant and equipments	138,281,356	139,109,926
90. Intangible assets	28,798,558	29,248,384
of which:		
goodwill	*12,514,145*	*12,514,145*
100. Tax assets	238,836,244	277,319,428
a) current	*146,147,058*	*186,404,162*
b) deferred	*92,689,186*	*90,915,266*
110. Assets classified as held for sale	—	—
120. Other assets	231,106,963	210,372,654
Total assets	**72,703,508,646**	**64,837,844,985**

Liabilities and net equity	30.6.21	30.6.20
10. Financial liabilities at amortized cost	55,065,537,343	50,698,334,350
a) Due to banks	*32,773,567,316*	*26,703,965,149*
b) Due to customers	*6,476,195,441*	*7,527,050,122*
c) Debt securities in issue	*15,815,774,586*	*16,467,319,079*
20. Trading financial liabilities	10,342,380,244	8,351,676,524
30. Financial liabilities designated at fair value	833,047,735	216,020,103
40. Hedging derivatives	154,184,382	132,551,202
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	397,191,236	351,434,833
a) current	*154,893,438*	*119,439,368*
b) deferred	*242,297,798*	*231,995,465*
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Other liabilities	359,153,968	252,376,553
90. Staff severance indemnity provision	7,385,987	7,678,965
100. Provisions	129,119,565	113,954,882
a) commitments and financial guarantees	*60,243,189*	*42,538,029*
b) post-employment and similar benefits	—	—
c) other provisions	*68,876,376*	*71,416,853*
110. Revaluation reserves	184,048,374	73,982,473
120. Redeemable shares repayable on demand	—	—
130. Equity instruments repayable on demand	—	—
140. Reserves	2,230,584,380	2,192,791,978
150. Share premium reserve	2,195,605,653	2,195,605,653
160. Share capital	443,640,007	443,616,724
170. Treasury share (-)	(216,736,473)	(231,538,013)
180. Profit/(loss) for the period (+/-)	578,366,245	39,358,758
Total liabilities and net equity	**72,703,508,646**	**64,837,844,985**

Mediobanca S.p.A. Profit and Loss Account

Items		30.6.21	30.6.20
10.	Interest and similar income	664,917,409	707,674,249
	of which: interest income calculated according to the effective interest method	*500,699,479*	*531,418,795*
20.	Interest expense and similar charges	(564,184,243)	(628,441,834)
30.	**Net interest income**	**100,733,166**	**79,232,415**
40.	Fee and commission income	324,594,654	263,854,931
50.	Fee and commission expense	(40,513,925)	(44,081,972)
60.	**Net fee and commission income**	**284,080,729**	**219,772,959**
70.	Dividends and similar incomes	520,857,477	191,482,239
80.	Net trading income	85,030,462	(23,210,543)
90.	Net hedging income (expense)	1,528,878	(2,221,709)
100.	Gain (loss) on disposal/repurchase:	21,487,022	65,578,343
	a) financial assets measured at amortized cost	*(1,271,048)*	*3,300,657*
	b) financial assets valued at fair value with impact taken to comprehensive income	*24,051,527*	*60,420,800*
	c) financial liabilities	*(1,293,457)*	*1,856,886*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	105,884,720	33,401,570
	a) financial assets and liabilities designated at fair value	*(7,166,683)*	*2,331,283*
	b) other financial assets mandatorily valued at fair value	*113,051,403*	*31,070,287*
120.	**Total income**	**1,119,602,454**	**564,035,274**
130.	Net write-offs (write-backs) for credit risk:	25,336,114	(16,374,634)
	a) financial assets measured at amortized cost	*31,483,095*	*(11,570,117)*
	b) financial assets valued at fair value with impact taken to comprehensive income	*(6,146,981)*	*(4,804,517)*
140.	Gains (losses) from contractual modifications without derecognition	-	-
150.	**Net income from financial operations**	**1,144,938,568**	**547,660,640**
160.	Administrative expenses:	(473,574,111)	(426,907,273)
	a) personnel costs	*(249,829,415)*	*(221,926,492)*
	b) other administrative expenses	*(223,744,696)*	*(204,980,781)*
170.	Net transfers to provisions:	(19,289,989)	4,168,128
	a) commitments and financial guarantees	*(18,939,989)*	*(20,781,872)*
	b) other sums set aside (net)	*(350,000)*	*24,950,000*
180.	Net adjustments to tangible assets	(8,127,130)	(10,193,508)
190.	Net adjustments to intangible assets	(946,474)	(3,411,138)
200.	Other operating income (expense)	42,850,528	14,978,714
210.	**Operating costs**	**(459,087,176)**	**(421,365,077)**
220.	Gain (loss) on equity investments	(15,485,187)	(50,936,942)
230.	Net result from fair value valuation of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gain (loss) on disposal of investments	40	137
260.	**Profit (loss) on ordinary activity before tax**	**670,366,245**	**75,358,758**
270.	Income tax for the year on ordinary activities	(92,000,000)	(36,000,000)
280.	**Profit (loss) on ordinary activities after tax**	**578,366,245**	**39,358,758**
290.	Gain (loss) of ceded operating assets, net of tax	—	—
300.	**Net profit (loss) for the period**	**578,366,245**	**39,358,758**

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

Voci		30.6.21	30.6.20
10.	Profit (Loss) for the period	578,366,245	39,358,758
	Other income items net of tax without passing through profit and loss	**68,942,627**	**981,300**
20.	Equity securities designated at fair value with impact taken to comprehensive income	73,200,359	2,965,634
30.	Financial liabilities at fair value with impact taken to profit and loss (variation of own credit risk)	(5,729,820)	(1,723,512)
40.	Hedging of equity securities designated at fair value with impact taken to comprehensive income	—	—
50.	Property, plant and equipments	—	—
60.	Intangible assets	—	—
70.	Defined benefit schemes	1,472,088	(260,821)
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	**40,082,510**	**(11,957,538)**
100.	Foreign investments hedges	—	—
110.	Exchange rate differences	—	—
120.	Cash flow hedges	—	3,431,690
130.	Hedging instruments (non-designated elements)	—	—
140.	Financial assets (other than equity securities) valued at fair value with impact taken to comprehensive income	40,082,510	(15,389,228)
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**	**109,025,137**	**(10,976,238)**
180.	**Comprehensive income (Heading 10 +170)**	**687,391,382**	**28,382,520**

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/20	Modification of start-of-period amounts	Amounts at 01/07/2020	Allocation of profit for previous period		Changes during the reference period								Total net equity at 30/6/21
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Overall consolidated profit for the 12 mths ended 30/6/21	
							New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options[1]		
Share capital:	443,616,724	—	443,616,724	—	—	—	23,283	—	—	—	—	—	—	443,640,007
a) ordinary shares	443,616,724	—	443,616,724	—	—	—	23,283	—	—	—	—	—	—	443,640,007
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,195,605,653	—	2,195,605,653	—	—	—	—	—	—	—	—	—	—	2,195,605,653
Reserves:	2,192,791,978	—	2,192,791,978	39,358,758	—	(1,040,765)	(23,283)	(15,037,517)	—	—	—	14,535,209	—	2,230,584,380
a) retained earnings	2,053,976,057	—	2,053,976,057	39,358,758	—	—	(23,283)	—	—	—	—	—	—	2,093,311,532
b) others	138,815,921	—	138,815,921	—	—	(1,040,765)	—	(15,037,517)	—	—	—	14,535,209	—	137,272,848
Valuation reserves	73,982,473	—	73,982,473	—	—	1,040,765	—	—	—	—	—	—	109,025,137	184,048,374
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(231,538,013)	—	(231,538,013)	—	—	—	—	14,801,540	—	—	—	—	—	(216,736,473)
Profit (loss) for the period	39,358,758	—	39,358,758	(39,358,758)	—	—	—	—	—	—	—	—	578,366,245	578,366,245
Total net equity	4,713,817,572	—	4,713,817,572	—	—	—	—	(235,977)	—	—	—	14,535,209	687,391,382	5,415,508,186

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

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/19	Modification of start-of-period amounts[1]	Amounts at 01/07/2019	Allocation of profit for previous period		Changes during the reference period								Total net equity at 30/6/20
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Overall consolidated profit for the 12 mths ended 30/6/20	
							New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options[2]		
Share capital:	443,608,089	—	443,608,089	—	—	—	8,635	—	—	—	—	—	—	443,616,724
a) ordinary shares	443,608,089	—	443,608,089	—	—	—	8,635	—	—	—	—	—	—	443,616,724
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,195,605,653	—	2,195,605,653	—	—	—	—	—	—	—	—	—	—	2,195,605,653
Reserves:	2,217,665,397	(32,123)	2,217,633,274	386,244,851	(408,548,327)	785,215	(8,635)	(15,979,006)	—	—	—	12,664,607	—	2,192,791,978
a) retained earnings	2,076,320,292	(32,123)	2,076,288,169	386,244,851	(408,548,327)	—	(8,635)	—	—	—	—	—	—	2,053,976,057
b) others	141,345,105	—	141,345,105	—	—	785,215	—	(15,979,006)	—	—	—	12,664,607	—	138,815,921
Valuation reserves	85,743,925	—	85,743,925	—	—	(785,215)	—	—	—	—	—	—	(10,976,238)	73,982,473
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(141,989,096)	—	(141,989,096)	—	—	—	—	(89,548,918)	—	—	—	—	—	(231,538,013)
Profit (loss) for the period	386,244,851	—	386,244,851	(386,244,851)	—	—	—	—	—	—	—	—	39,358,758	39,358,758
Total net equity	5,186,878,819	(32,123)	5,186,846,696	—	(408,548,327)	—	—	(105,527,924)	—	—	—	12,664,607	28,382,520	4,713,817,573

[1] Includes the effects of the first application of IFRS16 accounting standard deriving from sub-leasing contracts.

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

Mediobanca Cash Flow Statement Direct Method

	Amount	
	30/6/21	30/6/20
A. CASH FLOWS FROM OPERATING ACTIVITY		
1. Operating activity	**(96,491,573)**	**(247,117,129)**
- interest received	232,852,125	356,902,368
- interest paid	(327,606,655)	(499,642,835)
- dividends and similar income	97,925,184	78,376,512
- net fees and commission income	97,265,595	54,846,980
- cash payments to employees	(176,713,941)	(166,858,574)
- other expenses paid	(69,531,515)	(75,789,552)
- other income received	73,549,507	42,288,294
- income taxes paid	(24,231,873)	(37,240,321)
- expenses/income from group of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(4,640,754,013)**	**5,987,154,053**
- financial assets held for trading	94,558,446	195,454,558
- financial assets valued at fair value	(597,000,000)	—
- financial assets mandatorily valued at fair value	118,161,307	114,091,171
- financial assets valued at fair value with impact taken to profit and loss	(754,912,189)	118,920,658
- financial assets valued at amortized cost	(3,911,179,761)	5,235,360,045
- other assets	409,618,184	323,327,622
3. Cash generated/absorbed by financial liabilities	**3,101,186,768**	**(2,848,571,462)**
- financial liabilities valued at amortized cost	3,352,745,168	(2,692,627,975)
- financial liabilities held for trading	20,208,765	19,919,499
- financial liabilities designated at fair value	580,250,000	—
- other liabilities	(852,017,165)	(175,862,986)
Net cash flow (outflow) from operating activities	**(1,636,058,818)**	**2,891,465,462**
B. CASH FLOWS FROM INVESTMENT ACTIVITY		
1. Cash generated from:	**416,621,033**	**102,856,755**
- disposal of shareholdings	136,004	—
- dividends received in respect of equity investments	416,428,029	102,856,755
- disposals of tangible assets	57,000	—
- disposals of intangible assets	—	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by:	**(326,151,474)**	**(12,653,125)**
- purchases of shareholdings	(322,630,474)	(8,289,125)
- purchases of tangible assets	(3,015,000)	(4,170,000)
- purchases of intangible assets	(506,000)	(194,000)
- purchases of subsidiaries or business units	—	—
Net cash flow (outflow) from investment activity	**90,469,559**	**90,203,630**
C. CASH FLOWS FROM FUNDING ACTIVITY	**(1,697,693)**	**(512,330,448)**
- issuance/acquisition of treasury shares	—	(105,527,922)
- issuance/acquisition of capital instruments	—	—
- distribution of dividends and other purposes	(1,697,693)	(406,802,526)
- purchases/acquisition of minorities	—	—
Net cash flow (outflow) from funding activities	**(1,697,693)**	**(512,330,448)**
NET CASH FLOW (OUTFLOW) DURING THE PERIOD	**(1,547,286,952)**	**2,469,338,644**

Reconciliation of Movements in Cash Flow During the Period

Accounting items	Amount	
	30/6/21	30/6/20
Cash and cash equivalents: balance at start of period	3,101,950,320	632,611,676
Total cash flow (ouflow) during the period	(1,547,286,952)	2,469,338,644
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	1,554,663,368	3,101,950,320

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting policies

A.1 - General policies

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca individual financial statements for the twelve months ended 30 June 2021 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 2021 have also been prepared on the basis of the “Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups” issued by the Bank of Italy in its Circular no. 262 on 22 December 2005 (sixth update issued on 30 November 2020, as amended), which define 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 consolidated financial statements comprise:

– Balance sheet;

– Profit and loss account;

– Comprehensive income statement;

– Statement of changes to net equity;

– Cash flow statement;

– Notes to the accounts.

[1] The Bank of Italy, in a communication issued on 15 December 2020, “Additions to the provisions of Circular no. 262, Financial statements for banks: models and rules for compilation regarding the impacts of Covid-19 and the measures introduced to support the economy and amendments made to IAS/IFRS”, provided additions to the regulations governing financial reporting by banks (Circular no. 262 of 2005) with a view to providing the market with disclosure regarding the effects which Covid-19 and the measures introduced to support the economy have produced on strategies, objectives and risk management policies and on the earnings/financial situations of intermediaries in general.

These financial statements have been drawn up using the Euro as the currency of account. The amounts stated in the financial statements are in Euro units, while the data in the tables included in the Notes to the Accounts are shown in thousands of Euros, unless stated otherwise. The individual financial statements have been drawn up with the intention of providing clarity and a truthful and accurate representation of the capital and financial situation and earnings results of Mediobanca S.p.A.

The financial statements have been drawn up in compliance with the following general principles:

– Business continuity;
– Accrual;
– Consistency of presentation;
– Substance over form.

The financial statements have been drawn up in conformity with the general principles provided for under IAS/IFRSand the accounting policies illustrated in part A.2, and show data for the year under review compared with the data for the previous financial year.

During the twelve months under review, the European Commission has approved the following regulations, which include certain changes to accounting standards already in force: Regulation (EU) 2020/1434 of 9 October 2020, Regulation (EU) 2020/2097 of 15 December 2020, Regulation (EU) 2021/25 of 13 January 2021, and Regulation (EU) 2021/1080 of 28 June 2021:

– Regulation (EU) 2020/1434 adopts the amendments to IFRS16 proposed by the IASB[2] in relation to the ongoing Covid-19 pandemic: in particular, it provides for a practical expedient granted to lessees that have benefited from concessions on payments due contractually; the regulation is effective retrospectively as from 1 July 2020[3];
– Regulation (EU) 2020/2097 provides for an extension to the exemption from applying IFRS9 granted to insurance companies, allowing them to continue applying IAS39 until 2023. For the Mediobanca Group the Regulation is valid as from 1 July 2021;
– Regulation (EU) 2021/25 provides for the amendments to IAS39, IFRS4, IFRS7, IFRS9 and IFRS16 reflected in the document entitled "Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS9, IAS39, IFRS7,

[2] International Accounting Standards Board, Covid-19-Related Rent Concessions – Amendment to IFRS16 – May 2020.

[3] After the financial statement reference date, the EU Commission, with the Regulation 2021/1421 of 30 August 2021, has endorsed the modifications to the IFRS16 standard proposed by the IASB in the document entitled "Amendments to IFRS16 Leases: Covid-19-Related Rent concessions beyond 30 June 2021" published 31 March 2021. With this Regulation amendments to the standard have been extended to payments contractually due up to 30 June 2022 included.

IFRS4 and IFRS16" published by the IASB on 27 August 2020[4]. This Regulation too is valid for the Group as from 1 July 2021;

– Regulation (EU) 2021/1080 introduced some minor amendments to IAS16, IAS37, IAS41, IFRS1, IFRS3 and IFRS9. These amendments are valid for the Group starting from 1 July 2022.

—

The measures and statements published by the regulatory and supervisory authorities regarding the most suitable means for applying the reporting standards in relation to the Covid-19 situation in the twelve months are summarized below. In particular, the following were issued (in addition to those described in the annual report for the twelve months ended 30 June 2020):

– ESMA: *Public Statement of 28* October 2020*, "European common enforcement priorities for 2020 annual financial reports"*, which highlights the attention which ESMA is devoting to: enforcement of IAS1, IAS36, IFRS9, IFRS7 and IFRS16; non-financial statements with reference to the impact of the Covid-19 pandemic on non-financial matters; social and employee matters; business model and value creation; and risk relating to climate change. Considerations are also provided on application of the ESMA Guidelines on Alternative Performance Measures (APM) in relation to Covid-19.

– EBA: *Guidelines of 2 December 2020 (EBA/GL/2020/15): "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis"*, extending the application period for the regulations governing EBA-compliant moratoria.

– ECB: *Letter from the Chair of the Supervisory Board to all Significant Institutions* of 4 December 2020 *"Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic"*, providing additional guidance on credit risk identification and measurement in the context of the Covid-19 pandemic. The ECB underlined the importance of striking the right balance between avoiding excessive pro-cyclicality and ensuring that the risks banks are facing are adequately reflected in their internal risk measurement and management processes, financial statements and regulatory reporting. Detailed guidance is given regarding the procedures for identifying and classifying forbearance, the process for assessing the unlikeliness of obligors to pay (including borrowers subject to general payment moratoria), identifying and recording any significant increase in credit risk at an early stage, correctly estimating provisioning levels using realistic parameters and assumptions that are appropriate to the current environment, and governance and the involvement of management bodies.

[4] This document takes account of the effects of transitioning from benchmark interest rates to alternative benchmark interest rates in order to determine existing rates with such alternative benchmarks; the transition is made in accordance with the provisions of Reforming major interest rate benchmarks published in 2014 by the Financial Stability Board (FSB).

Recommendation ECB/2021/31 of 23 July 2021, on dividend distributions during the Covid-19 pandemic, which recommends extreme prudence when credit institutions decide on or pay out dividends or perform share buybacks aimed at remunerating shareholders.

– Consob: *Reminder no. 1/21 of 16 February 2021* on the disclosure to be provided by regulated issuers. Consob, taking up the issues raised by ESMA in its document of 28 October 2020, clarifies in this reminder that the disclosure must also be provided in the review of operations, highlighting in particular the description of changes to the business model made in response to the pandemic, and the action taken to address the uncertainty arising, short-term and medium-term, as a result of Covid-19.

Group project on interbank benchmark rates

The internal working group set up to deal this issue has continued its work of monitoring and drawing up all the operational processes required to complete the transition to the new interbank benchmark rates by the start of 2022. Work has continued on renegotiating contracts for index-linked products soon to be discontinued, adhering where possible to the protocols developed by the sector category associations (e.g. the ISDA Benchmark & IBOR Protocol), and urging the Group's counterparties to do likewise without delay.

The Group is adopting all measures in terms of internal regulations, operational procedures and technology to ensure the transition is managed effectively.

Commission Regulation 25/2021 of 13 January 2021 introduced some further amendments to the accounting standards used (notably IAS39, IFRS4, IFRS7, IFRS9 and IFRS16). In particular, the management and accounting representation of "derecognition/modification" and "discontinuing" for hedge accounting have been simplified. These amendments will be mandatorily applicable for the Group as from the financial statements for the year ending 30 June 2022.

The Group has already applied Commission Regulation (EU) 2020/34 of 15 January 2020 ("Regulation 34"), which incorporates the IASB exemptions of September 2019 to prevent uncertainty due to the lack of a single alternative parameter for the whole market, could lead to hedging arrangements being discontinued. The trades specifically affected are IRS contracts with USD Libor as the underlying benchmark, taken out by Mediobanca S.p.A. to hedge bond issues, involving a notional amount of USD1,975m.

Targeted Longer-Term Refinancing Operations - T-LTRO

T-LTRO III is a programme of ten long-term refinancing operations, each of which expiring after three years, implemented once a quarter starting from September 2019.

In the course of 2020 some of the parameters of the existing operations were amended: in particular, an additional discount was introduced (in the form of a fixed 50 bps annual premium) for operations outstanding between 24 June 2020 and 23 June 2021 (known as the "special interest period").

The premium, together with the ordinary interest rate, will be paid when each operation expires or is redeemed early, subject to certain eligibility criteria set annually being met in terms of maintaining lending levels versus households and businesses.

The operations incorporate certain distinctive features which make it difficult to account for them under a specific financial reporting standard, as recognized by ESMA in its public statement on 6 January 2021, "ESMA promotes transparency regarding the accounting for the third series of the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III)".

Given the above, in accordance with the provisions of IAS8 on accounting policies, it has been decided to account for these operations as part of the scope of financial instruments covered by IFRS9 (Financial Instruments). Based on this policy, and assuming that the eligibility criteria are likely to be met (the criteria are monitored on a monthly basis and at present are met comfortably), the floating interest rate has been recalculated to factor in the effect of the additional discount, which has been booked pro rata throughout the special interest period.

If the probability of reaching the benchmark levels for eligible loans were to reduce, this would lead to a change in the cash flows from the interest expected (i.e. the premium would be cancelled), which obviously would have an impact on earnings.

During the twelve months, the above-mentioned 50bps benefit has been entirely recognized and booked, equal to ca. €26m, given that targets linked to new loans granting will be surely met.

SECTION 3

Events subsequent to the reporting date

No events have taken place that would cause the results presented in the individual report for the twelve months ended 30 June 2021 to be amended.

On 23 September 2021, Mediobanca executed a securities lending transaction with a leading market counterparty in respect of a total of 70 million Assicurazioni Generali shares, equal to 4.4% of the company's share capital. The deal, which will have a duration of approx. eight months or until at least the Annual General Meeting of Assicurazioni Generali called to reappoint the company's Board of Directors, will result in an increase in Mediobanca's voting rights without thereby increasing the Group's current risk exposure towards Assicurazioni Generali.

SECTION 4

Other aspects

The consolidated and separate financial statements have been audited by audit firm PricewaterhouseCoopers S.p.A. in accordance with Italian Legislative Decree 39/10, in implementation of the resolution adopted by shareholders at the Annual General Meeting held on 27 October 2012 for the years from 2013 to 2021.

A.2 - Significant accounting policies

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[5].

Financial assets held for trading are assets which have been acquired 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 (which are recorded separately).

[5] See Part A – Information on fair value on pp. 80-97.

Other financial assets that must be recognized at fair value are assets that are not held for trading but must compulsorily be recognized at fair value through profit and loss if they do not meet the requisites to be recognized at amortized cost or at fair value through other comprehensive income. In particular this category includes holdings in mutual funds (confirmed following clarification from the IFRS Interpretation Committee)[6].

Initial recognition occurs at the settlement date for securities, and at the subscription date for derivatives. At initial recognition, such financial assets are booked 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 cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

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

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

The heading also includes financial assets 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.

[6] The IFRSInterpretation Committee's clarification rules out any possibility of such instruments being treated as equities.

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 held 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 themselves;
- The contractual terms 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 IAS32, and which the Bank 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.

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 IAS16 (cf. below), even though the impairment rules introduced by IFRS9 apply for valuation purposes.

The Bank 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 Bank 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[7].

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

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

When contractual cash flows for the instrument do not represent solely payments of principal and interest on the outstanding amount, the Bank mandatorily classifies the instrument at fair value through profit and loss.

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

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

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

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

In accordance with the provisions of IFRS9, the impairment model involves financial assets being classified at one of three different risk stages (Stage1, Stage2 and Stage3), depending on developments in the borrower's credit standing, to which different criteria for measuring expected losses apply. Accordingly, financial assets are split into the following categories:

– Stage1: this includes exposures at their initial recognition date for as long as there is no significant impairment to their credit standing; for such instruments, the expected loss is to be calculated on the basis of default events which are possible within twelve months of the reporting date;
– Stage2: this includes exposures which, while not classified as impaired as such, have nonetheless experienced significant impairment to their credit standing

since the initial recognition date; in moving from Stage1 to Stage2, the expected loss must be calculated for the outstanding life of the instrument;

– Stage3: this category consists of impaired exposures according to the definition provided in the regulations. In moving to Stage3, 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 Bank policy adopted to establish what constitutes significant increases in credit risk takes both the qualitative and quantitative aspects of each lending transaction or financial instrument into account. The following in particular are considered decisive: forbearance measures having been granted; the 30 days past due criterion; and other backstops having been identified, such as reclassification to watchlist status in accordance with the rules on credit risk monitoring. During the Covid-19 pandemic and in line with the guidance issued by the EBA, ECB, Consob and ESMA, the Bank has decided not to apply automatic reclassification mechanisms for moratoria granted as part of the support programmes approved by the law, category association agreements or equivalent voluntary initiatives adopted by the individual companies, as described in further depth in Part E of the Notes to the Accounts. Moreover, the Bank only makes very limited use of the simplified low credit risk exemption approach.

Purchased or originated credit impaired items (POCIs) are receivables that are already impaired at the point in time when they are acquired or disbursed. At the initial recognition date they are recognized at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item, and recovery flows are periodically updated in light of new evidence, with flows discounted using the above-mentioned internal rate of return.

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 exposures.

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

The expected credit losses[8] are recorded and released only insofar as the changes actually occur. For financial instruments held to be in default, the Bank records an expected loss for the outstanding life of the instrument (similar to Stage2 above); while value adjustments are calculated for all the exposures split into different categories, factoring in forward-looking information which reflects macro-economic factors.

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 the circumstances permitted under IFRS9. In such cases the Bank 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 Bank retains virtually all risks and benefits, the financial asset must continue to be recorded.

If the Bank 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 Bank 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 Bank 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

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

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 Stage1 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 Bank 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 (IFRS16)

An agreement is classified as a leasing contract[9] (or contains a leasing element) based on the substance of the agreement at the execution date. An agreement is, or contains, a lease if its performance depends on the use of a specific good (or goods) and confers the right to use such good (goods) - the "Right of Use" (RoU) - for an agreed period of time and in return for payment of a fee. This definition of leasing therefore also includes long-term rentals or hires.

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

The liability, which is booked under "Financial liabilities recognized at amortized cost", is equal to the discounted value of the payments due in respect of the lease discounted, as required by the Standard, to the marginal financing rate, equal for the Bank to the Funds Transfer Pricing rate (FTP) as at the date concerned.

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

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

leased, and every other circumstance that would point towards the existence of reasonable certainty of renewal.

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

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

Hedges

For hedging transactions, the Bank 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 Bank:

- 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 Bank.

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.

– In the case of foreign exchange foreign, the hedging instrument may be a foreign currency asset or liability.

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

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

Cash flow hedges

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

– The gain or loss on the hedge instrument in relation to the effective part of the hedge is taken through OCI in the cash flow reserve, whereas the ineffective part is taken directly through profit and loss.
– The cash flow reserve is adjusted to reflect the lower amount of
– The gain or loss accumulated on the hedge instrument since the hedge's inception; an
– 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 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;
- Other investments of negligible value.

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

Property, plant and equipment

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

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

The heading also includes tangible assets classified pursuant to IAS2 - *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 Bank 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 IFRS3R.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates, goodwill recorded as an asset is tested for impairment[10]. Any reduction value due to impairment is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through the profit and loss account.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the

[10] Mediobanca has adopted a Group Impairment Policy in line with the guidance issued by the Italian organization for valuation (OIV, or Organismo Italiano di Valutazione) on: "Impairment testing on goodwill in financial and real crisis situations" of 14 June 2012; "Italian valuation standards" published in 2015; the discussion paper issued on 22 January 2019; discussion paper no. 01/2021 issued by the OIV on 16 March 2021 on "The use of forward-looking financial information in company valuations"; discussion paper no. 02/2021 issued by the OIV on 16 March 2021 on "Guidelines for impairment testing following the effects of the Covid-19 pandemic, along with the suggestions published by ESMA; the guidelines contained in the joint document issued by the Bank of Italy, Consob and IVASS (document no. 4 of 3 March 2010, and document no. 8 of 12 December 2018); plus the various communications from Consob.

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[11]. 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.

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 Bank'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.

[11] Under IAS36, impairment testing, i.e. tests to ascertain whether or not there has been a loss in the value of individual tangible and intangible assets, must be carried out at least once a year, in conjunction with preparation of the financial statements, or more frequently if events have taken place or materialized that would indicate there has been a reduction in the value of such assets (known as "impairment indicators").

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

Provisions for liabilities and charges

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

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

In the other cases the rules of IAS37 apply, i.e. the potential charge must be estimated reliably; if the time effect is material, provisions are discounted using current market rates; and the provision is recognized in the profit and loss account.

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

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

As permitted by IAS37, paragraph 92, no precise indication has been given of any potential liabilities where this could compromise the company in any way.

Staff severance indemnity provision and post-retirement schemes

The staff severance indemnity provision qualifies as a defined-contribution 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.

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 IFRS16, 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.

Financial liabilities recognized at fair value

These include the value of financial liabilities recognized at fair value through profit and loss based on the fair value option permitted under IFRS9 and in accordance with the cases permitted under the regulation itself.

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.

Stock options, performance shares and long-term incentives

The stock option, performance share and long-term incentive (LTI) schemes operated on behalf of Bank 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 Bank 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 Bank 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 Bank considers it is entitled in return for the service rendered.

In order to record the revenues, the Bank 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 Bank 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 Bank 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.

Recognition of costs

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

Related parties

Related parties are defined, *inter alia* in accordance with IAS24, as follows:

a) Individuals or entities which, directly or indirectly, exercise significant influence over the Bank;

b) Shareholders with stakes of 3% or more in the Bank's share capital[12];

c) The legal entities controlled by the Bank;

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

e) 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;

f) Entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letters a) and e) and the joint ventures of parties referred to under letter a);

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

[12] 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	—	48
Total				—	48

A.4 – Information on fair value

QUALITATIVE INFORMATION

Introduction

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

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 Bank has access; such instruments are 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 (i.e. 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;
- Derivative 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 Bank uses remain objective, independent price verification (IPV) processes are also carried out for fair value, 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.

Macroeconomic scenario

The year under review saw markets bounce back sharply starting from November 2020, as a result of the gradual rollout of the Covid-19 vaccination programme plus the substantial liquidity injected into the market. This generated a reduction in the uncertainty of the input parameters, with the situation gradually returning to pre-Covid market conditions.

Remediation activities

The fair value framework has been subject of an On Site Inspection performed by the ECB and involving all major European market participants. During this inspection some improvement areas have been identified, regarding the fair value hierarchy and the day one profit rule application, as well as regarding the ways in which the fair value is calculated and verified (*Fair Value Adjustment and Independent Price Verification*) for capital purposes (*Prudent Value Adjustment*) and accounting calculations.

The Bank has decided, while waiting the Recommendation Letter by the JST, to promptly intervene to improve the fair value framework pursuant to IFRS 13 thus addressing the major part of findings emerged, avoiding as much as possible all the intervention based on expert-based approaches; further activities will be performed during the FY 2022, including the remediation plan which will be communicated by the ECB.

IPV and Prudent Valuation (PVA) processes

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

As required by Bank of Italy Circular no. 285/2013, the Bank has adopted its own Group Independent Price Verification Policy in order to structure the certification process from an operating and accounting standpoint.

The same process also includes the Regulatory Technical Standards on Prudent Valuation[13] governed by the EU regulations[14] in this area, to ensure that positions recognized at fair value (banking book with impact on net equity and trading book) are determined with an adequate degree of certainty.

In particular, the inputs required in order to value financial instruments must be validated by independent units, with the objective of ensuring that valuations are as closely aligned as possible with market conditions and the prudential criteria established.[15]

To this end, the Bank has produced a manual summarizing all products recognized at fair value, containing a description of the valuation techniques used and the inputs required in order to calculate the Prudent Value Adjustments (PVA).

The entire IPV and prudent valuation processes is subject to audit by the Group Audit Unit.

Coverage of the entire trading book and the inputs used to value it was more or less completed during the twelve months under review.

[13] Assesment for prudential purposes implies a stress on certain market parameters used in the valuation models and the related fair value adjustments with effects exclusively on regulatory capital and the capital ratios.

[14] Under Article 105 of the Capital Requirements Regulation adopted in Regulation (EU) No. 575/2013 and referred to in Commission Delegated Regulation (EU) No. 2016/101.

[15] CRR Article 105(2), (8).

This has enabled the Bank to increase the number of IPV controls to correct the original valuations, necessary as a result *inter alia* of mismarking of volatility, correlation and dividends by using alternative info-providers.

Fair value ranking

In line with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, fair value must be reported according to rankings based on the quality of the input parameters used to determine it.[16]

In particular, financial assets and liabilities recognized at fair value must be classified at levels which assign decreasing priority to measurements based on different market parameters. The highest priority (level 1) is assigned to measurements based on unadjusted prices quoted on an active market for identical assets or liabilities; while the lowest of priority (level 3) is assigned to valuations deriving predominantly from unobservable inputs.

Three levels are identified:

- Level 1: valuations based on quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.
- Level 2: valuations based on measurement techniques using inputs 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, is commonly used by other financial operators, and uses inputs that are observable on the market or estimated internally but have limited impact on fair value.
- Level 3: valuations based on measurement techniques with significant inputs which are either unobservable on the market and/or reflect complex pricing models subject to uncertainty. In this case fair value is established on the basis of assumptions regarding future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

[16] 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.

In cases where the input data used to value an asset or liability have different rankings, the choice of fair value level is driven by the significance of the input data (IFRS 13, paragraph 73).

Fair value adjustment

Fair value adjustment is defined as the quantity to be added to, or subtracted, from the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. In line with the best market practice, during the year under review the alignment of all fair value adjustments with the prudential categories defined in Article 105 of the CRR ("Prudent Valuation") was largely completed. This process resulted in further adjustments being introduced.

The new scope of fair value adjustments thus now includes the following in particular:

- Close-Out Costs: these refer to the uncertainty related to the liquidity cost that the Bank might incur in the event of the disposal, partial or total, of a position recognized at fair value;
- Investing and Funding Costs: these reflect the costs of financing or refinancing a position recognized at fair value;
- Market Price Uncertainty: this represents the uncertainty inherent in a valuation based on market prices;
- Concentrated Positions: this reflects uncertainty in the valuation of the exit price for positions defined as concentrated;
- Model Risk: adjustments to mitigate the risk of misalignment with market practice in the valuation of a product regarding the choice and implementation of the relevant pricing model.

Fair value adjustments are fundamental in order to align the individual financial instrument's valuation with its actual exit price, in view of the level of market liquidity, the uncertainty of the valuation parameters, the cost of funding.

As mentioned previously, the process of aligning the accounting reserves with the prudent valuation reserves has been largely completed during the twelve months under review, including:

– Introduction of a Close-Out Cost adjustment[17] in order to align the fair value with the exit price;

– Introduction of a Model Risk correction for auto-callable certificates, to mitigate any mispricing phenomena;

– Revision of the Market Price Uncertainty adjustments, extending the use of control info-providers to include new categories of market parameters that have become material.

Credit/Debt and Funding Valuation Adjustment (CVA/DVA/FCA)

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

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

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

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

– Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;

– PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities;

[17] As required by IFRS 13, the adjustment is calculated, for each risk factor considered, as the semi-bid/ask for the market data, multiplied by the exposure to the instrument to which the data refer.

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

The fair value of non-collateralized derivatives may be influenced by the Bank's cost of funding. To take account of this aspect, some adjustments are calculated to reflect the different cost of funding (Funding Value Adjustments), 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

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

However, all instruments whose fair value is established primarily by components attributable to unobservable inputs (such as implicit volatility above certain observation levels, equity and credit correlation, etc.), or contains adjustments that significantly alter the most liquid input parameters used, are classified as Level 3.[18]

All level 3 instruments are subject to additional price verification procedures, which include: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure. Similarly, the Independent Price Verification unit runs independent checks of the parameters used, comparing them with similar inputs from different sources.

[18] Cf. IFRS 13, paragraphs 73 and 75. Reference is made to section A.5 for further discussion of this issue.

Inputs for determining fair value level

The Bank has refined its fair value level classification processes over the years, which are increasingly focused, in the absence of quoted prices on active markets, on analysis of the parameters underlying the instruments.

A description of the main inputs used to determine the fair value level is provided below:

- Prices: instruments traded on a regulated market or for which prices for bilateral exchanges are available, are valued using prices obtained from info-providers;
- Interest rates/inflation swap rates: these are inputs used to value derivative instruments that involve the exchange of flows between two counterparties. The interest rate is the market's expectation regarding future trends in the interest rate, and is quoted for different maturities. The inflation swap rate, meanwhile, is the market's expectation regarding the future trend in inflation. The illiquidity of these inputs has a direct impact on the valuation of a debt instrument or a derivative;
- Repo rates: these are the interest rates applied in repo transactions;
- Volatility: volatility is a measurement of the expectations regarding the degree to which market prices may change relative to certain benchmarks. These may be quoted directly or taken from the prices for listed instruments. Volatilities may refer to different types of underlying instrument (shares/indexes, interest rates: cap/floor or swaptions, exchange rates, inflation);
- Correlation: this is a measurement of the relationship between movements in two variables, and is used as an input in the valuation of a derivative product whose payoff is determined by multiple risk factors/underlying instruments;
- Dividends: the dividend yields on equity instruments are an estimate of the possible returns that such instruments will offer in the future in terms of cash flows. The yield itself and the frequency with which dividends are paid is the most significant indicator for determining the fair value of instruments that are sensitive to the forward price of a share;

- Credit spreads: these are an estimate of a counterparty's insolvency risk, and are quoted relative to a benchmark. Credit spreads refer to a wide variety of underlying instruments (indexes and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad spectrum covered by this category is the reason why the range of unobservable inputs is so extensive.

