



MEDIOBANCA

## MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL FULLY PAID UP: €443,616,723.50

REGISTERED OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED IN THE MILAN COMPANIES' REGISTER UNDER TAX IDENTIFICATION CODE 00714490158

VAT NUMBER 10536040966

REGISTERED AS A BANK AND A BANKING GROUP UNDER REGISTRATION NO. 10631.0.

PARENT COMPANY OF THE MEDIOBANCA S.P.A. BANKING GROUP

## REGISTRATION DOCUMENT FOR THE TWELVE MONTHS ENDED 30 JUNE 2020

**This document constitutes a registration document (the "Registration Document") for purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation") and drawn up in accordance with Consob resolution no. 11971 issued on 14 May 1999 as amended, and with Article 7 and Annex 6 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019, supplementing the Prospectus Regulation**

*Issuer*

**MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

*Registration Document filed with Consob on 26 November 2020 following approval as notified by memo no. 1193279/20 issued on 25 November 2020.*

*The Registration Document is valid for twelve months from the date of approval and is available both on the Bank's website at: [www.mediobanca.com](http://www.mediobanca.com) in the following section: <https://www.mediobanca.com/it/prodotti-emessi/documenti/documentazione-quadro.html>.*

*In order to have full disclosure on the Bank and its offerings and/or prices for financial instruments, the Registration Document should be read in conjunction with the Prospectus or Base Prospectus (including the Definitive Terms and Conditions) and the Executive Summary for each individual offering and/or listing, and any Supplements and Additional Notices, and the documentation incorporated via reference as amended.*

*The investor is also invited to read carefully the section entitled "Risk factors" contained within the Registration Document and the individual Information Reports and Summaries approved from time to time, for a review of the risk factors that must be taken into consideration with reference to the Issuer and the relevant types of financial instrument.*

*Publication of the Registration Document does not entail any judgement by Consob on the advisability of the investments proposed and the merits of the data and information relating thereto.*





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## **1 PERSONS RESPONSIBLE, INFORMATION FROM THIRD PARTIES, REPORTS BY EXPERTS AND APPROVAL BY COMPETENT AUTHORITIES**

### **1.1 PERSONS RESPONSIBLE**

Mediobanca – Banca di Credito Finanziario S.p.A. ("**Mediobanca**", the "**Issuer**" or the "**Company**"), with its registered office in Piazzetta Enrico Cuccia 1, Milan, in the persons of its representatives-at-law Emanuele Flappini (Head of Company Financial Reporting) and Stefano Vincenzi (General Counsel), is responsible for the information provided in this Registration Document (the "**Persons Responsible**").

### **1.2 DECLARATION OF RESPONSIBILITY**

The Persons Responsible hereby state that so far as they are aware, the information contained in the Registration Document conforms to the facts and does not present any omissions such as would affect its meaning.

### **1.3 REPORTS AND OPINIONS BY EXPERTS**

No reports or opinions by experts have been issued for purposes of the Registration Document.

### **1.4 INFORMATION FROM THIRD PARTIES**

The Registration Document does not contain information from third parties apart from that referred to in section 4.1.6. below.

The Issuer confirms that this information has been faithfully reproduced and that insofar as the Issuer is aware and is able to ascertain based on the information published by Standard & Poor's, Moody's and FitchRatings, no facts have been omitted that could render the information inaccurate or misleading.

### **1.5 DECLARATION BY THE ISSUER**

The Issuer hereby declares that:

- a) The Registration Document has been approved by Consob as the competent authority under the Prospectus Regulation;
- b) Consob approves the Registration Document only insofar as the latter meets the requirements in terms of being exhaustive, comprehensible and coherent as required by the Prospectus Regulation;
- c) Such approval should not be construed as support for the Issuer forming the subject of the Registration Document.



## 2 AUDITORS OF THE FINANCIAL STATEMENTS

### 2.1 NAME AND ADDRESS OF THE ISSUER'S AUDITORS

At the annual general meeting held on 27 October 2012, PricewaterhouseCoopers S.p.A. were appointed to audit the statutory and consolidated full-year and interim financial statements, to perform other activities provided for under Article 155 of Italian Legislative Decree 58/98, and to sign off the "Unico" and "770" tax declarations for the years until the financial year ending 30 June 2021.

PricewaterhouseCoopers S.p.A. with registered offices in Via Monte Rosa 91, Milan, Italy – registered as an auditor in the register instituted by the Italian Ministry of Economics and Finance pursuant to Article 1, para. 1, letter g) of Italian Legislative Decree no. 39/10 and Article 1 of Italian Ministerial Decree no. 144 issued on 20 June 2012 - audited the statutory and consolidated financial statements of Mediobanca as at 30 June 2020, and also the statutory and consolidated financial statements of Mediobanca as at 30 June 2019.

It is hereby stated that:

- ◆ PricewaterhouseCoopers S.p.A., with headquarters in Milan, engaged to audit the individual and consolidated financial statements of Mediobanca for the year ended 30 June 2020, has issued the required report with no objections;
- ◆ PricewaterhouseCoopers S.p.A. again, with reference to the consolidated financial statements of the Mediobanca Group for the twelve months ended 30 June 2019 and the interim financial statements, has issued the required reports, again with no objections.

### 2.2 INFORMATION ON RELATIONS WITH THE AUDIT FIRM

At the date of the Registration Document there is no information regarding possible terminations, withdrawals or failure to renew the audit firm's engagement or the auditors responsible for the auditing.

On 28 October 2020, the shareholders of Mediobanca, at the Statutory Audit Committee's proposal, engaged Ernst & Young to audit the Group's accounts for the financial years from 30 June 2022 to 30 June 2030.



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### 3 RISK FACTORS

This section presents a description of the risk factors facing the Issuer and the Group only. Accordingly, this section, as stated under Article 16 of the Prospectus Regulation, describes only the risks that the Issuer considers to be specific to the Issuer itself and which are material for taking an informed investment decision.

Before taking any investment decision, investors are invited to read this section carefully in order to understand the specific risks associated with the Issuer and the Group and in order to appreciate better the Issuer's ability to meet its obligations in relation to the Financial Instruments that it may issue, as described from time to time in the Information Notice regarding such instruments. The Mediobanca Group believes that the following factors could influence the Issuer's ability to meet its own obligations deriving from the Financial Instruments issued by it versus investors.

Investors are also invited to assess the specific risk factors related to the financial instruments. It therefore follows that these risk factors should be read in conjunction with the other information contained in the Registration Document, and the risk factors related to the Financial Instruments as described in the relevant Information Notice.

#### 3.1 RISKS RELATED TO THE BUSINESS OF THE ISSUER AND THE MEDIOBANCA GROUP AND TO THE SECTOR IN WHICH THEY OPERATE

##### 3.1.1 SYSTEM RISKS RELATED TO THE ECONOMIC/FINANCIAL CRISIS, UNCERTAINTIES IN THE MACROECONOMIC SCENARIO, AND THE RELATED IMPACT DERIVING FROM THE COVID-19 PANDEMIC

*There is a risk that future developments in the macroeconomic scenario could impact negatively on the capital, earnings and financial situation of the Issuer and/or the Mediobanca Group.*

*Adverse changes to the factors described below could lead the Issuer and/or the Mediobanca Group to incur losses, increases in the cost of financing, reductions in the value of the assets owns, with a potentially negative impact on the liquidity, profitability and capital solidity of the Issuer and/or the Mediobanca Group.*

*It should also be noted that with reference to the economic, social and financial consequences generated by the Covid-19 pandemic, a deterioration in the medical situation due to the Covid-19 pandemic could impact further on the economic, social and financial situation in Italy and hence on the credit quality, capitalization and earnings of the Issuer which operates primarily on the Italian market. The financial statements for the year ended 30 June 2020 show that the consequences of the Covid-19 pandemic have been felt primarily in terms of the cost of risk. Indeed, as at 30 June 2020, loan loss provisions were almost 70% higher than the previous year, having risen from €222.6m to €374.9m, reflecting a cost of risk of 82 bps (versus 52 bps at end-June 2019 and 48 bps at end-December 2020); the increase was concentrated in the fourth quarter (when the cost of risk rose to 141 bps).*

Based on the considerations set out below, Mediobanca believes that the system risks related to the economic/financial crisis, uncertainties in the macroeconomic scenario and the related impact deriving from the Covid-19 pandemic are of medium importance.

It should be noted that the operations, earnings capacity and the stability of the sector of both the Issuer and the Mediobanca Group may be influenced by its/their credit standing, the general economic situation of the country of Italy and the entire Eurozone, trends on financial markets and the economic, social and financial consequences generated by the Covid-19 pandemic. With reference to financial markets in particular, the solidity and growth prospects of the economies of the country or countries in which the Issuer operates will be especially important.



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The macroeconomic scenario is currently marked by considerable uncertainty in relation to the following: (a) the crisis generated by the pandemic, as described in more detail in the following sections; (b) trends in the real economy, with reference in particular to the probability of recession, both domestic and global; (c) future developments in monetary policy by the ECB for the Eurozone, the Federal Reserve for the dollar area, and the policies adopted by various countries to promote devaluations in favour of their own currencies; (d) the unstable climate in terms of the trust of holders of Italian sovereign debt due to the budget policies being implemented; and (e) the ultimate effects of Brexit, i.e. the United Kingdom's definitive exit from the European Union.

In relation to point (a) above, a deterioration in the medical situation with regard to the Covid-19 pandemic could impact further on the economic, social and financial situation of Italy and thus indirectly on the credit quality, capitalization and profitability of the Issuer which operates primarily on the Italian domestic market. As at 30 June 2020, loan loss provisions were nearly 70% higher than the previous year, having risen from €222.6m to €374.9m, reflecting a cost of risk of 82 bps (versus 52 bps at end-June 2019 and 48 bps at end-December 2020); the increase was concentrated in the fourth quarter (when the cost of risk rose to 141 bps). The Covid-19 effect can be estimated at €113m, around 30% of the total provisioning taken for the twelve months. It should also be noted, however, that by 30 September 2020, amounts set aside for the quarter had returned to last year's levels at €71.8m (30/9/19: €65.1m), reflecting a cost of risk of 61 bps.

The coming quarter could be affected once again by the medical emergency and the possibility of restrictions on operations required in order to help limit the spread of infections, not all of which can currently be predicted. Lockdown, especially general lockdown, remains the most critical issue for new loans and the cost of risk. Excessive volatility on financial markets too is likely to impact on TFAs (Total Financial Assets) in terms of NNM (Net New Money) and market effect, and client risk appetite.

For further information on the measures introduced to deal with the impact deriving from the Covid-19 pandemic, please refer to section 4, "Information on the Issuer".

### 3.1.2 CREDIT, COUNTERPARTY AND CONCENTRATION RISK

*As at 30 June 2020, Mediobanca had a gross NPL ratio (i.e. gross non-performing loans as a percentage of gross total customer loans) of 4.1%, whereas one year previously the same ratio had been 3.9%. A deterioration in the medical situation due to the Covid-19 pandemic could impact further on the economic, social and financial situation in Italy and hence on the credit quality, capitalization and earnings of the Issuer which operates primarily on the domestic Italian market.*

Based on the considerations set out below, Mediobanca believes that credit, counterparty and concentration risk are of medium importance.

The business activities of both the Issuer and the Group and their earnings and financial solidity depend also on the credit standing of their respective clients and counterparties.

The Issuer is exposed to the risks traditionally associated with credit activity. Accordingly, breach by its customers of contracts entered into and their own obligations, or the possible failure to provide information or the provisions of incorrect information by them regarding their respective financial and credit situation, could impact negatively on the earnings, capital and/or financial situation of the Issuer.

Furthermore, the Bank's exposure to (i) single counterparties or a group of related counterparties ("single name" concentration risk) and (ii) counterparties operating in the same economic sector or which perform the same activities or are based in the same





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geographical area ("geographical" or "sector" concentration risk), could generate a concentration risk for the Issuer.

More generally, counterparties may fail to meet their respective obligations versus the Issuer due to bankruptcy, lack of liquidity, operating malfunctions or for other reasons. The bankruptcy of a major market participant, or fears that it might not meet its commitments, can cause huge liquidity problems, losses, or breaches by other institutions which in turn could impact negatively on the Issuer. The Issuer is also subject to the risk that in some circumstances, some of its receivables from third parties, including sovereign states, may not be collectable. Moreover, a reduction in the credit standing of third parties in which the Issuer holds securities or bonds could lead to losses and/or impact negatively on the Issuer's capability to commit again or use differently such securities and bonds for purposes of liquidity. A significant reduction in the credit standing of the Issuer's counterparties could therefore have a negative effect on the Issuer's own results. While in many cases the Issuer can require additional guarantees from counterparties in financial difficulty, disputes may arise regarding the amount of the guarantee which the Issuer is entitled to receive and the value of the asset forming the guarantee. Breach levels, reductions in credit standing and disputes over the value of guarantees increase significantly during periods of market tension and illiquidity.

As at 30 June 2020, gross non-performing loans (NPLs) were up 10%, from €1,782.3m to €1,954.2m, and represent 4.1% (3.9%) of total loans; over 90% of the increase is due to Consumer Banking. Net NPLs (excluding MBCredit Solutions) also increased from €806m to €874.2m, and in relative terms were virtually unchanged at 1.8% of the total loan book, with the coverage ratio increasing from 54.8% to 55.3%; particularly noteworthy in this respect is the reduction in provisioning in CIB (from €394.7m to €316.4m), after two material UTP positions were reclassified as performing. Net bad debts declined to €78.4m (€79.8m), and account for 0.17% of total loans (30/6/19: 0.18%), with a coverage ratio of 81.6% (79.7%). NPLs do not include the assets acquired by MBCredit Solutions, which decreased from €368.6m to €358.6m in the twelve months. As at 30 September 2020, gross non-performing loans had increased slightly, up 3.1% (from €1,954.2m to €2,015.8m, and accounted for 4.2% of total loans, but net NPLs were stable at €876.6m (1.9% of total loans), due to the higher coverage ratio of 56.5% (55.3%).