Assets and liabilities measured at fair value on a recurring basis

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

Level 1

This level comprises all instruments quoted on active markets or for which quotations are available on an ongoing basis. The former instance covers cash equity instruments, funds and listed derivatives[19] (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official closing price was available. The second instance covers liquid debt securities for which quotations are available on an ongoing basis, and ABS and CLOs for which tradable quotations are available at the reporting date.

Level 2

- Bonds: securities traded on less liquid markets that show bid/ask spreads above adequate levels are classified as Level 2; as are instruments not traded on active markets that are marked to model using the implied credit spread curves obtained from Level or Level 2 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, only if the credit spread curve applied is representative, the bonds are categorized as Level 2. In fair value measurement, fair value adjustments can be used to address the valuation uncertainty inherent in the use of alternative valuation techniques other than the use of market prices (mark to market);

[19] Provided that the quotation is considered to be effectively liquid following the IPV process.

- Derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In accordance with the definitions provided in paragraphs 3, 61 and 67 of IFRS 13, where possible the Bank uses models that maximize observable parameters, which are preferable to models where the use of unobservable parameters is predominant. When there is an active market for the input parameters to be used for the different components of the valuation model, the fair value is established on the basis of their market quotations. Hence an OTC derivative that mainly uses observable inputs deriving from Level 1 instruments (quoted prices, as established in paragraphs 76-80 of IFRS 13) or Level 2 instruments (e.g. interest rate curves, implicit volatilities and credit spreads, as stipulated in paragraph 82 of IFRS 13) is classified as Level 2. These derivatives include:
- Plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap & floor, credit default swaps and credit default indexes as underlying;
- Exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by Mediobanca whose characteristics replicate those referred to above;
- Issues of certificates with credit derivatives or shares as underlying (equity index or single-name baskets), including the issuer credit risk which is thus factored into the total calculation of the fair value. If the IPV process reveals a high degree of uncertainty in the inputs used, these issues are classified as level (such uncertainty usually involves correlation,[20] volatility or future dividends).

All instruments classified as level 2 must in any case reflect a majority of observable inputs used in the calculation of fair value.

The observability of an input parameter depends not only on the type of product, but also on the adequacy of the parameters used. Thus the relevant issues become the availability of quotes and the expiry.

[20] For example, in cases which involve issues of certificates with auto-callable derivatives of equity baskets as the underlying instruments. These reflect a degree of uncertainty in terms of the correlation between the equity basket constituents with an impact on the instrument's fair value which is considered to be material.

Level 3

– Bonds: instruments whose fair value is determined using prices that cannot be corroborated are classified as Level 3, as are instruments not traded on active markets which are marked to model using the credit spread curves implicitly derived from Level 1 or Level 2 instruments, to which a spread is added in order to factor in their unobservable illiquidity. Fair value adjustments can be used to address the valuation uncertainty inherent in the use of alternative valuation techniques other than the use of market prices (mark to market);

– Asset-backed securities, CLOs and loans: the measurement process relies on information providers which effectively collect market prices. Basically ABS are categorized as Level 3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level 1.

– Credit exposures which, based on the characteristics of their cash flows, are recognized at fair value (i.e. which did not pass the IFRS 9 SPPI test – 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 provide the net asset value (NAV) per stock unit (the most recent NAV available is used, no older than six months, adjusted for any payments, investments and distributions after the NAV reference date). 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 (daily NAV); otherwise they are categorized as Level 3;

- Derivatives: when the valuation of an OTC derivative has been materially affected by unobservable parameters it is classified as Level 3. Such derivatives include:
  - Plain vanilla instruments, such as options with equity as the underlying and long expiries, or dividends on which there is no market consensus and options on equity baskets (indexes and single name);
  - Certificates issues, which reflect a degree of uncertainty in the parameters which can affect the entire fair value of the instrument, as, for example, in the case of the correlation between the constituents of the basket of equities underlying the basket's auto-callable options;[21]
  - Exotic instruments that use complex models (exotic options), or certain payoffs on exchange rates for which the valuation inputs are not directly observable, including derivatives embedded in bonds issued;
  - Bespoke CDO tranches, for which no market prices from which to infer the correlation data used in the valuation are available.

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 recognized at 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 or on net equity. Such instruments are not normally traded, and their fair value is thus measured on the basis of inputs compiled internally which are generally not directly observable on the market.

[21] In this connection, application of the new rules to establish whether an instrument is level 3, and the related day 1 profit deferral, have been in force since January 2021.

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

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

A.4.2 Measurement processes and sensibilities

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

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

Non-observable inputs	**Quantification of uncertainty inherent input**	**+/- delta vs MtM (€m) 30/6/21**
Implicit volatility	Defined for each volatility surface point as a standard deviation from the consensus provided by data provider Markit. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed.	(8.1)
Equity-equity correlation	Defined for each expiry on the correlation curve as a standard deviation from the consensus provided by data provider Markit. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed	(4.8)

During the year under review, the volatility and equity correlation monitoring process was improved, to take into account the changes in market conditions and the increase in operations in equity auto-callable equity instruments.[22]

[22] Revision of the control process led to a new adjustment calculation methodology being defined which has been applied since December 2020.

To this end new dynamic tolerance thresholds were introduced, to ensure that an increase in the intrinsic uncertainty of market prices is matched by a higher tolerance threshold; checks on the volatility of equities have been stepped up from monthly to daily, while those on equity correlations have been increased from monthly to fortnightly.

Measurement techniques used for equity, credit and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value * Assets 30/6/21 (€m)	Fair value * Liabilities 30/6/21 (€m)	Fair value * Assets 30/6/20 (€m)	Fair value * Liabilities 30/6/20 (€m)
OTC equity single name options, variance swap	Black-Scholes/ Black model	Implicit volatility[1]	20.29	(20.46)	14.16	(14.20)
OTC equity basket options, best of/ worst of, equity auto-callable multi-asset options	Black-Scholes/ Black model, local volatility model	Implicit volatility[2]	32.28	(18.45)	39.05	(20.73)

* 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 the loss (increase) in significance of a price expressed by the reference active market for the instrument concerned.

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

A.4.4 Other information

The Bank 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	30/6/21			30/6/20		
	Level1	Level2	Level3	Level1	Level2	Level3
1. Financial assets measured at fair value with impact taken to profit and loss	7,628,880	3,542,136	1,491,952	5,868,434	3,128,702	964,228
a) financial assets held for trading	7,378,291	2,861,597	1,096,900	5,582,671	3,077,700	554,349
b) financial assets designated at fair value	—	680,539	—	—	51,002	—
c) other financial assets mandatorily valued at fair value	250,589	—	395,052	285,763	—	409,879
2. Financial assets measured at fair value with impact taken to other comprehensive income	4,421,986	55,892	257,616	3,464,787	134,475	185,739
3. Hedging derivatives	—	312,816	—	—	471,648	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	12,050,866	3,910,844	1,749,568	9,333,221	3,734,825	1,149,967
1. Financial liabilities held for trading	4,966,846	4,193,321	1,182,213	4,018,034	3,802,689	530,954
2. Financial liabilities valued at fair value	—	833,048	—	—	216,020	—
3. Hedging derivatives	—	154,184	—	—	132,551	—
Total	4,966,846	5,180,553	1,182,213	4,018,034	4,151,260	530,954

The Bank's trading book reflects a low level of complexity and a low number of structured transactions, all of which fall within the categories described above. As at 30 June 2021, only 5.4% of the total assets and 7.5% of the total liabilities consist of trading instruments classified at fair value levels 2 and 3. Of these, the majority at present is classified as level 2 (3.9% of total assets and 5.8% of total liabilities respectively). The majority of these positions are also netted for the same factor between assets and liabilities, hence they do not entail a volatility factor for the profit and loss account.

The Level 3 instruments held for trading include options traded, i.e. contracts involving the same underlying instrument and uncertain risk parameter, totalled €992.9m (30/6/20: €408.8m). Net of these items, the Level 3 assets decreased from €145.2m to €103.9m, after new entries which were low this year (at €19.3m), and much lower than the outflows (€81.7m, €31.1m of which involve reclassifications of derivatives contracts to other levels, for which the uncertainty over volatility and the underlying dividends has reduced drastically). Upward movements in fair value totalled €21.1m.

Conversely, level 3 liabilities increased from €121.8m to €189.2m, already net of options traded), as a result of new positions (€123.3m) which chiefly regard auto-callable certificates on baskets of equities, and net outflows of €45.1m, due to the reduction in the degree of uncertainty in the valuation inputs (volatility and dividends) of certain certificates. The other changes involved redemptions (€8.8m) and downward adjustments to fair value (€2m).

Financial assets mandatorily recognized at fair value, following the repayment of the Burgo and Sorgenia convertible issues, totalled €395.1m, and chiefly involve investments in funds (including seed capital).

Financial assets recognized at fair value through other comprehensive income (consisting of interests in unlisted companies valued based on internal models) rose from €185.7m to €257.6m, principally as a result of the valuation of the Burgo equity instrument.

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

(€'000)

	Financial assets valued at fair value with impact taken to profit and loss				Financial assets valued at fair value with impact taken to other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	**of which: a) financial assets held for trading**[1]	***of which: b) financial assets designated at fair value***	***of which: c) other financial assets mandatorily valued at fair value***				
1. Opening balance	740,772	145,154	—	409,879	185,739	—	—	—
2. Increases	178,526	52,713	—	48,150	77,663	—	—	—
2.1 Purchases	55,597	19,254	—	29,178	7,165	—	—	—
2.2 Profits recognized in:	122,901	33,431	—	18,972	70,498	—	—	—
2.2.1 profit and loss	52,403	33,431	—	18,972	—	—	—	—
- of which, gains	*30,943*	*30,943*	—	—	—	—	—	—
2.2.2 net equity	70,498	X	X	X	70,498	—	—	—
2.3 Transfers from other levels	—	—	—	—	—	—	—	—
2.4 Other increases	28	28	—	—	—	—	—	—
3. Decreases	162,740	93,977	—	62,977	5,786	—	—	—
3.1 Disposals	78,768	31,492	—	43,628	3,648	—	—	—
3.2 Redemptions	19,138	19,138	—	—	—	—	—	—
3.3 Losses recognized in:	33,749	12,273	—	19,338	2,138	—	—	—
3.3.1 profit and loss	31,611	12,273	—	19,338	—	—	—	—
- of which, losses	*12,273*	*12,273*	—	—	—	—	—	—
3.3.2 net equity	2,138	X	X	X	2,138	—	—	—
3.4 Transfers to other levels	31,074	31,074	—	—	—	—	—	—
3.5 Other decreases	11	—	—	11	—	—	—	—
4. Closing balance	756,558	103,890	—	395,052	257,616	—	—	—

[1] Net of market value of options covering those attached to bonds issued (30/6/21: €0.15m; 30/6/20: €0.35m;) and options traded (€992.9m and €408.8m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

(€'000)

	Held for trading [1]	Designated at fair value	Hedging derivatives
1. Opening balance	121,759	—	—
2. Increases	177,451	—	—
2.1 Issuance	123,313	—	—
2.2 Losses recognized in:	10,177	—	—
2.2.1 profit and loss	10,177	—	—
- of which, losses	*10,177*	—	—
2.2.2 net equity	X	—	—
2.3 Transfers from other levels	43,961	—	—
2.4 Other increases	—	—	—
3. Decreases	110,003	—	—
3.1 Redemptions	8,777	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	12,152	—	—
3.3.1 profit and loss	12,152	—	—
- of which, gains	*7,262*	—	—
3.3.2 net equity	X	—	—
3.4 Transfers to other levels	89,074	—	—
3.5 Other decreass	—	—	—
4. Closing balance	189,207	—	—

[1] Net of market value of options covering those attached to bonds issued (30/6/21: €146,000; 30/6/20: €351,000;) and options traded (€992.9m and €408.8m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

(€'000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/21				30/6/20			
	Book value	Level1	Level2	Level3	Book value	Level1	Level2	Level3
1. Financial assets valued at amortised cost	49,343,114	2,080,995	38,790,532	9,114,160	43,711,164	2,431,924	30,939,943	11,024,430
2. Tangible assets held for investment purposes	24,195	—	—	94,467	24,573	—	—	93,443
3. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
Total	49,367,309	2,080,995	38,790,532	9,208,627	43,735,737	2,431,924	30,939,943	11,117,873
1. Financial liabilities valued at amortised cost	55,065,537	—	55,220,128	45,445	50,698,334	—	50,884,971	39,433
2. Liabilities held in respect of assets being sold	—	—	—	—	—	—	—	—
Total	55,065,537	—	55,220,128	45,445	50,698,334	—	50,884,971	39,433

A.5 - Information on "day one profit/loss"

IFRS 9 stipulates that the positive difference between the fair value of an instrument and the price at which it is traded at the transaction date (known as the "day one profit") can only be represented among the income items of the profit and loss account if it is based on market prices and on models that are not based on uncertain market parameters. Rather, the fair value must be adjusted by the day one profit, which is only released to profit and loss as and when the parameter becomes certain.[23] If the difference 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

[23] IFRS 9, paragraphs B5.1.2A and B5.2.2A.
The best evidence of the fair value of a financial instrument at the initial recognition date is usually the price of the transaction (i.e. the fair value of the consideration paid or received; cf. also IFRS 13). If the entity establishes that the fair value at the initial recognition date differs from the price of the transaction indicated in paragraph 5.1.1 A, it must account for the instrument at that date by the following method:
a. According to the valuation method described in paragraph 5.1.1, if the fair value is provided by a price quoted on an active market or an identical liability (level 1), or it is based on a measurement technique using only data derived from observable markets. The entity must record the difference between the fair value at the initial recognition date and the price of the trade as either a profit or loss as the case may be;
b. In all other cases, according to the valuation method described in paragraph 5.1.1, adjusted for the difference between the fair value at the initial recognition date and the price of the transaction. Following the initial measurement, the entity must recognize the deferred change as a profit or loss only to the degree to which it emerges from a change in a factor (including time) that the market operators would take into consideration in establishing the price of the asset or liability.

exposed (interest rate/exchange rate risk, etc.) and recorded directly in the profit and loss account.

In accordance with established market practice, the day one profit regulations are only applied to financial instruments classified as level 3. In cases which involve new types of structured deal, the Bank conducts its analysis on a case-by-case basis, establishing the fair value ranking and whether or not the deal falls within the scope of application of the day one profit regulations when it is approved. At this stage, a financial instrument is classified as level 3 if the uncertain parameter's impact on fair value is considered to be material as defined in IFRS 13, paragraph 73.[24]

In the past the day one profit has been suspended for the surplus generated on an arbitrage trade (executed in FY 2016-17) between the acquisition of a financial instrument convertible into listed equities (starting from year 5) and the sale of the corresponding listed equities. The €10m surplus has been released gradually to profit and loss pro rata throughout the duration of the transaction, and now stands at approx. €0.7m (the amount taken to profit and loss in the twelve months was €2m).

The suspension approach is also applied to the profit deriving from trades in derivatives linked to hedges of M&A deals: as the derivative becomes effective only if the deal is executed, the profit is suspended until the uncertainty regarding the deal's execution has ceased. At the reporting date there was only one trade of this kind, involving a profit of approx. €0.5m.

Finally, as from 1 January 2021, the validation model for certificates has been completed, resulting in the auto-callable options with equity baskets as the underlying instrument being classified as level 3. The upfront effects to profit and loss have been suspended, in line with the Bank's regulations.

[24] In some cases, the data used to establish the fair value of an asset or liability could be classified in different fair value hierarchy levels. In such cases, the valuation is classified entirely in the same level as the input with the lowest hierarchical ranking used in the valuation itself. Assessment of the materiality of a given input to the valuation as a whole requires judgement that takes account of the asset's or liability's individual characteristics. The adjustments made to arrive at valuations based on fair value, such as sale costs in cases where fair value is calculated after sales costs have been deducted, must not be taken into consideration in determining the fair value hierarchy level in which a valuation is classified.

The instruments classified as level 3 reflect a fair value of approx. €80m, with day one profit suspended as to €1.2m.[25]

The Bank also has deals classified as Level 3 for which the initial profit has not had to be suspended, as they were originally negotiated with other market counterparties without generating any material upfront difference, or because, as at the trading date, they had an outstanding duration which expired before the end of the financial year, hence there was no need for their effects to be deferred over time across several reporting periods.

[25] It is worth noting that early application of this model as from 1 July 2020 would have resulted in less than €500,000 in additional suspensions.

Part B - Notes to the Individual Balance Sheet*

Assets

SECTION 1

Heading 10: Cash and cash equivalent

1.1 Cash and cash equivalents: composition

	Total 30/6/21	Total 30/6/20
a) Cash	603	592
b) Demand deposits with Central Banks	1,554,060	3,101,358
Total	1,554,663	3,101,950

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

SECTION 2

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

*2.1 Financial assets held for trading: composition**

Items/Values	Total 30/6/21			Total 30/6/20		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	4,210,242	451,634	10,601	2,954,447	551,675	28,968
1.1 Structured securities	10,370	8,412	—	2,758	18,177	1,998
1.2 Other securietes	4,199,872	443,222	10,601	2,951,689	533,498	26,970
2. Equity securites[1]	2,339,261	—	40,398	1,962,771	—	29,372
3.UCITs	119,204	—	323	20,114	—	2,526
4. Loans	3,981	—	—	3,917	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Others	3,981	—	—	3,917	—	—
Total (A)	6,672,688	451,634	51,322	4,941,249	551,675	60,866
B. Derivative instruments						
1. Financial derivates	705,603	2,090,310	1,045,578 [2]	641,422	2,340,414	493,483
1.1 trading	705,603	2,088,310	1,045,432	641,422	2,335,907	493,340
1.2 related to the fair value option	—	—	—	—	—	—
1.3 others	—	2,000	146	—	4,507	143
2. Credit derivates	—	319,653	—	—	185,611	—
2.1 trading	—	319,653	—	—	185,611	—
2.2 related to the fair value option	—	—	—	—	—	—
2.3 others	—	—	—	—	—	—
Total (B)	705,603	2,409,963	1,045,578	641,422	2,526,025	493,483
Total (A+B)	7,378,291	2,861,597	1,096,900	5,582,671	3,077,700	554,349

* 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 €648,410,000 at 30 June 2021 (30/6/20: €507,245,000).

[2] Includes €992,861,000 at 30 June 2021 and €408,844,000 at 30 June 2020 in options traded, with the matching amount booked as financial liabilities.

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

Items/Values	30/6/21	30/6/20
A. Financial assets		
1. Debt securities	4,672,477	3,535,090
a) Central Banks	—	—
b) Public Administrations	2,903,041	1,880,990
c) Banks	1,120,977	1,236,147
d) Other financial companies	306,622	201,525
of which: insurance companies	*4,132*	*2,904*
e) Non financial companies	341,837	216,428
2. Equity instruments	2,379,659	1,992,143
a) Banks	271,042	149,796
b) Other financial companies	287,410	464,779
of which: Insurance companies	*115,123*	*169,779*
c) Non financial companies	1,821,207	1,377,568
d) Other issuers	—	—
3. UCITs	119,527	22,640
4. Loans	3,981	3,917
a) Central Banks	—	—
b) Public Administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non financial companies	3,981	3,917
f) Households	—	—
Total (A)	7,175,644	5,553,790
B. DERIVATIVE INSTRUMENTS		
a) Central Counterparties	202,620	201,441
b) Others	3,958,524	3,459,489
Total (B)	4,161,144	3,660,930
Total (A+B)	11,336,788	9,214,720

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

Items/Values	Total 30/6/21			Total 30/6/20		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	50,720	—	—	51,002	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	50,720	—	—	51,002	—
2. Loans	—	629,819	—	—	—	—
2.1 Structured	—	—	—	—	—	—
2.2 Others[1]	—	629,819	—	—	—	—
Total	—	680,539	—	—	51,002	—

* 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] This item refers to a loan matched on the liability side by the issue of a certificate.

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

Items/Values	30/6/21	30/6/20
1. Debt securities	50,720	51,002
a) Central Banks	—	—
b) Public Administrations	—	—
c) Banks	—	—
d) Other financial companies	50,720	51,002
of which: Insurance companies	—	—
e) Non financial companies	—	—
2. Loans	629,819	—
a) Central Banks	—	—
b) Public Administrations	—	—
c) Banks	—	—
d) Other financial companies	629,819	—
of which: Insurance companies	*629,819*	—
e) Non financial companies	—	—
f) Households	—	—
Total	680,539	51,002

2.5 Other financial assets mandatorily valued at fair value: composition

Items/Values	30/6/21			30/6/20		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	288	—	1,321	306	—	1,785
1.1 Structured securities	—	—	—	—	—	—
1.2 Others	288	—	1,321	306	—	1,785
2. Equity instruments	—	—	2,969	—	—	2,812
3. UCITs	250,301	—	375,808	285,457	—	351,002
4. Loans	—	—	14,954	—	—	54,280
4.1Reverse Repos	—	—	—	—	—	—
4.2 Others[1]	—	—	14,954	—	—	54,280
Total	250,589	—	395,052	285,763	—	409,879

[1] This item includes €7.5m in respect of the equity partner who departed from Messier et Associés during the year, and is matched by Mediobanca shares as pledge.

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

Items/Values	30/6/21	30/6/20
1. Equity instruments	2,969	2,812
of which: banks	—	—
of which: other financial companies	*2,969*	*2,812*
of which: other non financial companies	—	—
2. Debts securities	1,609	2,091
a) Central Banks	—	—
b) Public administration	288	306
c) Banks	—	—
d) Other financial companies	1,321	1,785
of which: insurance companies	—	—
e) Non financial companies	—	—
3. UCITs	626,109	636,459
4. Loans	14,954	54,280
a) Central Banks	—	—
b) Public administration	—	—
c) Banks	—	—
d) Other financial companies	4,206	3,973
of which: insurance companies	—	—
e) Non financial companies	10,748	50,307
f) Households	—	—
Total	645,641	695,642

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	30/6/21			30/6/20		
	Level 1	Level 2	Level 3[1]	Level 1	Level 2	Level 3
1. Debts securities	4,290,967	55,892	—	3,351,465	134,475	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other	4,290,967	55,892	—	3,351,465	134,475	—
2. Equity instruments	131,019	—	257,616	113,322	—	185,739
3. Loans	—	—	—	—	—	—
Total	4,421,986	55,892	257,616	3,464,787	134,475	185,739

* 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 the CheBanca! AT1 instrument (€160,900,000) and the participative financial instrument in Burgo company valued at €55,000,000, after the debt renegotiation.

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

Items/Values	30/6/21	30/6/20
1. Debt securities	4,346,859	3,485,940
a) Central Banks	—	—
b) Public administrations	3,595,826	2,613,617
c) Banks	381,346	521,126
d) Other financial companies	159,577	208,717
of which: insurance companies	*50,717*	*64,983*
e) Non financial companies	210,110	142,480
2. Equity securities	388,635	299,061
c) Banks[1]	169,709	160,116
b) Other issuers:	218,926	138,945
- other financial companies	31,826	24,021
of which: insurance companies	—	—
- Non financial companies	187,100	114,924
- 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	4,735,494	3,785,001

[1] Includes the CheBanca! AT1 instrument (€160,900,000) subscribed to in full by Mediobanca S.p.A. (€160,000,000 at 30 June 2020)

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
	Stage1	*of which: low credit risk **	Stage2	Stage3	Stage1	Stage2	Stage3	
Debt securities	4,357,062	—	—	—	10,203	—	—	—
Loans	—	—	—	—	—	—	—	—
Total 30/6/21	4,357,062	—	—	—	10,203	—	—	—
Total 30/6/20	3,492,048	67,139	—	—	6,108	—	—	—
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 (30/06/21)

Type of transaction/Values	Total					
	30/6/21					
	Book value			Fair value*		
	Stage1 and Stage2	Stage3	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
A. Due from Central Banks	229,489	—	—	—	229,489	—
1 Term deposits	—	—	—	X	X	X
2 Compulsory reserves	229,489	—	—	X	X	X
3 Reverse repos	—	—	—	X	X	X
4 Others	—	—	—	X	X	X
B. Due from banks	28,107,273	—	—	185,788	27,954,174	269,825
1 Loans	27,050,425	—	—	—	27,057,312	269,825
1.1 Current accounts and demand deposits	1,647,517	—	—	X	X	X
1.2. Time deposits	753,213	—	—	X	X	X
1.3 Other loans:	24,649,695	—	—	X	X	X
- Reverse repos	1,932,575	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- Others	22,717,120	—	—	X	X	X
2. Debts securities	1,056,848	—	—	185,788	896,862	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	1,056,848	—	—	185,788	896,862	—
Total	28,336,762	—	—	185,788	28,183,663	269,825

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

4.1 Financial assets at amortized cost: composition of due from banks (30/06/20)

Type of transaction/Values	Total					
	30/6/20					
	Book value			Fair value*		
	Stage1 and Stage2	Stage3	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
A. Due from Central Banks	219,721	—	—	—	219,721	—
1 Term deposits	—	—	—	X	X	X
2 Compulsory reserves	219,721	—	—	X	X	X
3 Reverse repos	—	—	—	X	X	X
4 Others	—	—	—	X	X	X
B. Due from banks	20,317,826	—	—	185,309	20,445,167	40,889
1 Loans	19,295,878	—	—	—	19,599,094	40,889
1.1 Current accounts and demand deposits	1,316,611	—	—	X	X	X
1.2. Time deposits	317,543	—	—	X	X	X
1.3 Other loans:	17,661,724	—	—	X	X	X
- Reverse repos	2,464,519	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- Others	15,197,205	—	—	X	X	X
2. Debts securities	1,021,948	—	—	185,309	846,073	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	1,021,948	—	—	185,309	846,073	—
Total	20,537,547	—	—	185,309	20,664,888	40,889

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

4.2 Financial assets at amortized cost: composition of due from customers (30/06/2021)

Type of transaction/Values	Total					
	30/6/21					
	Book value			Fair value*		
	Stage1 and Stage2	Stage3	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
1. Loans	17,672,092	74,279	—	—	10,598,627	7,390,104
1.1 Current accounts	1,001,449	—	—	X	X	X
1.2 Reverse Repos	1,484,079	—	—	X	X	X
1.3 Mortgages	12,247,728	74,279	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X
1.5 Finance lease	5,065	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X
1.7 Other loans	2,933,771	—	—	X	X	X
2. Debt securities	3,259,981	—	—	1,895,207	8,242	1,454,231
2.1 Structured	—	—	—	—	—	—
2.2 Other debt securities[1]	3,259,981	—	—	1,895,207	8,242	1,454,231
Total	20,932,073	74,279	—	1,895,207	10,606,869	8,844,335

* 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] Of which 1,196,720,000 related to securitizations by Group companies (Compass Banca).

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

Type of transaction/Values	Total					
	30/6/20					
	Book value			Fair value*		
	Stage1 and Stage2	Stage3	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
1. Loans	17,858,758	283,611	—	—	10,237,172	8,196,593
1.1 Current accounts	917,839	—	—	X	X	X
1.2 Reverse Repos	994,532	—	—	X	X	X
1.3 Mortgages	13,724,977	283,611	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X
1.5 Finance lease	2,292	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X
1.7 Other loans	2,219,118	—	—	X	X	X
2. Debt securities	5,031,248	—	—	2,246,615	37,883	2,786,948
2.1 Structured	—	—	—	—	—	—
2.2 Other debt securities[1]	5,031,248	—	—	2,246,615	37,883	2,786,948
Total	22,890,006	283,611	—	2,246,615	10,275,055	10,983,541

* 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] Of which 2,574,288,000 related to securitizations by Group companies (Compass Banca).

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

Type of transaction / Values	Total 30/6/21			Total 30/6/20		
	Stage1 and Stage2	Stage3	*of which: impaired assets aquired or created*	Stage1 and Stage2	Stage3	*of which: impaired assets aquired or created*
1. Debt securities	3,259,981	—	—	5,031,248	—	—
a) Public Administration	1,536,502	—	—	1,835,108	—	—
b) Other financial company	1,635,069	—	—	3,011,537	—	—
of which: insurance companies	*208,345*	—	—	*229,394*	—	—
c) Non financial companies	88,410	—	—	184,603	—	—
2. Loans to:	17,672,092	74,279	—	17,858,758	283,611	—
a) Public Administration	102,687	—	—	103,158	—	—
b) Other financial company	8,363,285	2,209	—	8,452,920	2,229	—
of which: insurance companies	*533,496*	—	—	*617,656*	—	—
c) Non financial companies	8,444,660	70,876	—	8,592,680	279,417	—
d) Households	761,460	1,194	—	710,000	1,965	—
Total	20,932,073	74,279	—	22,890,006	283,611	—

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

	Gross value				Writedown			Write off partial total
	Stage1	*of which: low credit risk**	Stage2	Stage3	Stage1	Stage2	Stage3	
Debt securities	4,309,612	—	13,092	—	5,411	464	—	—
Loans	44,700,117	12,710	340,115	138,247	79,215	9,011	63,968	—
Total 30/6/21	49,009,729	12,710	353,207	138,247	84,626	9,475	63,968	—
Total 30/6/20	43,103,920	390,122	404,726	395,968	66,885	14,208	112,357	—
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.

4.4a Loans and advances measured at amortised cost subject to measures applied in response to the COVID-19: gross values and writedown

	Gross value				Writedown			Write off partial total
	Stage1	*of which: low credit risk*	Stage2	Stage3	Stage1	Stage2	Stage3	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)*	—	—	—	—	—	—	—	—
2. Other loans and advances subject to COVID-19-related forbearance measures	—	—	21,795	—	—	511	—	—
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	202,683	—	—	—	976	—	—	—
Total 30/6/21	202,683	—	21,795	—	976	511	—	—

* The row headed "Loans that have received concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis*" published by the EBA (EBA/GL/2020/02) as amended.

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	Fair Value 30/6/21			Notional value	*Fair Value* 30/6/20			Notional value
	Level 1	Level 2	Level 3	30/6/21	Level 1	Level 2	Level 3	30/6/20
A. Financial derivatives								
1. Fair value	—	312,816	—	14,329,122	—	471,648	—	21,534,556
2. Cash flows	—	—	—	—	—	—	—	—
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	312,816	—	14,329,122	—	471,648	—	21,534,556

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedgin	Fair value							Cash-flow		Foreign investments
	Specific						Generic	Specific	Generic	
	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	13,161	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Others	—	—	—	—	—	—	X	—	X	—
Total assets	13,161	—	—	—	—	—	—	—	—	—
1. Financial liabilities	299,655	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	299,655	—	—	—	—	—	—	—	—	
1. Forecast transactions	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 2021, the book value carried under the "Equity investments" heading totalled €3,457.4m.

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 527, in par value GBP0.005 shares	London	London	85.13 (*)	85.13
CheBanca S.p.A. Share capital € 506.3m, 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
Compass Banca S.p.A. Share capital € 587.5m, in par value € 5 shares	Milan	Milan	100.00	100.00
Mediobanca Innovation Services - MIS S.c.p.A. Share capital € 35m, in par value € 5 shares	Milan	Milan	100.00	100.00
Mediobanca Management Company Share capital € 500,000 in par value € 10 shares	Luxembourg	Luxembourg	100.00	100.00
Mediobanca SGR Share capital € 10.3m, in par value € 51.65 shares	Milan	Milan	100.00	100.00
Messier Maris et Associés S.C.A. Share capital € 50,000, in par value €0.1 shares	Paris	Paris	83.11**	83.11
MBFACTA S.p.A. Share capital € 120m, in par value €1 shares	Milan	Milan	100.00	100.00
MB Funding Lux S.A. Share capital € 831,000, in par value € 1 shares	Luxembourg	Luxembourg	100.00	100.00
MB International (Luxembourg) S.A. Share capital € 10m, in par value € 10 shares	Luxembourg	Luxembourg	100.00	100.00
MB Securities USA LLC Share capital $ 2.25m	New York	New York	100.00	100.00
RAM Active Investments S.A. Share capital CHF 1m in par value CHF 10 shares	Geneva	Geneva	94.71***	94.71
Ricerche e Studi S.p.A. Share capital € 100,000, in par value € 5 shares	Milan	Milan	100.00	100.00
SelmaBipiemme Leasing S.p.A. Share capital € 41.3m, in par value € 0.50 shares	Milan	Milan	60.00	60.00
Spafid S.p.A. Share capital € 6.1m, in par value € 10 shares	Milan	Milan	100.00	100.00
B. Companies subject to significant influence				
Assicurazioni Generali S.p.A. Share capital € 1,576.0m, in par value € 1 shares	Trieste	Trieste	12.82	12.87
Istituto Europeo di Oncologia S.r.l. Share capital € 80.6m	Milan	Milan	25.37	25.37

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

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

*** The percentage rises to 98.28% if account is taken of the put and call options entered into when the acquisition was completed.

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

Company name	Book value	Fair value	Dividends received
A. Directly-held companies			
Cairn Capital Group Limited	74,274	n.d.	—
CheBanca! S.p.A.	663,950	n.d.	—
Compagnie Monegasque de Banque - CMB S.A.M.	372,947	n.d.	—
CMB Wealth Management S.A.M. (under liquidation)	—	n.d.	—
Compass Banca S.p.A.	767,252	n.d.	200,000
Mediobanca Innovation Services - MIS S.c.p.A.	35,020	n.d.	—
Mediobanca Management Company	3,993	n.d.	—
Mediobanca SGR	38,139	n.d.	—
Messie Maris et Associés S.C.A.	93,941	n.d.	9,474
MBFACTA S.p.A.	120,157	n.d.	—
MB Funding Lux	831	n.d.	—
MB International (Luxembourg) S.A.	6,040	n.d.	—
MB Securities USA LLC	211	n.d.	—
Prominvestment S.p.A. (under liquidation and arrangement with customers)	—	n.d.	—
RAM Active Investments S.A.	103,508	n.d.	—
Ricerche e Studi S.p.A.	103	n.d.	—
SelmaBipiemme Leasing S.p.A.	32,909	n.d.	—
Spafid S.p.A.	8,888	n.d.	—
B. Companies under significant influence			
Assicurazioni Generali S.p.A.	1,096,272	3,426,872	204,741
Istituto Europeo di Oncologia S.r.l.	38,995	n.d.	—
Total	3,457,430		414,215

The criteria and methods for establishing the area of consolidation are illustrated in “Section 3 – Part A – Accounting Policies” to which reference is made.

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	—	33,355	12,627	7,788	3,494	21,558	(334)	(429)	(2,229)	(2,134)	—	(2,134)	—	(2,134)
Chebanca! S.p.A.	114,546	28,467,700	437,275	27,916,210	262,896	358,052	228,198	(27,180)	49,665	32,851	—	32,851	(539)	32,312
Compagnie Monegasque de Banque - CMB S.A.M.	251,397	5,475,918	97,537	4,877,632	46,642	102,828	42,027	(8,187)	34,718	28,726	—	28,726	—	28,726
Compass Banca S.p.A.	5,068	13,358,680	1,000,051	11,700,378	269,985	928,307	875,661	(14,196)	421,959	302,205	—	302,205	15,066	317,271
Mediobanca Innovation Services - MIS S.c.p.A.	1	9,130	84,119	38,716	19,397	—	—	(18,564)	(103)	3	—	3	83	86
Mediobanca Management Company	1	7,737	4,411	104	3,228	3,186	—	(121)	1,020	754	—	754	—	754
Mediobanca SGR	—	36,797	14,766	471	7,854	24,615	(1)	(231)	9,212	6,459	—	6,459	18	6,477
Messier Maris et Associés S.C.A.	—	21,212	28,094	9,649	11,041	48,344	—	(100)	25,856	18,891	—	18,891	—	18,891
MBFACTA S.p.A.	—	2,400,102	20,702	2,216,977	20,270	47,644	40,834	(179)	25,232	17,107	—	17,107	46	17,153
MB Funding Lux	—	10,108	869	10,000	42	0	—	—	23	22	—	22	—	22
MB International (Luxembourg) S.A.	43,802	7,011,732	72,917	6,776,057	16,350	16,520	15,764	(235)	8,108	5,261	—	5,261	—	5,261
MB Securities USA LLC	—	5,583	304	—	897	2,423	—	—	78	55	—	54	—	54
RAM Active Investments S.A.	—	21,956	9,041	—	4,355	12,216	(223)	(188)	(1,778)	(2,062)	—	(2,061)	—	(2,061)
Ricerche e Studi S.p.A. (under liquidation)	1	97	41	—	66	(7)	(7)	(58)	74	36	—	36	—	36
SelmaBipiemme Leasing S.p.A.	5	1,777,943	121,859	1,642,731	38,715	37,353	35,877	(2,374)	6,175	4,144	—	4,144	1,446	5,590
Spafid S.p.A.	2	33,219	19,568	1,917	7,143	9,048	(25)	(705)	(2,827)	(2,869)	—	(2,869)	16	(2,853)
B. Companies subject to significant influence														
Assicurazioni Generali S.p.A.	X	492,522,000	44,288,000	44,068,000	468,847,000	85,242,000	X	X	3,390,000	2,215,000	(183,000)	2,032,000	718,000	2,750,000
Istituto Europeo di Oncologia S.r.l.	X	65,795	134,993	91,647	56,959	328,272	X	X	(3,866)	725	—	725	—	725

* 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 developments took place during the twelve months under review:

- Capital increase implemented by CheBanca! (subscribed for in full) in an amount of €280m, necessary in order to improve the company's individual leverage ratio;
- Capital increase implemented by Cairn Capital Group (£22.8m subscribed for, against a capital increase totalling £26.5m) in relation to the Revenue Sharing Agreement entered into in connection with the Bybrook acquisition, plus the buyout of certain minority interests totalling £7m, taking the Bank's interest in the company to 85.13%;
- Buyout of minority interests in RAM Active Investments (€10.1m), which takes the Bank's interest in this company to 94.71%; as at 30 June 2021, as in the consolidated reporting, an adjustment has been taken for the book value of the investment for CHF 1.6m (€1.5m), which has become necessary as a result of the company's failure to meet its budget objectives, in line with the results of the impairment test carried out on the goodwill recorded in the consolidated balance sheet;[1]
- Reduction in the book value of the Messier et Associés investment, by €13.9m, to reflect the prospects of lower profitability going forward following the exit of one of the two equity partners; this reduction was offset, however, by the gain realized as a result of activating the clawback mechanism, and the acquisition of a further 16.7% in the company for the token price of €1; overall, the Bank's interest in the company is now 83.11%, and the investment is carried at a book value of €93.9m (30/6/20: 66.42%; €107.8m). As a result of the above developments, the company has been renamed Messier et Associés;
- The Bank's longstanding investment in Burgo (22.13%, written off entirely in 2013) has been reclassified as a financial asset recognized FVOCI, following investment by a new shareholder for which a reserved capital increase was implemented, reducing Mediobanca's share in the company to 4% and meaning it no longer has a significant influence over the company.

The Assicurazioni Generali and Istituto Europeo di Oncologia investments continue to be recognized at cost.

[1] See the Notes to the Consolidated Balance Sheet, Part A, Section 10 – Heading 100: Intangible assets for further details.

7.5 Equity investments: movements during the year

	30/6/21	30/6/20
A. Opening balance	3,150,668	3,191,844
B. Increases	324,485	9,761
B.1 Purchases	324,485	8,463
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes	—	1,298
C. Decreases	17,723	50,937
C.1 Sales	—	—
C.2 Adjustments	15,485	50,937
C.3 Other changes	2,238	—
D. Closing balance	3,457,430	3,150,668
E. Total revaluations	—	—
F. Total adjustments	891,929	876,501

SECTION 8

Heading 80 - Property, plant and equipment

8.1 Core assets: composition of assets stated at cost

Activities/Values	Total	Total
	30/6/21	30/6/20
1. Property assets	92,147	91,820
a) lands	67,896	67,896
b) buildings	18,324	18,357
c) furniture	1,172	1,134
d) electronic system	2,151	1,930
e) other	2,604	2,503
2. Leased assets	21,940	22,717
a) lands	—	—
b) buildings	18,592	18,518
c) furniture	—	—
d) electronic system	—	—
e) other	3,348	4,199
Total	114,087	114,537
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				Total			
	30/6/21				30/6/20			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	24,195	—	—	94,467	24,573	—	—	93,443
a) lands	20,350	—	—	75,291	20,350	—	—	74,251
b) buildings	3,845	—	—	19,176	4,223	—	—	19,192
2. Rights of use acquired through the lease	—	—	—	—	—	—	—	—
a) lands	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	24,195	—	—	94,467	24,573	—	—	93,443
of which: arising from the recovery of guarantees received	—	—	—	—	—	—	—	—

8.6 Core properties: movements during the period

	Lands	Buildings [1]	Furniture	Electronic systems	Other [1]	Total
A. Gross opening balance 30 june 2020	67,896	66,441	8,815	10,005	31,542	184,699
A.1 Total net reduction value	—	(29,566)	(7,681)	(8,075)	(24,840)	(70,162)
A.2 Net opening balance 30 june 2020	67,896	36,875	1,134	1,930	6,702	114,537
B. Increase:	—	4,965	241	763	1,755	7,724
B.1 Purchasing	—	—	241	763	684	1,688
- *of which business combinations*	—	—	—	—	—	—
B.2 Capitalised improvement costs	—	1,281	—	—	—	1,281
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
B.5 Positive foreign exchange differences	—	—	—	—	—	—
B.6 Transfer from investment properties	—	—	X	X	X	—
B.7 Other adjustment	—	3,684	—	—	1,071	4,755
C. Decrease:	—	4,924	203	542	2,505	8,174
C.1 Sales	—	—	50	—	9	59
- *of which business combinations*	—	—	—	—	—	—
C.2 Depreciation	—	4,314	153	542	2,495	7,504
C.3 Impairment losses allocated to	—	200	—	—	—	200
a) net equity	—	—	—	—	—	—
b) profit & loss [2]	—	200	—	—	—	200
C.4 Negative chages in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.5 Negative foreign exchange differences	—	—	—	—	—	—
C.6 Transfer to:	—	—	—	—	—	—
a) investment	—	—	X	X	X	—
b) non-current assets and group of assets held for sale	—	—	—	—	—	—
C.7 Other adjustment	—	410	—	—	1	411
D. Net closing balance 30 June 2021	67,896	36,916	1,172	2,151	5,952	114,087
D.1 Total net write-down	—	(32,413)	(7,834)	(8,617)	(26,727)	(75,591)
D.2 Gross closing balance 30 June 2021	67,896	69,329	9,006	10,768	32,679	189,678
E. Carried at cost	—	—	—	—	—	—

[1] Amounts include the values at 30/6/20 and movements during the period of right-of-use deriving from the IFRS16 introduction.

[2] Related to the renting contract of the Paris branch, undergoing relocation.

8.7 Assets held for investment purposes: movements during the year

	Total	
	Lands	**Buildings**
A. Opening balance	20,350	4,223
B. Increase	—	45
B.1 Purchasing	—	—
- *of which: business combinations*	—	—
B.2 Capitalised expenditure on improvements	—	45
B.3 Positive changes in fair value	—	—
B.4 Writebacks	—	—
B.5 Positive exchange differences	—	—
B.6 Transfer from investment properties	—	—
B.7 Other adjustment	—	—
C. Decrease	—	423
C.1 Sales	—	—
- *of which: business combinations*	—	—
C.2 Depreciation	—	423
C.3 Negative changes in fair value	—	—
C.4 Impairment losses	—	—
C5 Negative exchange difference	—	—
C.6 Transfer to:	—	—
a) property used in operations	—	—
b) non-current assets and group of assets held for sale;	—	—
C.7 Other adjustment	—	—
D. Closing balance	20,350	3,845
E. Measured at fair value	75,291	19,176

SECTION 9

Heading 90: Intangible assets

9.1 Intangible assets: composition

Activities/Values	**30/6/21**		**30/6/20**	
	Definite life	**Indefinite life**	**Definite life**	**Indefinite life**
A.1 Goodwill	X	12,514	X	12,514
A.2 Other intangible assets	796	15,489	1,245	15,489
A.2.1 Assets valued at cost:	796	15,489	1,245	15,489
a) intangible assets generated internally	—	—	—	—
b) other assets	796	15,489	1,245	15,489
A.2.2 Assets valued at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	796	28,003	1,245	28,003

The value of the brand and of goodwill have been tested for impairment, and no indication of impairment loss has been found.

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	—	—	96,226	15,489	124,229
A.1 Reductions of total net value	—	—	—	(94,981)	—	(94,981)
A.2 Net opening balance	12,514	—	—	1,245	15,489	29,248
B. Increases	—	—	—	507	—	507
B.1 Purchases	—	—	—	507	—	507
- of which business combinations	—	—	—	—	—	—
B.2 Increments of internal intagible assets	X	—	—	—	—	—
B.3 Value recoveries	X	—	—	—	—	—
B.4 Positive variations of fair value	—	—	—	—	—	—
- equity	X	—	—	—	—	—
- to P&L statement	X	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Other variations	—	—	—	—	—	—
C. Decreases	—	—	—	956	—	956
C.1 Sales	—	—	—	—	—	—
- of which business combinations	—	—	—	—	—	—
C.2 Value adjustment	—	—	—	946	—	946
- Amortisations	X	—	—	946	—	946
- Depreciations	—	—	—	—	—	—
+equity	X	—	—	—	—	—
+ to P&L statement	—	—	—	—	—	—
C.3 Negative variations of fair value	—	—	—	—	—	—
- equity	X	—	—	—	—	—
- to P&L statement	X	—	—	—	—	—
C.4 Transfer to non-current assets	—	—	—	—	—	—
C.5 Negative exchange differrences	—	—	—	—	—	—
C.6 Other variations	—	—	—	10	—	10
D. Net closing balance	12,514	—	—	796	15,489	28,799
D.1 Adjustment of net total values	—	—	—	(95,936)	—	(95,936)
E. Gross closing balance	12,514	—	—	96,732	15,489	124,735
F. Measurement at cost	—	—	—	—	—	—

SECTION 10

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

10.1 Advance tax assets: composition

	Total 30/6/21	**Total 30/6/20**
- Against Profit and Loss	88,449	84,387
- Against Net Equity	4,240	6,528
Total	92,689	90,915

10.2 Deferred tax liabilities: composition

	Total 30/6/21	**Total 30/6/20**
- Against Profit and Loss	206,189	210,494
- Against Net Equity	36,109	21,501
Total	242,298	231,995

10.3 Changes in advance tax during the period (against profit and loss)

	Total 30/6/21	**Total 30/6/20**
1. Opening balance	84,387	82,710
2. Increases	13,052	10,193
2.1 Deferred tax assets for the year	13,052	9,865
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) writebacks	—	—
d) others	13,052	9,865
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	328
3. Decreases	8,990	8,516
3.1 Deferred tax assets derecognised in the year	8,990	8,516
a) reversals of temporary differences	8,990	8,516
b) writedowns of non-temporary items	—	—
c) changes in accounting policies	—	—
d) others	—	—
3.2 Reduction in tax rates	—	—
3.3 Other decreases:	—	—
a) conversion into tax receivables pursuant to Italian Law 214/2011	—	—
b) others	—	—
4. Closing balance	88,449	84,387

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

	Total 30/6/21	Total 30/6/20
1. Opening balance	50,865	50,865
2. Increases	—	—
3. Decreases	7,026	—
3.1 Reversals of temporary differences	7,026	—
3.2 Conversion into tax receivables deriving from:	—	—
a) year losses	—	—
b) tax losses	—	—
3.3 Other decreases	—	—
4. Closing balance	43,839	50,865

* 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 (against profit and loss)

	Total 30/6/21	Total 30/6/20
1. Opening balance	210,494	205,063
2. Increases	—	19,191
2.1 Deferred tax liabilities of the year	—	19,191
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) others	—	19,191
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	4,305	13,760
3.1 Deferred tax liabilities derecognised in the year	4,305	13,760
a) reversals of temporary differences	4,305	3,760
b) due to changes in accounting policies	—	—
c) others	—	10,000
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	206,189	210,494

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

	Total 30/6/21	Total 30/6/20
1. Opening balance	6,528	5,441
2. Increases	16,695	37,461
2.1 Deferred tax liabilities of the year	16,695	37,461
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) others	16,695	37,461
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	18,983	36,374
3.1 Deferred tax liabilities derecognised in the year	18,983	36,374
a) reversals of temporary differences	18,983	36,374
b) writedowns of non-recoverable amounts	—	—
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	4,240	6,528

* Tax deriving from cash flow hedges and valuations of financial instruments recognized at fair value through Other Comprehensive Income.

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

	Total 30/6/21	Total 30/6/20
1. Opening balance	21,501	26,427
2. Increases:	117,583	75,229
2.1 Deferred tax liabilities of the year:	117,583	75,229
a) related to prevoius year	—	—
b) due to changes in accountable parameters	—	—
c) others	117,583	75,229
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases:	102,975	80,155
3.1 Deferred tax liabilities derecognized in the year	102,975	80,155
a) reversals of temporary differences	102,975	80,155
b) due to changes in accountable parameters	—	—
c) others	—	—
3.2 Decrease in fiscal rates	—	—
3.3 Other decreases	—	—
4. Closing balance	36,109	21,501

Of the reductions, €5.1m refer to the deferred tax relating to the difference between the accounting value and the tax value of the Banca Esperia brand as at 30 June 2021. The tax value of this asset was therefore realigned to the higher tax value, in application of Article 110, paragraph 8-bis, of Italian Decree Law 104/20, with all liabilities recorded in the accounts being cancelled accordingly. In accordance with the International Accounting Standards and the Bank of Italy instructions, the deferred tax has been released to profit and loss.

SECTION 12

Heading 120: Other assets

12.1 Other assets: composition

	30/6/21	30/6/20
1. Accrued income other than capitalized income from financial assets	2,723	2,260
2. Trade receivables or invoices to be issued	143,897	108,588
3. Amounts due from tax revenue authorities (not recorded under Heading 100)	30,411	31,439
4. Other items:	54,076	68,086
- futures and other securities transactions	169	167
- other items in transit	42,337	56,288
- amounts due from staff	159	198
- improvements on third parties' assets	962	1,140
- fiscal consolidated	—	—
- group VAT	4,000	2,087
- sundry other items[1]	6,449	8,206
Total Other Assets	231,107	210,373

[1] Includes 6,054,000 of accrued income (6,907,000 for the 12 months ended 30 June 2020).

Liabilities

SECTION 1

Heading 10: Financial liabilities recognized at amortized cost

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

Type of transaction/Values	Total 30/6/21				Total 30/6/20			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Loans from central banks	7,486,142	X	X	X	5,660,803	X	X	X
2. Loans from banks	25,287,425	X	X	X	21,043,162	X	X	X
2.1 Other current accounts and demand deposits	20,127,683	X	X	X	15,155,092	X	X	X
2.2 Time deposits	1,336,724	X	X	X	1,240,847	X	X	X
2.3 Loans	3,791,000	X	X	X	4,535,854	X	X	X
2.3.1 Repurchase agreement	1,827,468	X	X	X	2,204,642	X	X	X
2.3.2 Other	1,963,532	X	X	X	2,331,212	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Lease liabilities[1]	2,953	X	X	X	3,961	X	X	X
2.6 Other liabilities	29,065	X	X	X	107,408	X	X	X
Total	32,773,567	—	32,773,567	—	26,703,965	—	26,703,965	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS16 and Bank of Italy circular no. 262 – VI Update.

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

Type of transaction/Values	Total 30/6/21				Total 30/6/20			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Deposits from customers and on demand deposits	5,277,519	X	X	X	4,984,420	X	X	X
2. Time deposits	838,174	X	X	X	1,675,719	X	X	X
3. Loans	335,467	X	X	X	843,448	X	X	X
3.1 Repos	170,907	X	X	X	710,173	X	X	X
3.2 Other	164,560	X	X	X	133,275	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities[1]	24,011	X	X	X	21,557	X	X	X
6. Other liabilities	1,024	X	X	X	1,906	X	X	X
Total	6,476,195	—	6,476,195	—	7,527,050	—	7,527,050	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS16 and Bank of Italy circular no. 262 – VI Update.

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

Type of securities/Values	30/6/21				30/6/20			
	Book value	Fair Value*			Book value	Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debts securities								
1. bonds	15,770,330	—	15,970,366	—	16,427,886	—	16,653,956	—
1.1 structured	2,681,691	—	2,798,198	—	3,572,004	—	3,733,304	—
1.2 other	13,088,639	—	13,172,168	—	12,855,882	—	12,920,652	—
2. other securities	45,445	—	—	45,445	39,433	—	—	39,433
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	45,445	—	—	45,445	39,433	—	—	39,433
Total	15,815,775	—	15,970,366	45,445	16,467,319	—	16,653,956	39,433

* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2021 would show a gain of €89.2m (30/6/20: €175.5m).

Debt securities in issue decreased from €16,427,886 to €15,770,330 on new issuance of €2.1bn, which offset redemptions and buybacks of €2.5bn (generating gains of €4.8m) and other downward adjustments (exchange rates, amortized cost and hedging effects) amounting to €225.4m.

The bonds in issue include €240m related to arbitrage strategies leveraging on derivative basis indexes (skew) mainly linked to credit derivatives, and a minority to interest rates, inflation or equity risk.

All these issues involve payment of interest in the form of a coupon and full repayment of capital at maturity. Subscribers (all of whom are institutional investors) remain liable for the potential lower value of the arbitrage strategies linked to the notes in the event of early redemption.

As required by par. 4.3.3 of IFRS9 standard, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

1.4 Breakdown of debt securities/subordinated liabilities

The heading "Debt securities in issue" includes the following five subordinated Lower Tier 2 issues, for a total amount of €1,639,322,000:

Issue	30/6/2021		
	ISIN	Nominal value	Book value
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,909	526,574
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	499,271	504,858
MB OPERA 3.75 2026	IT0005188351	299,031	307,775
MB Subordinato Mar 29	XS1579416741	50,000	50,251
Mediobanca Mc Nv30 Sub Tier2 Call Eur	XS2262077675	249,250	249,864
Total subordinated issues		1,597,461	1,639,322

In November 2020 a €250m subordinated Tier2 bond was placed on the institutional market, with a ten-year maturity and a call option after five years, at a fixed rate of 2.3%. Two issues worth approx. €1bn were redeemed during the twelve months.

Heading 20: trading liabilities

2.1 Trading liabilities: composition

Operation type / Values	30/6/21					30/6/20				
	Notional value	Fair Value			Fair value *	Notional value	Fair Value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	1,476,207	1,540,833	—	—	1,540,833	1,431,165	1,653,615	—	—	1,653,615
2. Due to customers	2,362,361	2,521,458	—	—	2,521,458	1,306,066	1,509,072	—	—	1,509,072
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total (A)	3,838,568	4,062,291	—	—	4,062,291	2,737,231	3,162,687	—	—	3,162,687
B. Derivative instruments										
1. Financial derivatives		904,555	3,600,629	1,182,213 [1]			855,347	3,383,328	530,954(1)	
1.1 Trading	X	904,555	3,596,527	1,181,119	X	X	855,347	3,371,890	529,758	X
1.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	4,102	1,094	X	X	—	11,438	1,196	X
2. Credits derivatives		—	592,692	—			—	419,361	—	X
2.1 Trading	X	—	592,692	—	X	X	—	419,361	—	X
2.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	904,555	4,193,321	1,182,213	X	X	855,347	3,802,689	530,954	X
Total (A+B)	X	4,966,846	4,193,321	1,182,213	X	X	4,018,034	3,802,689	530,954	X

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

[1] Including €992,861,000 (30/6/20: €408,844,000) for options traded, matching the amount booked as financial assets held for trading.

Heading 30: Financial liabilities recognized at fair value

3.1 Financial liabilities recognized at fair value; composition

Operation Type/Values	30/6/21					30/6/20				
	Notional value	Fair Value			Fair value *	Notional value	Fair Value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	—	X	—	—	—	—	X
1.2 Others	—	—	—	—	X	—	—	—	—	X
of which:										
- commitments to disburse funds	—	X	X	X	X	X	X	X	X	X
- financial guarantees given	—	X	X	X	X	X	X	X	X	X
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	X	—	—	—	—	X
2.2 Others	—	—	—	—	X	—	—	—	—	X
of which:										
- commitments to disburse funds	—	X	X	X	X	X	X	X	X	X
- financial guarantees given	—	X	X	X	X	X	X	X	X	X
3. Debt securities	800,087	—	833,048	—	833,048	215,587	—	216,020	—	216,020
3.1 Structured	800,087	—	833,048	—	X	215,587	—	216,020	—	X
3.2 Others	—	—	—	—	X	—	—	—	—	X
Total	800,087	—	833,048	—	833,048	215,587	—	216,020	—	216,020

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

The Heading includes two bond issues (€52.2m) and some certificates, one of which material (€617.7m), matched by specific financial assets (Heading 20 – Financial assets recognized at fair value) and two guaranted certificates (€162.9m).

SECTION 4

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by type of hedge/ranking

	Fair value 30/6/21			Nominal value	Fair value 30/6/20			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	154,184	—	19,565,070	—	132,551	—	8,311,074
1) Fair value	—	154,184	—	19,565,070	—	132,551	—	8,311,074
2) Financial flows	—	—	—	—	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Financial flows	—	—	—	—	—	—	—	—
Total	—	154,184	—	19,565,070	—	132,551	—	8,311,074

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	15,652	—	—	—	X	X	X	—	X	X
2. Financial assets valued to amortized cost	72,429	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other operations	—	—	—	—	—	—	X	—	X	—
Total assets	88,081	—	—	—	—	—	—	—	—	—
1. Financial liabilities	66,103	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	66,103	—	—	—	—	—	—	—	—	—
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

	30/6/21	30/6/20
1. Payments agreements (IFRS2)	—	—
2. Working capital payables and invoices pending receipts	38,308	36,712
3. Prepaid expenses other than capitalized expenses or related financial assets	3,239	3,230
4. Amounts due to revenue authorities	26,282	21,540
5. Amounts due to staff	142,094	115,042
6. Other items	149,232	75,853
- coupons and dividends pending collection	2,454	4,149
- available sum payable to third parties	32,798	7,734
- fiscal consolidation	61,165	21,335
- other	52,815	42,635
Total	359,155	252,377

SECTION 9

Heading 90: Staff severance indemnity provision

9.1 Staff severance indemnity provision: changes during the period

	Total 30/6/21	Total 30/6/20
A. Opening balance	7,679	7,869
B. Increases	417	540
B.1 Provision of the year[1]	157	152
B.2 Other increases	260	388
C. Reductions	710	730
C.1 Severance payments	329	523
C.2 Other decreases	381	207
D. Closing balance	7,386	7,679
Total	7,386	7,679

[1] This refers, as at 30 June 2021, to the amount transferred to the severance provision held at the Italian state pension authority treasury.

9.2 Other Informations

The staff severance indemnity provision, calculated in accordance with the provisions of the Italian Civil Code, amounts to €6,629,000 (30/6/20: €6,763,000), with 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 2021 has been used for similar companies to those being valued (equal to 0.26%), while the inflation rate is 1.20%.

SECTION 10

Heading 100: Provisions

10.1 Provisions: composition

Items/Components	30/6/21	30/6/20
1. Funds for credit risk related to commitments to disburse funds and financial guarantees given	60,243	42,538
2. Funds on other commitments to disburse funds and guarantees given	—	—
3. Provisions to retirement payments and similar	—	—
4. Other provisions	68,877	71,417
4.1 legal and fiscal controversies	—	—
4.2 staff expenses	715	2,719
4.3 Others	68,162	68,698
Total	129,120	113,955

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

As at 30 June 2021 the heading "Other provisions" totalled €129,1m and includes €60.2m in commitments to disburse funds and financial guarantees issued, €0.7m in in staff-related expenses, and €68.2m 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, involving a total of €286m. 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). A ruling at the administrative stage is still pending at the Court of Florence;
– Lucchini S.p.A. in extraordinary administration ("Lucchini"): against twelve banks for their alleged involvement in the earnings and financial breakdown which affected the company on account of their having compiled and implemented a business and financial plan alleged to have been unrealistic and a restructuring agreement pursuant to Article 182-bis of the Italian bankruptcy law which included unduly favourable guarantees in favour of the banks, leading to a delay in Lucchini entering the extraordinary administration procedure. In a ruling issued on 21 July 2020, the Court of Milan rejected Lucchini's claim, ordering the company to pay legal expenses. Lucchini has challenged this ruling, giving notice of its appeal on 28 September 2020. The next hearing, for clarification of the pleadings, is set for 12 January 2022.

With reference to the disputes outstanding with the Italian revenue authorities, there have been no major changes compared to the situation last year.

With reference to the alleged non-application of transparency tax required by the regulations on Controlled Foreign Companies (CFC) to the income produced by CMB Monaco (previously called Compagnie Monégasque de Banque) and Compagnie Monégasque de Gestion in the 2013, 2014 and 2015 financial years, three disputes are currently pending with the revenue authority. In detail, the disputes refer to FY 2013-14 (on 2013 earnings, in an amount of €21.3m plus interest and fines), in which Mediobanca's appeal was upheld at the first degree, is now pending with the Lombardy regional tax tribunal, after the Italian revenue authority in turn appealed; the disputes referring to FY 2014-15 and FY 2015-16 (on 2014 and 2015 earnings respectively, for tax amounting to €16.1m and €16.4m, plus interest and fines) have yet to be heard at the first degree.

Regarding Mediobanca's alleged failure to apply withholding tax on interest payable as part of a secured financing transaction, as well as the dispute relating to 2014 (for tax in an amount of €2.3m, plus interest and fines), for which no date has yet been set for the first-degree hearing, notice of assessment has also been received for the year 2015 (for tax in an amount of €1.9m, plus interest and fines), which the Bank intends to challenge.

In addition to the above, the following disputes were also outstanding at 30 June 2021:

– One relating to the former Banca Esperia's failure to report a money transfer outside of Italy as part of the tax monitoring communications, for which fines of €5.9m were handed down. The company was found guilty at both the first- and second-degree hearings, and has paid the disputed amount; its appeal to the Court of Cassation is now pending;
– A second dispute regarding the alleged failure to pay tax on a loan executed outside of Italy, involving an amount of €375,000 in tax. The Bank was successful at the second stage of the ruling process, and the Italian revenue authority has now submitted an appeal to the Court of Cassation. The date for the hearing is still pending.

The provision for risks and charges is adequate to cover any expenses to which Mediobanca may become liable as a result of any charges brought against them (no other significant litigation is currently pending).

10.2 Provisions for risks and charges: changes during the period

	Funds on other commitments to disburse funds and guarantees given	Provision to retirement payments and similar	Other provisions: staff expenses	Other provisions: others
A. Opening balances	—	—	71,417	71,417
B. Increases	—	—	950	950
B.1 Provision for the year	—	—	950	950
B.2 Changes due to the passage of time	—	—	—	—
B.3 Differences due to discount rate changes	—	—	—	—
B.4 Other increases	—	—	—	—
- of which business aggregation operations	—	—	—	—
C. Decreases	—	—	3,490	3,490
C.1 Use during the year	—	—	3,490	3,490
C.2 Differences due to discount rate changes	—	—	—	—
C.3 Other decreases	—	—	—	—
- of which business aggregation operations	—	—	—	—
D. Closing balance	—	—	68,877	68,877

10.3 Provisions in respect of commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees given			
	Stage1	Stage2	Stage3	Total
1. Obligation to distribute funds	12,500	3,369	34	15,903
2. Financial warranties release	23,375	16,899	4,066	44,340
Total	35,875	20,268	4,100	60,243

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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.

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	887,233,447
- entirely unrestricted	887,233,447
- with restrictions	—
A.1 Treasury shares (-)	(26,611,288)
A.2 Shares in issue: balance at start of period	860,622,159
B. Additions	1,747,747
B.1 New shares issuance as a result of:	46,566
- rights issued	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
- bonus issues	46,566
- to staff members	46,566
- to Board members	—
- others	—
B.2 Treasury shares' disposals	1,701,181
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury shares' buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	862,369,906
D.1 Add: treasury shares	(24,910,107)
D.2 Shares in issue at end of period	887,280,013
- entirely unrestricted	887,280,013
- with restrictions	—

12.3 Share capital: other information

There is no other information to report than has already been stated under the previous points in this section.

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	443,640	—	—	—	—
Share premium reserve	2,195,606	A – B – C	2,195,606	—	—
Reserves:					
- Legal reserve	88,724	B	88,724	—	—
- Statutory reserve	1,068,913	A – B – C	1,068,913	—	170,412
- Treasury share reserve	216,736	—	—	—	—
- Other reserves	856,211	A – B – C	856,211	—	—
Valuation reserves					
- FVOCI valuation reserve	183,797	—	—	—	—
- Financial liabilities recognized at FVPL	(6,413)	—	—	—	—
- Special revaluation laws	9,632	A – B – C	9,632	—	—
- Defined benefit plans	(2,968)	—	—	—	—
- Treasury shares	(216,736)	—	—	—	—
Total	4,837,142	—	4,219,086	—	170,412
Portion unavailable	—	—	88,724	—	—
Remainder distributable	—	—	4,130,362	—	—

Legenda:
A: due to rights issues
B: to cover losses
C: distributions to share holders

Other Information

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

	Nominal value of commitments and financial guarantees given			30/6/21	30/6/20
	Stage1	Stage2	Stage3		
1. Commitment to disburse funds	11,288,116	226,010	1,681	11,515,807	7,692,756
a) Central Banks	—	—	—	—	—
b) Public Administration	3,191,103	—	—	3,191,103	1,129,488
c) Banks	130,006	—	—	130,006	77,923
d) Other financial companies	1,627,795	78,459	—	1,706,254	1,707,397
e) Non-financial companies	5,981,495	147,551	681	6,129,727	4,541,908
f) Households	357,717	—	1,000	358,717	236,040
2. Financial guarantees given	7,329,253	245,582	20,319	7,595,154	6,774,351
a) Central Banks	—	—	—	—	—
b) Public Administration	25,244	—	—	25,244	—
c) Banks	2,694,696	—	—	2,694,696	2,743,928
d) Other financial companies	1,412,223	34,667	—	1,446,890	1,450,020
e) Non-financial companies	3,179,773	210,915	20,319	3,411,007	2,570,372
f) Households	17,317	—	—	17,317	10,031

2. Other commitments and guarantees issued

	Nominal value 30/6/21	Nominal value 30/6/20
1. Other guarantees given	156,081	136,287
of which: impaired credit exposures	—	—
a) Central Banks	—	—
b) General goverments	—	—
c) Banks	23,018	25,409
d) Other financial corporations	72,766	28,563
e) Non financial corporations	9,341	29,963
f) Households	50,956	52,352
2. Other commitments	—	
of which: impaired credit exposures	—	—
a) Central Banks	—	—
b) General goverments	—	—
c) Banks	—	—
d) Other financial corporations	—	—
e) Non financial corporations	—	—
f) Households	—	—

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amounts 30/6/21	Amounts 30/6/20
1. Financial assets valued at fair value with impact taken to profit and loss	3,924,262	2,264,820
2. Financial assets valued at fair value with impact taken to other comprehensive income	2,319,440	1,411,073
3. Financial assets valued at amortized cost	7,041,054	7,405,980
4. Tangible assets	—	—
of which: tangible assets that constitue inventories	—	—
5. Equity investments	167,348	190,108

4. Assets managed and traded on behalf of third parties

Type of service	Amount 30/6/21	Amount 30/6/20
1. Order execution on behalf of client		
a) purchases	31,696,192	26,849,645
1. settled	31,429,708	26,226,551
2. non settled	266,484	623,094
b) sales	27,727,426	26,717,796
1. settled	27,460,942	26,094,702
2. non settled	266,484	623,094
2. Individual portfolios management[1]	5,157,992	4,442,858
3. Bonds custody and management		
a) bonds of third parties in depository	11,767,434	12,630,578
1. bonds issued by bank preparing the financial statements	146,146	181,178
2. other bonds	11,621,288	12,449,400
b) bonds of third parties in depository: others	4,714,609	5,166,539
1. bonds issued by bank preparing the financial statements	—	—
2. other bonds	4,714,609	5,166,539
c) Bonds of third parties in own depository	13,424,021	14,759,798
d) own bonds in depository at third parties	14,127,696	16,661,771
4. Other operations	2,627,472	2,674,546

[1] Entirely attributable tp the private banking division.

5. *Financial assets subject to netting arrangements or master netting or similar agreements*

Instrument type	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)[1]	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) 30/6/21	Net amounts 30/6/20
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	3,555,672	359,810	3,195,862	2,471,914	295,925	428,023	857,952
2. Reverse Repos	3,416,654	—	3,416,654	3,416,654	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4.Other operations	—	—	—	—	—	—	—
Total 30/6/21	6,972,326	359,810	6,612,516	5,888,568	295,925	428,023	X
Total 30/6/20	6,647,121	549,899	6,097,222	4,942,360	296,910	X	857,952

[1] Referring to operations in derivative financial instruments with a central counterparty with which a framework netting agreement is in place providing for daily margining.

6. *Financial liabilities subject to netting arrangements or master netting or similar agreements*

Instrument type	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)[1]	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) 30/6/21	Net amounts 30/6/20
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	3,043,135	—	3,043,135	2,471,914	422,279	148,942	336,706
2. Repos	1,998,375	—	1,998,375	1,998,375	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4.Other operations	—	—	—	—	—	—	—
Total 30/6/21	5,041,510	—	5,041,510	4,470,289	422,279	148,942	X
Total 30/6/20	4,217,249	—	4,217,249	3,564,444	316,099	X	336,706

7. *Securities lending operations*[1]

Type of securities lending operations	Type of securities		
	Sovereign debt	**Bank bonds**	**Others**
1. Securities borrowedsecured by cash - Due from:	78,321	53,554	370,836
a) Banks	77,273	46,346	326,785
b) Financial intermediaries	1,048	7,208	44,051
c) Clients	—	—	—
2. Securities lend secured by cash - Due to:	—	(36,739)	(454,265)
a) Banks	—	(36,739)	(451,328)
b) Financial intermediaries	—	—	(2,937)
c) Clients	—	—	—
Total lending securities (book value)	78,321	16,815	(83,429)

Type of securities lending operations	Type of securities		
	Sovereign debt	**Bank bonds**	**Others**
1. Securities borrowed by other instruments or unsecured:	1,692,527	588,000	2,929,417
a) Banks	154	588,000	2,893,509
b) Financial intermediaries	1,555,837	—	35,750
c) Clients	136,536	—	158
2. Securities lend secured by other instruments or unsecured:	(3,725,168)	(1,115,673)	(1,049,276)
a) Banks	(2,159,083)	(946,198)	(319,634)
b) Financial intermediaries	(1,566,085)	(169,475)	(729,642)
c) Clients	—	—	—
Total lending securities (fair value)	(2,032,641)	(527,673)	1,880,141

[1] The following tables illustrate the Bank's operations in securities lending and borrowing, broken down by type of instrument (government securities, bank bonds, others), market counterparty (banks, financial intermediaries and clients) and technical form (loan secured by cash, other securities or unsecured).

It should be noted that securities lending transactions which involve the payment of cash as collateral which is then fully available to the borrower are represented in the balance sheet as amounts Due from/to banks/customers, under the technical form of "repos". Securities lending transactions secured by other securities or unsecured are represented as off-balance-sheet exposures.

Part C - Notes to individual profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	12 monthe ended 30/6/21	12 monthe ended 30/6/20
1. Financial assets valued to fv with impact to P&L:	30,163	21,025	—	51,188	*34,168*
1.1 Financial assets held for trading	28,708	106	—	28,814	*31,994*
1.2 Financial assets designated to fv	1,325	20,513	—	21,838	*1,386*
1.3 Other financial assets mandatorly valued to fv	130	406	—	536	*788*
2. Financial assets valued to fv with impact on overall profitability	33,677	—	X	33,677	*40,226*
3. Financial assets valued to amortize cost:	68,096	350,014	X	418,110	*486,018*
3.1 Credits to banks	13,505	188,278	X	201,783	*232,387*
3.2 Credits to clients	54,591	161,736	X	216,327	*253,631*
4. Hedging derivatives[1]	X	X	101,982	101,982	*124,936*
5. Other assets	X	X	92	92	—
6. Financial liabilities[2]	X	X	X	59,868	*22,326*
Total	131,936	371,039	102,074	664,917	*707,674*
of which: income interests on deteriorated financial assets	—	*19,087*	—	*19,087*	*9,068*
of which: interest income on finance lease	—	*37*	—	*37*	*28*

[1] Mostly hedges of funding.

[2] Item no. "6. Financial liabilities" includes interest expense accrued as the result of the negative interest rates, €57.4m of which in connection with the T-LTRO, including the approx. €26.4m additional premium booked pro rata for the twelve months ended 30 June 2021.

1.2 Interest and similar income: other information

As at 30 June 2021, the balance of the account includes €70.6m in connection with financial assets in foreign currencies.

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Debts	Securities	Other operations	12 mths ended 30/6/21	12 mths ended 30/6/20
1. Financial liabilities valued at amortized cost	(235,959)	(292,032)	X	(527,991)	*(618,214)*
1.1 Debts to central banks	(37)	X	X	(37)	*(177)*
1.2 Debts to banks	(216,325)	X	X	(216,325)	*(216,529)*
1.3 Debts to customers	(19,597)	X	X	(19,597)	*(11,224)*
1.4 Securities in circulation	X	(292,032)	X	(292,032)	*(390,284)*
2. Financial trading liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	—	(22,356)	—	(22,356)	*(2,453)*
4. Other liabilities and funds	X	X	—	—	*(3,338)*
5. Hedging derivatives	X	X	—	—	—
6. Financial assets[1]	X	X	X	(13,837)	*(4,437)*
Total	(235,959)	(314,388)	—	(564,184)	*(628,442)*
of which: interest expenses related to lease liabilities	*(282)*	—	—	*(282)*	*(350)*

[1] Item no. "6. Financial liabilities" includes interest expense accrued as the result of the negative interest rates.

1.4 Interest and similar charges: other information

As at 30 June 2021, the balance of the account includes €58.6m in connection with financial liabilities in foreign currencies.

1.5 Margins on hedging transactions

Items	Total 12 mths ended 30/06/21	Total 13 mths ended 30/06/20
A. Positive margins on hedging transactions	85,550	193,790
B. Negative margins on hedging transactions[1]	16,432	(68,854)
C. Balance (A-B)	101,982	124,936

[1] The positive amount refers to the "negative interests" phenomenon.