With regard to loan concentration, as at 30 June 2020, aggregate exposures (including equity investments and those deriving from market risks) to a total of six positions were in excess of 10% of the regulatory capital, for a gross exposure of €9.6bn, and represent approx. 12% of total assets. In more detail, the book value of these large exposures as at 30 June 2020 totalled €9,641,791m, while the weighted value was €7,510,106m. As at 31 August 2020, the Group had granted moratoria worth a total of €2.7bn, almost half of which in Consumer Banking and the remainder split equally between mortgage lending and leasing. Of this total around €1.5bn is outstanding (approx. 3% of the total loan book), with concessions involving an amount of €1.2bn in Consumer Banking having already expired (€418.4m more than at the balance-sheet date); these figures confirm the positive performance in terms of repayment schedules being resumed, in line with the figures at end-June 2020, showing that virtually all clients (just under 90%) had resumed making payments as normal.

Deterioration in the medical situation relating to the Covid-19 pandemic could further affect the Issuer's credit quality.

The Group has adhered to the moratoria initiatives introduced by the so-called "Heal Italy" and "Liquidity" Decree Laws, and those promoted by category associations ABI and Assofin for consumer loans, and has also taken measures on a voluntary basis, in Consumer Banking in particular, to assist all its clients in these difficult circumstances.



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Overall, as at 30 June 2020 the Group has granted moratoria in respect of loans totalling approx. €2.6bn (more than 133,000 clients), roughly half of which in Consumer Banking and the remainder split equally between leasing and mortgage lending. Net of those exposures for which the moratoria have already expired and regular repayments have resumed (€746.3m, almost exclusively in Consumer Banking where on average deferrals of two months were guaranteed), the total amount of loans subject to moratoria outstanding at 30 June 2020 was €1,855.9m, split basically equally between the three segments. Of the loans still subject to moratoria, 41% will resume their repayment schedules by the end of 1Q FY 2020-21, 45% by year-end 2020, and 15% thereafter.

Initiatives launched under the EBA Guidelines involve loans amounting to €2.2bn, roughly half of which initiatives introduced by law which cover all the moratoria granted in respect of mortgage loans and leases, and the remainder initiatives introduced by Assofin/Consumer Banking. Around 73% of the moratoria were granted to households, two-thirds of which for consumer credit and one-third for mortgage loans. The majority of the concessions made to non-financial companies involve leases (€570.2m out of €594.4m) in various industrial sectors, with a higher concentration in manufacturing, real estate and wholesale and retail trading. The share outstanding at 30 June 2020 decreased to €1.4bn, taking into account the fact that approx. €830m of the concessions made in Consumer Banking had formally lapsed from the benefit of term even if collection will actually be made in the following thirty days.

For a more detailed description of the EU initiatives on non-performing loans, please refer to section 4.1.4, "Issuer's residence and legal status, legislation under which it operates, country of incorporation, address and telephone number of registered office and website".

For further information on "Credit, counterparty and concentration risk", reference is made to Part and of the Notes to the Accounts of the Consolidated Financial Statements for the year ended 30 June 2020 – included in the Registration Document by reference.

For further information on the initiatives taken to address the impact of the Covid-19 pandemic, please refer to section 4, "Information on the Issuer".

### 3.1.3 RISKS RELATED TO 2019--23 STRATEGIC PLAN

*As at the date of the Registration Document there is no certainty that the actions contained in the Strategic Plan will be implemented in full, or that the actions contained in the Strategic Plan will produce the expected benefits described therein. Deterioration in the medical situation resulting from the Covid-19 pandemic could have a further impact on the economic situation in Italy, and hence, indirectly, on the practical feasibility of the actions contained in the Strategic Plan. If the benefits expected from the implementation of the objectives contained in the Strategic Plan summarized below fail to materialize, the Issuer's estimated results could differ even significantly from those included in the Strategic Plan.*

Based on the considerations described below, Mediobanca believes that the risks related to 2019--23 strategic plan are of medium-low relevance.

On 12 November 2019, the Issuer's Board of Directors approved its 2019-23 Strategic Plan (the "**Strategic Plan**") – and unveiled to the financial community on the same date – based on progress in terms of growth in revenues, earnings and shareholder remuneration, to the satisfaction of all the Bank's stakeholders.

The Strategic Plan contains given objectives to be reached by end-June 2023 (the "**Plan Objectives**") based on growth in high-profitability banking activities, more specifically the growth and development of all the Group's divisions (Wealth Management, Consumer Banking and Corporate & Investment Banking). The Issuer's capability to implement the actions and to meet the Plan Objectives depends on a number of circumstances, some of



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which are beyond the Issuer's control, including, but not limited to, the macroeconomic scenario, which could be compromised by the consequences of the Covid-19 pandemic, changes in the regulatory framework, formal authorization by the ECB of the share buyback scheme, plus the effects of specific actions or concerning future events which the Issuer is only partially able to influence.

On 30 June 2020, Mediobanca gave notice that the Plan Objectives, strategic guidelines and shareholder remuneration policies were all confirmed. The Board also said that the Group's dividend policy approved in the Strategic Plan was confirmed for FY 2020-21, along with the intention to optimize capital, with the objective being to restore the CET1 ratio (as defined below) to 13.5% by end-June 2023, including through share buybacks and acquisitions.

For purposes of full disclosure, in line with the ECB recommendations and the decisions taken by other banks forming part of the Single Supervisory Mechanism ("**SSM**"), i.e. banks subject to supervision by the ECB, the Board of Directors has decided not to confirm the dividend policy for the year ended 30 June 2020, choosing instead to take the profit earned in the twelve months to regulatory capital.

From 2021 Mediobanca expects to resume a capital distribution policy based on payment of cash dividends and share buybacks; the respective quantities will be revised each year based on the pace of the economic recovery following the Covid-19 pandemic, the Mediobanca stock market performance Mediobanca (P/BV multiple), and the ECB authorizations.

With reference to the trends for this year, net interest income is expected to decrease from last year, due to lower volumes and returns in Consumer Banking; while fee income should remain at good levels, as should earnings from Assicurazioni Generali. Against this performance in revenues, operating costs are expected to rise slightly as project activities and commercial initiatives (advertising campaigns) gradually resume. The cost of risk is seen as being largely stable, while loan loss provisions in Consumer Banking, mortgage lending and leasing are expected to be in line with this quarter unless the macroeconomic scenario deteriorates further.

For further information on the operating outlook and implementation of the Strategic Plan, reference is made to section 7.2, "Information on trends, uncertainties, requests, commitments or known facts which could reasonably be expected to have material repercussions on the Issuer's prospects for at least the current financial year".

### **3.1.4 MARKET RISK**

*The Issuer calculates the value at risk (VaR), which is a measurement of the market risk associated with a financial asset, of the positions held in its trading book, assuming a disposal period of a single trading day and a confidence level of 99%. The other sensitivities measured (known as the "Greeks") are to risk factors such as interest rates, share prices, Exchange rates, credit spreads, inflation and volatility. Stress testing is also carried out versus the main risk factors is also carried out, in order to pick up the impact which significant movements in the main market variables might have; and ad hoc indicators are compiled, to capture risks not measured by VaR.*

Based on the considerations described below, Mediobanca believes that market risk is of medium-low relevance.

Market risk is defined as the risk of the financial instruments held by the Issuer, including sovereign debt instruments, losing value as a result of movements in market variables (such as interest rates, share prices or exchange rates) or due to other factors, which might cause the capital solidity of the Issuer and/or Group to deteriorate.



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Such fluctuations may be caused by political, economic and market considerations, the availability and cost of capital, the level and volatility of share and bond prices, the price of commodities, interest rates, credit spreads, the value of currencies and other market indicators, innovations and developments in the field of technology, the availability and cost of credit, inflation, and investors' perception of and confidence in financial markets.

The strong market disruption due to Covid-19 has entailed, among other things, an increase in the use of market risk limits, and accordingly to a greater intensity in desk control and reporting activities versus committees, management and supervisors.

For further information, please refer to Part and of the Notes to the Accounts of the Consolidated Financial Statements for the year ended 30 June 2020 – included in the Registration Document by reference.

### 3.1.5 OPERATIONAL RISK

*The Issuer is exposed to many kinds of operational risk as part of its operations, including: (i) compliance risk (i.e. breach of the external or internal regulations by staff members); (ii) the risk of fraud on the part of staff or externals; (iii) IT risk regarding unauthorized transactions or operational errors, including those due to flaws or malfunctions in the computer or telecommunications systems. The possible materialization of one or more such risks could impact negatively on the Issuer's activities, operating results, and earnings, capital and/or financial situation.*

Based on the considerations described below, Mediobanca believes that operational risk is of low relevance.

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.

Operational risk does not include business risk, pure strategic risk or reputational risk. Although no significant losses have been generated, there has been an increase in certain instances of operational risk in particular, such as IT and cyber risk. The Group has implemented a series of measures to mitigate such risks; in the area of IT risk in particular, it has activated a disaster recovery procedure, and access to the computer systems is monitored at all times.

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 2020 was €323m (30/6/20: €321.6m).

Although the Issuer governs the operational risks faced by it on an ongoing basis, unpredictable events or events otherwise beyond the control of the Issuer could occur, which could impact negatively on the Issuer's and the Group's operating results, activities and earnings, capital and/or financial situation, as well as on its reputation.

For further information, please refer to Part and of the Notes to the Accounts of the Consolidated Financial Statements for the year ended 30 June 2020 – included in the Registration Document by reference.

## 3.2 RISKS RELATED TO THE FINANCIAL SITUATION OF THE ISSUER AND OF THE MEDIOBANCA GROUP

### 3.2.1 ISSUER LIQUIDITY RISK

*Although the Issuer monitors its liquidity risk on an ongoing basis, the occurrence of particular events such as those described below and/or changes in the EU regulations in this area which*



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would require the Bank's liquidity situation to be aligned with new prudential requisites could have material adverse effects on the Issuer's activities and its earnings, financial and capital situation.

The Liquidity Coverage Ratio – “**LCR**” – as at 30 June 2020 was 165%, i.e. well above the minimum requirement of 100% set by the regulators as of 1 January 2018. The Net Stable Funding Ratio – “**NSFR**” – as at 30 June 2020 stood at 109%, i.e. higher than the minimum requirement of 100% introduced starting from 2021.

The Group's participation in the targeted longer-term refinancing operations (“**TLTRO**”) with the European Central Bank (the “**ECB**”) as at 30 June 2020 amounted to approx. €5.7bn.

Based on the considerations described below, Mediobanca believes that liquidity risk is of medium/low relevance.

Liquidity risk is defined as the risk of the Bank not being able to meet its own payment obligations as and when they fall due, as a result of an inability to raise the necessary funds on the market (funding liquidity risk), or to difficulties in selling its own assets to meet them except by making a loss on them (market liquidity risk).

The Issuer's liquidity may be affected by: (i) volatility on domestic and International markets that has occurred in the recent past; (ii) adverse changes in the general economic scenario; (iii) market situations, such as it being temporarily impossible to access the market by issuing shares; and (iv) changes in the Bank's credit rating, i.e. its degree of earnings/financial reliability, which affects market liquidity risk as described above. All these circumstances could arise as a result of causes independent of the Issuer, such as market turbulence, but may still affect its liquidity profile negatively.

The LCR and NSFR are liquidity indicators. The LCR serves to maintain a liquidity buffer that will enable the Bank to survive for a period of thirty days in the event of exceptionally stressful circumstances, while the NSFR records structural liquidity, ensuring that assets and liabilities retain a sustainable structure in terms of maturities. The Issuer also reports additional liquidity monitoring metrics (“**ALMM**”), which the Mediobanca Group has compiled since April 2016.

With reference to the Group's participation in TLTROs (i.e. operations whereby credit institutions in the Eurozone can receive finance for up to four years on advantageous terms, in order to improve credit market conditions and stimulate the real economy) with the ECB as at 30 September 2020, the Mediobanca Group's total exposure amounted to €6.5bn.

For further information, please refer to Part and of the Notes to the Accounts of the Consolidated Financial Statements for the year ended 30 June 2020 – included in the Registration Document by reference.

### **3.2.2 SOVEREIGN EXPOSURE RISK**

The Mediobanca Group as at 30 June 2020 held an aggregate exposure to sovereign states amounting to €3.28bn. At the same date, the aggregate exposure to Italian government securities totalled €3.39bn, accounting for 25.6% of the Bank's total financial assets and for 4% of its total assets (3% higher than at end-June 2019). The average duration of these instruments is approx. four years.

Tensions on the sovereign debt market and the volatility of the instruments themselves, plus the reductions in the Italian Republic's credit rating, or estimates that such a reduction might be made, could impact negatively on the Issuer's activities, earnings, capital and/or financial situation, operating results and prospects.

Based on the considerations described below, Mediobanca believes that sovereign exposure risk is of low relevance.





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Mediobanca is exposed to movements in government securities, in particular to Italian sovereign debt securities.

The aggregate exposure to sovereign states held by Mediobanca as at 30 June 2020 referred to above (€3.28bn) refers to the instruments' book value, of which €1.14bn is recognized at fair value and €2.13bn at amortized cost, with €0.3bn held by other banks in the Mediobanca Group. As at 30 June 2019, the same exposure reflected a book value of €3.69bn (€1.96bn recognized at fair value and €1.73bn at amortized cost).