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown

Type of service/Values	Total 12 months ended 30/6/21	Total 12 months ended 30/6/20
a) guarantees given	8,820	7,948
b) credit derivatives	—	—
c) management, brokerage and consultancy income:	168,812	115,808
1. securities trading	19,401	19,777
2. currency negotiation	—	—
3. portfolio management	30,549	33,603
4. custody and administration of securities	5,835	4,232
5. custodian bank	7,458	7,458
6. placement of securities	87,908	35,603
7. reception and transmission of orders	149	112
8. advisory services	4,996	4,916
8.1 related to investments	4,996	4,916
8.2 related to financial structure	—	—
9. distribution of third parties services	12,516	10,107
9.1 portfolio management	5,785	4,574
9.1.1 individual	2,827	2,959
9.1.2 collective	2,958	1,615
9.2 insurance products	6,731	5,533
9.3 other products	—	—
d) collection and payment services	24	110
e) securitization servicing	—	—
f) factoring services	—	—
g) tax collection services	—	—
h) management of multilateral trading facilities	—	—
i) management of current account	502	447
j) other services	146,437	139,542
Total	324,595	263,855

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

Channels/Values	12 mths ended 30/06/21	12 mths ended 30/06/20
a) through Group bank branches:	130,973	79,313
1. portfolio management	30,549	33,603
2. securities placement	87,908	35,603
3. others' products and services	12,516	10,107
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 30/6/21	12 mths ended 30/6/20
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and brokerage services	(16,857)	(17,193)
1. trading in financial instruments	(5,280)	(3,059)
2. currency trading	—	—
3. portfolios management:	(7,993)	(7,624)
3.1 own portfolio	(7,993)	(7,624)
3.2 third parties portfolio	—	—
4. custody and administration securities	(1,904)	(2,062)
5. financial instruments placement	(1,680)	(4,448)
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	(5,703)	(5,221)
e) other services	(17,954)	(21,668)
Total	(40,514)	(44,082)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: breakdown

Items/Income	12 mths ended 30/6/21		12 mths ended 30/6/20	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	67,841	244	71,291	349
B. Other financial assets mandatorily measured at fair value	—	19,487	—	9,268
C. Financial assets measured at fair value through other comprehensive income	16,857	—	6,325	—
D. Equity investments[1]	416,428	—	104,249	—
Total	501,126	19,731	181,865	9,617

[1] This figure refers entirely to the one-off gain in connection with repayment of the convertible loan, as provided for contractually (Burgo) in the 2015 restructuring agreement.

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	404,312	550,524	(125,539)	(303,980)	525,317
1.1 Debt securities	239,446	98,820	(73,371)	(46,496)	218,399
1.2 Equity	163,500	447,759	(52,168)	(256,944)	302,147
1.3 Units in investments funds	1,298	3,945	—	(540)	4,703
1.4 Loans	68	—	—	—	68
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	74,441
4. Derivatives	3,375,779	1,577,482	(3,380,785)	(2,077,170)	(514,728)
4.1 Financial derivatives	2,812,701	1,262,123	(2,821,846)	(1,760,535)	(517,591)
- on debt securities and interest rates[2]	1,378,047	543,694	(1,444,744)	(436,016)	40,981
- on equity securities and shares indexes	1,434,654	718,429	(1,377,102)	(1,324,519)	(548,538)
- on currencies and gold	X	X	X	X	(10,034)
- other	—	—	—	—	—
4.2 Credit derivatives	563,078	315,359	(558,939)	(316,635)	2,863
of which: natural hedges connected to fv option	*X*	*X*	*X*	*X*	—
Total	3,780,091	2,128,006	(3,506,324)	(2,381,150)	85,030

[1] This item contains valuations for banking book positions based at current exchange rates totalling €25,887,000.

[2] Of which €17,654 in positive margins on interest rate derivatives (30/6/20: minus €7,662).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income elements/Amounts	12 mths ended 30/6/21	12 mths ended 30/6/20
A. Income from:		
A.1 Fair value hedging instruments	126,067	241,478
A.2 Hedged asset items (in fair value hedge relationship)	71,724	43,276
A.3 Hedged liability items (in fair value hedge relationship)	185,124	48,219
A.4 Cash-flows hedging derivatives	—	—
A.5 Assets and liabilities denominated in currency	2,102	—
Total gains on hedging activities (A)	385,017	332,973
B. Losses on:		
B.1 Fair value hedging instruments	(273,669)	(141,854)
B.2 Hedged asset items (in fair value hedge relationship)	(83,012)	(42,341)
B.3 Hedged liability items (in fair value hedge relationship)	(26,807)	(151,000)
B.4 Cash-flows hedging derivatives	—	—
B.5 Assets and liabilities denominated in currency	—	—
Total losses on hedging activities (B)	(383,488)	(335,195)
C. Net profit from hedging activities (A-B)	1,529	(2,222)
of which: result of hedges on net exposures	—	—

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SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: breakdown

Items / Income	12 mths ended 30/6/21			12 mths ended 30/6/20		
	Gains	Losses	Net profit	Gains	Losses	Net profit
A. Financial assets						
1. Financial assets at amortized cost	5,122	(6,393)	(1,271)	3,952	(651)	3,301
1.1 Loans and receivables with banks	—	(5,155)	(5,155)	1,726	—	1,726
1.2 Loans and receivables with customers	5,122	(1,238)	3,884	2,226	(651)	1,575
2. Financial assets at fair value with impact taken to comprehensive income	44,438	(20,387)	24,051	75,822	(15,401)	60,421
2.1 Debt securities	44,438	(20,387)	24,051	75,822	(15,401)	60,421
2.2 Loans	—	—	—	—	—	—
Total Assets (A)	49,560	(26,780)	22,780	79,774	(16,052)	63,722
B. Financial liabilities valud at amortized cost						
1. Deposits with banks	139	—	139	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt securities in issue	1,012	(2,444)	(1,432)	5,707	(3,850)	1,857
Total liabilities (B)	1,151	(2,444)	(1,293)	5,707	(3,850)	1,857

Losses on financial assets recognized at amortized cost and those recognized at fair value through other comprehensive income are mainly attributable to the assets being valued at current exchange rates (losses of €5.8m and €20.1m respectively).

SECTION 7

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

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

Operation/Income item	Gains (A)	Proceeds from disposal (B)	Losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	13,480	—	(284)	—	13,196
1.1 Debt securities	—	—	(284)	—	(284)
1.2 Loans	13,480	—	—	—	13,480
2. Financial liabilities	1,345	—	(21,463)	(245)	(20,363)
2.1 Debt securities in issue	1,345	—	(21,463)	(245)	(20,363)
2.2 Due to banks	—	—	—	—	—
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	—
Total	14,825	—	(21,747)	(245)	(7,167)

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

Operation/Income item	Gains (A)	Proceeds from disposal (B)	Losses (C)	Minus from sale (D)	Net result [(A+B) - (C+D)]
1. Financial assets	113,294	14,226	(7,393)	(6,536)	113,591
1.1 Debt securities	78	—	(560)	—	(482)
1.2 Equity securities	157	—	—	—	157
1.3 UCITS	45,452	14,226	(5,863)	(17)	53,798
1.4 Loans[1]	67,607	—	(970)	(6,519)	60,118
2. Financial assets: exchange rate differences	X	X	X	X	(539)
Total	113,294	14,226	(7,393)	(6,536)	113,052

[1] These refers to convertible instruments deriving from restructuring operations, in particular the Burgo writeback in an amount of approx. €62m and Sorgenia Power approx. €5m.

SECTION 8

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

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

Transaction/Income	Writedowns (1)			Writebacks (2)		12 mths ended 30/6/21	12 mths ended 30/6/20
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
A. Loans and receivables with banks	(10,965)	—	—	4,440	—	(6,525)	(4,387)
- Loans	(10,651)	—	—	4,276	—	(6,375)	(4,081)
- Debt receivables	(314)	—	—	164	—	(150)	(306)
of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
B. Loans and receivables with customers	(42,811)	—	(8,416)	35,864	53,371	38,008	(7,183)
- Loans	(39,763)	—	(8,416)	33,365	53,371	38,557	(3,868)
- Debt receivables	(3,048)	—	—	2,499	—	(549)	(3,315)
of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
Total	(53,776)	—	(8,416)	40,304	53,371	31,483	(11,570)

8.1a Net writeoffs for credit risk related to financial assets valued at amortized cost for which Covid-19 related concessions have been granted: breakdown

Operation / P&L item	Net adjustments			12 mths ended 30/6/21
	Stage1 and Stage2	Stage3		
		Write-off	Others	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)*	—	—	—	—
2. Other loans and advances subject to COVID-19-related forbearance measures	136	—	—	136
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	(976)	—	—	(976)
Total	(840)	—	—	(840)

* The row headed "Loans subject to concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis*" published by the EBA (EBA/GL/2020/02) as amended.

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

Transactions/Income	Writedowns			Writebacks		12 mths ended 30/6/21	12 mths ended 30/6/20
	Stage1 and Stage2	Stage3		Stage1 and Stage2	Stage3		
		Write-off	Others				
A. Debt securities	(6,147)	—	—	—	—	(6,147)	(4,805)
B. Loans	—	—	—	—	—	—	—
- to customers	—	—	—	—	—	—	—
- to banks	—	—	—	—	—	—	—
of which: financial assets purchased or originated credit impaired	—	—	—	—	—	—	—
Total	(6,147)	—	—	—	—	(6,147)	(4,805)

SECTION 10

Heading 160: Administrative expenses

10.1 Personnel costs: breakdown

Type of expense/Amounts	12 mths ended 30/6/21	12 mths ended 30/6/20
1) Employees	(241,903)	(214,541)
a) wages and salaries	(176,008)	(154,850)
b) social security contributions	(36,589)	(33,052)
c) severance pay (only for Italian legal entities)	(157)	(152)
d) social security costs	—	—
e) allocation to employees severance pay provision	(6,012)	(5,580)
f) provision for retirement and similar provisions:	—	—
- defined contribution	—	—
- defined benefits	—	—
g) paymentsto external pension funds	(6,627)	(6,716)
- defined contribution	(6,627)	(6,716)
- defined benefits	—	—
h) expenses resulting from share based payments	(12,839)	(11,193)
i) other employees' benefits	(3,671)	(2,998)
2) Other staff	(4,165)	(4,296)
3) Directors and Statutory Auditors	(3,440)	(2,846)
4) Early retirement costs	(1,672)	(1,595)
5) Recovery of expenses for employees seconded to other companies	1,351	1,353
6) Refunds of expenses for third party employees seconded to the company	—	—
Total	(249,829)	(221,925)

10.2 Average number of staff by category

	12 mths ended 30/6/21	12 mths ended 30/6/20
Employees		
a) Senior managers	262	264
b) Managers	592	564
c) Remaining employees staff	148	161
Other staff	96	85
Total	1,097	1,074

10.5 Other administrative expenses: breakdown

Type of expense/Amounts	12 mths ended 30/6/21	12 mths ended 30/6/20
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(30,873)	(29,431)
- loan recovery activity	—	—
- marketing and communications	(3,069)	(3,841)
- property	(4,011)	(4,773)
- EDP	(71,884)	(65,783)
- info-provider	(21,553)	(22,325)
- bank charges, collection and payment fees	(1,217)	(2,911)
- operating expenses	(6,061)	(6,304)
- other staff expenses	(1,259)	(6,491)
- other costs[1]	(59,952)	(56,653)
- indirect and other taxes[2]	(23,867)	(6,469)
Total other administrative expenses	(223,746)	(204,981)

[1] The item includes contributions to the various resolution funds: €45.3m for the year ended 30/6/21, and €39.4m for the year ended 30/6/20.

[2] These refer to the cost of stamp duty charged to Mediobanca Private Banking clients. The equivalent amount recovered is recorded as Other operating income as "Amounts recovered from clients".

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 30/6/21			12 mths ended 30/6/20
	Provisions	Reallocation of surplus	Total	
Loan committments	(11,915)	3,866	(8,049)	(2,730)
Financial guarantees given	(27,091)	16,200	(10,891)	(18,052)
Total	(39,006)	20,066	(18,940)	(20,782)

11.3 Net transfers to other provisions: breakdown

	12 mths ended 30/6/21			12 mths ended 30/6/20
	Provisions	Reallocation of surplus	Total	
1. Other provisions				
1.1 Legal disputes	—	—	—	—
1.2 Staff costs	(150)	—	(150)	—
1.3 Other	(800)	600	(200)	24,950
Total	(950)	600	(350)	24,950

SECTION 12

Heading 180: Net adjustments to tangible assets

12.1 Net adjustments to tangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, equipment and investment property				
1 For operational use	(7,504)	(200)	—	(7,704)
- Owned	(2,589)	—	—	(2,589)
- Right of use related to leases	(4,915)	(200)	—	(5,115)
2 Held for investment purpose	(423)	—	—	(423)
- Owned	(423)	—	—	(423)
- Right of use related to leases	—	—	—	—
3 Inventories	X	—	—	—
Total	7,927	(200)	—	(8,127)

SECTION 13

Heading 190: Net adjustments to intangible assets

13.1 Net adjustments to intangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(946)	—	—	(946)
- Internally generated by the company	—	—	—	—
- Others	(946)	—	—	(946)
A.2 Right of use related to leases	—	—	—	—
Total	(946)	—	—	(946)

SECTION 14

Heading 200: Other operating income (expense)

14.1 Other operating expense: breakdown

Income-based components/values	12 mths ended 30/6/21	12 mths ended 30/6/20
a) Leasing activity	—	—
b) Sundry costs and expenses	(9,490)	(2,183)
Total	(9,490)	(2,183)

14.2 Other operating income: breakdown

Income-based components/values	12 mths ended 30/6/21	12 mths ended 30/6/20
a) Amounts recovered from customers[1]	18,324	19
b) Other income[2]	34,017	17,143
Total	52,341	17,162

[1] These refer to stamp duty charged to Mediobanca Private Banking clients being recovered. The equivalent cost item is recorded under Other administrative expenses, as "Indirect and other taxes".

[2] Includes a one-off gain of €13.9m deriving from activation of the clawback mechanism versus the departing Messier et Associés equity partner, €6.4m of which has been collected, €7.5m is still to be collected but guaranteed by Mediobanca shares

SECTION 15

Heading 220: Gain (loss) on equity investments

15.1 Gains (losses) on equity investments: breakdown

Income/ Value	12 mths ended 30/6/21	12 mths ended 30/6/20
A. Incomes	—	—
1. Revaluation	—	—
2. Gain on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	(15,485)	(50,937)
1. Write-downs	—	—
2. Impairment losses	(15,485)	(50,937)
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	(15,485)	(50,937)

SECTION 19

Heading 270: Income tax for the year on ordinary activities

19.1 Income tax for the year on ordinary activities: breakdown

Income components/ Sectors	12 mths ended 30/6/21	12 mths ended 30/6/20
1. Current tax expense (-)	(105,489)	(32,246)
2. Changes of current tax expense of previous years (+/-)	—	—
3. Reduction in current tax expense for the period (+)	—	—
3.bis Reductions in current tax expense for the period due to tax credit related to Italian Law 214/2011 (+)	—	—
4. Changes of deferred tax assets (+/-)	4,062	1,677
5. Changes of deferred tax liabilities (+/-)	9,427	(5,431)
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(92,000)	(36,000)

19.2 Reconciliation between theoretical and effective tax burden

Income/Value	**12 mths ended 30/6/21**	
	Amounts %	**Absolute value**
Total profit or loss before tax		670,366
IRES		
Theoretical tax rate	27.5%	184,351
Dividends (-)	-17%	(113,196)
Gains/losses on equity investments sales (PEX)	-1%	(3,840)
10% IRAP deduction and labour cost (-)	0%	(245)
Tax sparing credit (-)	0%	(206)
Impairment (+/-)	1%	4,259
Previous years DTA/DTL adjustment	0%	190
Patent Box	-1%	(7,933)
Fiscal realignment	-1%	(5,278)
Other differences (+/-)	1%	6,898
TOTAL IRES	10%	65,000
TOTAL IRAP	4%	27,000
TOTAL HEADING	14%	92,000

SECTION 22

Earnings for share

22.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/21	**12 mths ended 30/6/20**
Net profit	578,366	39,359
Avg. no. of shares in issue	862,358,884	860,611,137
Avg. no. of potentially diluted shares	4,916,003	5,255,453
Avg. no. of diluted shares	867,274,887	865,866,590
Earnings per share	0,67	0,05
Earnings per share, diluted	0,67	0,05

Part D – Comprehensive Profit and Loss Account

Breakdown of Comprehensive Profit and Loss Constituents

	Items	After tax effect 30/06/2021	After tax effect 30/06/2020
10.	**Net profit (loss) of the year**	**578,366**	**39,359**
	Other comprehensive income not reclassified to profit or loss		
20.	**Equity instruments designated at fair value through other comprehensive income:**	**73,200**	**2,966**
	a) fair value changes	73,200	2,181
	b) tranfers to other shareholders' equity items	—	785
30.	**Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):**	**(5,730)**	**(1,724)**
	a) fair value changes	(4,689)	(1,724)
	b) tranfers to other shareholders' equity items	(1,041)	—
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**	**1,472**	**(261)**
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:**	**—**	**3,432**
	a) fair value changes	—	3,432
	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:**	**40,083**	**(15,389)**
	a) fair value changes	43,668	(4,199)
	b) reclassification to profit or loss	(3,585)	(11,190)
	- impairment losses	2,741	2,857
	- gains/losses on disposals	(6,326)	(14,047)
	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**	**109,025**	**(10,976)**
200.	**Other comprehensive income (Item 10+190)**	**687,391**	**28,383**

Part E - Information on risks and related hedging policies

INTRODUCTION

With regards to the Bank's risks governance process, a key role is played by the Risk Management division, which identifies, measures and monitors all the risks to which the Group is subject, and manages and mitigates them in co-ordination with the various business areas. The division's main duties and responsibilities are described below, along with its characteristics in terms of independence, plus an indication of the role of the other company units in risk management.

SECTION 1

1.1 CREDIT RISKS

QUALITATIVE INFORMATION

1. General aspects

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Group'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 Group's own operating choices identified in the RAF,[1] 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 on the risk parameters used to quantify impairment charges and calculate

[1] On 30 July 2020, the Board of Directors of Mediobanca approved a new version of the Group Policy on Risk Appetite Framework (RAF) Definition, which sets out the general principles, organizational model and implementation process for defining the Framework. In the RAF, based on the Strategic Plan and the maximum risk assumable that is set in it, the Group states the level and type of risks which it is intended to take, plus any tolerance thresholds and operating limits to be complied with in normal operating and/or stress conditions.

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

The Bank has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for Corporate portfolio.

2. Credit risk management policies

2.1 Organizational aspects

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

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

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

Within the framework of the risk governance system implemented by the Bank, the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, responsible for issuing guidance in respect of credit, issuer, operational and conduct risk, and with powers of approval on market risks; Lending and Underwriting committee, for credit, issuer and conduct risk; Group ALM committee for monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate; the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models; the Operational risks committee, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions; the Group Wealth Investments committee, for defining market views and monitoring their track record; the Private & Affluent Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments.

2.2 Management, measurement and control systems

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

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

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

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

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

In addition to identifying and setting risk appetite parameters, the Bank also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/revising it, monitoring, and escalating reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Bank has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment

Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Bank prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Bank's objective is to maintain a level of liquidity that enables it to meet the payment obligations, ordinary and extraordinary, which it has taken on while minimizing costs at the same time. The Bank's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

2.3 Methods for measuring expected losses

Under IFRS9 "Financial Instruments", assets which are not recognized in the financial statements at fair value on a regular basis (i.e. financial liabilities recognized at amortized cost and off-balance-sheet exposures) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for establishing the risk parameters to be used in calculating expected losses, subject to the regulatory indicators in particular being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g. in some cases reconverting the data to reflect a point-in-time approach). Under IFRS9, expected losses are calculated from the product of the PD, LGD and EAD metrics. The calculation is based on the outstanding duration of the instruments for which there has been a significant increase in credit risk ("Stage2") or which show objective signs of impairment ("Stage3"), and on a time horizon of twelve months for the instruments not included in the previous two categories ("Stage1").

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 Stage2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

As required by IFRS9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for measuring the Significant Increase in Credit Risk (SICR) for the purpose of identifying positions to be classified as Stage2. The Bank has verified that twelve-month PD is a reasonable proxy of increases in risk on a lifetime basis, and monitors the validity of this assumption over time.

In line with the guidance issued by EBA, ECB, ESMA and IASB issued following the outbreak of the Covid-19 pandemic, automatic reclassification mechanisms have not been applied for contractual changes in connection with the various support programmes made available by the law, category association measures or independent initiatives offered to clients by the Bank itself.[2]

In the absence of internal model ratings for a specific portfolio, the backstop indicators are used as qualitative criteria; qualitative factors taken into consideration for reclassification to Stage2 include the counterparties being classified as "amber" or "red" in the watchlist.

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

[2] Refer to:

- ESMA: *Public Statement* del 25 marzo 2020 "*Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS9*";
- EBA: *Public Statement* del 25 marzo 2020 "*Statement on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of COVID-19 measures*";
- BCE: *Letter from the Chair of the Supervisory Board to all Significant Institutions dell'1 aprile 2020 "IFRS9 in the context of the coronavirus (COVID-19) pandemic*";
- IASB: *Statement* del 27 marzo 2020 "*IFRS9 and Covid-19: Accounting for expected credit losses applying IFRS9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic*".

deviations are obtained from historical analysis of trends in the macroeconomic parameters used in the risk parameter conditioning models, and the levels of variation compared to the base scenario are established using a 25% confidence level.

In view of the economic recovery starting in 3Q 2020, after the recession peaked in the quarter before that, it was decided from as early as end-December 2020 to limit the use of the "spline" technique, applied at the balance-sheet date at end-June 2020, to the estimates provided by the models used in the IFRS9 methodological framework (the so-called "satellite models"). In particular, the spline has been abandoned for the PD satellite model for the Wholesale portfolio, but has been maintained for the LGD satellite models for the same segment, the projections for which would otherwise have been unduly affected by excessive volatility.

The macroeconomic scenario points towards a significant improvement in the main indicators for future years, consistent with the expectations of a gradual return to normality (i.e. pre-Covid conditions). However, in view of the current uncertainties over how the pandemic-related crisis will develop (e.g. possibility of government support measures being withdrawn, roll out and effectiveness of the vaccination campaign, developments in terms of variants of the virus, etc.), the estimated impairment charges deriving from application of the models have been augmented by additional provisioning, or overlays, established in view of the presence of specific aspects that cannot be factored in or valued through modelling.

For the corporate loan book, apart from the Bank-specific overlays (35 bps, due to temporary contractual exemptions, and for counterparties operating in sectors considered to be most vulnerable or impacted by the Covid-19 crisis; 5 bps for the possibility of revision to the risk in view of the balance-sheet data being consolidated), corrections were also made to neutralize the impact of the improvement in the macroeconomic scenario factored into the models in the course of the last six months. This second type of overlay guarantees the same coverage ratio for positions recorded prior to the revision of the macroeconomic scenario is maintained.

For further details about this part, please refer to section 5.

2.4 Credit risk mitigation techniques

The Bank has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requisites for eligibility of collateral are set out in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the "CRR"). The Bank has also compiled specific criteria by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

The Bank also adopts risk mitigation policies through entering into netting and collateral agreements, checking to ascertain that the agreements are legally valid and meet the regulatory criteria in force to be recognized for prudential purposes.

Credit risk mitigation activities are governed by specific directives. In particular, the phases of obtaining the collateral, checking, reporting on and assessing its eligibility may be performed by different units. However, the role of Risk Management in setting eligibility criteria for regulatory and management purposes remains central. Controls of the mitigation instruments are included in the general risk control and management framework.

Monitoring of collateral consisting of financial instruments has been stepped up as a result of the high volatility witnessed on financial markets following the outbreak of the Covid-19 pandemic. For instance, in Private Banking the situations most at risk have been identified, and for "Lombard" credit in particular work has begun quickly on restoring the collateral margins typically associated with this form of credit. Due to the diversification of the portfolio of assets used as collateral, and the haircuts applied when the lending value is calculated, no particular risk situations have emerged.

3. Non-performing credit exposures

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

The Bank uses a single, like-for-like definition for all the following instances: "default" as defined by the regulations on regulatory capital requisites; "non-performing", used for the supervisory reporting statistics; and Stage3, or "credit-impaired", assets as defined by the accounting standards in force. In so doing, account has been taken of the provisions contained in the following documents: EBA Guidelines on the application of the definition of default (EBA/GL/2016/07), Commission Delegated Regulation (EU) 2018/171 of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018.

Also of relevance in this connection are the recent guidelines released by the regulatory and supervisory authorities in connection with the Covid-19 emergency.[3]

Provisioning is quantified individually, through valuations of discounted cash flows and balance-sheet multiples for companies which operate as going concerns, or asset valuations for companies entering liquidation.

At the monitoring stage the possible need to write off positions is also assessed, i.e. cases in which the credit may not be recoverable, in part or in whole. Accounts may be written off even before legal action to recover the asset is completed, and this does not necessarily entail waiving the Group's legal right to recover the amount due to it.

4. Financial assets subject to commercial renegotiations and concessions

Financial assets may be subject to contractual amendments based primarily on two different needs: to maintain a mutually satisfactory commercial relationship with clients, or to re-establish/improve the credit standing of a

[3] The regulations referred to above have been applied on a voluntary basis by Mediobanca since the reports issued on 30 September 2019, after authorization was received from the ECB for the AIRB segment. Also of relevance in this connection are the recent guidelines released by the regulatory and supervisory authorities in connection with the Covid-19 emergency, in particular the EBA recommendations of 25 March 2020 in its "Statement on the application of the prudential framework regarding default, forbearance and IFRS9 in light of COVID-19 measures", which require banks to reassess the counterparty closely before reclassifying accounts when moratoria are granted (if a high number of moratoria with similar characteristics are granted, automatic mechanisms should be avoided and reclassifications made only when the borrower's status has been closely scrutinized). The EBA also subsequently issued "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19" (subsequently amended on 2 December 2020), which detail the criteria to be fulfilled for moratoria not to be classified as forbearance measures or "distressed restructuring" which would result in their being categorized as in default. Also significant in this connection is the ECB's stance as set out in its "FAQs on ECB supervisory measures in reaction to the coronavirus" on 20 March 2020, whereby the use of a public guarantee issued in connection with the Covid-19 emergency is to be assessed with due flexibility as an indicator of default.

customer in financial difficulty, or about to become so, to help them meet the commitments they have entered into.

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

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client. In line with the EBA and ECB statements following the Covid-19 crisis, no automatic reclassification mechanisms have been applied following contractual amendments made under the terms of the immediate support programmes provided by law or category association arrangements.[4]

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 (the latter if concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily 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 described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage1. For this reason, the minimum periods of time that an exposure can be assigned "forborne" status stipulated in the regulations in force on supervisory statistical reporting are reflected in the prudential transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of exposures at

[4] Please refer to section 5 for details of the treatment for each business segment, to section 6.1 for the government and regulatory action introduced in response to Covid-19, and to section 6.2 for quantitative analysis of the moratoria granted to clients.

Stage2, the exposures in question cannot return to Stage1 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 Stage3 cannot be returned to Stage1 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 Stage1, 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 Stage1. Nonetheless, "forborne" exposures that have returned from Stage3 to Stage2 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 on prudential grounds to Stage3.

5. Details by individual business segment

Corporate activity

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

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

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

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

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

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning methodology to identify a list of counterparties (known as the "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. The watchlist is also used to provide qualitative information regarding allocation to Stage2, which includes counterparties classified as "amber" or "red" for watchlist purposes. All forborne positions are also subject to specific monitoring.

Provisions are calculated individually for non-performing items and based on PD and LGD indicators for the performing portfolio. For individual provisioning, valuations based on discounted cash flows and balance-sheet multiples are applied to businesses which constitute going concerns, while asset valuations are used for companies in liquidation. For provisioning in respect of performing loans, the PD parameters are obtained starting from through-the-cycle matrices used to develop the internal rating model, which are then converted to point-in-time versions. The LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The forward-looking component of the models is factored in by applying the macroeconomic scenarios defined internally to the risk indicators. The criteria for classification to Stage2 include the quantitative criterion of deterioration in the PD beyond a certain level, plus the requirement of a minimum number of notches downgrade between the date on which the asset was originated and the reporting date. Revisions to the classification of single names are also possible, based on internal decisions supported by individual analysis.

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, supplied by an external provider, distinguished by counterparty and whether or not there are guarantees.

6. Covid-19 Impacts

6.1 Governmental, legislative and regulatory interventions following the Covid-19 epidemic

In order to address the effects of the Covid-19 pandemic on the economy, the Italian government launched a substantial first package of measures contained in the "*Cura Italia*" Decree Law issued on 17 March 2020, with the aim of safeguarding citizens' health and supporting the country's productive system by keeping firms active and so preserving workers' jobs. This first package was soon followed by another, the "*Liquidità*" Decree Law issued on 8 April 2020, which added further measures to support businesses.

The EU institutions (notably the EBA, ESMA, ECB and IASB) also intervened in response to the medical crisis, introducing extraordinary measures described in more detail in Part A.

6.2 Moratoria granted to former Covid-19 clients

In response to the economic crisis generated by the medical emergency, Mediobanca has adhered to the provisions introduced by the "*Cura Italia*" decree,[5] allowing SME clients to suspend repayments for a time. As at 30 June 2021, the moratoria period had expired for all of the three counterparties that had taken up this option, involving a total amount of €0.9m.

Mediobanca has received around thirty applications for waivers to financial covenants from corporate clients; of these, only some have not met a capital or interest payment. Given the temporary nature of the difficulties involved and the lack of structural problems for these counterparties in terms of their liquidity, since the start of the pandemic only two of these waivers have constituted forbearance measures.

6.3 Macroeconomic scenario and Covid-19 impacts

The macroeconomic scenario used in the provisioning process to revise the risk parameters at end-June incorporates an estimate for the sudden increase in GDP for all global economies.

The estimates used by the Group for 2021, updated in April 2021, see GDP increasing in Italy by 4.51%, in the EU area by 3.97%, and the United States by 6.59%. Equally, the estimated unemployment rate has settled at 9.80% in Italy, 7.60% in Europe, and 5.35% in the United States.

[5] Italian Decree Law 18/2020 (the so-called "*Cura Italia*" decree), as converted into law by Italian Law 27/2020.

Most of these figures have been revised to show substantial improvement from the figures reported at end-June 2020 (GDP in Italy down 8.93%; EU down 6.31%; USA down 3.49%).

Overall, the higher provisions for the twelve months attributable to the new macroeconomic scenario due to Covid-19 amounted to €96m, and refer mostly to loans (intercompany loans total €32m). Unlike last year, when the revision of the macroeconomic scenario had a pronounced effect, this year the increase in provisioning is due to positions being reclassified as Stage2 (mainly in 2Q), given that the potential release of funds deriving from the improvement in the macroeconomic scenario at end-June 2021 was fully neutralized by the increased level of provisioning applied (overlays).

Table 1 – Covid-19 Economic Impact

Covid-19 impacts on Heading 130 and 170a) of the Income Statement*	Covid FY20	*of which* IVQ	*of which* Covid FY21	*of which* IQ	*of which* IIQ	*of which* IIIQ	*of which* IVQ
Financial assets	36	36	64	—	*30*	*1*	*33*
Intercompany	8	8	32	—	*12*	*(1)*	*21*
Total	**44**	**44**	***96***	**—**	***42***	**—**	***54***

* Net writedowns (wrietbacks) for credit risk - see Section 8.

Table 2 – Macro-economic scenario parameters

GDP forecasts	**2021**	**2022**	**2023**	**2024**
Italy	4.51%	4.35%	1.46%	1.21%
EU	3.97%	4.33%	2.20%	2.03%
USA	6.59%	3.86%	1.84%	1.39%
Unemployment rate	**2021**	**2022**	**2023**	**2024**
Italy	9.80%	9.88%	9.46%	9.07%
EU	7.60%	7.45%	7.01%	6.60%
USA	5.35%	4.18%	3.79%	3.69%
Interest rate government bonds (10 years)	**2021**	**2022**	**2023**	**2024**
Italy	0.64%	1.23%	1.85%	2.38%
UE	(0.24%)	0.08%	0.30%	0.48%
USA	1.92%	2.51%	2.79%	3.03%

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolios/quality	Bad loans	Unlikely to pay	Non-performing overdue exposures (NPLs)	Performing overdue exposures (performing)	Other performing exposures *	Total
1. Financial assets at amortized cost	—	72,962	1,317	39,561	49,229,274	49,343,114
2. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	4,346,859	4,346,859
3. Financial assets designated at fair value	—	—	—	—	680,539	680,539
4. Other financial assets mandatorily at fair value	—	—	—	—	16,563	16,563
5. Financial assets being sold	—	—	—	—	—	—
Total 30/6/21	—	72,962	1,317	39,561	54,273,235	54,387,075
Total 30/6/20	27	285,134	2,061	14,849	47,002,406	47,304,477

* Does not include performing overdue exposures being renegotiated under the terms of collective agreements.

Net bad loans refer exclusively to the Private Banking segment.

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Asset portfolio/ quality	Non-performing assets				Non deteriorate			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	138,247	63,968	74,279	—	49,362,936	94,101	49,268,835	49,343,114
2. Financial assets at fair value with impact taken to comprehensive income	—	—	—	—	4,357,062	10,203	4,346,859	4,346,859
3. Financial assets designated at fair value	—	—	—	—	X	X	680,539	680,539
4. Other financial assets mandatorily at fair value	6,636	6,636	—	—	X	X	16,563	16,563
5. Financial assets being sold	—	—	—	—	—	—	—	—
Total 30/6/21	144,883	70,604	74,279	—	53,719,998	104,304	54,312,796	54,387,075
Total 30/6/20	468,738	181,516	287,222	—	47,000,694	87,201	47,017,255	47,304,477

Asset portfolio/quality	Assets with obviously poor credit quality		Other Asset
	Accumulated losses	Net Exposure	Net Exposure
1. Financial assets held for trading	—	—	8,837,602
2. Hedging Derivatives	—	—	312,816
Total 30/6/21	—	—	9,150,418
Total 30/6/20	—	—	7,671,585

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	(1,505,140)	(1,505,140)
France	—	—	—	—	X	X	(973,774)	(973,774)
Germany	—	—	—	—	X	X	(616,787)	(616,787)
Spain	—	—	—	—	X	X	120,421	120,421
Finalnd	—	—	—	—	X	X	70,703	70,703
Others	—	—	—	—	X	X	(105,703)	(105,703)
2. Financial assets designated at fair value through other comprehensive income	—	—	—	—	3,595,825	—	3,595,825	3,595,825
Italy	—	—	—	—	2,229,277	—	2,229,277	2,229,277
Germany	—	—	—	—	926,103	—	926,103	926,103
United States	—	—	—	—	338,434	—	338,434	338,434
Spain	—	—	—	—	51,038	—	51,038	51,038
Others	—	—	—	—	50,973	—	50,973	50,973
3. Financial assets at amortized cost	—	—	—	—	1,536,501	—	1,536,501	1,536,501
Italy	—	—	—	—	1,053,001	—	1,053,001	1,053,001
France	—	—	—	—	351,440	—	351,440	351,440
Spain	—	—	—	—	100,011	—	100,011	100,011
Others	—	—	—	—	32,049	—	32,049	32,049
Total 30/6/21	—	—	—	—	5,132,326	—	3,627,186	3,627,186

* 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 €49m.

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	38,546	16,940	3.79	3,170,386	3,282,278	3,328,733	3.14
Germany	(572,750)	(616,787)	4.06	915,000	926,103	926,103	1.51
Spain *	112,700	120,421	3.0	150,000	151,049	151,919	1.25
United States	—	—	—	336,587	338,434	338,434	0.17
France	(866,635)	(973,774)	1.0	350,000	351,440	351,845	0.83
Others	(47,700)	(51,940)	—	82,000	83,022	84,267	—
Total 30/6/21	(1,335,839)	(1,505,140)		5,003,973	5,132,326	5,181,301	

* The figure does not include forward sales with a notional amount of €476m.
[1] Does not include sales of €47m on Bund/Bobl/Schatz futures (Germany), with a negative fair value of €0.2m; and sales of €54m on the BPT future (Italy) with a negative fair value of €0.3m. Net hedge buys of €1,630m 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 / risk stages	Stage 1			Stage 2			Stage 3		
	From 1 to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 to 30 days	From more than 30 days to 90 days	More than 90 days	From 1 to 30 days	From more than 30 days to 90 days	More than 90 days
1. Financial assets valued at amortized cost	6,445	15	1	10	11,632	21,458	—	1	3,422
2. Financial assets valued at fair value with impact taken to comprehensive income	—	—	—	—	—	—	—	—	—
3. Assets classified as held for sale	—	—	—	—	—	—	—	—	—
Total 30/6/21	6,445	15	1	10	11,632	21,458	—	1	3,422
Total 30/6/20	9,364	—	1	100	4,811	573	—	2	3,940

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
	Stage 1 assets				Stage 2 assets				Stage 3 assets				*Of which: Purchased or originated credit impaired exposures*				
	Financial assets measured at amortized cost	Financial assets valued at fair value with impact taken to other comprehensive income	*of which: individual writedowns*	*of which: collective writedowns*	Financial assets measured at amortized cost	Financial assets valued at fair value with impact taken to other comprehensive income	*of which: individual writedowns*	*of which: collective writedowns*	Financial assets measured at amortized cost	Financial assets valued at fair value with impact taken to other comprehensive income	*of which: individual writedowns*	*of which: collective writedowns*		Stage 1	Stage 2	Stage 3	
Total opening adjustments	66,885	6,108	—	*72,993*	14,208	—	—	*14,208*	112,357	—	*112,357*	—	—	24,567	11,145	6,826	242,096
Changes in increase from financial assets acquired or originated	35,690	6,132	—	*41,822*	747	—	—	*747*	32	—	*32*	—	—	14,663	4,889	137	62,290
Cancellations other than writeoffs	(24,986)	(2,905)	—	*(27,891)*	(7,545)	—	—	*(7,545)*	(51,893)	—	*(51,893)*	—	—	(9,158)	(2,853)	(5,218)	(104,558)
Net value adjustments/ writebacks for credit risk (+/-)	7,037	868	—	*7,905*	2,065	—	—	*2,065*	3,472	—	*3,472*	—	—	5,822	7,087	2,355	28,706
- Gross opening	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
variation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in the estimation methodology	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Writeoffs non recorded directly in P&L	—	—	—	—	—	—	—	—	—	—	—	—	—	(19)	—	—	(19)
Other variations	84,626	10,203	—	*94,829*	9,475	—	—	*9,475*	63,968	—	*63,968*	—	—	35,875	20,268	4,100	228,515
Total closing adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Recoveries from financial assets subject to write-of	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Writeoffs recorded directly in P&L																	

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/Risk stages	Gross amounts / Nominal values					
	Transfers between stage 1 to stage 2		Transfers between stage 2 to stage 3		Transfers between stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets valued at amortized cost	173,725	28,482	31	2	8	2,338
2. Financial assets valued at fair value with impact taken to other comprehensive income	—	—	—	—	—	—
3. Assets classified as held for sale	—	—	—	—	—	—
4. Commitments to disburse funds and financial guarantees given	278,646	34,120	—	—	14,895	1,568
Total 30/6/21	452,371	62,602	31	2	14,903	3,906
Total 30/6/20	330,791	2,922	13,471	61,869	5,812	47

The transfers from Stage1 to Stage2 were impacted by the prudential classifications for certain corporate positions after applications for waivers to financial covenants and Covid-related measures were received.

The Burgo position did not affect the movements from Stage3 to Stage1 as virtually the entire debt was renegotiated as a result of investment by a new shareholder.

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	Performing			
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	29,867,329	(28,244)	29,839,085	—
- of which: forborne exposures	*X*	—	—	—	—
Total (A)	—	29,867,329	(28,244)	29,839,085	—
B. Off-balance-sheet exposures					
a) Non-performing	—	X	—	—	—
b) Performing	X	16,359,421	(2,361)	16,357,060	—
Total (B)	—	16,359,421	(2,361)	16,357,060	—
Total (A+B)	—	46,226,750	(30,605)	46,196,145	—

A.1.7 Cash and off-balance-sheet exposures to customers: gross and net values

Type of exposure/amounts	Gross exposures		Accumulated impairment and provisions	Net Exposure	Total partial - write-off
	Non - performing	Performing			
A. Cash credit exposures					
a) Bad loans	10,331	X	(10,331)	—	—
- of which: forborne exposures	*6,636*	*X*	*(6,636)*	—	—
b) Unlikely to pay	133,071	X	(60,109)	72,962	—
- of which: forborne exposures	*130,072*	*X*	*(59,216)*	*70,856*	—
c) Overdue exposures (NPLs)	1,481	X	(164)	1,317	—
- of which: forborne exposures	—	*X*	—	—	—
d) Overdue exposures (performing)	X	39,568	(7)	39,561	—
- of which: forborne exposures	*X*	—	—	—	—
e) Other exposures (performing)	X	29,186,661	(76,053)	29,110,608	—
- of which: forborne exposures	*X*	*87,406*	*(3,083)*	*84,323*	—
Total (A)	144,883	29,226,229	(146,664)	29,224,448	—
B. Off-balance-sheet exposures					
a) Non-performing	22,000	X	(4,100)	17,900	—
b) Performing	X	26,136,766	(53,783)	26,082,983	—
Total (B)	22,000	26,136,766	(57,883)	26,100,883	—
Total (A+B)	166,883	55,362,995	(204,547)	55,325,331	—

As at 30 June 2021, gross non-performing loans decreased from €468.7m to €114.9m, the lowest level seen in the last decade as a result of one large corporate exposure (Burgo) returning to performing status. Similarly, net NPLs decreased to €74.3m (€287.2m), accounting for 0.3% (1%) of the total cash exposures, with the coverage ratio increasing from 38.7% to 48.7% with a view to addressing future scenario uncertainties.

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A.1.7a On-balance credit exposures to customers subject to measures applied in response to the COVID-19:gross and net values

Exposure types (*)/ amounts	**Gross exposure**	**Total value adjustments and total provisions**	**Net exposure**	**Write-off partial total**
A. Bad Credit Exposures				
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	—	—	—	—
b) Subject to COVID-19-related forbearance measures	—	—	—	—
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	—	—	—	—
B. Unlikely to pay Credit Loans	—	—	—	—
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	—	—	—	—
b) Subject to COVID-19-related forbearance measures	—	—	—	—
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	—	—	—	—
C. Non-Performing Past Due Credit Loans	—	—	—	—
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	—	—	—	—
b) Subject to COVID-19-related forbearance measures	—	—	—	—
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	—	—	—	—
D. Performing Past Due Loans	—	—	—	—
a)Subject to EBA-compliant moratoria (legislative and non-legislative)	—	—	—	—
b) Subject to COVID-19-related forbearance measures	—	—	—	—
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	—	—	—	—
E. Other Performing Loans	224,478	(1,487)	222,991	—
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	—	—	—	—
b) Subject to COVID-19-related forbearance measures	21,795	(511)	21,284	—
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	202,683	(976)	201,707	—
TOTAL (A+B+C+D+E)	224,478	(1,487)	222,991	—

* The row headed "Loans that have received concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" published by the EBA (EBA/GL/2020/02) as amended.

A.1.9 Cash exposures to customers: trend in gross non-performing exposures

Causals/ category	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Opening balance (gross amount)	11,019	455,497	2,222
- Of which sold but not derecognized	—	—	—
B. Increases	1	14,529	4,035
B.1 Transfers from performing loans	—	—	2,763
B.2 Entry from impaired financial assets acquired or originated	—	—	—
B.3 Transfers from other categories of non-performing exposures	—	—	—
B.4 Contractual changes without cancellations	—	—	—
B.5 Other increases	1	14,529	1,272
C. Decreases	689	336,955	4,776
C.1 Transfers to performing loans	—	—	817
C.2 Writeoffs	—	—	—
C.3 Recoveries	689	333,412[1]	3,959
C.4 Sales proceeds	—	—	—
C.5 Losses on disposals	—	3,543	—
C.6 Transfers to other categories of non-performing exposures	—	—	—
C.7 Contractual changes without cancellations	—	—	—
C.8 Other decreases	—	—	—
D. Closing balance (gross amounts)	10,331	133,071	1,481
- Of which sold but not derecognized	—	—	—

[1] Of which €329m related to Burgo.

A.1.9bis Cash exposures to customers: trend in gross forborne exposures, by credit quality

Description/Quality	Non-performing forborne exposures	Performing forborne exposures
A. Opening balance (gross amount)	459,755	221,983
- of which: sold but not derecognized	—	—
B. Increases	14,530	15,185
B.1 Inflows from performing not forborne exposures	—	—
B.2 Inflows from performing forborne exposures	—	X
B.3 Inflows from non-performing forborne exposures	X	—
B.4 Inflows from non-performing not forborne exposures	—	—
B.5 other increases	14,530	15,185
C. Decreases	337,577	149,762
C.1 Outflows to performing not forborne exposures	X	—
C.2 Outflows to performing forborne exposures	—	X
C.3 Outflows to non-performing forborne exposures	X	—
C.4 Writeoffs	—	—
C.5 Recoveries	334,034	148,792
C.6 Sales proceeds	—	—
C.7 Losses on disposals	3,543	—
C.8 Other decreases	—	970
D. Closing balance (gross amounts)	136,708	87,406
- of which: sold but not derecognized	—	—

As at 30 June 2021, gross non-performing exposures subject to forbearance measures[6] decreased from €459.8m to €136.7m, after the Burgo loan exited this category as a result of the company's entire indebtedness being renegotiated following investment by a new shareholder, which allowed the company's financial structure to be rebalanced,[7] reducing the exposure from €317.7m to €254.1m. The coverage ratio increased from 38.4% to 48.2%, and is reflected in the reduction in the net position, from €283m to €70.9m.

Gross performing forborne exposures totalled €87.4m, lower than last year (€222m), after the accounts for which moratoria granted in mortgage lending and leasing were reclassified as Stage2, resulting in an increase which was only partially offset by the reduction in the large corporate segment; net performing forborne exposures decreased from €212.7m to €84.3m, with a coverage ratio of 3.5% (4.2%).

Net non-performing forborne exposures account for 0.4% (1.6%) of total customer loans, whereas net performing forborne exposures account for 0.5% (1.2%).

A.1.11 Non-performing cash exposures to customers: trend in overall writedowns

Description/Category	**Bad loans**		**Unlikely to pay**		**Overdue exposures (NPLs)**	
	Total	***of which: forborne exposures***	**Total**	***of which: forborne exposures***	**Total**	***of which: forborne exposures***
A. Opening balance overall amount of writedowns	10,992	7,231	170,363	169,526	161	—
- *of which sold but not derecognized*	—	—	—	—	—	—
B. Increases	29	28	8,776	8,720	79	—
B.1 Adjustments on acquired or originated impaired assets	—	X	—	X	—	X
B.2 Other value adjustments	29	28	8,356	8,300	79	—
B.3 Losses on disposal	—	—	—	—	—	—
B.4 Transfers from other categories of non-performing exposures	—	—	—	—	—	—
B.5 Contractual changes without cancellations	—	—	—	—	—	—
B.6 Other increases	—	—	420	420	—	—
C. Reductions	690	623	119,030	119,030	76	—
C.1 Writebacks from assessments	—	—	29,568	29,568	76	—
C.2 Writebacks from recoveries	690	623	89,462	89,462	—	—
C.3 Gains on disposal	—	—	—	—	—	—
C.4 Writeoff	—	—	—	—	—	—
C.5 Transfers to other categories of non-performing exposures	—	—	—	—	—	—
C.6 Contractual changes without cancellations	—	—	—	—	—	—
C.7 Other decreases	—	—	—	—	—	—
D. Closing overall amount of writedowns	10,331	6,636	60,109	59,216	164	—
- *of which sold but not derecognized*	—	—	—	—	—	—

[6] By definition, "forbearance" is when a specific concession is offered to a client which is undergoing, or which risks encountering, temporary financial difficulties in meeting their payment obligations.

[7] The new loan has been granted performing status (and so excluded from the forborne category), as it has been renegotiated on market terms and without especial difficulties given the better-than-expected performances delivered by the company in the last three financial years, which has enabled it to complete the recovery plan required under Article 67 of the Italian bankruptcy law despite the pandemic.

A.2 Classification of credit exposures by internal and external ratings

A.2.1 Financial assets, commitments to disburse fund and financial guarantees given by class of external ratings (gross values)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets valued at amortized cost	596,825	3,973,096	31,623,466	803,302	40,787	—	12,463,707	49,501,183
- First stage	596,825	3,973,096	31,623,466	803,302	40,787	—	11,972,253	49,009,729
- Second stage	—	—	—	—	—	—	353,207	353,207
- Third stage	—	—	—	—	—	—	138,247	138,247
B. Financial assets valued at fair value with impacts taken to other comprehensive income	1,315,549	65,925	2,425,992	356,294	78,377	—	114,925	4,357,062
- First stage	1,315,549	65,925	2,425,992	356,294	78,377	—	114,925	4,357,062
- Second stage	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—
Total (A+B)	1,912,374	4,039,021	34,049,458	1,159,596	119,164	—	12,578,632	53,858,245
of which: impaired financial assets acquired or originated	—	—	—	—	—	—	—	—
C. Commitments and financial guarantees given								
- First stage	441,439	818,540	9,162,417	1,671,954	255,264	—	6,267,755	18,617,369
- Second stage	—	—	—	50,000	39,191	49,053	333,348	471,592
- Third stage	—	—	—	—	—	—	22,000	22,000
Total (C)	441,439	818,540	9,162,417	1,721,954	294,455	49,053	6,623,103	19,110,961
Total (A+B+C)	2,353,813	4,857,561	43,211,875	2,881,550	413,619	49,053	19,201,735	72,969,206

The Bank adopts the Standard & Poor's ratings for all portfolios subject to assessment.

The table is compliant with the classification provided by Bank of Italy circular 262/05 (sixth update) which requires external ratings to be divided into six different classes of credit standing.

The first three risk classes (classes 1, 2 and 3) consist of investment grade exposures, with a Standard & Poor's rating of between AAA and BBB-, and represent 94% of the entire portfolio, excluding unrated counterparties and non-performing loans.

The unrated exposures refer chiefly to Private Banking clients, portfolios that do not have an external rating.

A.2.2 Financial assets, commitments to disburse funds and financial guarantees given by class of internal ratings (gross values)

Exposures	External rating classes						Non-performing exposures	Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Financial assets valued at amortized cost	2,114,142	2,854,984	37,891,250	3,961,737	515,061	—	138,247	2,025,762	49,501,183
- First stage	2,114,142	2,854,984	37,891,250	3,756,970	415,020	—	—	1,977,363	49,009,729
- Second stage	—	—	—	204,767	100,041	—	—	48,399	353,207
- Third stage	—	—	—	—	—	—	138,247	—	138,247
B. Financial assets valued at fair value with impacts taken to other comprehensive income	1,315,549	87,136	2,474,965	311,929	78,377	—	—	89,106	4,357,062
- First stage	1,315,549	87,136	2,474,965	311,929	78,377	—	—	89,106	4,357,062
- Second stage	—	—	—	—	—	—	—	—	—
- Third stage	—	—	—	—	—	—	—	—	—
Total (A+B)	3,429,691	2,942,120	40,366,215	4,273,666	593,438	—	138,247	2,114,868	53,858,245
of which: impaired financial assets acquired or originated	—	—	—	—	—	—	—	—	—
C. Financial assets held for sale									
- First stage	291,381	1,379,773	11,289,305	3,688,444	292,882	—	—	1,675,584	18,617,369
- Second stage	—	—	—	301,439	170,153	—	—	—	471,592
- Third stage	—	—	—	—	—	—	22,000	—	22,000
Total (C)	291,381	1,379,773	11,289,305	3,989,883	463,035	—	22,000	1,675,584	19,110,961
Total (A+B+C)	3,721,072	4,321,893	51,655,520	8,263,549	1,056,473	—	160,247	3,790,452	72,969,206

Mediobanca uses models developed internally in the process of managing credit risk to assign ratings to each counterparty.

The models' different rating scales are mapped against a single Group master scale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P master scale.

A.3 Distribution of secured exposures by type of security

A.3.1 Cash and off-balance sheet secured exposures to banks

	Gross exposure	Net exposures	Collaterals (1)				Personal guarantees (2)									Tottal (1)+(2)
							Credit derivatives					Signature loans				
			Property - mortgages	Financial leasing property	Securities	Other guarantees	CLN	Other derivatives				Public Administrations	Banks	Other financial companies	Other entities	
								Central counter-parties	Banks	Other financial companies	Other entities					
1. Secured balance sheet credit exposures:	2,662,849	2,662,634	—	—	2,622,405	—	—	—	—	—	—	—	—	—	—	2,622,405
1.1 totally secured	2,422,779	2,422,582	—	—	2,382,405	—	—	—	—	—	—	—	—	—	—	2,382,405
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partially secured	240,070	240,052	—	—	240,000	—	—	—	—	—	—	—	—	—	—	240,000
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 totally secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
-of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Cash and off-balance sheet secured exposures to customers

	Gross exposure	Net exposures	Collaterals (1)				Personal guarantees (2)									Tottal (1)+(2)
			Property - mortgages	Financial leasing property	Securities	Other guarantees	Credit derivatives					Signature loans				
							CLN	Other derivatives				Public Administrations	Banks	Other financial companies	Other entities	
								Central counterparties	Banks	Other financial companies	Other entities					
1. Secured balance sheet credit exposures:	6,386,336	6,302,138	237,844	—	2,614,635	1,552,234	—	—	—	—	—	180,368	—	340,049	753,388	5,678,518
1.1 totally secured	5,270,324	5,213,459	237,844	—	2,578,910	1,514,924	—	—	—	—	—	41,764	—	197,745	567,952	5,139,139
- of which non-performing	*81,376*	*39,767*	*38,654*	—	—	*1,113*	—	—	—	—	—	—	—	—	—	*39,767*
1.2 partially secured	1,116,012	1,088,679	—	—	35,725	37,310	—	—	—	—	—	138,604	—	142,304	185,436	539,379
- of which non-performing	*52,809*	*34,309*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	1,316,475	1,312,398	12,294	—	123,948	367,073	—	—	—	—	—	5,982	—	72,069	661,713	1,243,079
2.1 totally secured	1,050,276	1,046,999	12,294	—	117,636	310,576	—	—	—	—	—	5,982	—	36,155	543,680	1,026,323
-of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	266,199	265,399	—	—	6,312	56,497	—	—	—	—	—	—	—	35,914	118,033	216,756
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Exposures distribution and concentration

B.1 Cash and off-balance sheet exposures to customers by sector

Exposures/Counterparts	Public administration		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance-sheet credit exposures										
A.1 Bad loans	—	—	—	(8,672)	—	—	—	(1,659)	—	—
- *of which: forborne exposures*	—	—	—	*(6,636)*	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	2,106	(893)	—	—	70,856	(59,216)	—	—
- *of which: forborne exposures*	—	—	—	—	—	—	*70,856*	*(59,216)*	—	—
A.3 Overdue exposures (NPLs)	—	—	103	(84)	—	—	20	(17)	1,194	(63)
- *of which: forborne exposures*	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	8,138,342	(5,489)	11,150,577	(23,856)	1,426,508	(4,595)	9,099,790	(45,439)	761,460	(1,276)
- *of which: forborne exposures*	—	—	—	—	—	—	*75,448*	*(2,414)*	*8,875*	*(669)*
Total (A)	8,138,342	(5,489)	11,152,786	(33,505)	1,426,508	(4,595)	9,170,666	(106,331)	762,654	(1,339)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	16,900	(4,100)	1,000	—
B.2 Performing exposures	3,241,640	(99)	9,574,580	(10,441)	1,391,557	(543)	12,840,754	(43,239)	426,009	(4)
Total (B)	3,241,640	(99)	9,574,580	(10,441)	1,391,557	(543)	12,857,654	(47,339)	427,009	(4)
Total (A+B) 30/6/21	11,379,982	(5,588)	20,727,366	(43,946)	2,818,065	(5,138)	22,028,320	(153,670)	1,189,663	(1,343)
Total (A+B) 30/6/20	7,595,887	(3,987)	19,845,313	(34,791)	2,300,788	(3,433)	20,024,411	(247,754)	1,010,395	(1,957)

B.2 Cash and off-balance sheet exposures to customers by geography

Exposures/geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	(10,331)	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	38,653	(41,609)	34,309	(18,500)	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	1,317	(164)	—	—	—	—	—	—	—	—
A.4 Performing exposures	21,984,566	(61,423)	6,673,511	(14,619)	395,766	(13)	95,952	(5)	374	—
Total (A)	22,024,536	(113,527)	6,707,820	(33,119)	395,766	(13)	95,952	(5)	374	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	1,000	—	—	—	13,658	(1,236)	3,242	(2,864)	—	—
B.2 Performing exposures	9,267,300	(11,277)	14,526,571	(29,226)	1,291,159	(13,274)	994,501	(6)	3,452	—
Total (B)	9,268,300	(11,277)	14,526,571	(29,226)	1,304,817	(14,510)	997,743	(2,870)	3,452	—
Total (A+B) 30/6/21	31,292,836	(124,804)	21,234,391	(62,345)	1,700,583	(14,523)	1,093,695	(2,875)	3,826	—
Total (A+B) 30/6/20	28,969,408	(233,296)	17,315,966	(39,779)	2,031,919	(12,793)	157,229	(2,621)	1,485	—

B.3 Cash and off-balance sheet exposures to banks by geography

Exposures/geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	21,041,915	(22,906)	8,461,266	(5,262)	335,123	(72)	780	(4)	1	—
Total (A)	21,041,915	(22,906)	8,461,266	(5,262)	335,123	(72)	780	(4)	1	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	2,408,939	(8)	13,948,119	(2,353)	2	—	—	—	—	—
Total (B)	2,408,939	(8)	13,948,119	(2,353)	2	—	—	—	—	—
Total (A+B) 30/6/21	23,450,854	(22,914)	22,409,385	(7,615)	335,125	(72)	780	(4)	1	—
Total (A+B) 30/6/20	19,266,141	(16,405)	19,242,967	(6,337)	39,474	(20)	1,215	(3)	1	—

B.4a Credit risk indicators

	30/6/21	30/06/20
a) Bad loans (Gross exposure) / Loans to customers	0.04%	0.04%
b) Unusual matches / Balance sheet credit exposures	0.50%	1.64%
c) Bad loans (Net exposure) / Regulatory capital	—	—

B.4b Gross NPL ratio[8]

(€m)

	30/6/21	30/6/20
	Gross value	
Loans	37,110.4	30,290.2
NPLs	144.9	468.7
Loans and advances to customers	37,255.3	30,758.9
NPL purchased	—	—
Treasury financial assets*	10,128.7	10,311.2
Total Loans and Receivables (FINREP)	47,383.9	41,070.1
Gross NPL ratio Finrep %	0.3%	1.1%

* In line with the guidelines of the EBA Risk Dashboard, the calculation excludes cash and includes untied deposits held with central banks.

B.4c Large risks

	30/6/21	30/6/20
a) Book value	14,207,775	11,368,066
b) Weighted value	11,926,588	8,974,253
c) No. of exposures	18	10

At the reporting date, aggregate exposures (including market risks and equity investments) to a total of eighteen groups of clients (eight more than last year) were in excess of 10% of CET1 regulatory capital, for a gross exposure of €14.2bn (€11.9bn, taking into account guarantees and weightings), higher than the respective figures at end-June 2020 (€11.4bn and €9bn respectively). In detail the eighteen exposures are to seven industrial groups, one insurance company and nine banking groups. The increased number and value of risks defined as large is due exclusively to the stricter definition limit coming into force (i.e. 10% of CET 1 capital rather than total capital).

[8] The EBA Risk Dashboard defines the way according to which the Gross NPL ratio should be calculated: it is the ratio between the gross NPLs book value (loans and advances) and total loans and advances. Source: EBA *Risk Dashboard, Risk Indicators in the Statistical Annex* (AQT_3.2).

C. Securitization

QUALITATIVE INFORMATION

The bulk of the portfolio consists of the Group's senior securitizations, with €1,196.7m in Quarzo bonds with performing Compass receivables as the underlying instrument, down on the figure reported last year (30/6/20: € 2,574.3m).

The Bank has portfolio of securities deriving from securitizations by other issuers totalling €286.6m, €231.2m of which as part of the banking book (all HTC recognized at amortized cost) and €55.4m as part of the trading book.

The ABS market maintained its positive trend, in line with the general recovery phase and the gradual return to normality post-pandemic. Spreads therefore benefited from falling default rates, helped by the dual effect of economic growth on the one hand and the ECB and individual European governments' support measures on the other. Despite the clearly improving scenario, new business in ABS remained sluggish, while the Consumer Banking and automotive loans segments were more buoyant as they are liked more directly to the reopening of the economy.

During the twelve months under review, senior securities in the banking book increased from €133m to €215.1m, due to a strong increase in positions in CLOs (from €52.4m to €168.2m, almost half of which invested in the senior tranches of Cairn CLO XII and CLO XIII), replacing the reduced exposure to deals with NPLs as underlying (down from €80.7m to €46.9m) which are non entirely related to domestic operations. The exposure to mezzanine tranches has also decreased (from €69m to €15.6m) of which €10.8m related to operations with performing loan and €4.3m CLO. The share of junior notes remains decidedly low at €0.5m. The difference between book value (amortized cost) and fair value (obtained from the market platforms) remains low, at €198,000.

Holdings in the trading book, none of which involve junior securities, amount to €55.4m (30/6/20: €28.9m), made up of €29.2m senior securities, €8m of which CLOs, and €26.2m in mezzanine securities, €13.4m of which securitizations of performing receivables (mostly Italian and German) and €12.8m in CLO tranches.

Mediobanca also has an exposure to:

– Cairn Loan Investments LLP (CLI and CLI II), a Cairn-branded CLO management company which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invest in the junior tranches of the CLOs they manage, with gross investments subscribed to of €30m and €30.4m respectively;[9]

– Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A. which is currently invested in five securitizations (Valentine, Berenice, Cube, Este and Sunrise) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €29m;

– Negentropy RAIF – Debt Select Fund, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca has acted as advisor; the fund has a NAV of €115.4m, with senior tranches of Italian NPLs as the underlying instrument, 41% of which consists of the initial transfer from the Belvedere deal, currently has an investment of €77.3m.

QUANTITATIVE INFORMATION

C.2 Exposures from main customer securitizations by asset type/exposure

Type of securitized asset/ Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns / writeback	Book value	Writedowns / writeback	Book value	Writedowns / writeback
A. NPLs Italy (residential motgages and real estates)	46,920	—	495	(529)	350	67
C. Performing Loan Italy	20,392	12	3,000	—	—	—
D. Performing Loan Holland	11,582	32	7,432	47	174	(13)
E. Performing Loan Spain	6,436	44	3,256	3	—	—
F. Performing Loan Germany	—	—	10,533	5	—	—
G. Other receivables held by Group's entities	1,196,720	—	—	—	—	—
H. Other receivables	158,914	(2)	17,091	(33)	—	—
Total 30/6/21	1,440,963	86	41,806	(507)	524	54
Total 30/6/20	2,703,313	—	85,243	(2,856)	470	(368)

[9] As at 30 June 2021, as stated in the information on structured entities not consolidated in accounting terms, the holdings in the CLI I and CLI II funds were booked to the accounts at €21.8m and €24.3m respectively.

C.4 Securitization SPVs not consolidated

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

D. Disclosure on unconsolidated structured entities other than securitization SPVs

QUALITATIVE INFORMATION

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

E. Asset disposals

A. Financial assets sold but not entirely derecognized

E.1 Financial assets sold entirely recognized and related financial liabilities: book values

	Financial assets sold as a whole				Associated financial liabilities		
	Book value	***of which: subject to securitization transactions***	***of which: subject to sale contracts with repurchase agreement***	***of which non-performing***	**Book value**	***of which: subject to securitization transactions***	***of which: subject to sale contracts with repurchase agreement***
A. Financial assets held for trading	1,672,058	—	1,672,058	X	1,611,074	—	1,611,074
1. Debt securities	1,218,067	—	1,218,067	X	1,165,488	—	1,165,488
2. Equities	453,991	—	453,991	X	445,586	—	445,586
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	28,280	—	28,280	—	26,953	—	26,953
1. Debt securities	28,280	—	28,280	—	26,953	—	26,953
2. Equities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
E. Financial assets measured at amortized cost	53,955	—	53,955	—	55,888	—	55,888
1. Debt securities	12,034	—	12,034	—	11,052	—	11,052
2. Loans	41,921	—	41,921	—	44,836	—	44,836
Total 30/6/21	1,754,293	—	1,754,293	—	1,693,915	—	1,693,915
Total 30/6/20	3,117,956	—	3,117,956	—	2,781,196	—	2,781,196

E.3 Disposals related to financial liabilities with repayment exclusively based on assets sold and not fully derecognized: fair value

	Fully booked	Partially booked	Total	
			30/6/21	30/6/20
A. Financial assets held for trading	1,672,058	—	1,672,058	1,866,258
1. Debt securities	1,218,067	—	1,218,067	1,539,228
2. Equities	453,991	—	453,991	327,030
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	28,280	—	28,280	383,482
1. Debt securities	28,280	—	28,280	383,482
2. Equities	—	—	—	—
3. Loans	—	—	—	—
E. Financial assets measured at amortized cost (fair value)	68,627	—	68,627	892,747
1. Debt securities	12,293	—	12,293	659,771
2. Loans	56,334	—	56,334	232,976
Total financial assets	1,768,965	—	1,768,965	3,142,487
Total associated financial liabilities	1,704,458	—	X	X
Net value 30/6/21	64,507	—	1,768,965	X
Net value 30/6/20	304,147	—	X	3,142,487

F. Models for managing credit risk

The Bank uses the IRB Advanced method, featuring the PD and LGD parameters, in order to quantify the capital requirement for credit risk on the Corporate portfolio. A plan has also been adopted to progressively role the internal models out to cover other categories of credit asset as well (the "Roll-Out Plan"). For these exposures, for which the standardized methodology is currently used to calculate the regulatory capital requirements, the Bank has nonetheless developed internal credit risk models that are used for management purposes. The Bank has also developed a portfolio model to calculate the economic capital for credit risk, which allows concentration and diversification effects (geographical and sector) to be taken into consideration. For further details please see "Section 1.1 Credit risk" in Part E of the Notes to the Accounts.

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. The expected shortfall on the set of positions subject to VaR calculation is also calculated, by means of historical simulation; this represents the average potential losses over and beyond the level of confidence for the VaR. Stress tests are also carried out daily (on specific positions) and monthly (on the rest of the trading book) on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of extreme changes in market variables.

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

The twelve months under review saw a reduction in volatility for all asset classes, following the highs recorded in spring 2020 following the outbreak of the Covid-19 pandemic. This allowed a reduction in the risk indicator readings, confirmed by the absence of stop losses and breaches of the limits in terms of VaR in the course of the twelve months. The aggregate value-at-risk on the trading book ranged from a low of €2.7m at end-September 2020 to a high of €6.4m at the start of the financial year, with the average reading almost unchanged versus last year (at approx. €4.2m). From the high recorded at the start of July 2020, VaR gradually reduced, first to being stably between €6m and €7m, then declining as far as €3m at end-January 2021. This is due to a reduction in the outright position in the proprietary arbitrage portfolio (the most substantial being in the months of July and August 2020), plus a reduced exposure to short-term US interest rates. The continued growth in the mark-to-market equity-linked certificates business, and the related DVA hedging policies, along with the high volatility on credit and equity markets (albeit less high than last year) have nonetheless ensured that VaR remains at high levels.

Since February 2021 VaR has gradually started to rise again, with spikes of €6m, stabilizing at around €5m. This increase reflects the higher exposure to interest rates (US short-term and Eurozone interest rates linked to the yields on German and Italian government bonds), and a higher equity exposure both in the proprietary arbitrage portfolio and versus US equities. The point-in-time reading for VaR as at 30 June 2021 was €4.8m (€5.8m).

Like VaR, the expected shortfall also showed an average reading in line with last year, at around €5.5m.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed only one departure from VaR, which occurred in July 2020 as a result of losses posted in the proprietary arbitrage portfolio.

Tab.1: Value-at-risk and expected shortfall: trading book

(€'000)

Risk factors	**12 mths ended 30/6/21**				**12 mths ended 30/6/20**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	1,319	451	4,186	1,886	2,016
Credit	992	890	3,622	1,411	1,750
Share prices	3,925	1,508	8,911	3,412	3,291
Exchange rates	298	285	1,245	671	718
Inflation	100	100	828	502	256
Volatility	4,542	1,338	5,635	2,820	1,828
Diversification effect*	(6,366)	—	—	(6,521)	(5,654)
Total	4,810	2,724	6,448	4,181	4,205
Expected Shortfall	*7,301*	*3,583*	*6,982*	*5,482*	*5,385*

(*) 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 trading desks. Each 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 share volatility) which are monitored daily. Compared to last year there was a significant reduction in the average equity delta, which decreased from €738,000 to €180,000 (due primarily to the lower outright positions in the proprietary arbitrage portfolio, and to the increase in US short equity positions), as well as increased sensitivity to US interest rates (US and Eurozone). The other sensitivities maintained a similar average level to last year, despite recording pronounced fluctuations in the course of the twelve months.

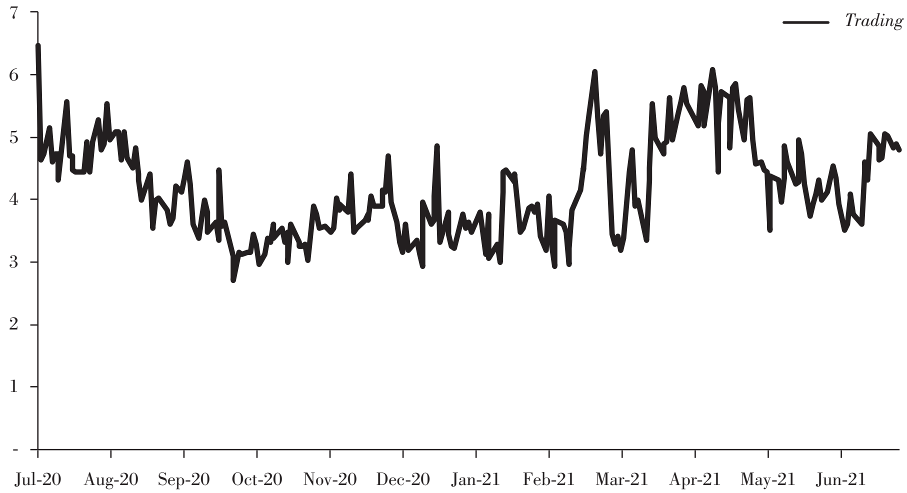
Tab. 2: Summary of trend in main sensitivities for trading book

(€'000)

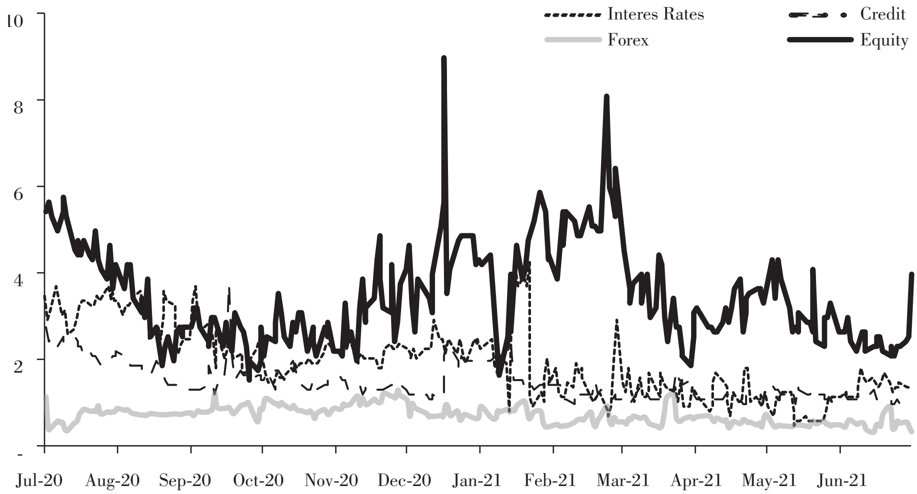
Risk factors	**12 mths ended 30/6/21**				**12 mths ended 30/6/20**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Equity delta (+1%)	(378,742)	(803,970)	415,897	(180,824)	738,132
Equity vega (+1%)	1,040,027	211,980	1,629,442	991,177	858,604
Interest rate delta(+1bp)	117,109	(158,463)	585,088	189,395	23,621
Inflation delta (+1 bp)	2,907	—	88,812	50,020	34,296
Exchange rate delta (+1%) (*)	256,756	(187,044)	706,087	325,897	373,354
Credit delta (+1bp)	571,770	170,210	806,941	584,124	584,597

* 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	1,597	317,632	320,745	676,989	1,944,368	414,161	996,984	—
1.1 Debt securities	1,597	317,632	320,745	676,989	1,944,368	414,161	996,984	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	1,597	317,632	320,745	676,989	1,944,368	414,161	996,984	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	2,848	306,290	156,236	2,673,347	510,395	152,510	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	2,848	306,290	156,236	2,673,347	510,395	152,510	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ long positions	—	100,000	—	—	956,975	—	—	—
+ short positions	—	100,000	—	—	956,975	—	—	—
– Others								
+ long positions	—	213,621	70,390	145,545	190,894	57,760	—	—
+ short positions	—	213,621	70,390	145,545	190,894	57,760	—	—
3.2 Without underlying securities								
– Options								
+ long positions	—	69,683,396	44,306,309	1,345,989	4,498,461	2,344,225	387,118	—
+ short positions	—	69,683,396	44,306,309	1,345,989	4,498,461	2,344,225	387,118	—
– Others								
+ long positions	556,557	32,606,825	9,072,605	10,658,424	24,891,080	6,152,037	7,244,801	—
+ short positions	716,557	37,891,872	10,048,919	4,237,062	24,891,080	6,152,037	7,244,801	—

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	2,078,595	—	40,398
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Italian	—	—	323
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	323
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	119,205	—	—
- harmonized	16,094	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	103,111	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	2,197,800	—	40,721

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities: over 94% of the net exposure is to EU member states.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The former quantifies the impact of parallel and simultaneous 200 bps shocks in the interest rate curve on current earnings. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst case scenario of those contemplated in the Basel Committee guidelines (BCBS).