As at 30 June 2020, the net reserve for sovereign debt securities amounted to €1.5m, virtually all of which was attributable to Italy (30/6/19: €6.5m, €3.2m of which Italy).

As at 30 June 2020, the aggregate figures were €0.4bn lower than at end-2019. By country, sovereign exposure risk is concentrated primarily on Italy (€3.39bn). As at 30 June 2020, the aggregate exposure to debt securities represented approx. 24.8% of total financial assets and 4% of total assets. As at 30 June 2019, the aggregate exposure to sovereign debt instruments accounted for 25.4% of total financial assets and 5% of total assets.

Tensions in sovereign debt securities, with reference in particular to any deterioration in the spread on Italian government securities relative to those of other European member states, and any combined actions by the leading rating agencies that would result in the rating for Italian sovereign debt being downgraded to below investment grade level, may impact negatively on the Bank's portfolio, its capital ratios and liquidity position.

For further information, please refer to Part and of the Notes to the Accounts of the Consolidated Financial Statements for the year ended 30 June 2020 – included in the Registration Document by reference.

### **3.2.3 RISK RELATED TO COURT AND ARBITRATION PROCEEDINGS**

*As at 30 June 2020, the main legal proceedings pending that involve Mediobanca include two claims for damages plus a total of twenty tax disputes. Although the provision for risks and charges is sufficient to cover any financial charges relating to the cases brought against Mediobanca and the Group companies, there remains a residual reputational risk.*

Based on the considerations described below, Mediobanca believes that the risk related to court and arbitration proceedings is of low relevance.

The risk deriving from court and arbitration proceedings for Mediobanca consists of a reputational risk, i.e. the damages that Mediobanca could incur if one or more of the rulings in the court and arbitration proceedings in which the Issuer is involved generates a negative perception of Mediobanca and/or the Group on the part of clients, counterparties, shareholders, investors or the supervisory authorities.

As at the date hereof, Mediobanca and its Group companies are not, or have not been, involved in proceedings initiated by the public authorities, legal disputes or arbitrations which could have or which have, in the recent past, had significant consequences for the Issuer's or the Group's financial position or profitability.

It is believed that the provision for risks and charges (which as at 30 June 2020 amounted to €129.5m) is sufficient to cover any charges relating to the cases that have been brought against Mediobanca and the other Group companies, and to cover other contingent liabilities (as at 30 June 2020 the provision included €108.1m for litigation and other contingent liabilities).



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For further information, please refer to section 11.4, "Court and arbitration proceedings" of the Registration Document.

### 3.3 RISKS RELATED TO LEGAL AND REGULATORY SCENARIO

#### 3.3.1 RISKS RELATED TO CHANGES IN BANKING SECTOR REGULATION

*The Issuer is subject to extensive and stringent EU and Italian regulation, which concerns and comprises supervisory activity by the competent authorities (i.e. the ECB, Bank of Italy and Consob). Such regulations, and this also applies to the supervisory activity, are subject to ongoing revisions and changes in practice. The applicable regulations govern the sectors in which banks may operate, in order to safeguard their stability and solidity, limiting the exposure to risk. In particular, the Issuer and the banking companies which form part of the Issuer's group are bound to comply with the capital adequacy requirements instituted by the EU regulations and by Italian law. Furthermore, as a listed issuer, Mediobanca is also required to comply with the regulations issued by Consob in this area on subjects such as, inter alia, anti-money-laundering, usury and protection of consumer rights.*

*Although the Issuer undertakes to comply with the complex system of rules and regulations in force at any time, any changes to the regulations and/or the means by which they are interpreted and/or applied by the competent authorities, could result in additional charges and obligations to be fulfilled by the Issuer, which could impact negatively on the Issuer's operating results and its earnings, capital and financial situation.*

Based on the considerations described below, Mediobanca believes that the risk related to changes in banking sector regulation is of low relevance.

#### Basel III

As from 1 January 2014, part of the supervisory regulations have been amended based on the guidelines emerging from the Basel III agreements, with a view chiefly to strengthening the minimum capital requirements, controlling the degree of financial leverage, and introducing policies and quantitative rules to mitigate liquidity risk among banking institutions.

As far as regards the capital requirements, the Basel III agreements require banks starting from 2019 to have: (i) a Common Equity Tier 1 ratio ("**CET1**") of at least 7% of their risk-weighted assets; (ii) a Tier 1 Capital ratio of at least 8.5%; and (iii) a Total Capital ratio equal to at least 10.5% of the same risk-weighted assets (these minimum requisites include the capital conservation buffer).

As is well known, Mediobanca is subject to the ECB's supervision; as part of the SSM and following the Supervisory Review and Evaluation Process ("**SREP**"), the ECB once a year issues its final decision on the minimum capital ratio that Mediobanca is required to maintain at consolidated level. The results of the supervisory review and evaluation process carried out by the ECB (the "**SREP 2019 Decision**") confirmed the quantitative indicators set the previous year: the authority has asked Mediobanca to maintain a Pillar 2 Requirement ("**P2R**") of 1.25%; with application of Article 105 of CRD V being brought forward,<sup>1</sup> the minimum CET1 ratio to be maintained on a consolidated basis reduces from 8.25% to 7.94%, while the Total SREP Capital Requirement ("**TSCR**") is unchanged at 11.75%. As at 30 June 2020, the Group's CET1 phase-in ratio stood at 16.13% (and the Total Capital Ratio at 18.82%).

<sup>1</sup> Including the recent updates in response to the current economic situation Imposed by Regulation (EU) 873/20 (the "**CRR Quick Fix**" banking package approved by the European Parliament and Commission on 19 June 2020 in order to address the economic situation caused by the Covid-19 pandemic).



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The regulations in force also provide for the liquidity ratios that Mediobanca is required to measure and comply with, in respect of which reference is made to the "Issuer liquidity risk" risk factor described under section 3.2.1 of the Registration Document.

Furthermore, under the Basel III agreements banks are required to monitor their leverage ratios, i.e. the ratio between their tier 1 capital and overall exposure, pursuant to Article 429 of EU regulation 575/13 (the "CRR"). The objective of this ratio is to limit the amount of debt on banks' balance sheet, and is subject to a regulatory minimum of 3%.

The Mediobanca Group's leverage ratio as at 30 June 2020, calculated with CET1 based on application of the Danish Compromise and IFRS 9 FTA phase-in, was 9.70%, while the same ratio, calculated with CET1 fully loaded without applying the Danish Compromise and the IFRS 9 effect applied in full, was 7.72%.

As at 30 June 2020, Risk Weighted Assets ("RWA"s)<sup>2</sup> totalled €48,030.5m, higher than the €46,309.9m reported this time last year, as a result of a higher contribution from the Assicurazioni Generali investment (up €2.4bn), following the revision of the Bank of Italy circular no. 285 on the limits on risks that can be taken versus related parties (for further details please refer to section 4.1.4 and the sub-section entitled "CRR II, CRD V and CRR Quick-Fix"), and represent 60.8% of total assets (30/6/19: 59.2%).

Common Equity Tier 1 (CET1) and Tier-2 totalled €7,745m and €1,296.1m respectively; the CET1 ratio stood at 16.13% (14.09%). The ratio fully loaded without applying the Danish Compromise, i.e. with the Assicurazioni Generali deducted in full, and the IFRS 9 also fully applied, would be 14.5% (12.83%), while the Total Capital ratio would increase from 17.46% to 18.82% (17.55% fully loaded).

Any deterioration in the above prudential requisites could impact, even significantly, on the integrity and operating performance of the Issuer.

### Other material EU regulations

Other material regulations that could entail a risk related to changes in the regulatory scenario are as follows:

(i) Directive 2014/49/EU (the Deposit Guarantee Schemes Directive) of 16 April 2014 and Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014 (the Single Resolution Mechanism Regulation, or the "SRMR"): these regulations could have a material impact on the Bank's and the Group's earnings and capital position, as they introduce the obligation for specific funds to be established using financial resources to be provided through contributions payable by credit institutions;

(ii) Directive 2014/59/EU issued by the European Parliament and Council (the "Bank Recovery and Resolution Directive", or "BRRD" for short, recently revised by Directive 879/2019/EU, "BRRD II"), on the recovery and resolution of banks and investment companies. The BRRD also introduced the minimum requirement for own funds and eligible liabilities ("MREL"), i.e. own funds and liabilities that can be converted to equity via the bail-in mechanism so that if the resolution instrument is applied, the bank concerned will have sufficient liabilities to absorb the losses and ensure that the capital requirements for a bank to be authorized to perform its business are met. During 1Q 2020, the Bank of Italy, based on a proposal by the Single Resolution Board ("SRB"), informed the Mediobanca Group that its MREL was 13.13% of its total assets and 21.60% of its RWAs;

<sup>2</sup> Risk Weighted Assets (RWAs) are calculated using the standard and IRB methods for credit risk; the standard method for market risk, and the basic method for operational risks.





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(iii) Regulation 2019/876/EU of the European Parliament and of the Council, amending Regulation 575/2013/EU ("**CRR II**"), Directive (EU) 2019/878 of the European Parliament and of the Council, amending Directive 2013/36/EU ("**CRD V**"), and Regulation (EU) 2020/873 (the "**CRR Quick-Fix**") of the European Parliament and of the Council of 19 June 2020, regarding the leverage ratio, the net stable funding ratio, the MREL requisites, counterparty risk, market risk, exposures to central counterparties, exposures to UCITS, large exposures, reporting requirements and disclosures required of credit institutions.

For a detailed description of the European and Italian initiatives to regulate the banking sector, please refer to section 4.1.4, "Issuer's residence and legal status, legislation under which it operates, country of incorporation, address and telephone number of registered office and website".

### **3.3.2 RISKS RELATED TO CHANGES IN THE REGULATIONS ON NON-PERFORMING LOANS**

*Mediobanca, in its capacity as Issuer, is bound to comply and align itself with changes in the regulation on non-performing exposures (NPEs), at both national and supranational levels. Despite undertaking to meet the deadlines for alignment and comply with the new obligations introduced, the ongoing changes in the regulations and/or ways in which they are interpreted and/or applied by the competent authorities, could give rise to new charges and obligations on the part of the Issuer, with a potentially negative impact on the Issuer's operating results and its earnings, capital and financial situation. In particular fresh regulatory capital may be absorbed, resulting in changes to the capital ratios.*

Based on the considerations described below, Mediobanca believes that the risk related to changes in the regulations on non-performing loans is of low relevance.

The general efforts to keep stocks of NPEs on European banks' balance sheets down include a series of regulatory measures in which the common denominator is the objective of ensuring that NPEs are prudently managed, at the same time preventing the excessive accumulation of non-performing loans of long standing and with scarce collateral on banks' balance sheets. In particular, these are initiatives intended to define the prudential regulations in more detail, and to govern their implementation in practice, including clearer definition of the scenarios in which the regulations will be applied.

For a review of the most significant sector regulations in this area and a more detailed discussion of the EU and Italian initiatives on the subject of non-performing exposures, reference is made to section 4.1.4, "Issuer's residence and legal status, legislation under which it operates, country of incorporation, address and telephone number of registered office and website".



## 4 INFORMATION ON THE ISSUER

This year has been marked by the spread of a pandemic consisting of an atypical, viral form of pneumonia caused by a new Coronavirus now known to all as Covid-19. The pandemic has had a profound impact on the communities in which Mediobanca operates, as well as its staff and clients. The consequences of the spread of this virus on international and domestic activities are currently being witnessed, and Mediobanca too is obviously not unaffected by them.

The initiatives undertaken by Mediobanca to address the impact deriving from the Covid-19 pandemic are described below:

- ◆ Crisis unit set up. A Crisis Unit has been established to tackle the healthcare emergency, chaired by the Group General Manager, with the objective of ensuring the Group's operations while safeguarding the health and safety of staff and clients; working from home has been encouraged, working hours has been reduced at the retail branches (which remained open during the lockdown period but were operative basically by appointment only), and a specific healthcare policy has been adopted;
- ◆ Participation in initiatives adopted by the Italian government and category associations to support households and businesses. In addition to participating in the moratoria initiatives introduced by the "Heal Italy" and "Liquidity" decree laws, and those promoted by category associations ABI and Assofin in the area of consumer finance, the Group has also launched voluntary initiatives of its own, in Consumer Banking in particular, perceiving the need to support all its clients in this difficult scenario. Overall, moratoria granted by the Group as at 30 June 2020 involved more than 133,000 clients and loans worth a total amount of approx. €2.6bn, around half of which in Consumer Banking, and the remainders split equally between leasing and mortgage lending. Net of the exposures for which the moratoria granted have already expired and the normal repayment schedule has resumed (€746.3m, almost exclusively in Consumer Banking where on average payment relief of two months was granted), the total amount of loans still subject to moratoria outstanding as at 30 June 2020 was €1,855.9m, split pretty much equally between the three segments. Out of this total, 41% should resume payment as normal by the end of 1Q FY 2020-21, 45% by year-end 2020, and 15% thereafter.

Initiatives launched under the EBA Guidelines involved amounts totalling €2.2bn, roughly half of which granted by law (i.e. virtually all moratoria granted in respect of mortgages and leases), and the remainder under Assofin/Consumer Banking initiatives. Approx. 73% of the moratoria were granted to households, two-thirds for consumer credit transactions and one-third mortgages. The vast majority of the share of concessions made to non-financial companies involved leases (€570.2m out of €594.4m) in a variety of different industrial sectors, with the highest concentration in manufacturing, real estate and retail/wholesale commerce. The share still outstanding at 30 June 2020 had reduced to €1.4bn, given that some €830m of the moratoria granted in Consumer Banking had formally lapsed from the benefit of term, even if the amounts concerned are actually collected in the thirty days following.