All the scenarios present a floor set by the EBA guidelines (EBA/GL/2018/02) at minus 1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

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

To determine the value of the discounted cash flows, various benchmark curves have been used in order to discount and then determine the future interest rates, based on the value date on which the balance-sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

With reference to the Bank's banking book positions as at 30 June 2021, in the event of a simultaneous parallel rise in the interest rates ("parallel down"), the estimated interest margin would be negatively affected by approx. €2m.

With reference to analysis of the discounted value of estimated cash flows on the banking book, a flattener shock generates a €90m loss (€22m last year).

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[10]

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 issue 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 hadge are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and securities recognized at fair value through other comprehensive income or at amortized cost, and also to mitigate price risk on equity investments recognized at FVOCI. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value hedged.

[10] This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Eonia interest rates.

Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

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 the Mediobanca Group, taking into account the presence of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions. For these three types of operations there are different exposure limits split by counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivatives transactions, as required by IFRS13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of financial assets and liabilities

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	5,913,465	32,814,335	4,636,490	1,552,101	7,504,886	1,108,286	263,307	—
1.1 Debt securities	—	1,453,480	568,708	1,083,104	4,642,252	956,753	5,609	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	1,453,480	568,708	1,083,104	4,642,252	956,753	5,609	—
1.2 Loans to banks	2,806,234	21,473,843	1,042,436	220,373	1,449,932	49,868	247,771	—
1.3 Loans to customers	3,107,231	9,887,012	3,025,346	248,624	1,412,702	101,665	9,927	—
– current accounts	1,001,449	—	—	—	—	—	—	—
– other loans	2,105,782	9,887,012	3,025,346	248,624	1,412,702	101,665	9,927	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	2,105,782	9,887,012	3,025,346	248,624	1,412,702	101,665	9,927	—
2. Cash liabilities	26,406,988	7,886,225	1,111,357	3,443,584	13,577,557	2,318,586	941,955	—
2.1 Due to customers	5,399,912	162,101	181,780	677,986	30,373	—	—	—
– current accounts	5,277,518	—	—	—	—	—	—	—
– other amounts due	122,394	162,101	181,780	677,986	30,373	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	122,394	162,101	181,780	677,986	30,373	—	—	—
2.2 Due to banks	21,006,142	3,145,825	369,747	164,600	7,955,922	—	161,413	—
– current accounts	20,131,578	—	—	—	—	—	—	—
– other amounts due	874,564	3,145,825	369,747	164,600	7,955,922	—	161,413	—
2.3 Debt securities	934	4,578,299	559,830	2,600,998	5,591,262	2,318,586	780,542	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	934	4,578,299	559,830	2,600,998	5,591,262	2,318,586	780,542	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products								
3.1 With underlying securities								
– Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ long positions	—	—	—	—	1,189,896	114,606	1,007,809	—
+ short positions	—	—	—	—	1,189,896	114,606	1,007,809	—
– Others								
+ long positions	202,423	6,154,492	7,216,531	12,008,806	3,802,629	2,176,500	27,500	—
+ short positions	404,847	23,262,406	1,325,000	590,000	3,802,629	2,176,500	27,500	—
4. Other OTC trades								
+ long positions	427,027	289,083	430,859	189,804	7,539,146	650,682	114,258	—
+ short positions	1,502,985	209,785	159,940	255,546	7,141,823	226,701	144,077	—

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	131,019	—	88,016
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	169,600
B. UCITS units			
B.1 Italian	12,412	—	111,091
- harmonized open	7,932	—	—
- non-harmonized open	—	—	—
- closed	—	—	107,027
- reserved	—	—	—
- speculative	4,480	—	4,064
B.2 Other EU states	237,889	—	267,686
- harmonized	—	—	—
- non-harmonized open	—	—	77,308
- non-harmonized closed	237,889	—	190,378
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	381,320	—	636,393

[1] which 40% Italian and 50% other EU member states.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown on p. 192 is an effective representation of changes in the risks taken on the forex market, because the Group's exposure to exchange rate risk is managed globally.

The exchange rate effect on the Bank's investment in RAM AI (CHF) has been hedged by means of a deposit (liability) up to an amount of €150m, so the change in the fair value in relation to the exchange rate for the portion of the instrument to be hedged is recorded under profit and loss account Heading 90 "Net hedging income (expense)" to hedge the change in the exchange rate on the investment, while the remaining fair value is recorded under Heading 80, "Net trading income".

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Items	Currencies					
	US Dollar	**Grea Britain Pound**	**Japanese Yen**	**Swedish Krona**	**Swiss Franc**	**Other currencies**
A. Financial assets	3,431,835	1,391,193	1,157	2,397	439,342	67,243
A.1 Debt securities	874,072	9,756	—	—	225,842	—
A.2 Equity securities	64,006	759,528	—	—	11,133	277
A.3 Due from banks	1,692,872	522,202	1,148	858	202,004	43,314
A.4 Due from customers	482,182	96,934	—	1,528	356	23,602
A.5 Other financial assets	318,703	2,773	9	11	7	50
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	3,971,217	779,986	10	256	245,912	29,654
C.1 Due to banks	1,408,730	764,456	3	256	209,449	29,653
C.2 Due to customers	344,351	77	—	—	165	—
C.3 Debt securities in issue	1,894,340	15,325	—	—	36,298	—
C.4 Other financial liabilities	323,796	128	7	—	—	1
D. Other liabilities	—	—	—	—	—	—
E. Financial derivatives						
- Options						
+ Long positions	169,693	82,224	10,593	—	10,423	423
+ Short positions	234,786	117,085	9,941	—	11,842	472
- Other derivatives						
+ Long positions	4,638,339	599,289	248,176	6,957	1,036,883	247,151
+ Short positions	4,044,179	1,203,551	225,550	7,634	1,262,302	268,891
Total assets	8,239,867	2,072,706	259,926	9,354	1,486,648	314,817
Total liabilities	8,250,182	2,100,622	235,501	7,890	1,520,056	299,017
Difference (+/-)	(10,315)	(27,916)	24,425	1,464	(33,408)	15,800

2. Internal models and other methodologies used for sensitivity analysis

The development of the pandemic has been the factor that has affected the trend in exchange rate volatility more than any other. Volatility, and along with it, the Bank's overall forex VaR, declined last summer, when the pandemic seemed to be coming to an end, before climbing again in October 2020, and remaining at high levels to the end of December. VaR then fella gain during the rest of the financial year, more or less stabilizing at between €5m and €6m. The average forex VaR was basically in line with the reading for last year, at €7m (€7.7m); while the point in time reading at 30 June 2021 was €7.8m (€11.8m).

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	30/6/21				30/6/20			
	Over the counter			Established markets	Over the counter			Established markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with clearing arrangements	without clearing arrangements			with clearing arrangements	without clearing arrangements	
1. Debt securities and interest rate	49,627,093	41,533,801	2,119,303	110,511,723	42,145,449	45,099,677	1,421,512	122,834,994
a) Options	—	7,191,960	626,316	110,236,307	—	11,186,213	260,000	120,846,902
b) Swap	49,627,093	29,010,463	1,492,987	—	42,145,449	31,368,420	1,161,512	—
c) Forward	—	475,648	—	—	—	389,044	—	—
d) Futures	—	—	—	275,416	—	—	—	1,988,092
e) Others	—	4,855,730	—	—	—	2,156,000	—	—
2. Equities and stock indexes	—	25,231,738	2,564,820	20,770,453	—	21,548,112	2,010,092	18,380,123
a) Options	—	23,362,028	906,280	20,299,618	—	19,730,713	603,365	17,881,937
b) Swap	—	1,718,307	—	—	—	1,665,996	—	—
c) Forward	—	151,403	—	—	—	151,403	—	—
d) Futures	—	—	—	470,835	—	—	—	498,186
e) Others [1]	—	—	1,658,540	—	—	—	1,406,727	—
3. Currency and gold	—	10,523,807	1,167,283	—	—	8,668,772	739,268	—
a) Options	—	712,160	—	—	—	654,466	1,233	—
b) Swap	—	3,075,840	350,240	—	—	3,125,183	379,295	—
c) Forward	—	6,735,807	817,043	—	—	4,889,123	358,740	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	49,627,093	77,289,346	5,851,406	131,282,176	42,145,449	75,316,561	4,170,872	141,215,117

[1] Regards exclusively certificates issued.

A.2 Trading financial derivatives: positive and negative fair values by product

Types of derivatives	Total 30/6/21				Total 30/6/20			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With clearing arrangements	Without clearing arrangements			With clearing arrangements	Without clearing arrangements	
1. Positive fair value								
a) Options	—	1,924,829	2,198	867,097	—	1,168,381	2,717	824,337
b) Interest rate swap	204	632,862	69,320	—	220	1,002,609	70,326	—
c) Cross currency swap	—	115,812	—	—	—	155,455	12,491	—
d) Equity swap	—	128,714	—	—	—	139,911	—	—
e) Forward	—	73,932	21,062	—	—	45,214	10,037	—
f) Futures	—	—	—	5,462	—	—	—	43,620
g) Others	—	—	—	—	—	—	—	—
Total	204	2,876,149	92,580	872,559	220	2,511,570	95,571	867,957
2. Nagative Fair value								
a) Options	—	1,891,406	7,586	1,072,720	—	1,062,855	16,385	1,232,182
b) Interest rate swap	303,819	420,714	20,108	—	493,683	451,225	14,086	—
c) Cross currency swap	—	97,796	9,785	—	—	114,747	—	—
d) Equity swap	—	1,918	—	—	—	25,574	—	—
e) Forward	—	178,265	17,303	—	—	160,064	3,450	—
f) Futures	—	—	—	20,127	—	—	—	10,490
g) Others[1]	—	—	1,645,852	—	—	—	1,184,888	—
Total	303,819	2,590,099	1,700,634	1,092,847	493,683	1,814,465	1,218,809	1,242,672

[1] Regards exclusively certificates issues.

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	40,000	403,811	1,675,492
- positive fair value	X	55,596	3,984	12,013
- negative fair value	X	47	19,834	1,431
2) Equities and stock indexes				
- notional value[1]	X	1,814,936	739,566	10,318
- positive fair value	X	3,740	5,960	4,460
- negative fair value[1]	X	1,657,993	5,502	182
3) Currencies and gold				
- notional value	X	563,906	—	603,378
- positive fair value	X	6,825	—	—
- negative fair value	X	1,298	—	14,349
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 agreement				
1) Debt securities and interest rate				
- notional value	49,627,093	26,203,779	9,920,969	5,409,053
- positive fair value	204	470,056	194,435	211,465
- negative fair value	303,819	346,745	326,940	34,326
2) Equities and stock indexes				
- notional value	—	13,534,830	9,907,396	1,789,513
- positive fair value	—	834,558	817,294	178,309
- negative fair value	—	919,272	786,793	20,761
3) Currencies and gold				
- notional value	—	6,339,637	3,042,643	1,141,526
- positive fair value	—	61,628	52,916	55,487
- negative fair value	—	111,835	28,840	14,587
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

[1] Of which certificates with a nominal value of €1,658,540,000 and fair value of minus €1,645,852,000.

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	16,701,490	49,363,547	27,215,160	93,280,197
A.2 Financial derivative contracts on equity securities and stock indexes	10,254,369	16,975,847	566,342	27,796,558
A.3 Financial derivatives on currencies and gold	8,147,005	2,926,957	617,128	11,691,090
A.4 Financial derivatives on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/21	35,102,864	69,266,351	28,398,630	132,767,845
Total 30/6/20	33,567,062	61,335,903	26,729,917	121,632,882

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. Buy protection		
a) Credit default products	3,986,973	14,988,621
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	224,545	—
Total 30/06/21	4,211,518	14,988,621
Total 30/06/20	4,073,932	22,413,129
2. Sell protection		
a) Credit default products	2,153,060	14,920,620
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	—	—
Total 30/06/21	2,153,060	14,920,620
Total 30/06/20	2,635,022	22,442,171

[1] Regards exclusively certificates issued.

The column headed "Basket" includes the positions in credit indexes matched by positions on single names which go to make up the same index for the skew issues (the arbitrage structures have a notional value of €12.8bn). The derivative embedded in the issues (€1.5bn) for the hedge buys is represented for the individual constituents, with notional value equal to the nominal value of the issues.

B.2 Trading credit derivatives: positive and negative fair value by product

Types of derivatives	30/6/21	30/6/20
1. Positive fair value		
a) Credit default products	319,653	185,611
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others	—	—
Total	319,653	185,611
2. Negative fair value		
a) Credit default products	355,674	247,133
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others[1]	237,018	172,228
Total	592,692	419,361

[1] Regards exclusively certificates issued.

B.3 Trading book OTC credit derivatives: notional value and gross positive/negative fair value, by counterparty

	Central counterparts	Banks	Other financial companies	Other counterparties
Contracts not covered by clearing agreements				
1) Buy protection				
– notional value [1]	X	974,996	678,992	—
– positive fair value	X	5,228	3,263	—
– negative fair value[1]	X	237,475	—	—
2) Sell protection				
– notional value	X	14,526	—	—
– positive fair value	X	—	—	—
– negative fair value	X	374	—	—
Contracts covered by clearing agreements				
1) Buy protection				
– notional value	4,270,095	5,926,752	7,349,304	—
– positive fair value	—	6,883	7,438	—
– negative fair value	13,161	148,990	177,785	—
2) Sell protection				
– notional value	4,112,454	5,456,859	7,489,840	—
– positive fair value	—	118,901	177,940	—
– negative fair value	3,672	8,575	2,661	—

[1] Of which certificates with a notional value of €224,545,000 and a fair value of minus €237,018,000.

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. Sell protection	1,610,366	15,364,544	98,769	17,073,679
2. Buy protection	1,771,570	17,313,766	114,803	19,200,139
Total 30/6/21	3,381,936	32,678,310	213,572	36,273,818
Total 30/6/20	1,634,072	48,948,201	981,982	51,564,255

3.2 Hedging policies

A. Financial hedging derivatives

A.1 Financial hedging derivatives: reporting-date notional value

Underlying assets / Type of derivatives	**30/6/21**				**30/6/20**			
	Over the counter			**Established markets**	**Over the counter**			**Established markets**
	Central Counterparts	**without central counterparties**			**Central Counterparts**	**without central counterparties**		
		with clearing arrangementse	**without clearing arrangements**			**with clearing arrangementse**	**without clearing arrangements**	
1. Debt securities and interest rate	27,558,609	5,647,483	—	—	23,863,465	5,668,716	—	—
a) Options	—	2,312,311	—	—	—	2,025,181	—	—
b) Swap	27,558,609	3,335,172	—	—	23,863,465	3,643,535	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
2. Equities and stock indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	—	—	—	—	—	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
3. Currecies and gold	—	695,101	—	—	—	313,449	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	695,101	—	—	—	313,449	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	27,558,609	6,342,584	—	—	23,863,465	5,982,165	—	—

A.2 Financial hedging derivatives: positive and negative fair values by product

Types of derivatives	Positive and negative fair values								Change in the value used to calculate the ineffectiveness of the hedge	
	30/6/21				30/6/20				30/6/21	30/6/20
	Over the counter			Established markets	Over the counter			Established markets		
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties				
		With clearing arrangement	Without clearing arrangements			With clearing arrangement	Without clearing arrangements			
1. Positive fair value										
a) Options	—	15,847	—	—	—	5,093	—	—	—	—
b) Interest rate swap	268,119	27,760	—	—	416,547	49,644	—	—	126,067	241,478
c) Cross currency swap	—	1,090	—	—	—	365	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	—	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	268,119	44,697	—	—	416,547	55,102	—	—	126,067	241,478
Negative fair value										
a) Options	—	6,989	—	—	—	8,140	—	—	—	—
b) Interest rate swap	55,991	91,204	—	—	56,317	68,094	—	—	273,669	141,854
c) Cross currency swap	—	—	—	—	—	—	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	—	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	55,991	98,193	—	—	56,317	76,234	—	—	273,669	141,854

A.3 OTC financial hedging derivatives: notional values, positive and negative fair values by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other counterparties
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	27,558,609	5,280,141	367,342	—
- positive fair value	268,119	39,609	3,998	—
- negative fair value	55,991	59,044	39,149	—
2) Equities and stock indexes				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional value	—	680,796	14,305	—
- positive fair value	—	1,067	23	—
- negative fair value	—	—	—	—
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

A.4 Outstanding life of OTC financial hedging derivatives: notional values

Underlying / residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates	7,761,885	18,743,849	6,700,358	33,206,092
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currency and gold	295,355	178,527	221,219	695,101
A.3 Financial derivative on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/21	8,057,240	18,922,376	6,921,577	33,901,193
Total 30/6/20	7,535,427	15,881,358	6,428,845	29,845,630

C. Non derivatives hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and hedge type

	Book value			Change in the value used to relieve the ineffectiveness of the hedge		
	Fair value hedges	Coverage of financial flows	Coverage of foreign investment	Fair value hedges	Coverage of financial flows	Coverage of foreign investment
Financial assets other than derivatives	—	—	—	—	—	—
of which: trading activities	—	—	—	—	—	—
of which: other assets mandatorily measured at fair value	—	—	—	—	—	—
of which: assets designated at fair value	—	—	—	—	—	—
Total 30/6/21	—	—	—	—	—	—
Total 30/6/20	—	—	—	—	—	—
Financial liabilities other than derivatives	—	—	—	2,102	—	—
Trading liabilities	—	—	—	—	—	—
Liabilities designated at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	—	2,102	—	—
Total 30/6/21	—	—	—	2,102	—	—
Total 30/6/20	—	—	—	—	—	—

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:	895,276	—	50,749	—	41,775	—
1.1 Debt securities and interest rate	895,276	—	50,749	—	41,775	—
1.2 Equity securities and stock price indices	—	—	—	—	—	—
1.3 Currencies and gold	—	—	—	—	—	—
1.4 Credits	—	—	—	—	—	—
1.5 Other	—	—	—	—	—	—
2. Financial assets measured at amortized cost - hedges of:	4,417,250	—	3,229	—	25,700	—
1.1 Debt securities and interest rate	4,417,250	—	3,229	—	25,700	—
1.2 Equity securities and stock price indices	—	—	—	—	—	—
1.3 Currencies and gold	—	—	—	—	—	—
1.4 Credits	—	—	—	—	—	—
1.5 Other	—	—	—	—	—	—
Total 30/6/21	5,312,526	—	53,978	—	67,475	—
Total 30/6/20	4,661,491	—	27,515	—	11,197	—
B. Liabilities						
1, Financial liabilities measured at amortized cost - hedges of:	23,470,818	—	214,477	—	158,414	—
1.1 Debt securities and interest rate	23,470,818	—	214,477	—	158,414	—
1.2 Currencies and gold	—	—	—	—	—	—
1.3 Other	—	—	—	—	—	—
Total 30/6/21	23,470,818	—	214,477	—	158,414	—
Total 30/6/20	23,229,975	—	383,679	—	102,781	—

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	77,185,702	31,523,920	10,692,122	7,084,546
- net positive fair value	268,323	565,262	202,417	223,477
- net negative fair value	359,810	405,835	385,923	35,756
2) Equity instrument and stock index				
- notional amount	—	15,349,766	10,646,962	1,799,832
- net positive fair value	—	838,298	823,254	182,769
- net negative fair value	—	2,577,264	792,296	20,943
3) Currency and gold				
- notional amount	—	7,584,339	3,056,948	1,744,904
- net positive fair value	—	69,520	52,939	55,487
- net negative fair value	—	113,133	28,840	28,936
4) Goods				
- notional amount	—	—	—	—
- net positive fair value	—	—	—	—
- net negative fair value	—	—	—	—
5) Other				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- net negative fair value	—	—	—	—
B. Credit derivatives				
1) Buy protection				
- notional amount	4,270,095	6,901,749	8,028,296	—
- net positive fair value	—	12,111	10,701	—
- net negative fair value	13,161	386,465	177,785	—
2) Sell protection				
- notional amount	4,112,454	5,471,386	7,489,840	—
- net positive fair value	—	118,901	177,940	—
- net negative fair value	3,672	8,949	2,661	—

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.

Liquidity risk is distinguished according to its timing profile:

– The current or potential risk of the entity not being able to manage its own liquidity needs effectively in the short term (“liquidity risk”);

– The risk of the entity not having stable sources of financing in the medium or long term, meaning it is unable to meet its own financial obligations without incurring an excessive increase in the cost of financing (“funding risk”).

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the 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 in the short and long term which is adequate to cope with a period of prolonged stress (combining Bank-specific and systemic stress factors).

The Group Liquidity Risk Management Policy (the “Policy”) approved by the Board of Directors of Mediobanca S.p.A. defines the target in terms of the level of highly liquid assets to be maintained in order to cover the cash flows anticipated in the short and medium/long term.

The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics used, the guidelines for carrying out the stress testing process, the funds transfer pricing system and the contingency funding plan.

Strategic decisions on liquidity risk are taken by the Board of Directors, to which the Policy assigns several important duties, 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 Risk Appetite Framework.

The ALM Committee discusses the issues of most relevance to liquidity risk, defining the asset and liability structure and the related acceptance of the risk of asset and liability mismatches, management in line with the commercial and financial objectives set in the budget and the Risk Appetite Framework.

In application of Article 86 of Directive 2013/36/EU, Mediobanca 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), Mediobanca performs 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 self-assessment overall are presented to the governing bodies annually.

The units of the Bank that are responsible for ensuring that the Policy is applied accurately are:

– Group Treasury, which is responsible at Group level for managing liquidity, funding, collateral and the funds transfer pricing system;

– Business & Capital Planning, which supports Risk Management and Group Treasury in drawing up the Group Funding Plan which is consistent with the budget objectives;

– Risk Management which, in accordance with the principles of separation and independence, is responsible for the Group's integrated, second-level control system for current and future risks, in accordance with the Group's regulations and governance strategies.

The Group Audit Unit is responsible for evaluating 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 Bank's objective is to maintain a level of liquidity that will enable it to meet the payment obligations, ordinary and extraordinary, that it has undertaken, at the established expiry dates, while at the same time keeping the costs involved to a minimum and hence without incurring losses. The short-term liquidity policy is intended to ensure that the mismatch between cash inflows and outflows, expected and unexpected, remains sustainable in the short term, even over an intraday time horizon.

Group Treasury manages its own liquidity position actively, with the objective of being able to meet its own clearing obligations within the timeframe required.

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.

As from this year, it is compulsory to comply with the requirement in terms of the Net Stable Funding Ratio (NSFR)[11] as well as the short-term Liquidity Coverage Ratio (LCR).[12]

As at 30 June 2021, the individual LCR for Mediobanca was 144%, while the NSFR was 110%, both well above the regulatory thresholds.

In addition to the risk measurement system described above, an event governance model has been devised known as the Contingency Funding Plan (described in the Policy) to be implemented in the event of a crisis by following a procedure approved by the Board of Directors.

The objective of the Contingency Funding Plan is to ensure prompt implementation of effective action to tackle a liquidity crisis, through precise identification of stakeholders, powers, responsibilities, communication procedures and reporting criteria, in order to increase the likelihood of coming through the state of emergency successfully.

[11] Directive (EU) No. 2019/878 (CRD V) and Regulation (EU) No. 2019/876 (CRR II).

[12] Commission Delegated Regulation (EU) No. 2015/61 as supplemented and amended.

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 Group itself.

The liquidity risk mitigation factors adopted by Mediobanca are as follows:

– An adequate level of high-quality, highly liquid assets to address 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	4,584,932	389,052	611,103	1,224,698	2,928,527	2,533,560	5,561,233	31,148,469	9,586,601	229,489
A.1 Government securities	875	788	1,638	3,372	17,197	125,709	859,051	4,621,316	1,993,099	—
A.2 Other debt securities	1,123	1,191	13,676	1,433	350,976	74,619	774,446	3,358,683	1,164,449	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	4,582,934	387,073	595,789	1,219,893	2,560,354	2,333,232	3,927,736	23,168,470	6,429,053	229,489
– to banks	1,696,161	123,944	312,184	421,715	929,166	1,203,907	2,295,464	14,509,579	5,725,058	229,489
– to customers	2,886,773	263,129	283,605	798,178	1,631,188	1,129,325	1,632,272	8,658,891	703,995	—
Cash liabilities	26,406,746	31,089	342,937	181,274	953,298	1,236,083	7,092,260	19,026,255	3,953,887	—
B.1 Deposits and current accounts	25,409,096	—	—	—	—	—	—	—	—	—
– to banks	20,131,578	—	—	—	—	—	—	—	—	—
– to customers	5,277,518	—	—	—	—	—	—	—	—	—
B.2 Debt securities	934	86	15,899	5,342	90,293	323,792	2,170,093	9,503,862	3,692,233	—
B.3 Other liabilities	996,716	31,003	327,038	175,932	863,005	912,291	4,922,167	9,522,393	261,654	—
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	535,614	420,886	32,637	1,107,548	2,525,380	582,671	1,626,976	2,216,981	824,077	—
– short positions	76,620	157,035	17,034	1,137,045	1,451,657	595,310	1,545,770	3,823,925	498,384	—
C.2 Financial derivatives without principal exchange of										
– long positions	2,601,243	8,300	10,983	3,589	39,508	52,382	110,334	—	—	—
– short positions	2,574,713	1,234	1,987	5,548	19,533	50,942	84,564	—	—	—
C.3 Deposits and loans for collection										
– long positions	1,802,985	69,813	—	77,258	62,715	145,447	77,793	232,539	—	—
– short positions	—	—	—	—	300,000	230,557	—	1,313,210	624,783	—
C.4 Irrevocable commitments to* disburse funds										
– long positions							63,084	603,312	225,147	
– short positions	428,877	—	16,268	79,321	61,775	144,656	77,114	83,534	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal										
- long positions	—	—	—	—	—	171,810	111,000	1,800,607	260,775	—
- short positions	—	—	—	—	7,000	219,310	107,000	1,924,364	86,518	—
C.8 Credit derivatives without exchange of principal										
- long positions	335,898	—	—	—	—	—	—	—	—	—
- short positions	402,853	—	—	—	—	—	—	—	—	—

* This item includes hedge sales perfectly matched by buys of the same amount.

5. OPERATIONAL RISK

QUALITATIVE INFORMATION

Definition

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

Capital requirement for operational risks

To manage operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the three-year average for the relevant indicator. Based on this method of calculation, the capital requirement as at 30 June 2021 was €126.2m (€109m last year).

Risk mitigation

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

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

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

The operating losses recorded in the twelve months were very low and impacted only marginally on total revenues (around 0,04%).

As for the different classes of operational risk, the percentage composition of the various Basel II event types for the Group is shown below.

Event Type	% on Total Loss
Execution, delivery and process management	7%
Employment practices and workplace safety	31%
Clients, products and business practices	40%
System failures and Business disruption	20%
Other	2%
Total	100%

In terms of potential effects, or estimates, the risk of “low frequency and high severity” events remains material, given the nature of the Bank’s businesses, which feature non-standard transactions of large size, notably in CIB and in part Wealth Management. Mitigation actions implemented and constantly under review take the form of strengthening governance and first-level controls, and enhancing the framework for assessing and monitoring operational risks.

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. 131-134.

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	30/6/21	30/6/20
1. Share capital	443,640	443,617
2. Share premium reserve	2,195,606	2,195,606
3. Reserves	2,230,584	2,192,792
- earnings	2,093,311	2,053,976
a) legal	88,724	88,722
b) statutory	1,068,913	1,029,580
c) treasury shares	216,737	231,538
d) others	718,937	704,136
- others	137,273	138,816
4. Equity instruments	—	—
5. Treasury shares	(216,736)	(231,538)
6. Valuation reserves:	184,048	73,982
- Equity instruments valued at fair value with impact taken to comprehensive income	134,943	61,743
- 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	48,854	8,771
- Tangible assets	—	—
- Intangible assets	—	—
- Hedging of foreign investments	—	—
- Hedging of cash flows	—	—
- 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)	(6,413)	(1,724)
- Actuarial gains (losses) on defined benefits pension schemes	(2,968)	(4,440)
- Valuation reserves share of equity-accounted interests	—	—
- Extraordinary revaluation laws	9,632	9,632
Net profit (loss) for the period	578,366	39,359
Total	5,415,508	4,713,818

For further information please refer to "Part B- Section 12-Hedging 110,130,140,150,160,180".

B.2 Valuation reserves for financial assets recognized at FVOCI: composition

Assets/Values	30/6/21		30/6/20	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	50,035	(1,181)	19,410	(10,639)
2. Equity securities	139,462	(4,519)	64,851	(3,108)
3. Loans	—	—	—	—
Total	189,497	(5,700)	84,261	(13,747)

B.3 Valuation reserves for financial assets recognized at FVOCI: movements during the period

	Debt securities	Equity securities	Loans	Total
1. Opening balance	8,770	61,744	—	70,514
2. Increases	52,903	75,218	—	128,121
2.1 Increases in fair value	45,451	75,218	—	120,669
2.2 Credit risk writedowns	4,416	X	—	4,416
2.3 P&L recycling of negative reserves due to realization	3,036	X	—	3,036
2.4 Transfers to other net equity components (equity instruments)	—	—	—	—
2.5 Other variations	—	—	—	—
3. Decreases	12,819	2,019	—	14,838
3.1 Reductions in fair value	1,782	2,019	—	3,801
3.2 Credit risk writebacks	1,675	—	—	1,675
3.3 P&L recycling of positive reserves:	9,362	X	—	9,362
-due to realization	9,362	—	—	9,362
3.4 Transfers to other net equity components (equity instruments)	—	—	—	—
3.5 Other variations	—	—	—	—
4. Closing balance	48,854	134,943	—	183,797

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 excess capital is justified by the type of operations performed by the Bank on the corporate market.

2.1 Own funds

Scope of application for regulations

Based on the new body of supervisory and corporate governance rules for banks, which consists of Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR/CRR II) issued by the European Parliament as from 2013, and enacted in Italy in Bank of Italy circular no. 285 as amended, the Bank:

– 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 CRR;

– Has chosen to apply the static approach in order to mitigate the effect of first-time adoption of IFRS9 over the 2019-24 five-year period;[1]

On the other side, the Bank has decided not to extend the phase-in regime for a further five years, as permitted in order to mitigate the impact on own funds of higher IFRS9-related adjustments due to Covid-19, and to neutralize the impact deriving from changes in the valuation reserves for sovereign debt securities and the filter for excluding certain exposures to central banks from the those used to calculate the leverage ratio.

The following regulatory changes have been incorporated during the twelve months under review:

– Software (intangible assets) weighted at 100% if the amortization period does not exceed three years, rather than being deducted from CET1 as was previously the case;[2]

[1] As provided by Regulation (EU) 2017/2395, "Transitional arrangements for mitigating the impact of the introduction of IFRS9 on own funds", which incorporates a new version of Article 473-bis of the CRR, "Introduction of IFRS9".

[2] Prudential treatment in accordance with the provisions of Commission Delegated Regulation (EU) 2020/2176, published in the Official Journal of the European Union on 22 December 2020, which comes into force from the reporting for reference date 31 December 2020 (the new treatment had already been introduced in 2019 with the approval of CRR II, and was later also included in the "quick-fix" package).

- Introduction of a stricter concentration limit, in that the 25% limit is now calculated relative to CET1 rather than eligible capital, which for the Mediobanca Group was equivalent to total capital;
- Introduction of new rules for the calculation of the Exposure at Default (EAD) used to measure counterparty risk and to calculate the Credit Value Adjustment (CVA) for derivative financial instruments; the methodology applied by the Group, pursuant to Articles 271ff of CRR II, is now the Standardized Approach for Counterparty Credit Risk (SA – CCR) as opposed to the Current Exposure Method (CEM) previously used; the additional expense added by this change to the regulation has been offset by applying the exemption from the own funds requirement for Credit Value Adjustment (CVA) risk for exposures to corporate counterparties, as permitted under Article 382 of the CRR;
- Transition to stricter prudential treatment of exposures in Collective Investment Undertakings (CIUs, consisting of funds and SICAVs) based on the effective risks of the underlying investments (the so-called "look-through" approach), in accordance with the provisions of Articles 132ff of CRR II.

The reduced weighting for prudent valuation introduced temporarily to mitigate the effects of the Covid-related situation has been discontinued.[3]

QUALITATIVE INFORMATION

Common Equity Tier1 (cd. CET1) consists of capital paid up, reserves (including €174.9m in positive reserves for AFS securities, €27.0m of which government securities) and the profit for the year (€578.4m), included in the calculation of CET1 net of the proposed dividend (€569.2m), subject to the ECB's final decision.

The deductions regard:

- Treasury shares as to €267.1m;
- Intangible assets as to €39.5m, down slightly compared to the deductions for last year (€32.4m);

[3] Commission Delegated Regulation (EU) no. 101/2016 was amended on 28 May 2020 by the European Commission, set the aggregation factor "α" to 66%, applicable until 31 December 2020.

– Prudential changes to the valuation of financial instruments (AVA and DVA) amounting to €79.2m (€45.6m);

– Interests in financial companies (banking and insurance) exceeding the upper limits set totalling €68.8, higher than at end-June 2020 (€22.3m) due to deductions in respect of the Assicurazioni Generali investment, after CRR II came into force, introducing a stricter concentration limit (25% of Tier 1 alone).

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

Tier 2 capital includes subordinated liabilities, down in the twelve months from €1,225.1m to €1,167.3m due to amortization for the period most of which was offset by the new issue (€250m).[4] Tier 2 also includes the buffer which derives from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models. The value calculated is €52.8m, virtually in line with last year (€49.4m).

No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Issue	**30/6/21**		
	ISIN	**Nominal value**	**Book value ***
MB Subordinato Mar 29	XS1579416741	50,000	48,502
Mediobanca Mc Nv30 Sub Tier2 Call Eur	XS2262077675	249,250	241,327
MB OPERA 3.75 2026	IT0005188351	299,031	289,440
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	499,271	411,280
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,909	176,708
Total subordinated issues		**1,597,461**	**1,167,258**

* 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.

[4] Mediobanca issued its inaugural Tier 2 bond in November 2020. The €250m issue, reserved for institutional investors, has a ten-year maturity with call option after five years. The bond was priced at Euribor 3M not floored + 288 bps (fixed coupon 2.3%). The deal was oversubscribed, with demand 10x the amount issued, and over 70% distributed to non-Italian investors.

QUANTITATIVE INFORMATION

	30/6/21	30/6/20
A. Common equity tier 1 (CET1) prior to application of prudential filters	4,837,411	4,713,818
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(72,804)	(43,843)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	4,764,607	4,669,975
D. Items to be deducted from CET1	(883,011)	(841,325)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime *	776,713	789,098
F. Total common equity tieer 1 (CET1) (C-D+/-E)	4,658,309	4,617,748
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to temporary provisions	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L. Total additional tier 1 (AT1) (G-H+/-I)	—	—
M. Tier 2 (T2) gross of items to be deducted and effects of phase-in regime	1,220,057	1,274,512
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(175,914)	(203,186)
O. Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	—	—
P. Total T2 (M-N+/-O)	1,044,143	1,071,326
Q. Total own funds (F+L+P)	5,702,453	5,689,074

* Adjustments include application of the phase-in provisions for the introduction of IFRS9.

2.2 Capital adequacy

QUALITATIVE INFORMATION

At 30 June 2021, the Common Equity Ratio - the ratio of Primary Tier 1 capital to total risk-weighted assets - amounted to 14.60%, down from 30 June 2020 (14.81%) due to the increase in RWA (-70bps, related to higher RWA) and the regulatory changes introduced by CRR2 (-15bps, related to the new concentration limit and the calculation of RWA for counterparty risk and for the treatment of UCITS funds), only partly offset by the optimisation initiatives initiatives completed in the year (+35bps) and higher reserves (+30bps).

The total capital ratio decreased from 18.25% to 17.87%.

Fully-loaded and without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €-773.8m including the indirect effects) and with full application of the IFRS9 effect (which accounted for €-2.9m including the indirect effects), the CET1 ratio would be 13.36% and the total capital ratio 16.96% also down compared to 30 June 2020 (13.72% and 17.56% respectively).

The Leverage Ratio, calculated without the benefit of the temporary possibility allowed by the regulator to exclude reserves held with central banks from the exposures, decreased from 8.5% to 7.9%. Also full loaded is almost in line at 6.7%(7% last year).

QUANTITATIVE INFORMATION

Categories/Values	Unweighted amounts *		Weighted amounts/requirements	
	30/6/21	30/6/20	30/6/21	30/6/20
A. RISK ASSETS				
A.1 Credit and counterpart risk	72,143,181	63,568,870	28,076,826	26,789,357
1. Standard methodology	55,601,156	46,478,456	19,163,764	17,454,541
2. Internal rating methodology	16,345,077	16,954,307	8,799,909	9,145,650
2.1 Basic	—	16,954,307	—	9,145,650
2.2 Advanced	16,345,077	—	8,799,909	—
3. Securitization	196,948	136,107	113,153	189,167
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			2,246,146	2,143,148
B.2 Credit valuation risk			18,934	43,764
B.3 Settlement risk			—	—
B.4 Market risk			161,693	198,459
1. Standard methodology			161,693	198,459
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			126,181	108,980
1. Basic Indicator Approach (BIA)			126,181	108,980
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			2,552,954	2,494,351
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			31,911,919	31,179,392
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			14.60%	14.81%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			14.60%	14.81%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			17.87%	18.25%

* For the standardized methodology, the "un-weighted amounts", as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the AIRB ratings methodology, the "un-weighted amounts" correspond to the "exposure at default" (EAD). For guarantees issued and commitments to disburse funds, credit conversion factors are also included in the EAD calculation.