As at 31 August 2020, the Group had granted moratoria involving a total amount of €2.7bn, roughly half of which involved Consumer Banking, with the remainder split equally between mortgages and leasing. Of these, a total of €1.5bn remained outstanding (approx. 3% of the Group's total loans), following the expiry of concessions totalling €1.2bn in Consumer Banking (€418.4m more than at 30 June 2020); these figures bear out the positive trend in the resumption of repayment schedules in line with



the performance at end-June, showing that virtually all clients (just under 90%) have resumed making payments as normal.

Neither the moratoria permitted by law nor the private initiatives implemented in accordance with the EBA guidelines have resulted in forbearance measures being recorded, so there has been no significant increase in credit risk with reference to IFRS 9;

- ◆ Attention focused by the Group on the communities in which it operates and their institutions, with donations made for a total amount of €2.6m. The recipients of these donations have been the region of Lombardy, the municipality of Milan mutual assistance fund, the Luigi Sacco Hospital in Milan, non-profit organization "Hope", the "Sempre con Voi" fund to support the families of doctors and healthcare workers who lost their lives in fighting Covid-19; the mutual assistance fund of the city of Bergamo, non-profit organization "Mission Bambini", and the Princess Grace Hospital Centre in Monaco. The donations also reflect the reduction in emoluments payable to Directors in respect of their positions as Board members in an amount of 20% for the majority and of 100% for Chairman Renato Pagliaro, Chief Executive Officer Alberto Nagel, and Group General Manager Francesco Saverio Vinci, who also committed to donating 30% of their fixed salaries for May-December 2020 to initiatives linked to the emergency. The statutory auditors of Mediobanca S.p.A. also chose to support the initiatives, donating 20% of their annual emoluments.

Costs relating to the Covid-19 pandemic in 4Q 2019-20 amounted to just under €1m, almost two-third of which due to sanitization and increased security of premises, and the remainder split equally between new computer equipment and extraordinary work to organizational processes (i.e. moratoria and customer services).

## **4.1 HISTORY AND DEVELOPMENT OF THE ISSUER**

### **4.1.1 ISSUER LEGAL AND COMMERCIAL NAME**

The issuer is named "Mediobanca – Banca di Credito Finanziario S.p.A." and is incorporated as a limited company.

### **4.1.2 ISSUER NAME AND PLACE OF REGISTRATION AND LEGAL ENTITY IDENTIFIER (LEI CODE)**

Mediobanca is registered in the Milan Companies' Register under registration no. 00714490158.

The Issuer's legal entity identification (LEI) code is: PSQL19R2RXX5U3QWHI44.

### **4.1.3 ISSUER'S DATE OF INCORPORATION AND DURATION**

Mediobanca was set up on 10 April 1946 by virtue of a notarial deed drawn up by Notary public Arturo Lovato, file no. 3041/52378.

The duration of the Issuer is until 30 June 2050.

### **4.1.4 ISSUER'S RESIDENCE AND LEGAL STATUS, LEGISLATION UNDER WHICH IT OPERATES, COUNTRY OF INCORPORATION, ADDRESS AND TELEPHONE NUMBER OF REGISTERED OFFICE AND WEBSITE**

Mediobanca is a company limited by shares under Italian law. The Issuer's registered office and administrative headquarters is in Piazzetta Cuccia Enrico Cuccia 1, 20121 Milan, Italy, tel. no.: (0039) 02-8829.1.



The Issuer's website is [www.mediobanca.com](http://www.mediobanca.com). The information published on the website is not part of the Registration Document, unless it has been included in the Registration Document by reference.

Mediobanca operates under Italian law and is subject to the supervision of the ECB/Bank of Italy as part of the Single Supervisory Mechanism (SSM) and of Consob.

As the issuer of financial instruments held by the public and/or listed, the Issuer is bound to comply with the regulations issued by Consob, in addition to the primary and secondary supranational and national regulations in force in the area of banking and finance, as well as to the specific rules on, among other things, anti-money-laundering, usury and customer (consumer) protection.

Details are provided below on the set of EU regulations to which the Issuer's activity is subject.

## **BRRD and SRMR**

In the regulatory framework applicable to the Issuer, attention should be drawn in particular to Directive 2014/59/EU of the European Parliament and Council, enacted at national level through Italian Legislative Decree nos. 180 and 181 issued on 16 November 2015 (the Bank Recovery and Resolution Directive or "**BRRD**", or the "**Directive**") and to Regulation (EU) 806/2014 of the European Parliament and Council of 15 July 2014 (the Single Resolution Mechanism Regulation, or "**SRMR**"), which establish the framework for the recovery and resolution of crises at credit institutions and investment firms, granting powers to the national authorities responsible for banking crisis resolution (the "**Authorities**") to apply resolution instruments to banks failing or likely to fail, as an alternative to being forced into administration, as part of the attempt to define a Single Resolution Mechanism and a Single Resolution Fund (the "**SRM**").

Such powers are granted in order to guarantee continuity of the entity's essential functions, thus minimizing the impact of the failure on the economy and the financial system, and keeping the cost for tax-payers down to a minimum as well, while ensuring that the shareholders are the first to incur losses and that creditors bear them after the shareholders, with the proviso that no creditor should incur losses in excess of those which they would have incurred if the bank had been placed in liquidation under normal insolvency proceedings.

In particular the BRRD marks the transition from a crisis resolution system which is based on public resources (a bail-out system) to one in which losses are transferred to shareholders, to holders of subordinated debt securities, to holders of non-subordinated and unguaranteed debt securities, and finally to depositors for the share in excess of the guaranteed share, i.e. in excess of €100,000.00 ("bail-in").

In the event of the bail-in tool being applied, the Authorities must take into account the following ranking.



<ul style="list-style-type: none"><li>◆ COMMON TIER 1 EQUITY</li><li>◆ ADDITIONAL TIER 1 EQUITY</li><li>◆ TIER 2 EQUITY</li></ul>	} "OWN FUNDS"
<ul style="list-style-type: none"><li>◆ SUBORDINATED DEBT OTHER THAN ADDITIONAL TIER 1 AND TIER 2 EQUITY</li><li>◆ TIER 2 UNSECURED DEBT (ARTICLE 12-BIS, ITALIAN BANKING ACT (senior non-preferred bonds))</li></ul>	
<ul style="list-style-type: none"><li>◆ OTHER LIABILITIES, INCLUDING SENIOR BONDS NOT SECURED BY GUARANTEES</li></ul>	
<ul style="list-style-type: none"><li>◆ DEPOSITS OF AMOUNTS ABOVE €100,000:</li></ul>	<ul style="list-style-type: none"><li>▪ By natural persons, micro, small and medium-sized enterprises</li><li>▪ By natural persons, micro, small and medium-sized enterprises made through branches located outside the Union</li><li>▪ As from 1 January 2019, other amounts deposited at the Bank<sup>3</sup></li></ul>

Furthermore, where they have grounds to do so, the authorities may request use of the Single Resolution Fund provided for in the SRMR, to be financed with grants paid in by banks at the national level.

With reference to the Minimum Requirement for own funds and Eligible Liabilities (MREL) set by the Bank of Italy for the Mediobanca Group, reference is made to the risk factor "Risks related to changes in banking sector regulation" in section 3.3.1. of the Registration Document. Here we will confine ourselves to noting that for 2020, like the other non-systemic banks subject to supervision, Mediobanca like the other non-systemic banks subject to supervision, is subject to a subordination requirement of 10.05% of TLOF, or 16.53% of RWAs (14.33%, net of the senior allowance of 2.2%, which is not required of the Mediobanca Group), which is met from the existing equity and subordinated liabilities.

The MREL regulations have been recently revised as part of the Banking Reform – Risk Reduction Measures Package, which came into force in June 2019 and comprises, among other things, the reform of the BRRD (Directive 879/2019/EU, "**BRRD II**") and the SRMR (Regulation 2019/877/EU, "**SRMR II**"), which shall start to apply as from 28 December 2020. Among the changes introduced by the new regulations, the eligibility requirements for newly-issued liabilities for MREL purposes have been rearranged, the authorities have been granted certain powers in the event of the MREL being breached, and in addition to the obligations to report eligible liabilities, certain other obligations have been introduced in terms of disclosure to the public.

<sup>3)</sup> Creditors for the "other amounts deposited at the bank" will be satisfied in preference to the Bonds referred to in the Base Prospectus under resolution procedures (and in forced administration procedures) launched after 1 January 2019. Accordingly, up to the same date such deposits will be satisfied *pari passu* with the Bonds.



Mediobanca contributes to the Single Resolution Fund and the Deposit Guarantee Scheme (“DGS”), having made payments totalling €59.7m, as follows:

- €37.2m by way of ordinary contribution to the Single Resolution Fund;
- €11.4m to the DGS;
- €11.1m in extraordinary contributions.

## **CRR II, CRD V and CRR Quick-Fix**

On 7 June 2019, the regulations that go to make up the Risk Reduction Measures Package for the banking sector were published in the *Official Journal* of the European Union. The package includes the reforms of the BRRD and the SRMR, plus Regulation (EU) 2019/876 of the European Parliament and of the Council (“**CRR II**”), amending Regulation (EU) 575/2013/UE (the “**CRR**”) as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Directive (EU) 2019/878 of the European Parliament and of the Council, amending Directive 2013/36/EU (“**CRD V**”) as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

The proposed changes are intended to ensure that the regulatory framework in force is increasingly with International developments in order to promote consistency and comparability between different nations.

The two measures came into force on 27 June 2019, but: a) CRR II will start to apply as from 28 June 2021, with application of some provisions as of different dates (before or after); b) the deadline for transposition of CRD V is 28 December 2020, while its provisions will begin to apply from 29 December 2020, apart from some for which application will be later.

On 19 June 2020, the European Parliament and Commission also approved the CRR Quick-Fix (i.e. Regulation (EU) 873/2020), which, in response to the current economic situation caused by the Covid-19 pandemic, has brought forward application of some of the changes in the regulations introduced by CRR II and CRD V to 30 June 2020. The measures concerned include exposures to salary-backed finance being weighted at 35% and the possibility of the P2R being met by non-Tier 1 capital instruments.

Again as from 30 June 2020, the Issuer has applied the updated version of Bank of Italy circular no. 285 (i.e. the new section 11 “*Risk activities and conflicts of interest versus related parties*” in Part III), which has amended the national regulations on the assumption of risks vis-à-vis related parties, excluding exposures to insurance companies from calculation of the limits as provided by Article 471 of the CRR (the “Danish Compromise”); accordingly, until CRR II comes into force in June 2021,<sup>4</sup> the Issuer’s investment in Assicurazioni Generali is deducted from regulatory capital in order to comply with the general concentration limit of 25% of the eligible capital (CRR large exposures), rather than the stricter, 20% limit for related parties.

With regard to the SREP, the 2019 SREP Decision is in line with the previous year. For the quantitative data, please see risk factor “Risks related to changes in banking sector regulation” in section 3.3.1. of the Registration Document.

## **EU initiatives in provisioning for non-performing exposures**

In the area of NPEs, a list of the most significant regulatory initiatives is provided below:

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<sup>4</sup> The Regulation will entail a reduction in the general concentration limit to 25% of Tier 1 only.





- 1) PILLAR I – Regulation (EU) 2019/630 was published in the *Official Journal* of the European Union on 25 April 2019. The Regulation, amending the CRR, regards minimum loss coverage for non-performing exposures. The new Regulation, which establishes the Pillar I prudential regulatory treatment for NPEs arising from loans as from 26 April 2019, requires that NPEs not sufficiently covered by provisions or other adjustments must be deducted from own funds. Pillar I treatment of NPEs applies in full for: 1) unsecured NPEs, starting from three years after the loan has been classified as non-performing; 2) NPEs secured by immovable collateral and residential loans guaranteed by an eligible protection provider as defined in Regulation (EU) no. 575/2013, starting from nine years after the loan has been classified as non-performing, and 3) for other secured NPEs, starting from seven years after the loan has been classified as non-performing. The Regulation also specifies pathways towards convergence in terms of full application for secured and unsecured exposures classified as non-performing for fewer than three, seven or nine years.
- 2) PILLAR II – Prudential treatment of NPEs under the CRR (Pillar I) described under the previous point is complemented by the ECB's Pillar II approach, which in turn sets out the expectations in terms of minimum coverage for non-performing exposures. Pillar I treatment regards only NPEs deriving from new loans granted starting from 26 April 2019, whereas the ECB's Pillar II approach regards: i) stocks of NPEs already existing at 31 March 2018; and ii) the entire universe of performing loans on the books of credit entities generated before 26 April 2019 which could in the future become NPEs. Whereas the Pillar I treatment introduced by the CRR requires all banks to make deductions from their own funds automatically in cases where the non-performing exposures are not sufficiently covered by provisions or other adjustments, the ECB's Pillar II expectations are not binding in nature and are based on a three-tier approach: 1) they represent the starting point for dialogue between banks and their supervisors; 2) they depend on a case-by-case assessment following indepth discussions carried out in the course of the banks-supervisors dialogue (which includes analysis of the individual bank's specific circumstances); and 3) a Pillar II supervisory measure can be applied as part of the SREP. The Pillar II regulations include the ECB Guidelines published in March 2017, plus an Addendum published in March 2018 as partially amended by the ECB Communication of 22 August 2019. This update has allowed the ECB's expectations for NPEs deriving from loans granted before 26 April 2019 to be aligned with the Pillar I convergence pathways (the three/seven/nine years referred to above), in order to render the Pillar I and II approaches more coherent, and to simplify the reporting by banks. Conversely, the supervisor's expectations for exposures classified as non-performing at 31 March 2018 are based on age brackets of two/seven years for secured/unsecured NPEs, with a gradual pathway towards convergence notified to banks in the course of the SREP 2018 cycle.
- 3) The EBA Guidelines of 31 October 2018 on management of non-performing and forborne exposures aim to ensure that credit institutions have adequate prudential tools and frameworks in place to manage effectively their non-performing exposures and to achieve a sustainable reduction on their balance sheets. To this end, the Guidelines introduce a gross NPL ratio of 5%, over which specific strategies to reduce NPLs must be developed and governance and operational requirements applied to support them. For full disclosure purposes, it should be noted that as at the date of the Registration Document, the Issuer's gross NPL ratio is below the 5% threshold. Meanwhile, the EBA Guidelines on disclosure of non-performing and forborne exposures came into force on 31 December 2019, specifying the disclosure requirements and uniform disclosure formats applicable to credit institutions' public disclosure of information regarding non-performing exposures, forborne exposures and foreclosed assets;
- 4) The EBA Opinion published on 23 October 2019 on the regulatory treatment of non-performing exposure securitizations, a document which recommends various amendments to the CRR and the Securitization Regulation (Regulation (EU) 2017/2401)



based on the distinctive features of NPEs, removing certain identified restraints to the use of this type of asset in securitizations. In stating its opinion to the European Commission, the authority points out that securitizations can play an instrumental role in reducing NPE stocks in credit institutions' balance sheets, because, compared to bilateral sales, they allow the risk linked to the exposures securitized to be segmented in tranches, which in turn attracts investors with different risk appetites.

## **Principal measures adopted to address the impact of the Covid-19 virus on banks:**

Among the measures adopted in response to the medical emergency situation brought on by the Covid-19 pandemic, the ECB has brought forward application of Article 105 of the CRD V. This means that 75% of Mediobanca's P2R (1.25%) is now met by CET1 instruments, bringing the SREP minimum CET1 requirement down from 8.25% to 7.94%

The following measures in particular have been adopted:

1) The Italian banking association ABI and category associations have signed an agreement extending the possibility of asking for payment relief or deferral to loans granted up to 31 January 2020. The moratoria are for loans granted to micro, small and medium-size enterprises that have suffered damages as a result of the emergency situation brought on by the Covid-19 epidemic;

2) ESMA (European Securities and Markets Authority) has made recommendations to financial market participants to manage the possible impact of Covid-19 on financial markets. The recommendations regard Business Continuity Planning (i.e. all financial market participants should be ready to apply their contingency plans, to ensure operational continuity in line with regulatory obligations); Market Disclosure (i.e. issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their operations in accordance with Regulation (EU) No. 596/2014 on market abuse (the "Market Abuse Regulation", or MAR)); Financial Reporting (i.e. issuers should provide transparency on the actual and potential impacts of Covid-19).

3) The ECB has (i) adopted a set of monetary policy measures to support liquidity and financing conditions for households, companies and banks, and to help preserve the flow of credit to the real economy; and (ii) published a recommendation inviting significant credit institutions, at least until 1 January 2021, (a) not to pay dividends and not to assume any irrevocable commitment to pay out dividends for the financial years 2019 and 2020, and (b) to refrain from share buybacks aimed at remunerating shareholders. For further information on Mediobanca's compliance with these measures, please refer to section 4 "Information on the Issuer" and section 7.2 "Information on trends, uncertainties, requests, commitments or known facts which could reasonably be expected to have material repercussions on the Issuer's prospects for at least the current financial year" in this Supplement;

4) The Italian government has adopted: (i) the "Heal Italy" decree, containing, *inter alia*, provision for relief from mortgage payments in cases where certain circumstances apply, to a wide range of different applicants (consumers and enterprises), in order to mitigate the economic consequences of the pandemic; (ii) the "Liquidity" decree, introducing exceptional measures to guarantee liquidity for businesses; (iii) the "Relaunch" decree, introducing urgent measures on healthcare, employment and the economy, and social policies in connection with the Covid-19 emergency; (iv) the "Simplification" decree, providing urgent measures in the area of simplification and digital innovation; (v) the "August" decree, also containing urgent measures to support and relaunch the economy; and (vi) Italian Decree Law 125 issued on 7 October 2020, extending the state of emergency





brought on by the Covid-19 emergency situation. Decrees (i) to (v) have all been converted into law.

5) The EBA has published clarity to banks and consumers to explain a number of additional interpretative aspects in relation to the classification of loans in default, the identification of forborne exposures and their accounting treatment, moratoria on debts and contactless payments;

6) The European Commission has adopted measures for banks to facilitate the granting of credit to households and enterprises in the European Union and mitigate the economic impact of Covid-19. These measures include: (i) an interpretation to encourage banks and supervisory authorities to use the flexibility afforded to them under the EU accounting and prudential regulations; and (ii) the CRR Quick-Fix (i.e. Regulation (EU) No. 873/2020) amending CRR II and CRD V, providing measures, in the light of the exceptional circumstances caused by the Covid-19 pandemic, and the unprecedented extent of the challenges brought on by it, allowing credit institutions to channel loans to enterprises and households immediately and effectively in order to mitigate the economic shock caused by the Covid-19 pandemic.

#### 4.1.5 RECENT EVENTS OF RELEVANCE TO THE ISSUER'S SOLVENCY

In the Issuer's existence, there has been no recent event that is material with reference to the assessment of its solvency.

#### 4.1.6 RATINGS ATTRIBUTED TO THE ISSUER AT THE ISSUER'S REQUEST. BRIEF EXPLANATION OF MEANING OF RATING IF PUBLISHED PREVIOUSLY BY THE RATING AGENCY

As at the date of the Registration Document the Issuer had been assigned the following ratings:

Rating agency	Rating type	Short-term debt	Long-term debt	Outlook	Most recent rating action
S&P's	Issuer Credit Rating ("ICR")	A-2	BBB	Negative	29 October 2020
Fitch Ratings	Issuer Default Rating ("IDR")	F3	BBB-	Stable	12 May 2020
Moody's	Issuer Default Rating ("IDR")	P-2	Baa1	Negative	26 March 2020

On 29 October 2020, S&P Global Ratings confirmed the ratings assigned to the Issuer, "BBB" for the long term and "A-2" for the short term with negative outlook. According to the agency, Mediobanca's capital buffer is sufficient to mitigate the impact of the economic crisis due to the Covid-19 pandemic, while the negative outlook reflects the expectations of recession, which could increase the pressure on the leading Italian banks in the areas of credit quality, capitalization and earnings, including for Mediobanca in the next 12-24 months.

On 12 May 2020, Fitch Ratings downgraded Mediobanca's long-term debt from BBB to BBB- with outlook revised from Negative to Stable, due to the downgrade of the Republic of Italy on 28 April 2020, and the close correlation, including in operating terms, between the Issuer and the nation in which it is based. However, Fitch Ratings acknowledged Mediobanca's strong capitalization, and expects the Bank to continue to show resilience in the current issues facing the economic system, which have impacted positively on the ratings assigned to the Issuer.

On 26 March 2020, Moody's downgraded the outlook for the Issuer and senior unsecured ratings from Stable to Negative, but confirmed the Issuer's long- and short-term rating. The



rating action reflects the possibility of the deterioration in the Italian operating scenario, due to the risks linked to Covid-19, impacting negatively on the Issuer's credit quality, capitalization and earnings.

Throughout the period in which the Registration Document is valid, Mediobanca will publish up-to-date information on its ratings on the website at [www.mediobanca.com](http://www.mediobanca.com) in the relevant section (<https://www.mediobanca.com/it/investor-relations/rating.htm>) without prejudice to the obligations under Article 23 of the Prospectus Regulation regarding the need to draw up a supplement if any.

Rating agency Fitch Ratings, Moody's and S&P Global Ratings are based in the European Union and are registered under Regulation (EC) No. 1060/2009 on credit rating agencies.

The respective rating agencies' rating scales are summarized below.

### STANDARD & POOR'S RATING SCALE:

Long-term Obligations with an original maturity of more than one year	Short-term Obligations with an original maturity of less than one year
Investment grade (AAA to BBB)	Investment grade (A-1 to A-3)
AAA	A-1
AA	A-2
A	Capacity to make payment at maturity satisfactory. However, the degree of certainty is less high than for securities rated as "A-1".
BBB	A-3
Capacity to meet commitments in terms of payment of interest and principal amount still sufficient. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.	
Speculative grade (BB to D)	Speculative grade (B to D)
BB	B
B	B-1
CCC	B-2
CC	B-3
C	C
D	D



**FITCH RATINGS' RATING SCALE:**

Long-term Debt securities with duration of over one year Investment grade (AAA to BBB)	Short-term Debt securities with duration of less than one year Investment grade (F1+ to F2)
AAA	F1+
AA+	F1
AA/AA-	F2
A+/A/A-	
BBB+/BBB/BBB-	
<p><b>Adequate capacity to meet financial obligations, although adverse economic conditions or changes in circumstances may lead to a reduced capacity to meet financial obligations.</b></p>	

Long-term Debt securities with duration of over one year Speculative grade (BB+ to NR)	Long-term Debt securities with duration of over one year Speculative grade (F3 to D)
BB+/BB/BB-	F3
B+/B/B-	<p><b>Fair quality, adequate intrinsic capacity for timely payment of financial commitments, although unforeseen circumstances could affect the borrower's repayment capabilities.</b></p>
CCC+/CCC/CCC-	
CC	B
C	C
D	D
NR (not rated)	



## MOODY'S RATING SCALE:

<b>Long term</b> <b>Debt securities with duration of more than one year</b> <b>Investment grade</b> <b>(Aaa to Baa3)</b>	<b>Short term</b> <b>Debt securities with duration of less than one year</b> <b>Investment grade</b> <b>(AAA to BBB)</b>
Aaa	Prime-1
Aa1/Aa2/Aa3	Prime-1/Prime-2
A1/A2/A3	<b>Prime-2</b>
<b>Baa1/Baa2/Baa3</b>	<b>Strong ability to repay short-term debt obligations.</b>
<b>Moderate quality, risk of insolvency medium-low.</b>	Prime-2/Prime-3
	Prime-3
<b>Speculative grade</b> <b>(Ba1 to C)</b>	<b>Speculative grade</b> <b>(not prime)</b>
Ba1/Ba2/Ba3	Not Prime
B1/B2/B3	
Caa1/Caa2/Caa3	
Ca	
C	



#### **4.1.7. INFORMATION ON MATERIAL CHANGES TO THE STRUCTURE OF THE ISSUER'S LENDING AND BORROWING IN THE LAST FINANCIAL YEAR**

Since the end of the last financial year to the present date, no material changes have occurred to the structure of the Issuer's lending and/or borrowing.

#### **4.1.8. DESCRIPTION OF THE FINANCING REQUIRED BY THE ISSUER'S ACTIVITIES**

The Mediobanca Group's funding is provided by via:

- (i) Deposits gathered by the Group's Wealth Management companies (CheBanca!, Mediobanca Private Banking and Compagnie Monégasque de Banque) and the Issuer (€23.8bn\*);
- (ii) Interbank loans taken out directly or via the Group companies (both short-term and medium-/long-term maturities), and via debt security issues, secured and unsecured, over maturities of less than one year (chiefly via the issuance of commercial paper) or longer (ABS, covered bonds and unsecured senior and subordinated bonds) (€23.9bn\*);
- (iii) Finance obtained through the European Central Bank (€5.7bn \*);
- (iv) Other forms of collateralized funding (€1.5 bn\*).

Consistent with the practice adopted in the previous financial year, funding via the issue of debt instruments, along with the other forms of funding, enables growth in assets to be financed in Treasury management, Corporate & Investment Banking and Private Banking, plus the activities of CheBanca! (residential mortgages), Compass (consumer credit), MBFACTA (factoring), MBCredit Solutions (acquisition of NPL portfolios), Selmabipiemme (leasing).

\* Figures as at 30 June 2020.



## 5 OVERVIEW OF ACTIVITIES

### 5.1 PRINCIPAL ACTIVITIES

#### 5.1.1 MEDIOBANCA GROUP PRINCIPAL ACTIVITIES

##### PRINCIPAL CATEGORIES OF PRODUCTS SOLD AND/OR SERVICES PROVIDED

As provided in Article 3 of the company's Articles of Association, the purpose of the company is to raise funds and provide credit in any of the forms permitted, especially medium- and long-term credit to corporates.

In complying with the regulatory provisions in force, the company may perform all banking, financial and brokerage operations and services, and any other operation instrumental or otherwise related to the achievement of its corporate purpose.

The Mediobanca Group's are segmented as follows:

- ◆ **Wealth Management (WM):** this division brings together all asset management activities provided to clients in the following segments:
  - ◆ Affluent & Premier, served by CheBanca!;
  - ◆ Private & HNWI, served in Italy by Mediobanca Private Banking, and in the Principality of Monaco by Compagnie Monégasque de Banque, including fiduciary activities performed by Spafid, Spafid Family Office SIM and Spafid Trust;
  - ◆ Asset Management, the principal entities in which are the product factories Cairn Capital (alternative AM), RAM Active Investments (alternative AM), Mediobanca Management Company and Mediobanca SGR.
- ◆ **Corporate & Investment Banking (CIB):** this division brings together all services provided to corporate clients:
  - ◆ Wholesale Banking (WB): Client Business (lending, advisory, and capital market activities) and proprietary trading performed by Mediobanca, Mediobanca International, Mediobanca Securities and Messier Maris & Associés;
  - ◆ Specialty Finance, which comprises factoring and credit management (including acquisition and management of NPL portfolios) performed by MBFACTA, MB Credit Solutions and the newly-set up MBCContact Solutions.
- ◆ **Consumer Banking (CB):** this division provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance (Compass and Futuro). It also includes Compass RE, which reinsures risks linked to the insurance policies sold to clients, and the newly-established Compass Rent, which rents out moveable assets, in particular second-hand vehicles;
- ◆ **Principal Investing (PI):** this division brings together the Group's portfolio of equity investments and holdings, including in particular the stake in Assicurazioni Generali;
- ◆ **Holding Functions:** this division houses, in addition to SelmaBipiemme Leasing, MIS, Spafid Connect, Ricerche e Studi and Prominvestment, the Group's centralized cost centres, including the Group's Treasury and ALM activities (with the objective of optimizing funding and liquidity management on a consolidated basis, including securities held as part of the banking book), operations, support functions (planning and financial reporting, corporate affairs, investor relations, etc.), senior company management and the control



units (Risk Management, Group Audit and Compliance) for the share not attributable to the other business lines.