Part G – Combinations involving Group companies or business units

SECTION 1: TRANSACTIONS COMPLETED DURING THE PERIOD

No new business combinations were completed during the period under review.

SECTION 2: TRANSACTIONS COMPLETED SINCE THE REPORTING DATE

No transactions have taken place since the reporting date.

SECTION 3: RETROSPECTIVE ADJUSTMENTS

No adjustments have been made to the accounts in connection with previous business combinations for the period under review.

Part H – Related party disclosure

1. Information on remuneration for managers with strategic responsibilities

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 poat	**Non-cash benefits***	**Bonuses and other incentives**	**Other compensations**
BOARD OF DIRECTORS[1]	2,412.0	1.166.0	1.551.0	5.150.0
of which: management	*300.0*	*1,166.0*	*1,551.0*	*5,150.0*
MANAGEMENT with strategic responsibilities[2]	—	320.0	1.910.0	4.189.0
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 €3.1m.
[1] Includes fifteen directors in office at 30 June 2021.
[2] Includes seven strategic managers at 30 June 2021.
[3] Includes three statutory auditors in office at 30 June 2021.

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; this procedure came into force during December 2012, and was updated most recently in June 2021. 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.

2.1 Regular financial disclosure: most significant transactions

There are no transactions to report for the twelve months under review.

2.2 Quantitative information

The exposure (sum of assets and guarantees and commitments) closed at €0.5bn, due to the exit from the perimeter of three groups, including Burgo (associates). The contribution of total assets decreased to 0.6%, while that of interest income to 0.1%.

Situation as at 30 June 2021

(€ m)

	Group companies	**"Directors, statutory auditors and strategic management"**	**Associates**	**Other related party**	**Total**
Assets	28,854.8	—	4.1	71.0	28,929.9
of which: other assets	*5,304.6*	—	*4.1*	*71.0*	*5,379.7*
loans and advances	*23,550.2*	—	—	—	*23,550.2*
Liabilities	22,979.6	—	—	77.5	23,057.1
Guarantees and commitments	8,917.3	—	—	380.0	9,297.3
Interest income	231.3	—	0.7	0,2	232.2
Interest expense	(239.7)	—	—	(0.4)	(240.1)
Net fee income	16.4	—	—	(1.8)	14.6
Other income (cost)	(193.8)	(23.6)[1]	0.4	13.5	(203.5)

[1] Of which: short-term benefits amounting to €20.5m and performance shares worth €3.1m. The number includes the resources included among the Executives with strategic responsibilities (seven) during the year.

Situation as at 30 June 2020

(€ m)

	Group companies	**"Directors, statutory auditors and strategic management"**	**Associates**	**Other related party**	**Total**
Assets	22,868.3	—	326,2	707.8	23,902.3
of which: other assets	*5,900.2*	—	*70,4*	*516.8*	*6,487.4*
loans and advances	*16,968.1*	—	*255,8*	*191.0*	*17,414.9*
Liabilities	17,579.3	—	0,1	28.3	17,607.7
Guarantees and commitments	7,534.2	—	14.0	22.8	7,571.0
Interest income	300.7	—	7.1	5.2	313.0
Interest expense	(226.9)	—	—	(0.2)	(227,1)
Net fee income	17.0	—	0.9	1.2	19.1
Other income (cost)	136.2	(22.5)[1]	(0.1)	(11.1)	102.5

[1] Of which: short-term benefits amounting to €19.3m and performance shares worth €3.1m. The number includes the resources included among the Executives with strategic responsibilities (eight) during the year.

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 table below summarizes resolutions according to which the Extraordinary Meeting of the Bank has granted to the Board of Directors the possibility to increase the capital in connection to stock options, performance stock options and performance shares schemes.

Extraordinary general meeting	No. of shares approved	Awards expire on	Deadline for exercising options	No. of options and performance shares awarded
For use in connection with performance share schemes				
28 October 2015	20,000,000	X	28 October 2020	4,326,781[1]

[1] Refers to options awarded in 2016, 2017, 2018, 2019 and 2020.

2. Description of performance shares schemes and parent company LTI

In the area of equity instruments used for staff remuneration, Mediobanca has decided to adopt a performance shares scheme, the most recent version of which was approved by shareholders at the Annual General Meeting held on 28 October 2020.

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 to 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.

A resolution was approved by shareholders at the Annual General Meeting held on 28 October 2020, authorizing the Board of Directors to increase the Bank's share capital free of charge through the issuance of up to 20 million shares for use in connection with the scheme. The 24,910,107 treasury shares owned may also be used in connection with the scheme.

A total of 1,235,209 performance shares were allocated during the twelve months under review: the shares, the award of which is conditional upon performance objectives being met over a three-year and/or five-year (for Executive Directors and other Material Risk-Takers), will be made available in tranches (up to 598,598 in FY 2021-22, up to 115,820 in FY 2022-23, up to 263,802 in FY 2023-24, up to 109,007 in FY 2024-25, up to 107,992 in FY 2025/26).

On 27 November 2020, a total of 1,566,239 shares were awarded in the form of treasury shares delivered.

Since 30 June 2021, in connection with the variable remuneration for the 2021 financial year, a total of 1,313,735 performance shares have been awarded, at a figurative cost of €10.4m, as part of the variable remuneration component only. The shares, the award of which is conditional upon performance objectives being met over a five-year period, will be made available in tranches in November 2022 (up to 576,120), November 2023 (up to 205,591), November 2024 (up to 314,236), November 2025 (up to 109,143) and November 2026 (up to 108,645).

On 19 December 2019, the Board of Directors approved the Long-Term Incentive (LTI) scheme for the Chief Executive Officer of Mediobanca and the Group General Manager linked to the achievement of the objectives set in the 2019-23 Strategic Plan.

B. QUANTITATIVE INFORMATION

1. Changes in performance share scheme during the year

Performance shares	30/6/2021		30/6/2020	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	4,724,804	6.95	4,659,074	6.80
B. Additions				
B.1 New issues	1,235,209	5.96	1,736,547	7.38
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Performance shares canceled	—	—	—	—
C.2 Performance shares made available	1,566,239	6.71	1,640,426	6.99
C.3 Performance shares expired				
C.4 Other reductions	66,993	6.41	30,391	6.82
D. Balance at end of period	4,326,781	6.46	4,724,804	6.95

Part M – Disclosure on leasing

SECTION 1

Lessee

QUALITATIVE INFORMATION

With reference to IFRS16 coming into force and the contracts which fall within its scope of application, virtually the only leases the Mediobanca Group has outstanding in this connection are for properties and company cars, plus some hardware leases for only a residual amount. The property leases mostly involve premises used as offices. Such leases normally have durations of more than twelve months, and typically contain renewal or termination clauses which both lessor and lessee can exercise in accordance with the provisions of law and/or specific contractual arrangements, if any. Generally speaking such leases do not contain an option to buy at expiry or entail substantial reinstatement costs for the Bank. As for the car leases, these are long-term agreements for the fleet of company cars available for use by staff members for work-related purposes in accordance with Group policy in this area. Lease contracts, other than those related to properties and vehivles, are of negligible amount.

At the first-time adoption stage for IFRS16, some simplifications have been used. In particular, leases with duration of twelve months or less (“short-term leases”) have been excluded, as have those involving amounts of less than €5,000 (“low value leases”), and those for intangibles. It has also been decided not to strip out the service component from the lease proper; hence the full contract has been recognized. The discount rate used has been derived from the Funds Transfer Pricing curve used in treasury management by the Group Treasury unit.

In cases where the original lease has been replicated with another counterparty (i.e. sub-leased), the related liability is matched by an amount receivable from the counterparty at the date rather than by its value in use. Sub-leasing arrangements involve only negligible amounts.

QUANTITATIVE INFORMATION

For quantitative information on the impact on the Bank's financial and earnings situation, reference is made to the contents of the following sections of the Notes to the Accounts:

- Information on rights of use acquired, in "Notes to the consolidated balance sheet – Assets – Section 8";
- Information on amounts due under leases, in the "Notes to the consolidated balance sheet – Liabilities – Section 1";
- For the effects on earnings, "Part C Notes to the consolidated profit and loss account", in particular the headings for interest income and expense and net adjustments to tangible assets.

The value in use recorded in the balance sheet at 30 June 2021 was €21,940m, broken down as follows:

- Value in use of properties: €18,592,000;
- Value in use of vehicles: €3,245,000;
- Value in use of other assets: €103,000.

SECTION 2

Lessor

QUALITATIVE INFORMATION

As for contracts within the scope of IFRS16 standard, for the Bank only real estate sub-leasing contracts shall be considered. These contracts, in connection to finance lease transactions, are to be considered non recurring and of negligible amount (30/6/21: €5.1m).

QUANTITATIVE INFORMATION

As for quantitative informations about the Bank's balance-sheet and economic situation, please refer to the specific sections of the present financial statement:

- For receivables arising from sub-leasing contracts, please see “Part B – Assets – Section 4”;
- For the economic effects, please see “Part C – Information on Profit and loss account”, and in particular sections dedicated to interest income, interest expense and writedowns on tangible assets.

1. Balance-sheet and earnings data

2. *Finance leases*

2.1 Maturity analysis of lease payments receivable by timing bracket and reconciliation of undiscounted lease payments to the net investment in the lease

Time bands	30/06/21	30/06/20
	Lease payment to be received	Lease payment to be received
Up to 1 year	1,208	454
Between 1 and 2 years	1,209	453
Between 2 and 3 years	1,205	450
Between 3 and 4 years	1,210	444
Between 4 and 5 years	304	444
Over 5 years	—	112
Total lease payments to be received	**5,136**	**2,357**
Reconciliation with loans	**(71)**	**(65)**
Not accrued gains (+)	(71)	(65)
Unguaranteed residual value (-)	—	—
Loans for leases	**5,065**	**2,292**

The table provides a maturity analysis of the lease payments receivable, and a reconciliation of the undiscounted lease payments to the net investment in the lease, as required by IFRS16, paragraph 94. In particular it should be noted that the payments receivable under the lease, which consist of the sum of minimum payments due by way of principal and interest, are stated net of any provisions and the discounted unguaranteed residual value due to the lessor. These are reconciled with the net investment in the lease, recognized in the balance sheet under financial assets recognized at amortized cost, by subtracting financial profits not accrued and adding the unguaranteed residual value.

3. *Operating leases*

The Bank currently has no operating leases outstanding.

ANNEXES

Mediobanca S.p.A. financial statements
Comparison between restated balance sheet and format recommended by Bank of Italy circular no. 262/05, sixth update

Balance sheet as at 30 June 2021 (€m)

RESTATED BALANCE SHEET

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	—	1,554.7	—	—	—	—	—	1,554.7
20. Financial assets at fair value with impact taken to profit and loss	11,336.8	—	52.3	644.8	629.1	—	—	12,663.0
a) Financial assets held for trading	*11,336.8*	—	—	—	—	—	—	*11,336.8*
b) Financial assets designated at fair value	—	—	*50.7*	—	—	—	—	*50.7*
c) Other financial assets mandatorily at fair value	—	—	*1.6*	*644.8*	*629.1*	—	—	*1,275.5*
30. Financial assets at fair value with impact taken to comprehensive income	—	—	4,346.9	—	388.6	—	—	4,735.5
40. Financial assets at amortized cost	—	8,567.4	4,316.8	36,458.8	—	—	—	49,343.0
50. Hedging derivatives	—	—	—	—	—	—	312.8	312.8
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	—
70. Equity investments	—	—	—	—	3,457.4	—	—	3,457.4
80. Property, plant and equipments	—	—	—	—	—	138.3	—	138.3
90. Intangible assets	—	—	—	—	—	28.8	—	28.8
100. Tax assets	—	—	—	—	—	—	238.8	238.8
110. Assets classified as held for sale	—	—	—	—	—	—	—	—
120. Other assets	—	—	—	—	—	—	231.2	231.2
Total assets	**11,336.8**	**10,122.1**	**8,716.0**	**37,103.6**	**4,475.1**	**167.1**	**782.8**	**72,703.5**

FORMAT RECOMMENDED BY BANK OF ITALY CIRCULAR NO. 262/05 6TH UPDATE

Balance sheet as at 30 June 2021 - Liabilities (€m)

RESTATED BALANCE SHEET

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	51,212.0	3,826.5	—	27.1	—	—	55,065.6
a) Due to banks	*29,722.3*	*3,048.4*	—	*3.0*	—	—	*32,773.7*
b) Due to customers	*5,674.1*	*778.1*	—	*24.0*	—	—	*6,476.2*
c) Debt securities in issue	*15,815.6*	—	—	*0.2*	—	—	*15,815.8*
20. Trading financial liabilities	—	—	10,342.4	—	—	—	10,342.4
30. Financial liabilities designated at fair value	833.0	—	—	—	—	—	833.0
40. Hedging derivatives	—	—	—	154.2	—	—	154.2
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—	—	—
60. Tax liabilities	—	—	—	397.2	—	—	397.2
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	—
80. Oher liabilities	—	—	—	359.1	—	—	359.1
90. Staff severance indemnity provision	—	—	—	—	7.4	—	7.4
100. Provisions	—	—	—	—	129.1	—	129.1
110. Revaluation reserves	—	—	—	—	—	184.0	184.0
120. Redeemable shares repayable on demand	—	—	—	—	—	—	—
130. Equity instruments repayable on demand	—	—	—	—	—	—	—
140. Reserves	—	—	—	—	—	2,230.6	2,230.6
150. Share premium reserve	—	—	—	—	—	2,195,6	2,195.6
160. Share capital	—	—	—	—	—	443,6	443.6
170. Treasury share (-)	—	—	—	—	—	(216.7)	(216.7)
180. Profit/(loss) for the period (+/-)	—	—	—	—	—	578.4	578.4
Total liabilities and net equity	**52,045.0**	**3,826.5**	**10,342.4**	**937.6**	**136.5**	**5,415.5**	**72,703.5**

Comparison between restated profit and loss account and format recommended by Bank of Italy circular no. 262/05, sixth update

Profit and loss as at 30 June 2021

(€m)

RESTATED BALANCE SHEET

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 for other financial assets	Impairment on investments	Other income (losses)	Income tax for the period	Net profit
10. Interest and similar income	663.7	1.3	—	—	—	—	—	—	—	—	—	665.0
20. Interest expense and similar charges	(560.7)	(3.5)	—	—	—	—	—	—	—		—	(564.2)
30. Net interest income	**103.0**	**(2.2)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**100.8**
40. Fee and commission income	7.8	7.5	309.3	—	—	—	—	—	—	—	—	324.6
50. Fee and commission expense	(9.0)	(4.1)	(27.4)	—	—	—	—	—	—	—	—	(40.5)
60. Net fee and commission income	**(1.2)**	**3.4**	**281.9**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**284.1**
70. Dividends and similar income	—	96.6	7.9	416.4	—	—	—	—	—	—	—	520.9
80. Net trading income	17.7	67.3	—	—	—	—	—	—	—	—	—	85.0
90. Net hedging income (expense)	1.5	—	—	—	—	—	—	—	—	—	—	1.5
100. Gain (loss) on disposal/repurchase	—	21.5	—	—	—	—	—	—	—	—	—	21.5
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	(7.2)	—	—	—	—	60.3	52.8	—	—	—	105.9
120. Total income	**121.0**	**179.4**	**289.8**	**416.4**	**—**	**—**	**60.3**	**52.8**	**—**	**—**	**—**	**1,119.7**
130. Net write-offs (write-backs) for credit risk	—	—	—	—	—	—	34.0	(8.7)	—	—	—	25.3
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	—	—		—	—	—
150. Net income from financial operations	**121.0**	**179.4**	**289.8**	**416.4**	**—**	**—**	**94.3**	**44.1**	**—**	**—**	**—**	**1,145.0**
160. Administrative expenses	—	—	(0.8)	—	(427.2)	—	—	—	—	(29.4)	(16.2)	(473.6)
170. Net transfers to provisions	—	—	—	—	(0.4)	—	(18.9)	—	—		—	(19.3)
180. Net adjustments to tangible assets	—	—	—	—	(8.1)	—	—	—	—	—	—	(8.1)
190. Net adjustments to intangible assets	—	—	—	—	(0.9)	—	—	—	—	—	—	(0.9)
200. Other operating income (expense)	—	—	14.1	—	14.8	—	—	—	—	13.9	—	42.8
210. Operating costs	**—**	**—**	**13.3**	**—**	**(421.8)**	**—**	**(18.9)**	**—**	**—**	**(15.5)**	**(16.2)**	**(459.1)**
220. Gain (loss) on equity investments	—	—	—	—	—	—	—	—	(1.6)	(13.9)	—	(15.5)
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	**121.0**	**179.4**	**303.1**	**416.4**	**(421.8)**	**—**	**75.4**	**44.1**	**(1.6)**	**(29.4)**	**(16.2)**	**670.4**
270. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	—		(92.0)	(92.0)
280. Profit (loss) on ordinary activities after tax	**121.0**	**179.4**	**303.1**	**416.4**	**(421.8)**	**—**	**75.4**	**44.1**	**(1.6)**	**(29.4)**	**(108.2)**	**578.4**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—	—	—	—	—	—	—	—
300. Net profit (loss) for the period	**121.0**	**179.4**	**303.1**	**416.4**	**(421.8)**	**—**	**75.4**	**44.1**	**(1.6)**	**(29.4)**	**(108.2)**	**578.4**

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

		CMB MONACO S.A.*	CHEBANCA!	COMPASS BANCA
		(€/000)	(€/000)	(€/000)
	ASSETS			
10.	Cash and cash equivalents	251,397	114,546	5,068
20.	Financial assets at fair value with impact taken to profit and loss	49,564	21,576	—
	a) Financial assets held for trading	*46,634*	—	—
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	*2,930*	*21,576*	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	1,477
40.	Financial assets at amortized cost	5,425,619	28,427,657	13,295,474
	a) Due from banks	*3,191,291*	*16,746,911*	*20,401*
	b) Due from customers	*2,234,328*	*11,680,746*	*13,275,073*
50.	Hedging derivatives	22	18,465	4,237
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	713	69	57,491
80.	Property, plant and equipments	62,301	136,155	68,592
90.	Intangible assets	19,543	4,932	355,162
	of which:			
	goodwill	—	—	*354,033*
100.	Tax assets	—	43,691	448,561
	a) current	—	*3,265*	*36,191*
	b) deferred	—	*40,426*	*412,370*
110.	Assets classified as held for sale	—	—	—
120.	Other assets	15,693	252,431	127,737
	TOTAL ASSETS	**5,824,852**	**29,019,522**	**14,363,799**

* 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 2021, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		CMB MONACO S.A.* (€/000)	CHEBANCA! S.p.A. (€/000)	COMPASS BANCA S.p.A. (€/000)
	LIABILITIES			
10.	Financial liabilities at amortized cost	4,865,971	27,784,303	11,670,464
	a) Due to banks	*598,167*	*10,743,027*	*9,524,942*
	b) Due to customers	*4,267,804*	*17,041,276*	*2,045,407*
	c) Debt securities in issue	—	—	*100,115*
20.	Trading financial liabilities	11,187	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	474	131,907	29,914
50.	Adjustment of hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	—	6,072	31,991
	a) current	—	*6,072*	*28,149*
	b) deferred	—	—	*3,842*
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Other liabilities	45,206	238,815	204,593
90.	Staff severance indemnity provision	—	2,265	8,479
100.	Provisions	1,436	15,745	24,921
	a) commitments and financial guarantees	*196*	*488*	*7,467*
	b) post-employment and similar benefits	—	—	—
	c) other provisions	*1,240*	*15,257*	*17,454*
110.	Revaluation reserves	—	(1,184)	(16,803)
120.	Redeemable shares	—	—	—
130.	Equity instruments	—	160,000	—
140.	Reserves	756,169	(91,252)	1,520,535
150.	Share premium reserves	4,573	233,750	—
160.	Share capital	111,110	506,250	587,500
170.	Treasury shares	—	—	—
180.	Profit (loss) for the period (+/-)	28,726	32,851	302,205
	TOTAL LIABILITIES AND NET EQUITY	**5,824,852**	**29,019,522**	**14,363,799**

* 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 2021, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	CMB MONACO S.A.* (€/000)	CHEBANCA! (€/000)	COMPASS BANCA (€/000)
10. Interest and similar income	51,094	355,728	1,026,662
of which: interest income calculated according to the effective interest method	*7,913*	*163,699*	*1,025,728*
20. Interest expense and similar charges	(9,067)	(127,530)	(151,000)
30. Net interest income	**42,027**	**228,198**	**875,662**
40. Fee and commission income	58,713	179,504	38,552
50. Fee and commission expense	(8,263)	(53,642)	(27,433)
60. Net fee and commission income	**50,450**	**125,862**	**11,119**
70. Dividends and similar income	1,514	—	50,009
80. Net trading income	7,613	2,073	—
90. Net hedging income (expense)	—	1,104	—
100. Gain (loss) on disposal/repurchase:	—	(508)	(8,483)
a) financial assets measured at amortized cost	—	*(508)*	*(8,483)*
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:	1,224	1,323	—
a) financial assets and liabilities designated at fair value	—	—	—
b) other financial assets mandatorily valued at fair value	*1,224*	*1,323*	—
120. Total income	**102,828**	**358,052**	**928,307**
130. Net write-offs (write-backs) for credit risk:	(543)	(21,681)	(244,479)
a) financial assets measured at amortized cost	*(543)*	*(21,681)*	*(244,479)*
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	(99)	—
150. Net income from financial operations	**102,285**	**336,272**	**683,828**
160. Administrative expenses:	(63,152)	(296,184)	(328,965)
a) personnel coss	*(42,637)*	*(122,135)*	*(103,612)*
b) other administrative expenses	*(20,515)*	*(174,049)*	*(225,353)*
170. Net transfers to provisions:	(480)	(5,615)	(17,797)
a) commitments and financial guarantees	*(130)*	*(223)*	*(4,550)*
b) other sums set aside (net)	*(350)*	*(5,392)*	*(13,247)*
180. Net adjustments to tangible assets	(3,736)	(20,446)	(13,708)
190. Net adjustments to intangible assets	(4,451)	(6,735)	(488)
200. Other operating income (expense)	4,252	42,373	99,089
210. Operating costs	**(67,567)**	**(286,607)**	**(261,869)**
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	**34,718**	**49,665**	**421,959**
270. Income tax for the year on ordinary activities	(5,992)	(16,814)	(119,754)
280. Profit (loss) on ordinary activities after tax	**28,726**	**32,851**	**302,205**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**28,726**	**32,851**	**302,205**

* 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 2021, 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	43,803
20.	Financial assets at fair value with impact taken to profit and loss	103,467
	a) Financial assets held for trading	*103,467*
	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	6,878,695
	a) Due from banks	*2,558,900*
	b) Due from customers	*4,319,795*
50.	Hedging derivatives	25,420
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	4,150
80.	Property, plant and equipments	1,570
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	13,624
	a) current	*10,232*
	b) deferred	*3,392*
110.	Assets classified as held for sale	—
120.	Other assets	57,723
	TOTAL ASSETS	**7,128,452**
	LIABILITIES	
10.	Financial liabilities at amortized cost	6,747,884
	a) Due to banks	*3,746,133*
	b) Due to customers	*63,553*
	c) Debt securities in issue	*2,938,198*
20.	Trading financial liabilities	28,173
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	4,824
	a) current	*4,824*
	b) deferred	—
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	9,674
90.	Staff severance indemnity provision	—
100.	Provisions	1,854
110.	Revaluation reserves	—
120.	Redeemable shares	—
130.	Equity instruments	—
140.	Reserves	320,783
150.	Share premium reserves	—
160.	Share capital	10,000
170.	Treasury shares	—
180.	Profit (loss) for the period (+/-)	5,260
	TOTAL LIABILITIES AND NET EQUITY	**7,128,452**

Banks (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG)
		(€/000)
10.	Interest and similar income	79,915
	of which: interest income calculated according to the effective interest method	*85,144*
20.	Interest expense and similar charges	(64,151)
30.	**Net interest income**	**15,764**
40.	Fee and commission income	16,421
50.	Fee and commission expense	(15,057)
60.	**Net fee and commission income**	**1,364**
70.	Dividends and similar income	—
80.	Net trading income	(1,083)
90.	Net hedging income (expense)	114
100.	Gain (loss) on disposal/repurchase:	362
	a) financial assets measured at amortized cost	*268*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
	c) financial liabilities	*94*
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**	**16,521**
130.	Net write-offs (write-backs) for credit risk:	(2,124)
	a) financial assets measured at amortized cost	*(2,124)*
	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**	**14,397**
160.	Administrative expenses:	(11,837)
	a) personnel coss	*(3,083)*
	b) other administrative expenses	*(8,754)*
170.	Net transfers to provisions	(712)
180.	Net adjustments to tangible assets	(236)
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	6,495
210.	**Operating costs**	**(6,290)**
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**	**8,107**
270.	Income tax for the year on ordinary activities	(2,847)
280.	**Profit (loss) on ordinary activities after tax**	**5,260**
290.	Gain (loss) of ceded operating assets, net of tax	—
300.	**Net profit (loss) for the period**	**5,260**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MBCREDIT SOLUTIONS (€/000)
	ASSETS	
10.	Cash and cash equivalents	1
20.	Financial assets at fair value with impact taken to profit and loss	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	397,646
	a) Due from banks	*13,467*
	b) Due from financial companies	*342*
	c) Due from customers	*383,837*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	500
80.	Property, plant and equipments	5,094
90.	Intangible assets	360
100.	Tax assets	13,998
	a) current	*1,852*
	b) deferred	*12,146*
110.	Assets classified as held for sale	—
120.	Other assets	19,287
	TOTAL ASSETS	**436,886**
	LIABILITIES	
10.	Financial liabilities at amortized cost	253,590
	a) Due to	*253,590*
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	380
	a) current	*380*
	b) deferred	—
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	12,123
90.	Staff severance indemnity provision	4,792
100.	Provisions	2,444
	a) commitments and financial guarantees	*297*
	b) post-employment and similar benefits	—
	c) other provisions	*2,147*
110.	Share capital	32,500
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	—
150.	Reserves	131,269
160.	Valuation reserves	(507)
180.	Profit (loss) for the period	295
	TOTAL LIABILITIES AND NET EQUITY	**436,886**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	MBCREDIT SOLUTIONS (€/000)
10. Interest and similar income	33,524
of which: interest income calculated according to the effective interest method	—
20. Interest expense and similar charges	(3,168)
30. Net interest income	**30,356**
40. Fee and commission income	25,314
50. Fee and commission expense	(7,408)
60. Net fee and commission income	**17,906**
70. Dividends and similar income	—
80. Net trading income	(16)
90. Net hedging income (expense)	—
100. Gain (loss) on disposal/repurchase:	—
a) Financial assets measured 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:	—
120. Total income	**48,246**
130. Net write-offs (write-backs) for credit risk:	(465)
a) Financial assets valued at amortized cost	*(465)*
140. Gains (losses) from contractual modifications without derecognition	—
150. Net income from financial operations	**47,781**
160. Administrative expenses:	(47,763)
a) personnel coss	*(14,927)*
b) other administrative expenses	*(32,836)*
170. Net transfers to provisions:	(638)
a) commitments and financial guarantees	*(13)*
b) other sums set aside (net)	*(625)*
180. Net adjustments to tangible assets	(746)
190. Net adjustments to intangible assets	(537)
200. Other operating income (expense)	2,437
210. Operating costs	**(47,247)**
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	**534**
270. Income tax for the year on ordinary activities	(239)
280. Profit (loss) on ordinary activities after tax	**295**
290. Gain (loss) of ceded operating assets, net of tax	—
300. Net profit (loss) for the period	**295**

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	1,777,943
	a) Due from banks	*5,523*
	b) Due from financial companies	*14,873*
	c) Due from customers	*1,757,547*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	54,266
90.	Intangible assets	689
100.	Tax assets	34,949
	a) current	*702*
	b) deferred	*34,247*
110.	Assets classified as held for sale	—
120.	Other assets	31,955
	TOTAL ASSETS	**1,899,807**
	LIABILITIES	
10.	Financial liabilities at amortized cost	1,635,959
	a) Due to	*1,635,959*
20.	Trading financial liabilities	191
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	6,580
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	9,367
	a) current	*994*
	b) deferred	*8,373*
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	18,783
90.	Staff severance indemnity provision	1,319
100.	Provisions	9,247
	a) commitments and financial guarantees	*60*
	b) post-employment and similar benefits	—
	c) other provisions	*9,187*
110.	Share capital	41,305
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	4,620
150.	Reserves	172,576
160.	Valuation reserves	(4,284)
180.	Profit (loss) for the period	4,144
	TOTAL LIABILITIES AND NET EQUITY	**1,899,807**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		SELMABIPIEMME LEASING (€/000)
10.	Interest and similar income	44,006
	of which: interest income calculated according to the effective interest method	*44,006*
20.	Interest expense and similar charges	(8,129)
30.	**Net interest income**	**35,877**
40.	Fee and commission income	2,422
50.	Fee and commission expense	(927)
60.	**Net fee and commission income**	**1,495**
70.	Dividends and similar income	—
80.	Net trading income	(23)
90.	Net hedging income (expense)	4
100.	Gain (loss) on disposal/repurchase:	—
	a) Financial assets measured at fair value	—
	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 and liabilities designated at fair value	—
	b) Other financial assets mandatorily valued at fair value	—
120.	**Total income**	**37,353**
130.	Net write-offs (write-backs) for credit risk:	(12,815)
	a) Financial assets valued at amortized cost	*(12,815)*
	b) attività finanziarie valutate al fair value con impatto sulla redditività complessiva	—
140.	Gains (losses) from contractual modifications without derecognition	(94)
150.	**Net income from financial operations**	**24,444**
160.	Administrative expenses:	(18,459)
	a) personnel coss	*(11,602)*
	b) other administrative expenses	*(6,857)*
170.	Net transfers to provisions:	(16)
	a) commitments and financial guarantees	*9*
	b) other sums set aside (net)	*(25)*
180.	Net adjustments to tangible assets	(2,374)
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	2,609
210.	**Operating costs**	(18,240)
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	(29)
260.	**Profit (loss) on ordinary activity before tax**	**6,175**
270.	Income tax for the year on ordinary activities	(2,031)
280.	**Profit (loss) on ordinary activities after tax**	**4,144**
290.	Gain (loss) of ceded operating assets, net of tax	—
300.	**Net profit (loss) for the period**	**4,144**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA INTERNATIONAL IMMOBILIERE (€/000)	MB FUNDING LUX (€/000)	CAIRN CAPITAL LIMITED GROUP * (£/000)
	ASSETS			
10.	Cash and cash equivalents	—	108	—
20.	Financial assets at fair value with impact taken to profit and loss	—	—	25,223
	a) Financial assets held for trading	—	—	*15*
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	—	—	*25,208*
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	—
40.	Financial assets at amortized cost	355	950,000	3,397
	a) Due from banks	*355*	*950,000*	*3,397*
	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	1,574	—	434
90.	Intangible assets	—	—	—
	of which:			
	goodwill	—	—	—
100.	Tax assets	2	—	—
	a) current	*2*	—	—
	b) deferred	—	—	—
110.	Assets classified as held for sale	—	—	—
120.	Other assets	16	1,055	10,401
	TOTAL ASSETS	**1,947**	**951,163**	**39,455**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MEDIOBANCA INTERNATIONAL IMMOBILIERE (€/000)	MB FUNDING LUX (€/000)	CAIRN CAPITAL LIMITED GROUP * (£/000)
LIABILITIES			
10. Financial liabilities at amortized cost	—	950,187	6,682
a) Due to	—	—	*6,682*
b) Securities in issue	—	*950,187*	—
20. Trading financial liabilities	—	—	1
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	7	13	1,002
a) current	*7*	*13*	*1,002*
b) deferred	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Oher liabilities	5	28	1,996
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
a) commitments and financial guarantees	—	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions	—	—	—
110. Share capital	40	831	—
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	—
140. Share premium reserve	—	—	35,999
150. Reserves	1,827	82	(4,334)
160. Valuation reserves	—	—	—
180. Profit (loss) for the period	68	22	(1,891)
TOTAL LIABILITIES AND NET EQUITY	**1,947**	**951,163**	**39,455**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	MEDIOBANCA INTERNATIONAL IMMOBILIERE (€/000)	MB FUNDING LUX (€/000)	CAIRN CAPITAL LIMITED GROUP * (£/000)
10. Interest and similar income	—	7,647	7
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	(7,647)	(303)
30. Net interest income	**—**	**—**	**(296)**
40. Fee and commission income	—	—	19,186
50. Fee and commission expense	—	—	—
60. Net fee and commission income	**—**	**—**	**19,186**
70. Dividends and similar income	—	—	212
80. Net trading income	—	—	(139)
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:	—	—	144
a) financial assets designated at fair value	—	—	—
b) Other financial assets mandatorily valued at fair value	—	—	*144*
120. Total income	**—**	**—**	**19,107**
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	**—**	**—**	**19,107**
160. Administrative expenses:	(41)	(475)	(20,702)
a) personnel coss	—	—	*(13,288)*
b) other administrative expenses	*(41)*	*(475)*	*(7,414)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	(65)	—	(380)
190. Net adjustments to intangible assets	—	—	—
200. Other operating income (expense)	176	498	—
210. Operating costs	**70**	**23**	**(21,082)**
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	**70**	**23**	**(1,975)**
270. Income tax for the year on ordinary activities	**(2)**	**(1)**	**84**
280. Profit (loss) on ordinary activities after tax	**68**	**22**	**(1,891)**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**68**	**22**	**(1,891)**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		COMPAGNIE MONEGASQUE DE GESTION* (€/000)	RAM ACTIVE INVESTMENTS S.A.* (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. * (CHF/000)
	ASSETS			
10.	Cash and cash equivalents	—	—	—
20.	Financial assets at fair value with impact taken to profit and loss	—	207	—
	a) Financial assets held for trading	—	*207*	—
	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	2,245	19,297	3,810
	a) Due from banks	*1,845*	*19,297*	*3,810*
	b) Due from financial companies	—	—	—
	c) Due from customers	*400*	—	—
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	793	—
80.	Property, plant and equipments	—	955	55
90.	Intangible assets	—	114	5
	of which:			
	goodwill	—	—	—
100.	Tax assets	—	90	1
	a) current	—	*90*	*1*
	b) deferred	—	—	—
110.	Assets classified as held for sale	—	—	—
120.	Other assets	2,933	5,730	2,975
	TOTAL ASSETS	**5,178**	**27,186**	**6,846**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

BALANCE SHEET

		COMPAGNIE MONEGASQUE DE GESTION S.A.* (€/000)	RAM ACTIVE INVESTMENTS S.A.* (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.* (CHF/000)
	LIABILITIES			
10.	Financial liabilities at amortized cost	—	70	—
	a) Due to	—	*70*	—
	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	—	187	459
	a) current	—	*187*	*459*
	b) deferred	—	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	3,654	1,568	2,564
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 (-)	—	(4,310)	—
130.	Equity instruments	—	500	—
140.	Share premium reserve	—	—	—
150.	Reserves	(799)	30,041	3,443
160.	Valuation reserves	—	—	(35)
180.	Profit (loss) for the period	1,723	(1,870)	(367)
	TOTAL LIABILITIES AND NET EQUITY	**5,178**	**27,186**	**6,846**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	COMPAGNIE MONEGASQUE DE GESTION S.A.*	RAM ACTIVE INVESTMENTS S.A.*	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.*
	(€/000)	**(CHF/000)**	**(CHF/000)**
10. Interest and similar income	—	—	—
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	*(208)*	(34)
30. Net interest income	**—**	**(208)**	**(34)**
40. Fee and commission income	11,966	13,663	5,558
50. Fee and commission expense	(6,401)	(2,021)	(3,720)
60. Net fee and commission income	**5,565**	**11,642**	**1,838**
70. Dividends and similar income	—	—	—
80. Net trading income	—	5	18
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	**5,565**	**11,439**	**1,822**
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	**5,565**	**11,439**	**1,822**
160. Administrative expenses:	(3,196)	(13,153)	(2,046)
a) personnel coss	*(2,176)*	*(9,602)*	*(1,526)*
b) other administrative expenses	*(1,020)*	*(3,551)*	*(520)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	—	(118)	(18)
190. Net adjustments to intangible assets	—	(67)	—
200. Other operating income (expense)	—	196	16
210. Operating costs	**(3,196)**	**(13,142)**	**(2,048)**
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	**2,369**	**(1,703)**	**(226)**
270. Income tax for the year on ordinary activities	(646)	(167)	(141)
280. Profit (loss) on ordinary activities after tax	**1,723**	**(1,870)**	**(367)**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**1,723**	**(1,870)**	**(367)**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		Messier et associés S.C.A.* (€/000)	Messier 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	20,300	191
	a) Due from banks	*20,300*	*191*
	b) Due from financial companies	—	—
	c) Due from customers	—	—
50.	Hedging derivatives	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Equity investments	751	—
80.	Property, plant and equipments	293	—
90.	Intangible assets	17,000	—
	of which:		
	goodwill	—	—
100.	Tax assets	470	—
	a) current	*470*	—
	b) deferred	—	—
110.	Assets classified as held for sale	—	—
120.	Other assets	10,331	—
	TOTAL ASSETS	**49,145**	**191**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		Messier et associés S.C.A.* (€/000)	Messier et associés L.L.C.* (USD/000)
	LIABILITIES		
10.	10. Financial liabilities at amortized cost	7,977	1,987
	a) Due to	*7,977*	*1,987*
	b) titoli in circolazione	—	—
20.	Trading financial liabilities	—	—
30.	Financial liabilities designated at fair value	—	—
40.	Hedging derivatives	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	2,607	—
	a) current	*2,607*	—
	b) deferred	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—
80.	Oher liabilities	8,434	—
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	(6,615)	(1,925)
160.	Valuation reserves	—	—
180.	Profit (loss) for the period	18,960	(82)
	TOTAL LIABILITIES AND NET EQUITY	**49,145**	**191**