As at 30 June 2020, Mediobanca had a market capitalization of approx. €5.7bn.

## Consolidated financial data as at 30/6/20

Profit and loss account (€m)	Wealth Management	Consumer	Corporate & Investment Banking	Principal investing	Holding Functions	Gruppo
Net interest income	271.0	948.0	271.4	-7.1	-55.0	1,442.2
Total income	583.8	1,070.6	575.1	312.8	-6.9	2,513.0
Profit before tax	113.8	438.0	275.4	297.6	-259.3	795.3
<b>Net profit</b>	<b>80.4</b>	<b>296.6</b>	<b>180.7</b>	<b>295.0</b>	<b>-183.7</b>	<b>600.4</b>

## Affluent & Premier – CheBanca!

Mediobanca operates in retail banking through its subsidiary CheBanca!. This subsidiary, launched in 2008, effectively served as retail deposit gatherer for the Mediobanca Group throughout the financial crisis. In the last four years it has developed a distribution model which is innovative, transparent and with high technology content, while at the same time refocusing its mission from deposit gatherer to asset gatherer and wealth manager), and now has TFAs of €27.8bn.

Today CheBanca! is distinguished by its:

- ◆ High brand recognition;
- ◆ Effective, innovative multi-channel distribution (internet, 192 own branches/POS, 414 FAs and 454 relationship managers);
- ◆ Substantial customer base (approx. 880,000 clients);
- ◆ Strong commercial results: €15.3bn in deposits, €12.5bn in AUM, and a loan book of €10.2bn in mortgage lending.

As at 30 June 2020, the company employed a total of 1,430 staff.

## Private Banking & HNWI

The product/service offering to clients is split between:

- ◆ **MB Private Banking** offers private banking services through its 85 bankers and nine branch offices, working to help develop asset management activities and the mid-cap platform. The Mediobanca Private Banking product offering for high net worth clients includes portfolio management, advisory and financing services. Independence, operational autonomy, focus on private banking activities, and excellence and quality of service, are the hallmarks of a bank which has approx. €15bn in assets under management at its branches in Bergamo, Bologna, Brescia, Cesena, Florence, Genoa, Milan, Padua, Parma, Rome, Turin and Treviso.
- ◆ **Compagnie Monégasque de Banque ("CMB")** is 100%-owned by Mediobanca. Compagnie Monégasque de Banque, a market leader in the private banking sector in the Principality of Monaco, has assets under management of approximately €11bn. Its geographical position, in-depth knowledge of markets and absolute independence



make it a player of primary importance, able to provide exclusive services to its clientèle, ranging from loans to asset management.

- ◆ **Spafid**, 100%-owned by Mediobanca, this company provides fiduciary administration services for equity investments, stock market investments and fiduciary services for issuers.

## **MB Asset Management**

The product factories forming part of the Wealth Management division include Cairn Capital, RAM and Mediobanca SGR.

- ◆ **Cairn Capital**, a 51% stake in which was completed in December 2015 (the percentage stake currently owned is 70.9%<sup>5</sup>), is an asset manager and advisor based in London, specializing in credit products.
- ◆ **RAM AI**, a 69% stake in which was acquired in March 2018, is one of the leading European systematic asset managers, offering alternative funds to a vast range of institutional and professional investors.
- ◆ **Mediobanca SGR**, set up in 2017 following the merger of Banca Esperia into Mediobanca S.p.A., plays a key role in defining investment strategies and developing innovative products.

## **Consumer credit – Compass Banca (Compass)**

Mediobanca has operated in the consumer credit sector since the 1960s through its subsidiary Compass. Compass today is one of the leading consumer credit operators on the Italian market, with a market share of approx. 12%.

Compass offers products (personal loans, special purpose loans for acquisition of consumer durable goods, credit cards and salary-backed finance), using a highly diversified distribution network consisting of 172 own branches, branches run by agents (41) and Compass Quinto branches (48), distribution agreements with banking partners and retailers (including BancoPosta).

In the financial year ended 30 June 2020, Compass reported a loan book of approx. €13bn and a headcount of 1,441 staff.

**Wholesale Banking** Mediobanca seeks to provide its corporate clients with advisory services and financial services to help them grow and develop.

The Wholesale Banking division consists of two divisions of its own: Client Business and Proprietary Trading.

The Wholesale Banking Client Business division comprises three units: Corporate Finance, Lending and Structured Finance, and Capital Markets.

### **1. Corporate finance**

Mediobanca is a leader in Italy, and has an increasingly significant role at the European level in financial advisory services through its branch offices in London, Paris and Madrid, and

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<sup>5</sup> In December 2019, Cairn Capital Group Limited implemented a capital increase, in which Mediobanca subscribed to the amount allocated to it pro rata, and also the rights not taken up by the other shareholders. As a result, the Bank's investment in Cairn Capital increased to 63.5%, and certain call options were exercised, further increasing its investment to 70.93%.





through Messier Maris & Associés, in which it holds a 66.4% stake. A client-based approach is adopted, backed by in-depth knowledge of the financial issues and a consolidated track record in executing deals. The operating unit is organized into different industry teams covering individual industries to provide more effective specialization.

Corporate finance is structured into the following activities:

- ◆ Defining strategic objectives for companies and identifying extraordinary financing transactions in order to help meet them;
- ◆ Extraordinary financing transactions: mergers and acquisitions, joint ventures and partnerships, disposals and spinoffs;
- ◆ Liability restructuring: earnings/financial analysis of companies/groups undergoing restructuring; working out financial rebalancing scenarios; negotiating with key creditors;
- ◆ Corporate restructuring: LBOs, MBOs, spinoffs and tax-/inheritance-related issues;
- ◆ Company valuations, on a standalone basis and for purposes of setting exchange ratios;
- ◆ Relations with authorities: assistance in handling relations with market authorities, primarily Consob and Borsa Italiana.

## **Messier Maris & Associés**

Founded at year-end 2010, Messier Maris & Associés is today one of the leading corporate finance boutiques in France, with a loyal customer base at international as well as domestic level.

MMA specializes in M&A advisory services to large and medium-sized companies and financial sponsors' activity. The company also has operations in debt and capital advisory and debt restructuring. It is headquartered in Paris, with offices in New York, and currently employs around 40 professionals.

## **2. Lending & Structured Finance**

The Financing teams serve Mediobanca's Italian and international customers, through the branch offices located in Paris, London and Madrid, to offer:

- ◆ Advice in evaluating possible capital structures and financing solutions available from among a vast series of debt products, including considering possible implications in terms of rating;
- ◆ Structuring and executing lending transactions;
- ◆ Access to the international syndicated loans market;
- ◆ Facility and security agent services for corporate and structured lending transactions.

The principal Lending & Structured Finance area products are:

- ◆ **Corporate Lending** (bilateral loans, club deals and syndicated loans): corporate loans aimed at supporting customers' financial requirements generated by investments or



related to their companies' growth; the financial solutions offered are aimed primarily at medium-/large-sized firms operating on domestic and international markets, in industrial and service-based sectors.

- ◆ **Structured Finance** (acquisition finance, loans for LBOs/MBOs, project finance, infrastructure finance, real estate finance): financial support to corporate counterparties and institutional investors as part of leveraged transactions to acquire stakes in listed and unlisted companies; a wide range of lending transactions are developed, arranged, structured, underwritten and executed based on complex structures, and because of their size these are often syndicated on the international market. On the back of its solid track record in various sectors, customers are provided with advisory services covering the entire process of structuring deals to support investment and infrastructure or industrial projects, including offering strategies, selection of the most effective debt instruments, hedging strategies, financial modelling and structuring contracts.

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Mediobanca International's business is focused primarily on **corporate lending** (bilateral loans, club deals, and syndicated loans) and **structured finance** (acquisition finance, LBOs/MBOs, project finance, infrastructure finance and real estate finance). These activities are financed through funds raised on International markets by specific programmes of issuance (notes, structured notes, certificates, warrants, European tradable commercial paper, Euro commercial paper, etc.), short-term and medium-term, the majority of which are guaranteed by Mediobanca S.p.A.

## 3. Capital Markets

Mediobanca operates on both the primary and secondary markets, trading equities and fixed-income securities, foreign exchange products and credit risk, interest rate and exchange rate derivatives.

In the **equity** market (primary and secondary), activity is divided into the following areas:

- ◆ **Equity capital markets:** Mediobanca is the Italian leader and has a role of increasing importance internationally in structuring, co-ordinating and executing equity capital markets transactions, such as IPOs, rights issues, secondary offerings and ABOs, and bonds convertible into equity solutions (equity derivatives to manage investments and treasury shares): this unit structures and implements extraordinary financing transactions involving equity investments and treasury shares; using a dedicated trading platform, the team offers customers innovative, high value-added solutions, and also handles any legal, accounting, tax and regulatory issues;
- ◆ **Equity derivatives institutional marketing:** a range of equity-linked investments are offered to banks, insurances, asset managers and family offices, from synthetic replications of simple underlying assets to sophisticated protection mechanisms and solutions for increasing the return on portfolios, funded or unfunded;
- ◆ **MB Securities:** this is Mediobanca's equity brokerage division, offering global access to equity markets and research on the Italian market (over 100 companies are covered), plus a pan-European focus on the financials sector (banks and insurances); a dedicated team also offers corporate broking services.

As for the **debt** market, the activity is divided into the following areas of operation:



- ◆ **Debt capital market** : this team originates, structures, executes and places corporate and financial bond issues, covered bonds and securitizations to meet its customers' financing needs;
- ◆ **CMS**: this area structures solutions based on interest rates, credit and alternative products; it targets corporate clients, banks and institutional investors who need to restructure their investment portfolios, increase asset liquidity and diversify their sources of funding. Advisory services and structuring *ad hoc* solutions for alternative investments targets institutional investors.

#### 4. Proprietary trading

Proprietary trading: consists of two units:

- ◆ **Trading portfolio (HFT Credit, HFT Fixed income, xVA, Global Macro)**: this unit is responsible for the bond trading portfolio and for centralized management of cross value adjustments, supporting both the strategic portfolio & ALM and the Group companies;
- ◆ **Equity & Derivatives Trading**: this unit is responsible for the Bank's trading activities in various equity market products (equities and derivatives products).

#### 5. Specialty Finance

Our Specialty Finance activities include managing and financing credit and working capital. Factoring is performed by MBFACTA, and credit management by MBCredit Solutions.

- ◆ **MBCredit Solutions** has for many years performed credit recovery activities (on behalf of the Group companies and third parties) and NPL portfolio acquisitions.
- ◆ **MBFACTA** provides trade receivables sale and discount services (with and without recourse, maturity, supply credit) to refinance corporate working capital. As well as the financial benefits, this service can also include an insurance component (guarantee against insolvency or delays in payments) and/or a management component (portfolio management, accounting, collection and recovery). The factoring platform's factoring offering is tailored specifically to developing the Mid Corporate segment in synergy with the other services offered by CIB to this category of firm.

#### Principal investing

Mediobanca has an equity portfolio of investments made over time, consisting of minority stakes in leading Italian and international companies, most of which are listed. As a result of the recent introduction of tighter regulations on regulatory capital and the Bank's desire to concentrate more on highly-specialized banking activities, this portfolio of investments is in the process of being reduced. The Bank's investment in Assicurazioni Generali is assigned to the Principal Investing division, in view of its size and the value option which the investment represents for the Group in terms of available, liquid resources that can be activated in the event of growth acquisitions materializing.

Company	Sector	% of share capital	Book value at 30/6/20 €m
Assicurazioni Generali	insurance	12.9%	3,163.4



## **Leasing**

Mediobanca owns a direct 60% stake in SelmaBipiemme Leasing, with the other 40% held by the Banca Popolare di Milano. The group operates in financial leasing.

## **Treasury**

The Group's Treasury and ALM units are centralized at parent company level with the objective of optimizing funding and liquidity management. The Proprietary Funding division is responsible for structuring, issuing and placing debt products, the proceeds from which are used to finance the Bank's activities. Funding operations, supported by Mediobanca's high credit rating, take the form primarily of the issuance of securities, both plain vanilla and structured. Securities are placed with retail investors through public offerings (implemented via the CheBanca! proprietary network, through individual third-party banking networks – including BancoPosta – either on an exclusive basis or via groups of banks operating as syndicates), and direct sales on the MOT bond market operated by Borsa Italiana. Demand from institutional investors is met via public offerings of securities on the Euromarket and by private placements of bespoke products tailored to meet the investor's specific requirements.

## **NEW PRODUCTS OR NEW ACTIVITIES**

Without prejudice to the contents hereof (section 5.1), no significant new products and/or services have been introduced that are worth being recorded or disclosed publicly.