* Pro-forma scheme as at 30 June 2021, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	Messier et associés S.C.A.* (€/000)	Messier 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	48,434	—
50. Fee and commission expense	—	—
60. Net fee and commission income	**48,434**	**—**
70. Dividends and similar income	—	—
80. Net trading income	(90)	—
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	**48,344**	**—**
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	**48,344**	**—**
160. Administrative expenses:	(23,764)	(2,043)
a) personnel cost	*(18,381)*	*(1,606)*
b) other administrative expenses	*(5,383)*	*(437)*
170. Net transfers to provisions:	—	—
a) commitments and financial guarantees	—	—
b) other sums set aside (net)	—	—
180. Net adjustments to tangible assets	(100)	—
190. Net adjustments to intangible assets	—	—
200. Other operating income (expense)	1,445	1,961
210. Operating costs	**(22,419)**	**(82)**
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	**25,925**	**(82)**
270. Income tax for the year on ordinary activities	(6,965)	—
280. Profit (loss) on ordinary activities after tax	**18,960**	**(82)**
290. Gain (loss) of ceded operating assets, net of tax	—	—
300. Net profit (loss) for the period	**18,960**	**(82)**

* Pro-forma scheme as at 30 June 2021, 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	—
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	2,400,103	40,181	640
	a) Due from banks	*69,122*	*33,904*	*229*
	b) Due from financial companies	*252,140*	*80*	*179*
	c) Due from customers	*2,078,841*	*6,197*	*232*
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	2,350	—
80.	Property, plant and equipments	1,126	1,937	189
90.	Intangible assets	—	4,085	18
	of which:			
	goodwill	—	—	—
100.	Tax assets	8,648	1,508	149
	a) current	*7,204*	*440*	*25*
	b) deferred	*1,444*	*1,068*	*124*
110.	Assets classified as held for sale	—	—	—
120.	Other assets	10,927	2,602	107
	TOTAL ASSETS	**2,420,804**	**52,665**	**1,103**
	LIABILITIES			
10.	Financial liabilities at amortized cost	2,216,977	1,916	192
	a) Due to	*2,216,977*	*1,916*	*192*
	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	8,305	—	—
	a) current	*8,258*	—	—
	b) deferred	*47*	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	11,110	6,132	196
90.	Staff severance indemnity provision	268	1,012	—
100.	Provisions	588	—	18
	a) commitments and financial guarantees	*73*	—	—
	b) post-employment and similar benefits	—	—	—
	c) other provisions	*515*	—	*18*
110.	Share capital	120,000	6,100	1,000
120.	Treasury shares (-)	—	—	—
130.	Equity instruments	—	—	—
140.	Share premium reserve	—	3,500	—
150.	Reserves	46,462	36,988	(38)
160.	Valuation reserves	(13)	(114)	—
170.	Profit (loss) for the period	17,107	(2,869)	(265)
	TOTAL LIABILITIES AND NET EQUITY	**2,420,804**	**52,665**	**1,103**

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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	44,791	—	—
of which: interest income calculated according to the effective interest method	*44,791*	—	—
20. Interest expense and similar charges	(3,956)	(25)	(3)
30. Net interest income	**40,835**	**(25)**	**(3)**
40. Fee and commission income	10,475	10,434	1,230
50. Fee and commission expense	(3,720)	(1,361)	(111)
60. Net fee and commission income	**6,755**	**9,073**	**1,119**
70. Dividends and similar income	—	—	—
80. Net trading income	54	—	—
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. 120. Total income	**47,644**	**9,048**	**1,116**
130. 130. Net write-offs (write-backs) for credit risk:	(12,789)	(110)	—
a) Financial assets valued at amortized cost	*(12,789)*	*(110)*	—
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	**34,855**	**8,938**	**1,116**
160. Administrative expenses:	(9,454)	(8,269)	(1,410)
a) personnel coss	*(4,085)*	*(5,703)*	*(1,012)*
b) other administrative expenses	*(5,369)*	*(2,566)*	*(398)*
170. Net transfers to provisions:	(421)	—	—
a) commitments and financial guarantees	*(21)*	—	—
b) other sums set aside (net)	*(400)*	—	—
180. Net adjustments to tangible assets	(179)	(377)	(24)
190. Net adjustments to intangible assets	—	(328)	(18)
200. Other operating income (expense)	431	96	—
210. Operating costs	**(9,623)**	**(8,878)**	**(1,452)**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	(2,887)	—
250. Gain (loss) on disposal of investments	—	—	—
260. Profit (loss) on ordinary activity before tax	**25,232**	**(2,827)**	**(336)**
270. Income tax for the year on ordinary activities	(8,125)	(42)	71
280. Profit (loss) on ordinary activities after tax	**17,107**	**(2,869)**	**(265)**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**17,107**	**(2,869)**	**(265)**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA SGR S.p.A. (€/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	43,646
	a) Due from banks	—
	b) Due from financial companies	—
	c) Due from customers	*43,646*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	571
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	769
	a) current	*715*
	b) deferred	*54*
110.	Assets classified as held for sale	—
120.	Other assets	6,577
	TOTAL ASSETS	**51,563**
	LIABILITIES	
10.	Financial liabilities at amortized cost	2,258
	a) Due to	*2,258*
	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	45
	a) current	—
	b) deferred	*45*
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	5,633
90.	Staff severance indemnity provision	389
100.	Provisions	—
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	—
110.	Share capital	10,330
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	—
150.	Reserves	26,403
160.	Valuation reserves	46
170.	Profit (loss) for the period	6,459
	TOTAL LIABILITIES AND NET EQUITY	**51,563**

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA SGR S.p.A. (€/000)
10.	Commission income	30,742
20.	Commission expenses	(6,126)
30.	**Net fee and commission**	**24,616**
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	(2)
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**	**24,614**
120.	Net write-offs (write-backs) for credit risk:	(649)
	a) Financial assets valued at amortized cost	*(649)*
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
130.	**Net income from financial operations**	**23,965**
140.	Administrative expenses:	(14,785)
	a) personnel coss	*(8,766)*
	b) other administrative expenses	*(6,019)*
150.	Net transfers to provisions:	245
160.	Net adjustments to tangible assets	(230)
170.	Net adjustments to intangible assets	—
180.	Other operating income (expense)	16
190.	**Operating costs**	**(14,754)**
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**	**9,211**
250.	Income tax for the year on ordinary activities	(2,752)
260.	**Profit (loss) on ordinary activities after tax**	**6,459**
270.	Gain (loss) of ceded operating assets, net of tax	—
280.	**Net profit (loss) for the period**	**6,459**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MEDIOBANCA COVERED BOND S.r.l. (€/000)	QUARZO S.r.l. (€/000)	QUARZO CQS S.r.l. (€/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	—	*1*	—
a) current	—	*1*	—
b) deferred	—	—	—
110. Assets classified as held for sale	—	—	—
120. Other assets	597	83	60
TOTAL ASSETS	**697**	**94**	**70**
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	—	—	—
a) current	—	—	—
b) deferred	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Oher liabilities	621	81	60
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)	3	—
160. Valuation reserves	—	—	—
170. Profit (loss) for the period	—	—	—
TOTAL LIABILITIES AND NET EQUITY	**697**	**94**	**70**

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	MEDIOBANCA COVERED BOND S.r.l. (€/000)	QUARZO S.r.l. (€/000)	QUARZO CQS S.r.l. (€/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:	(67)	(175)	(110)
a) personnel coss	—	*(36)*	*(36)*
b) other administrative expenses	*(67)*	*(139)*	*(74)*
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)	**67**	175	110
210. Operating costs	**—**	**—**	**—**
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	**—**	**—**	**—**
270. Income tax for the year on ordinary activities	—	—	—
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

		CMB Monaco S.A.M. 31.12.2020 (€/000)
	ASSETS	
10.	Cash and cash equivalents	293,520
20.	Financial assets at fair value with impact taken to profit and loss	25,235
	a) Financial assets held for trading	—
	b) Financial assets designated at fair value	—
	c) Other financial assets mandatorily at fair value	*25,235*
30.	Financial assets at fair value with impact taken to comprehensive income	560,953
40.	Financial assets at amortized cost	4,797,597
	a) Due from banks	*2,734,001*
	b) Due from customers	*2,063,596*
70.	Equity investments	7,656
80.	Property, plant and equipments	166,309
90.	Intangible assets	13,675
100.	Tax assets	—
	a) current	—
	b) deferred	—
110.	Assets classified as held for sale	—
120.	Other assets	29,755
	TOTAL ASSETS	**5,894,700**
	LIABILITIES	
10.	Financial liabilities at amortized cost	4,840,741
	a) Due to banks	*535,065*
	b) Due to customers	*4,305,676*
	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	55,864
90.	Staff severance indemnity provision	—
100.	Provisions	14,287
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	*14,287*
110.	Valuation reserves	—
120.	Redeemable shares	—
130.	Equity instruments	—
140.	Reserves	852,792
150.	Share premium reserve	4,573
160.	Shares capital	111,110
170.	Treasury shares (-)	—
180.	Profit (loss) for the year	15,333
	TOTAL LIABILITIES AND NET EQUITY	**5,894,700**

PROFIT AND LOSS

	CMB Monaco S.A.M. 31.12.2020 (€/000)
10. Interest and similar income	57,075
of which: interest income calculated according to the effective interest method	—
20. Interest expense and similar charges	(13,062)
30. Net interest income	**44,013**
40. Fee and commission income	64,175
50. Fee and commission expense	(5,457)
60. Net fee and commission income	**58,718**
70. Dividends and similar income	2,414
80. Net trading income	887
90. Net hedging income (expense)	—
100. Gain (loss) on disposal/repurchase:	505
a) Financial assets valued at amortized cost	*505*
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	**106,537**
130. Net write-offs (write-backs) for credit risk:	(353)
a) Financial assets valued at amortized cost	*(353)*
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	**106,184**
160. Administrative expenses:	(62,946)
a) personnel coss	*(41,955)*
b) other administrative expenses	*(20,991)*
170. Net transfers to provisions:	4,500
a) commitments and financial guarantees	—
b) other sums set aside (net)	*4,500*
180. Net adjustments to tangible assets	(18,850)
190. Net adjustments to intangible assets	(4,508)
200. Other operating income (expense)	(3,865)
210. Operating costs	**(85,669)**
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	**20,515**
270. Income tax for the year on ordinary activities	(5,182)
280. Profit (loss) on ordinary activities after tax	**15,333**
290. Gain (loss) of ceded operating assets, net of tax	—
350. Net profit (loss) for the period	**15,333**

Financial companies

continued **Table B**

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	6,755
	a) Due from banks	*6,755*
	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	190
	a) current	—
	b) deferred	*190*
110.	Assets classified as held for sale	—
120.	Other assets	51
	TOTAL ASSETS	**6,996**
	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	1,038
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	3,612
160.	Valuation reserves	—
180.	Profit (loss) for the period	64
	TOTAL LIABILITIES AND NET EQUITY	**6,996**

Financial companies

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA SECURITIES LLC ($/000)
10.	Interest and similar income	4
	of which: interest income calculated according to the effective interest method	—
20.	Interest expense and similar charges	—
30.	**Net interest income**	**4**
40.	Fee and commission income	2,037
50.	Fee and commission expense	—
60.	**Net fee and commission income**	**2,037**
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**	**2,041**
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**	**2,041**
160.	Administrative expenses:	(2,800)
	a) personnel coss	*(2,073)*
	b) other administrative expenses	*(727)*
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)	851
210.	**Operating costs**	**(1,949)**
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**	**92**
270.	Income tax for the year on ordinary activities	(28)
280.	**Profit (loss) on ordinary activities after tax**	**64**
290.	Gain (loss) of ceded operating assets, net of tax	—
350.	**Net profit (loss) for the period**	**64**

Financial companies

continued **Table B**

BALANCE SHEET

		CMB Asset Management S.A.M. 31.12.2020	Compagnie Monégasque de Gestion S.A.M. 31.12.2020
		(€/000)	**(€/000)**
	ASSETS		
10.	Cash and cash equivalents	385	5,391
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	359	270
	a) current	*359*	270
	b) deferred	—	—
110.	Assets classified as held for sale	—	—
120.	Other assets	19	3,140
	TOTAL ASSETS	**763**	**9,201**
	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	89	—
	a) current	*89*	—
	b) deferred	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—
80.	Oher liabilities	439	7,029
90.	Staff severance indemnity provision	—	—
100.	Provisions	—	—
	a) commitments and financial guarantees	—	—
	b) post-employment and similar benefits	—	—
	c) other provisions	—	—
110.	Share capital	150	600
120.	Treasury shares (-)	—	—
130.	Equity instruments	—	—
140.	Share premium reserve	—	—
150.	Reserves	81	77
160.	Valuation reserves	—	—
180.	Profit (loss) for the period	4	1,495
	TOTAL LIABILITIES AND NET EQUITY	**763**	**9,201**

Financial companies

continued **Table B**

PROFIT AND LOSS

	CMB Asset Management S.A.M. 31.12.2020	Compagnie Monégasque de Gestion S.A.M. 31.12.2020
	(€/000)	(€/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	1,306	11,625
50. Fee and commission expense	—	—
60. Net fee and commission income	**1,306**	**11,625**
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	**1,306**	**11,625**
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	**1,306**	**11,625**
160. Administrative expenses:	(1,301)	(9,539)
a) personnel coss	*(498)*	*(1,576)*
b) other administrative expenses	*(802)*	*(7,963)*
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)	—	(10)
210. Operating costs	**(1,301)**	**(9,549)**
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	**6**	**2,076**
270. Income tax for the year on ordinary activities	(2)	(581)
280. Profit (loss) on ordinary activities after tax	**4**	**1,495**
290. Gain (loss) of ceded operating assets, net of tax	—	—
350. Net profit (loss) for the period	**4**	**1,495**

E-MARKET SDIR CERTIFIED

Financial companies

continued **Table B**

BALANCE SHEET

	CAIRN CAPITAL GROUP LTD 31.12.2020 (£/000)	CAIRN CAPITAL LTD 31.12.2020 (£/000)
ASSETS		
Non-current assets		
Intangible assets	—	—
Tangible assets	458	—
Equity interests	1,670	—
Total non-current assets	**2,128**	**—**
Current assets		
Trade receivables	10,731	6,082
Cash and liquid assets	5,692	4,169
Financial assets/liabilities	—	—
Total current assets	**16,423**	**10,251**
TOTAL ASSETS	**18,551**	**10,251**
LIABILITIES		
Share capital	—	13,200
Share premium reserve	9,512	—
Legal reserve	—	—
Other reserves	180	—
Gains (losses) carried forward	(5,918)	(4,317)
Gain (loss) for the period	901	(2,289)
Total net equity	**4,675**	**6,595**
Trade payable	13,595	2,656
Financial liabilities	—	1,000
Provisions	281	—
Total current liabilities	**13,876**	**3,656**
TOTAL LIABILITIES AND NET EQUITY	**18,551**	**10,251**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	CAIRN CAPITAL GROUP LTD 31.12.2020	CAIRN CAPITAL LTD 31.12.2020
	(£/000)	**(£/000)**
Commission income	3,798	13,365
Dividends and similar income	144	—
Revenues	**3,942**	**13,365**
Administrative expenses	(2,744)	(15,782)
a) personnel costs	*(1,853)*	—
b) other administrative expenses	*(891)*	*(15,782)*
Other income and costs	(286)	22
Net writedowns/writebacks on tangible assets	(21)	—
Operating result	**891**	**(2,396)**
Interest and similar income	118	8
Interest expense and similar charges	—	(100)
Gain (loss) for the period before tax	**1,009**	**(2,488)**
Income tax	(108)	199
Gain (loss) for the period after tax	**901**	**(2,289)**

Financial companies

continued **Table B**

BALANCE SHEET

	RAM ACTIVE INVESTMENTS S.A. 31.12.2020 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31.12.2020 (CHF/000)
ASSETS		
Non-current assets		
Intangible assets	148	4
Tangible assets	1,004	64
Equity interests	1,000	—
Total non-current assets	**2,152**	**68**
Current assets		
Trade receivables	4,046	1,400
Cash and liquid assets	20,370	3,912
Financial assets/liabilities	2,585	1,343
Total current assets	**27,001**	**6,655**
TOTAL ASSETS	**29,153**	**6,723**
LIABILITIES		
Share capital	1,000	782
Statutory retained earnings	500	—
Treasury shares	(4,277)	—
Revaluation reserve	—	(34)
Legal reserve	—	120
Other reserves	1,021	421
Equity instruments	500	—
Gains (losses) carried forward	27,321	2,765
Gain (loss) for the period	381	263
Total net equity	**26,446**	**4,317**
Trade payable	1,056	1,051
Financial liabilities	—	799
Provisions	256	—
Other liabilities	1,395	556
Total current liabilities	**2,707**	**2,406**
TOTAL LIABILITIES AND NET EQUITY	**29,153**	**6,723**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	RAM ACTIVE INVESTMENTS S.A. 31.12.2020 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31.12.2020 (CHF/000)
Revenues	14,758	6,396
Personnel costs	(10,188)	(1,417)
Other administrative expenses	(3,544)	(4,512)
Operating result	**1,026**	**467**
Net adjustments to tangible assets	(191)	(19)
Interest and similar income	5	4
Interest expense and similar charges	(289)	(60)
Non-operational income	109	24
Extraordinary costs	—	(36)
Gain (loss) for the period before tax	**660**	**380**
Income tax	(279)	(117)
Gain (loss) for the period after tax	**381**	**263**

Financial companies

continued **Table B**

BALANCE SHEET

	Messier et Associés S.C.A. 31.12.2020 (€/000)	Messier et Associés L.L.C. 31.12.2020 (USD/000)
ASSETS		
Non-current assets		
Intangible assets	17,052	—
Tangible assets	280	—
Equity interests	858	—
Total non-current assets	**18,189**	**—**
Current assets		
Trade receivables	25,920	—
Cash and liquid assets	22,198	49
Financial assets/liabilities	—	—
Total current assets	**48,118**	**49**
TOTAL ASSETS	**66,307**	**49**
LIABILITIES		
Share capital	17,782	228
Treasury shares	—	—
Revaluation reserve	—	—
Legal reserve	4	—
Other reserves	—	—
Equity instruments	—	—
Gains (losses) carried forward	3,010	(86)
Gain (loss) for the period	11,471	(100)
Total net equity	**32,267**	**42**
Provisions	—	—
Trade receivables (current accounts)	12,563	7
Due to Group societies	—	—
Tax liabilities	17,687	—
Other liabilities	3,790	—
Total current liabilities	**34,040**	**7**
TOTAL LIABILITIES AND NET EQUITY	**66,307**	**49**

Financial companies

continued Table B

PROFIT AND LOSS

	Messier et Associés S.C.A. 31.12.2020 (€/000)	Messier et Associés L.L.C. 31.12.2020 (USD/000)
Revenues	42,264	1,900
Personnel costs	(8,855)	(1,423)
Other administrative expenses	(17,348)	(577)
Operating result	**16,061**	**(100)**
Adjustments to tangible assets and other writedowns	(92)	—
Interest and similar income	7	—
Interest expense and similar charges	(32)	—
Foreign exchange gains (losses)	—	—
Contributions to provisions	3	—
Gains (losses) on disposal of equity holdings	(41)	
Other gains (losses)	48	—
Gain (loss) for the period before tax	**15,954**	**(100)**
Income tax	(4,483)	—
Gain (loss) for the period after tax	**11,471**	**(100)**

Non-financial undertakings

continued **Table B**

BALANCE SHEETS

	RICERCHE E STUDI S.p.A. (under liquidation)	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT S.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS S.r.l.	COMPASS RENT
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
ASSETS							
Non-current assets							
Intangible assets	—	22,800	677	—	1	44	—
Tangible assets	—	37,482	5	—	15	47	6
Other non-current financial assets	—	9,000	—	—	—	—	—
Advance tax assets	—	349	1,214	46	—	48	—
Total non-current assets	**—**	**69,631**	**1,896**	**46**	**16**	**139**	**6**
Current assets							
Trade receivables	—	—	—	—	—	—	—
Other receivables	—	9,219	2,650	456	4,936	114	270
Sundry receivables and other current assets	39	14,037	129	3	64	23	205
Curret tax assets	2	234	870	25	—	19	285
Other current financial assets	—	—	—	—	—	—	—
Cash and liquid assets	98	130	517	895	7,738	176	852
Total current assets	**139**	**23,620**	**4,166**	**1,379**	**12,738**	**332**	**1,612**
TOTAL ASSETS	**139**	**93,251**	**6,062**	**1,425**	**12,754**	**471**	**1,618**
LIABILITIES							
A) Shareholders' equity							
Share capital	100	35,000	6,000	500	500	500	2,000
Reserves	(2)	—	—	—	963	—	—
Share premium reserve	—	—	—	—	—	—	—
Gains (losses) carried forward	—	135	(1,007)	784	6,548	(33)	—
Legal reserve	4	—	—	70	50	—	—
Gain (loss) for the period	(29)	3	(277)	(99)	751	(124)	(908)
Total shareholders' equity	**73**	**35,138**	**4,716**	**1,255**	**8,812**	**343**	**1,092**
Non-current liabilities							
Provisions	—	800	—	—	—	—	8
Staff severance	—	1,390	179	68	—	—	3
Deferred tax liabilities	—	556	—	—	708	—	—
Other non-current liabilities	—	—	—	—	—	—	—
Total non-current liabilities	**—**	**2,746**	**179**	**68**	**708**	**—**	**11**
Current liabilities							
Due to banks	—	—	—	—	—	—	—
Trade payables	5	13,709	971	37	1,155	111	424
Due to associates	8	—	50	1	—	17	—
Current tax liabilities	53	—	18	22	—	—	—
Current financial liabilities	—	38,715	—	—	—	—	—
Other current liabilities	—	2,943	128	42	2,079	—	91
Total current liabilities	**66**	**55,367**	**1,167**	**102**	**3,234**	128	515
TOTAL LIABILITIES AND NET EQUITY	**139**	**93,251**	**6,062**	**1,425**	**12,754**	**471**	**1,618**

Non-financial undertakings

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	RICERCHE E STUDI S.p.A. (under liquidation)	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT S.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS S.r.l.	COMPASS RENT
	(€/000)	**(€/000)**	**(€/000)**	**(€/000)**	**(€/000)**	**(€/000)**	**(€/000)**
Revenues	1,208	118,941	2,474	712	17,629	270	9
Production costs	(308)	(79,881)	(1,283)	(541)	(14,443)	(350)	(942)
Employees' costs	(888)	(13,134)	(1,045)	(247)	(1,057)	(38)	(255)
Other operating costs	—	(7,464)	—	—	—	—	—
Sundry costs	(4)	—	—	—	(1,108)	—	(3)
Adjustments to tangible assets	—	(15,339)	(381)	—	—	(15)	—
Adjustments to intangible assets	—	(3,225)	(2)	—	—	—	(1)
Other writedowns	—	—	—	—	(5)	—	—
Writedowns of current receivables	—	—	(56)	—	—	—	(1)
Operating result	**8**	**(102)**	**(293)**	**(76)**	**1,016**	**(133)**	**(1,193)**
Financial gains	—	—	—	—	—	—	—
Financial expenses	—	(1)	—	—	—	—	—
Other gains	—	—	—	—	—	—	—
Other expenses	—	—	(1)	(42)	—	(29)	—
Profit (loss) before taxes	**8**	**(103)**	**(294)**	**(118)**	**1,016**	**(162)**	**(1,193)**
Fiscal gain (expense)	(37)	106	17	19	(265)	38	285
Taxes for the period	*(37)*	*(9)*	—	*(3)*	*(265)*	—	—
Deffered and advance taxes	—	*115*	*17*	*22*	—	*38*	*285*
Net profit (loss) for the period	**(29)**	**3**	**(277)**	**(99)**	**751**	**(124)**	**(908)**

Insurance companies

continued **Table B**

BALANCE SHEETS

	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	**294,976**
I) Lands and PPEs	—
II) Investments in affiliated undertakings and partecipating interests	
3) Loans to enterprises	294,976
a) parent company	*52,011*
e) others	*242,965*
III) Other financial investments	—
6) Banks deposits	—
D) Investments for the benefit of insured parties (life)	**—**
E) Receivables	**7,652**
II Receivables arising out of reinsurance operations	7,652
III Other receivables	—
F) Other assets	**37,207**
II Cash at bank and in hand	37,207
G) Accrued income and deferred expenses	**14,089**
1. Due to interests	2,593
3. Others	11,496
TOTAL ASSETS	**353,924**
LIABILITIES	
A) Shareholders' equity	**80,398**
I Share capital	15,000
IV Legal reserve	1,500
VIII Gains (losses) carried forward	36,960
IX Net gain (loss) for the period	26,938
B) Subordinated liabilities	
C) Technical reserves	**269,909**
I Non-life business	
1. Premiums reserve	*120,397*
2. Claims reserve	*10,954*
3. Equalization reserve	*138,558*
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	**3,084**
VII Other payables	
3. Due to social agencies	*3,084*
H) Accrued income and deferred expenses	**499**
3. Others accruals and deferrals	499
TOTAL LIABILITIES AND NET EQUITY	**353,924**

Insurance companies

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	COMPASS RE S.A. (€/000)
I) TECHNICAL ACCOUNT	
Gross premiums written	23,425
Change in the gross provision for unearned premiums	26,795
Total net premiums written	**50,220**
Gains arising from non-technical accounts investments	—
1) TOTAL REVENUES	**50,220**
Claims incurred, net of reinsurance (Gross amount)	(8,836)
Change in the provision for claims (Gross amount)	(901)
Acquisition costs	(2,277)
Change in deferred acquisition costs	(2,297)
Administrative expenses	(771)
2) TOTAL COSTS	**(15,082)**
Change in deferred acquisition costs	(1,719)
Technical-account profit (loss)	**33,419**
II) NON-TECHNICAL ACCOUNT	
Income form other investments	7,947
Gains on the realisation of investments	—
Investment management charges, including interest	(238)
Value adjustments on investments	—
Losses on the realisation of investments	(4,411)
Underwriting profit (loss)	**3,298**
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**36,717**
Income taxes for the period	(9,222)
Other taxes not shown under the preceding items	(557)
NET PROFIT (LOSS) FOR THE PERIOD	**26,938**

Associate companies

Table C

BALANCE SHEET

	ASSICURAZIONI GENERALI S.p.A. 31.12.2020 (€/000)
ASSETS	
A) Subscribed capital unpaid	**—**
B) Total intangible assets	**36,293**
C) Investments	
I) Land and buildings (total)	91,111
II) Investments in Group and other undertakings (total)	33,629,140
III) Other financial investments	
1) Shares and stock units	31,699
2) Mutual fund units	4,314,612
3) Bonds and other fixed-income securities	1,724,197
4) Loans	516
6) Deposits with banks	187,486
7) Other financial investments	—
Total other financial investments	6,258,510
IV) Deposits with reinsurers	3,816,493
Total investments (C)	**43,795,254**
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	**191,392**
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	795,992
II) Life business (total)	586,567
Total reinsurers' share of technical reserves (Dbis)	**1,382,559**
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	239,337
II) Amount due in respect of reinsurances (total)	598,202
III) Other accounts receivable	799,209
Total accounts receivable (E)	**1,636,748**
F) Other assets	
I) Tangible assets and inventories (total)	2,789
II) Cash (total)	301,388
IV) Other assets (total)	311,768
Total other assets (F)	**615,945**
G) Accruals and prepayment (total)	**136,407**
TOTAL ASSETS (A+B+C+D+Dbis+E+F+G)	**47,794,598**

Associate companies

continued **Table C**

BALANCE SHEET

	ASSICURAZIONI GENERALI S.p.A. 31.12.2020 (€/000)
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,576,052
II-VII) Reserves (total)	12,721,420
IX) Profit (loss) for year	2,969,918
X) Negative reserve for treasury shares in portfolio	(76,178)
Total shareholders' equity (A)	**17,191,212**
B) Subordinated liabilities	7,796,307
C) Technical reserves	
I) General business (total)	2,597,256
II) Life business (total)	4,969,731
Total technical reserves (C)	**7,566,987**
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	230,320
E) Provisions for risks and charges (total)	164,080
F) Deposits received from reinsurers	506,389
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	44,343
II) Amounts payable in respect of reinsurance	280,799
III) Bond issues	2,692,000
IV) Amounts payable to banks and financial institutions	963,784
VI) Loans and other debt	5,157,229
VII) Staff termination indemnity provision	1,455
VIII) Other accounts payable	4,526,626
IX) Other liabilities	441,215
Total accounts payable and other liabilities (G)	**14,107,451**
H) Accruals and deferrals (total)	231,852
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	**47,794,598**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS (non-technical account)

		ASSICURAZIONI GENERALI S.p.A. 31.12.2020
		(€/000)
1)	Underwriting profit (loss) from general business	369,806
2)	Underwriting profit (loss) from life business	390,423
3)	Investment income in general business	
	a) Dividends	2,091,918
	b) Other investment income (total)	64,325
	c) Writebacks in book value of investments	25,497
	d) Gain on disposal of investments	15,314
	Total investment income in general business (3)	2,197,054
4)	(+) Portion of investment income transferred from technical accounts of life business	1,478,413
5)	Operating and financial expenses in general business	
	a) Investment management expenses and interest paid	5,299
	b) Writedowns to investments	120,518
	c) Loss on disposal of investments	6,634
	Total operating and financial expenses in general business (5)	132,451
6)	(-) Portion of investment income transferred from technical accounts of general business	296,374
7)	Other income	259,026
8)	Other expenditure	1,540,679
9)	Profit (loss) on ordinary operations	2,725,218
10)	Extraordinary income	46,630
11)	Extraordinary expenditure	39,796
12)	Net extraordinary income (expenditure) (10-11)	6,834
13)	Earnings before tax	2,732,052
14)	Taxation for the year	(237,866)
15)	**Profit (loss) for the year (13-14)**	**2,969,918**

Associate companies

continued **Table C**

BALANCE SHEETS

	GB HOLDING S.R.L. 31.12.2020 (€/000)
ASSETS	
B) Fixed assets:	
I) Intangible	—
II) Tangible	—
III) Financial	5,910
Total B	**5,910**
C) Current assets:	
II) Receivables:	
Due w/i 12 months	2
Due over 12 months	—
Total receivables	2
IV) Cash and liquid assets	6
Total C	**8**
TOTAL ASSETS	**5,918**
LIABILITIES	
A) Shareholders' equity:	
I) Share capital	97
II) Share-premium reserve	5,846
IV) Legal reserve	19
VII) Other reserves	96
IX) Gain (loss) for the period	(143)
Total A	**5,915**
D) Payables:	
Due w/i 12 months	3
Due over 12 months	—
Total payables	3
Total D	**3**
TOTAL LIABILITIES AND NET EQUITY	**5,918**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	GB HOLDING S.R.L. 31.12.2020 (€/000)
A) Revenues:	
Other gains	—
Total revenues and other gains (A)	**—**
B) Costi della produzione:	
7) Services-related	11
14) Other expenses	—
Total production costs (B)	**11**
Operating result (A-B)	**(11)**
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	132
Total writedowns on financial assets (D)	**132**
Gain (loss) before taxes (A - B ± C ± D)	**(143)**
20) Income tax for the year (current, deferred and advance)	—
Gain (loss) for the period	**(143)**

Associate companies

continued **Table C**

BALANCE SHEETS

	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. 31.12.2020 (€/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	2,269
6) Work-in-progress investments and advances	633
7) Others	826
TOTAL INTANGIBLE ASSETS	**3,728**
II - TANGIBLE ASSETS	
1) Lands and buildings	25,600
2) Plants and equipments	8,041
3) Industrial and commercial machineries	24,153
4) Other goods	3,626
5) Work-in-progress investments and advances	18,615
TOTAL TANGIBLE ASSETS	**80,035**
III - FINANCIAL ASSETS	
1) Investments in:	
a) Subsidiaries	57,804
d-bis) Others	298
Total investments	58,102
2) Receivables	
d-bis) Others	1,027
Total receivables	1,027
3) Other securities	
Total other securities	
TOTAL FINANCIAL ASSETS	**59,129**
TOTAL INVESTMENTS (B)	**142,892**
C) CURRENT ASSETS	
I - INVENTORIES	
1) Raw-materials and consumable goods	8,980
TOTAL INVENTORIES	**8,980**
II - RECEIVABLES	
1) From customers	32,863
2) From subsidiaries	237
3) From associates	—
5-bis) Tax-related receivables	908
5-ter) Deferred tax asset recevaibles	3,114
5-quater) From others	2,039
TOTAL RECEIVABLES	**39,161**
III - NON-FIXED FINANCIAL ASSETS	
6) Other securities	—
TOTAL NON-FIXED FINANCIAL ASSETS	**—**
IV - CASH AND LIQUID ASSETS	
1) Bank and postal deposits	51,208
3) Cash in hands	85
TOTAL CASH AND LIQUID ASSETS	**51,293**
TOTAL CURRENT ASSETS (C)	**99,434**
D) Prepaid income and deferred expenses	4,018
TOTAL PREPAID INCOME AND DEFERRED EXPENSES (D)	**4,018**
TOTAL ASSETS (A + B + C + D)	**246,344**

Associate companies

BALANCE SHEETS

	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. 31.12.2020 (€/000)
LIABILITIES	
A) SHAREHOLDERS' EQUITY	
I - Share capital	80,579
IV - Legal reserve	7,410
V - Statutory reserve	—
- Research and development allowance	45,497
IX - Gain (loss) for the period	796
TOTAL SHAREHOLDERS' EQUITY (A)	**134,282**
B) PROVISIONS	
- SSN-receivable provision	535
- Provision for other risks	7,774
TOTAL PROVISIONS (B)	**8,309**
EMPLOYEES SEVERANCE PROVISION (C)	**5,216**
D) PAYABLES	
7) To suppliers	41,925
9) To subsidiaries	13,890
10) To associates	—
12) Fiscal liabilities	2,858
13) To social-securities entities and other social entities	3,968
14) Other payables	14,379
TOTAL PAYABLES (D)	**77,020**
E) DEFERRED INCOME AND ACCRUED EXPENSES	21,517
TOTAL DEFERRED INCOME AND ACCRUED EXPENSES (E)	**21,517**
TOTAL LIABILITIES AND NET EQUITY (A + B + C + D + E)	**246,344**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	ISTITUTO EUROPEO DI ONCOLOGIA S.R.L. 31.12.2020 (€/000)
A) REVENUES	
1) Revenues from sales and services	180,254
5) Other gains:	45,853
- Sums received for research programmes	24,899
- Other proceeds	20,954
TOTAL REVENUES (A)	**226,107**
B) PRODUCTION COSTS	
6) Raw-materials and other goods	52,237
7) Services-related	53,731
8) Third-parties goods and services	6,793
9) Employees costs:	83,932
a) Remunerations	65,248
b) Social costs	15,077
c) Staff-severance	3,576
e) Other costs	31
10) Depreciations, amortizations and writedowns:	11,888
a) Amortizations	1,359
b) Depreciations	9,818
d) Writedowns of current financial assets and other liquid assets	711
11) Variations of inventory for raw-materials, consumables and other goods (±)	249
12) Contributions to provisions	4,671
14) Other operating expenses	17,159
TOTAL OPERATING COSTS (B)	**230,660**
OPERATING RESULT (A - B)	**-4,553**
C) FINANCIAL GAINS (EXPENSES)	
15) Gains on equity investments	
- dividends and other income from other entity	—
16) Other financial gains	
d) gains other than preceding	
- interests on current accounts and other deposits	15
17) Interests and other financial expenses	
- others	217
17-bis) Gains and expenses on foreign exchange rates (±)	(19)
TOTAL FINANCIAL GAINS (EXPENSES) (C)	**(221)**
D) WRITEDOWNS ON FINANCIAL ASSETS	
18) Writebacks:	
a) on investments	2,339
19) Writedowns:	
a) on investments	(46)
TOTAL WRITEDOWNS (D)	**2,293**
GAIN (LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	**(2,481)**
22) Taxes for the period (current, deferred and advance)	
- Current taxes	(171)
- Current and deferred taxes	(3,106)
GAIN (LOSS) FOR THE PERIOD	**796**

Table D

FEES PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-duodecies of Consob resolution 11971/99)

(€/000)

Type of service	Mediobanca S.p.A.		Group companies*	
	PricewaterhouseCoopers S.p.A.	PricewaterhouseCoopers S.p.A. network	PricewaterhouseCoopers S.p.A.	PricewaterhouseCoopers S.p.A. network
Auditing	585	17	683	478
Statements	248	4	39	217
Other services	—	—	—	—
– *Observation and analysis of the administrative/accounting internal control system*	—	—	—	—
– *Other*	—	—	—	
Total	833	21	722	695

* Group companies and other companies consolidate line-by-line. From this year Mediobanca SGR (and related Funds) is also included in the scope; Futuro S.p.A. has been merged in Compass S.p.A..

Figures shown above do not include VAT, expenses and the supervisory contribution paid to consob.

Mercurio GP - Milan