## **PRINCIPAL MARKETS**

The Mediobanca Group's activities are principally focused on the domestic market (from a geographical standpoint Italy accounts for approx. 80% of the Group's loan book). In particular:

- ◆ Corporate & Investment Banking (CIB): half the revenues and loan book for this division is originated by the Italian market, the other half by other countries (notably France, Germany, Spain and the United Kingdom); the division employs some 630 staff, around 155 of whom are based outside Italy;
- ◆ Consumer Banking: activities focus exclusively on the Italian market, and employ approx. 1,441 staff at 261 branches/agencies;
- ◆ Wealth Management (WM): this division's activity is focused primarily on the Italian market, with the exception of CMB (which operates in the Principality of Monaco), RAM AI (which operates throughout Europe from its headquarters in Switzerland), and Cairn Capital (which operates in the United Kingdom); and employs 2,021 staff, with approx. 1,000 FAs/relationship managers, and 117 branches;
- ◆ Leasing activities chiefly target the domestic market.

With reference to other markets, it should be noted that the United Kingdom officially withdrew from the European Union on 31 January 2020, though the withdrawal itself will only become effective on 31 December 2020. Throughout this transitional period, Mediobanca will continue to implement the plan to adjust to the new scenario which, in accordance with the recommendations made by the European Central Bank, and in view of the fact that the Group's activities in the United Kingdom are relatively minor (accounting for approx. 3% of its total revenues), provides for a total of fifteen staff members, including key function holders, to be moved back to EU territory (mainly to the Milan, Paris and Madrid offices). The



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Mediobanca Group will continue to operate as normal in the United Kingdom through the London branch office of Mediobanca S.p.A. under a different authorization regime and Group company Cairn Capital, without prejudice to further changes that could arise in connection with the ongoing negotiations and which continue to be monitored by an internal working group which is co-operating with the competent authorities.

## **5.2 BASIS OF ANY STATEMENT MADE BY THE ISSUER IN THE REGISTRATION DOCUMENT REGARDING ITS COMPETITIVE POSITION**

The Registration Document contains no statement by the Issuer regarding its competitive position.



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## **6 ORGANIZATIONAL STRUCTURE**

### **6.1 DESCRIPTION OF GROUP HEADED UP BY THE ISSUER**

Mediobanca S.p.A. is the parent company of the Mediobanca Banking Group.

The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.

The following diagram illustrates the structure of the Mediobanca Group as at the date hereof.





## 6.2 DESCRIPTION OF GROUP COMPANIES

A list of the Group companies as at the date of the Registration Document is provided below:

Group companies			
Company name	Headquarters	% owned	Type of investment
COMPASS Banca S.p.A.	Italy	100%	(dir)
CHEBANCA! S.p.A.	Italy	100%	(dir)
SELMABIPIEMME LEASING S.p.A.	Italy	60%	(dir)
Compagnie Monégasque de Banque S.A.M.	Principality of Monaco	100%	(dir)
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.**	Luxembourg	100%	(dir)
SPAFID S.p.A.	Italy	100%	(dir)
SPAFID TRUST S.r.l.	Italy	100%	(indir)
SPAFID CONNECT S.p.A.	Italy	100%	(indir)
MEDIOBANCA SECURITIES USA LLC	United States	100%	(dir)
Mediobanca SGR S.p.A.	Italy	100%	(dir)
Mediobanca Management Company S.A.	Luxembourg	100%	(dir)
MBCREDIT SOLUTIONS S.p.A.	Italy	100%	(indir)
RICERCHE E STUDI S.p.A.*	Italy	100%	(dir)
Mediobanca Innovation Services S.c.p.A	Italy	99.9%	(dir)
FUTURO S.p.A.	Italy	100%	(indir)
PROMINVESTMENT S.p.A. in liquidation	Italy	100%	(dir)
MBFACTA S.p.A.	Italy	100%	(dir)
QUARZO S.r.l.	Italy	90%	(indir)
QUARZO CQS S.r.l.	Italy	90%	(indir)
Mediobanca COVERED BOND S.r.l.	Italy	90%	(indir)
C.M.B. ASSET MANAGEMENT S.A.M.	Principality of Monaco	99.10%	(indir)
C.M.G. COMP. MONEG. D.G. S.A.M.	Principality of Monaco	99.92%	(indir)
CMB WEALTH MANAGEMENT (in liquidation)	United Kingdom	100%	(dir)
COMPASS RE S.A.*	Luxembourg	100%	(indir)
MEDIOBANCA INTERNATIONAL IMMOBILIARE S.à r.l.	Luxembourg	100%	(indir)
CAIRN CAPITAL GROUP Ltd.	United Kingdom	75.6%	(dir)
CAIRN CAPITAL Ltd.	United Kingdom	75.6%	(indir)
CAIRN CAPITAL NORTH AMERICA Inc. (not operative)	United States	75.6%	(indir)
CAIRN FINANCIAL GUARANTEE Ltd. (not operative)	United Kingdom	75.6%	(indir)
CAIRN CAPITAL INVESTMENTS Ltd.( not operative)	United Kingdom	75.6%	(indir)
CAIRN INVESTMENTS MANAGERS Ltd. (not operative)	United Kingdom	75.6%	(indir)
AMPLUS FINANCE Ltd. (not operative)	United Kingdom	75.6%	(indir)
MB FUNDING LUX S.A.	Luxembourg	100%	(dir)
SPAFID FAMILY OFFICE SIM S.p.A.	Italy	100%	(indir)
RAM Active Investments S.A.	Switzerland	69%	(dir)
RAM Europe	Luxembourg	69%	(indir)
MESSIER MARIS & ASSOCIES S.A.S.	France	66.4%	(dir)
MESSIER MARIS & ASSOCIES LLC.	United States	50%	(indir)
MBCONTACT SOLUTIONS S.r.l.* (operative since 2 October 2020)	Italy	100%	(indir)
COMPASS RENT S.r.l.*	Italy	100%	(indir)

\* These companies do not form part of the Mediobanca Banking Group.

\*\* Of which 1% owned by Compass.





## 7 INFORMATION ON PREDICTED TRENDS

### 7.1 TRENDS AND CHANGES

- a) No material adverse changes have taken place in Mediobanca's or the Group's prospects since the consolidated financial statements as at 30 June 2020;
- b) No material adverse changes have taken place in the financial results of Mediobanca and the Mediobanca Group since the most recent consolidated financial statements as at 30 June 2020 to the date of publication of the Registration Document.

### 7.2 INFORMATION ON TRENDS, UNCERTAINTIES, REQUESTS, COMMITMENTS OR KNOWN FACTS WHICH COULD REASONABLY BE EXPECTED TO HAVE MATERIAL REPERCUSSIONS ON THE ISSUER'S PROSPECTS FOR AT LEAST THE CURRENT FINANCIAL YEAR

Mediobanca is not aware of any information on trends, uncertainties, requests, commitments or facts known which could reasonably have significant repercussions on Mediobanca's prospects for the current financial year.

A deterioration in the medical situation due to the Covid-19 pandemic could impact further on the economic, social and financial situation in Italy and hence on the credit quality, capitalization and earnings of the Issuer which operates primarily on the Italian market.

Mediobanca is committed to executing the strategic and operating guidelines of its 2019-23 Strategic Plan, confirming the intention to optimize capital, with the objective of restoring the CET1 ratio to 13.5% by end-June 2023, including through share buybacks and acquisitions to strengthen the business lines.

In the uncertainty that currently characterizes the reference framework, the Group has adopted an operating scenario based on activities normalizing by end-December 2020.

The government initiatives and use of moratoria have helped to preserve the quality of the loan book, with 90% of clients who elected to take up the initiatives offered in Consumer Banking having resumed payments as normal.

Conversely, the upturn in the rate of infections from mid-September has not yet been reflected in the figures. Results could be affected if the restrictions introduced are of a similar level to those introduced in March and April of this year. At presents the measures to be adopted in the course of the next quarter to address the second wave of infections due to the Covid-19 pandemic are hard to predict. Lockdown, especially general lockdown, remains the most critical issue for new loans and the cost of risk in Consumer Banking and mortgage lending business; to mitigate the impact of such possible developments, the Group has strongly enhanced its digital platforms and the integrated development of distribution and credit recovery channels in the last six months. Excessive volatility on financial markets too is likely to impact on TFAs (in terms of NNM and market effect) and client risk appetite.

Net interest income is expected to decrease from last year, due to lower volumes and returns in Consumer Banking; while fee income should remain at good levels, as should earnings from Assicurazioni Generali. Against this performance in revenues, operating costs are expected to rise slightly as project activities and commercial initiatives (advertising campaigns) gradually resume.



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The cost of risk is seen as being largely stable, while loan loss provisions in Consumer Banking, mortgage lending and leasing are expected to be in line with this quarter unless the macroeconomic scenario deteriorates further.



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## **8 PROFIT ESTIMATES OR PROJECTIONS**

No forecast or estimates of profits are contained in the Registration Document.



## 9 BODIES RESPONSIBLE FOR GOVERNANCE, MANAGEMENT AND SUPERVISION

### 9.1 INFORMATION REGARDING BODIES RESPONSIBLE FOR GOVERNANCE, MANAGEMENT AND SUPERVISION

Information on the Bank's governing, management and supervisory bodies is provided below, as updated following the Issuer's Annual General Meeting held on 28 October 2020.

Changes in the composition of the governing bodies and other information related to them are published from time to time on the Issuer's website at [www.mediobanca.com](http://www.mediobanca.com) in the appropriate section (<https://www.mediobanca.com/it/governance/index.html>), without prejudice to the obligations under Article 23 of the Prospectus Regulation regarding the need to draw up a supplement if any.

#### Board of Directors

The Board of Directors, appointed on 28 October 2020 for the 2021, 2022 and 2023 financial years, as at the date hereof consists of fifteen members, twelve of whom qualify as independent under Article 148(3) of the Italian Finance Act, nine of which twelve also qualify as independent under Article 19 of the company's Articles of Association (the requisites for which definition are substantially aligned with those of the Code of Conduct in respect of listed companies). Its composition also reflects the legal requirements in terms of gender balance.

#### Composition, Board of Directors

Name	Post held	Place and date of birth	Term of office expires	Independence	Principal activities performed outside the Issuer as significant with respect to the Issuer
Renato Pagliaro <sup>2</sup>	Chairman	Milan, 20/2/57	28/10/23		Director, Istituto Europeo di Oncologia
Maurizia Angelo Comneno <sup>1</sup>	Deputy Chair	Rome, 18/6/48	28/10/23	b)	-
Alberto Nagel <sup>1, 2</sup>	CEO	Milan, 7/6/65	28/10/23		-
Virginie Banet	Director	Neuilly sur Seine, 18/1/66	28/10/23	a) b)	Chair, Iolite Financial Consulting Director, Netgem Director, Vallourec
Francesco Saverio Vinci <sup>1, 2</sup>	Group General Manager	Milan, 10/11/62	28/10/23		-
Maurizio Carfagna	Director	Milan, 13/11/47	28/10/23	a) b)	Director, FingProg Italia Director, Futura Invest Director, Istituto Europeo di Oncologia
Laura Cioli	Director	Macerata 10/7/63	28/10/23	a) b)	Director, Brembo Director, Sofina Director, Autogrill



Name	Post held	Place and date of birth	Term of office expires	Independence	Principal activities performed outside the Issuer as significant with respect to the Issuer
Maurizio Costa	Director	Pavia, 29/10/48	28/10/23	a) b)	Director, Amplifon
Angela Gamba	Director	Palazzolo sull'Oglio (BS), 15/08/70	28/10/23	a) b)	Director, Edison Director, FPS Investments S.r.l. Director, Medical Technology and Devices SA
Valérie Hortefeux	Director	Aulnay (France), 14/12/67	28/10/23	a) b)	Director, Blue Solutions Director, Ramsay – Générale de Santé Director, Socfinasia
Maximo Ibarra	Director	Cali (Colombia), 13/12/68	28/10/23	a) b)	CEO, Sky Italia
Alberto Lupoi	Director	Rome, 29/3/70	28/10/23	a) b)	-
Elisabetta Magistretti	Director	Busto Arsizio, 21/7/47	28/10/23	b)	Director, Brembo Director, Smeg
Vittorio Pignatti-Morano	Director	Rome, 14/9/57	28/10/23	a) b)	Director, Trilantic Capital Management GP Director, Trilantic Capital Partners Management Director, Trilantic Capital Partners V Management Director, Ocean Ring Jersey Co Director, Ocean Trade Lux Co Director, Marex Group Director, ICS Maugeri Director, Edizione
Gabriele Villa <sup>1</sup>	Director	Milan, 18/6/64	28/10/23	b)	Standing Auditor, Edison Standing Auditor, Italmobiliare

<sup>1</sup> Member of Executive Committee.

<sup>2</sup> Member of Mediobanca senior management

a) Qualifies as independent pursuant to Article 19 of the company's Articles of Association.

b) Qualifies as independent pursuant to Article 148(3) of the Italian Finance Act.

All Board members are in possession of the requisites to hold such office set by the regulations in force at the time.

The address for all members of the Board of Directors for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.



## Statutory Audit Committee

### Composition of Statutory Audit Committee

Post	Name	Place and date of birth	Term expires	Principal activities performed outside the Issuer as significant with respect to the Issuer
Chair	Francesco Di Carlo	Milan, 4/10/69	28/10/23	Director, Milano Investment Partners SGR
Standing Auditor	Elena Pagnoni	Colleferro (Rome), 10/5/63	28/10/23	
Standing Auditor	Ambrogio Virgilio	Bari, 5/1/56	28/10/23	
Alternate Auditor	Marcella Caradonna	Stornara (Foggia), 22/5/59	28/10/23	Chair, Statutory Audit Committee, College of Auditors CTI Chair, Statutory Audit Committee, ATS Milano Independent Director, Integrae SIM Standing Auditor, Titanmet
Alternate Auditor	Roberto Moro	Milan, 4/3/55	28/10/23	Chair, Statutory Audit Committee, IRE Holding Standing Auditor, Antas Standing Auditor, Robert Bosch Standing Auditor, Energy Wave Standing Auditor, Fidiger Standing Auditor, Sevecom Standing Auditor, Spafid Sole statutory auditor, Compass Rent, MBCcontact Solutions, Quarzo
Alternate Auditor	Stefano Sarubbi	Milan, 6/12/65	28/10/23	Chair, Statutory Audit Committee, Coca Cola Italy Chair, Statutory Audit Committee, Infrastrutture Wireless Italiane – Inwiit CEO, Sigmagest and Chair, Statutory Audit Committee, Acque Minerali

All Statutory Audit Committee members are in possession of the requisites to hold such office set by the regulations in force at the time, and are all registered as auditors in the list instituted by the Italian Ministry for the Economy and Finances.

The address for all members of the Statutory Audit Committee for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

## 9.2 CONFLICTS OF INTEREST AMONG BODIES RESPONSIBLE FOR GOVERNANCE, MANAGEMENT AND SUPERVISION

A ban was instituted pursuant Article 36 of Italian Decree Law 201/11, as converted into Italian Law 214/11, on representatives of banks, insurers and financial companies from holding positions in companies which operate in the same sectors. Each year the Board of Directors assesses the positions of the individual directors, which may have changed as a result of changes in the activities or size of the other companies in which they hold posts. To this end, each director, including in order to avoid potential conflicts of interest from arising, informs the Board of any changes in the positions assumed by them in the course of their term of office.



Mediobanca also adopts the procedure recommended under Article 136 of the Italian Banking Act for approval of transactions involving individuals who perform duties of management and control in other companies controlled by such parties.

Members of the bodies responsible for governance, management and supervision are also required to comply with the following provisions:

- ◆ Article 53 of the Italian banking act and implementing regulations enacted by the Bank of Italy, in particular the supervisory provisions on links with related parties;
- ◆ Article 2391 of the Italian Civil Code (Directors' Interests);
- ◆ Article 2391-bis of the Italian Civil Code (Transactions with Related Parties) and the Consob implementing regulations, in particular the Regulations on Transactions with Related Parties approved under resolution no. 17221 of 12 March 2010.

Transactions with "related parties" are described in part H of the financial statements for the twelve months ended 30 June 2020.

Mediobanca and its governing bodies have adopted internal measures and procedures to ensure compliance with the provisions referred to above.





## 10 MAIN SHAREHOLDERS

### 10.1 INFORMATION ON OWNERSHIP STRUCTURE

No party controls Mediobanca according to the definition provided in Article 93 of the Italian Banking Act.

Individuals or entities who based on the shareholders' register and available information as at 29 October 2020, own directly or indirectly financial instruments representing share capital with voting rights in excess of 3% of the company's share capital (i.e. materiality threshold under Article 120 of the Italian Finance Act) are listed below:

SHAREHOLDER	NO. OF SHARES	% OF SHARE CAPITAL
Leonardo Del Vecchio <sup>1</sup>		10.16%
Vincent Bolloré <sup>2</sup>		5.60%
BlackRock group <sup>3</sup>		3.15%
Mediolanum group		3.28% <sup>3</sup>

<sup>1</sup> Investment owned indirectly via Delfin SARL (10.16%).

<sup>2</sup> Of which 5.03% owned via Financière du Perquet.

<sup>3</sup> In addition to this 3.15% investment, a further stake is owned indirectly by BlackRockInc. (NY), via fifteen asset management subsidiaries (cf. form 120 B of 6 August 2020), 0.69% of which as potential investment and 0.13% in other long positions with settlement in cash.

<sup>3</sup> Of which MEDIOLANUM VITA S.p.A. owns 0.73% and BANCA MEDIOLANUM S.p.A. owns 2.55%.

For purposes of full disclosure, it should be noted that the Issuer owns treasury shares equal to 2.99% of the share capital.

The information on the Issuer's main shareholders is updated from time to time on its website [www.mediobanca.com](http://www.mediobanca.com) in the relevant section (<https://www.mediobanca.com/en/corporate-governance/main-shareholders/main-shareholders.html>), without prejudice to the obligations under Article 23 of the Prospectus Regulation regarding the need to draw up a supplement if any.

### 10.2 DESCRIPTION OF ANY AGREEMENTS KNOWN TO THE ISSUER WHICH, IF IMPLEMENTED, MAY SUBSEQUENTLY GIVE RISE TO A CHANGE IN THE CONTROL OF THE ISSUER.

On 20 December 2018, a consultation agreement was entered into between shareholders of Mediobanca S.p.A. (relevant under the terms of Article 122 of Italian Legislative Decree 58/98 and Consob resolution no. 11971 of 14 May 1999 as amended), which currently involves approx. 12.61% of the company's share capital and does not entail lockup arrangements or vetoes in respect of the shares represented. The main shareholders which are parties to the agreement include the Mediolanum group, Schematrentatre (Edizione), Fininvest, Fin.Priv., the Gavio group, and the Ferrero group, for a total of twenty shareholders. The agreement regulates the means by which the parties meet to discuss observations and considerations regarding the Group's performance, in a situation of parity of information relative to the market. The parties to the agreement acknowledge that the preferred practice is for the outgoing Board of Directors to submit its own list of candidates for the position of Director (as already proved by the company's Articles of Association). The agreement expires on 31 December 2021 and is renewed automatically for three-year periods among participants which have not given at least three months' notice ahead of the original expiry or extension date of their intention to withdraw from the agreement.

The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website in the relevant section at



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<https://www.mediobanca.com/en/corporate-governance/main-shareholders/shareholder-consultation-agreement.html>.



## 11 INFORMATION ON THE ISSUER'S ASSETS AND LIABILITIES, EARNINGS AND LOSSES

### 11.1 FINANCIAL INFORMATION FOR PREVIOUS YEARS

#### 11.1.1 FINANCIAL INFORMATION FOR THE PAST TWO FINANCIAL YEARS PLUS THE AUDITOR'S REPORT FOR EACH OF THE TWO YEARS CONCERNED

At a Board meeting held on 16 September 2020, the Directors of Mediobanca approved the Group's consolidated financial statements as at 30 June 2020 (the results themselves were approved on 30 July 2020); the statutory financial statements for the year were adopted by shareholders at the annual general meeting held on 28 October 2020.

Some of the financial information contained in the consolidated financial statements as at 30 June 2020 and approved on 16 September 2020 is provided below, compared with the same as at 30 June 2019.

#### Balance sheet

The Mediobanca Group's balance sheet reflects an increase in total assets from €78.2bn to €78.9bn, with customer loans in particular increasing from €44.4bn to €46.7bn.

#### Restated consolidated balance sheet

Mediobanca Group (€m)	30/6/19	30/6/20
<b>Assets</b>		
Financial assets held for trading	9,765.7	8,818.6
Treasury assets and cash	10,170.2	9,257.0
Banking book securities	6,695.9	6,824.5
Customer loans	44,393.7	46,685.1
Equity investments	3,980.3	4,009.7
Tangible and intangible assets	1,187.6	1,311.8
Other assets	2,051.3	2,043.0
<b>Total assets</b>	<b>78,244.7</b>	<b>78,949.7</b>
<b>Liabilities and net equity</b>		
Funding	51,393.2	54,917.0
Treasury liabilities	6,565.6	3,988.0
Financial liabilities held for trading	8,027.8	7,956.9
Other liabilities	2,168.9	2,190.3
Provisions	190.3	157.4
Net equity	8,986.2	9,048.2
Minority interests	89.7	91.5
Profit for the period	823.0	600.4
<b>Total liabilities and net equity</b>	<b>78,244.7</b>	<b>78,949.7</b>



## **Balance sheet**

Total assets rose from €78.2bn to €78.9bn, as a result of higher customer loans (up 5.2%), with a consequent increase in funding (up 6.9%) in part offset by the reduction in treasury volumes; the main items reflect the following trends:

- ◆ Customer loans grew from €44.4bn to €46.7bn in the twelve months, chiefly due to higher contributions from Wealth Management and Corporate & Investment Banking. Gross non-performing loans (NPLs) were up 10%, from €1,782.3m to €1,954.2m, and represent 4.1% (3.9%) of total loans;
- ◆ Funding grew from €51.4bn to €54.9bn, mainly as a result of increased recourse to T-LTRO facilities and higher Private Banking deposits; the debt security funding component grew from €18.5bn to €18.8bn, on €4.6bn in new issues, €500m of which in 4Q; the cost of funding remained unchanged for the year at 80 bps;
- ◆ Banking book securities were up 1.9% (from €6.7bn to €6.8bn), with the sovereign debt security component equal to €4.7bn, €3.3bn of which domestic; net treasury assets increased from €5.3bn to €6.1bn, with an increasing liquidity component (ECB deposits just over €3bn).

## **Profit and loss account**

The profit and loss account reflects the following performance:

- ◆ Revenues for the twelve months decreased from €2,524.7m to €2,513m, with the main items performing as follows:
  - ◆ Net interest income was up 3.3% (from €1,395.6m to €1,442.2m), on higher volumes in Consumer Banking boosted by the results for the first eight months, which absorbed the reduction in new loans during April and May 2020;
  - ◆ Net fee and commission income rose by 3.1%, from €611.2m to €630.2m, on a good performance by Wealth Management and the consolidation of Messier Maris et Associés for the full twelve months (adding €33.8m in advisory business);
  - ◆ Net treasury income totalled €136.3m, approx. 30% lower than last year (€196.7m), reflecting the market correction in March 2020 which was only in part made up in 4Q.
- ◆ The increase in costs (up 2.3%, from €1,161.9m to €1,188.9m), chiefly reflects the consolidation of Messier Maris et Associés (up €18.8m, €14m of which in labour costs), enhancement of the commercial network in Wealth Management (up €14m), and the Group's IT initiatives. The heading also includes extraordinary expenses linked to the Covid-19 emergency totalling €3.8m; while €2.6m has also been donated to charitable initiatives;
- ◆ Loan loss provisions were nearly 70% higher than last year (up from €222.6m to €374.9m), translating to a cost of risk for the Group of 82 bps (vs 52 bps last year); the increase was concentrated in 4Q (cost of risk up to 141 bps) due to the deterioration in households' risk profile, and the worsening macroeconomic scenario. The Covid-19 effect can be estimated at €113m, around 30% of the total provisioning taken for the twelve months.



- ◆ Net profit for the twelve months totalled €600.4m, down 27% Y.o.Y., reflecting the goodwill impairment charges for RAM (€65.1m) and contributions to the resolution funds totalling €59.7m (€53.5m).

Mediobanca Group (€m)	12 mths ended	12 mths ended	Chg.%
	30/6/19	30/6/20	
Net interest income	1,395.6	1,442.2	3.3%
Net treasury income	196.7	136.3	-30.7%
Net fee and commission income	611.2	630.2	3.1%
Equity-accounted companies	321.2	304.3	-5.3%
<b>Total income</b>	<b>2,524.7</b>	<b>2,513.0</b>	<b>-0.5%</b>
Labour costs	(581.7)	(599.3)	3.0%
Administrative expenses	(580.2)	(589.6)	1.6%
<b>Operating costs</b>	<b>(1,161.9)</b>	<b>(1,188.9)</b>	<b>2.3%</b>
Loan loss provisions	(222.6)	(374.9)	68.4%
Provisions for other financial assets	(2.1)	(20.5)	n.m.
Other income (losses)	(54.0)	(133.4)	n.m.
<b>Profit before tax</b>	<b>1,084.1</b>	<b>795.3</b>	<b>-26.6%</b>
Income tax for the period	(256.5)	(191.1)	-25.5%
Minority interest	(4.6)	(3.8)	-17.4%
<b>Net profit</b>	<b>823.0</b>	<b>600.4</b>	<b>-27.0%</b>



## Cash flow statement

	30/6/20	30/6/19
<b>A. CASH FLOWS FROM OPERATING ACTIVITY</b>		
<b>1. Operating activity</b>	<b>251,860.0</b>	<b>195,892.0</b>
- Interest received (+)	1,838,280.0	1,723,804.0
- Interest paid (-)	(680,668.0)	(678,589.0)
- Dividends and similar income (+)	78,166.0	94,091.0
- Net fees and commission income (+/-)	207,441.0	153,751.0
- Cash payments to employees (-)	(469,204.0)	(444,184.0)
- Net premium income (+)	53,910.0	57,263.0
- Other premiums (charges) from insurance activity (+/-)	(122,091.0)	(129,294.0)
- Other expenses paid (-)	(492,364.0)	(768,217.0)
- Other income received (+)	226,707.0	411,928.0
- Income taxes paid (-)	(388,317.0)	(224,661.0)
- Expenses income from groups of assets being sold net of tax effect (+/-)	0.0	0.0
<b>2. Cash generated/absorbed by financial assets</b>	<b>5,234,187.0</b>	<b>(197,097.0)</b>
- Financial assets held for trading	177,267.0	(813,289.0)
- Financial assets recognized at fair value	0.0	0.0
- Other assets mandatorily recognized at fair value	122,730.0	(3,657.0)
- Financial assets recognized at fair value through other comprehensive income	278,923.0	961,638.0
- Financial assets recognized at amortized cost	4,455,972.0	(1,307,743.0)
- Other assets	199,295.0	965,954.0
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>(2,544,716.0)</b>	<b>14,069.0</b>
- Financial liabilities recognized at amortized cost	(2,264,569.0)	(266,712.0)
- Financial liabilities held for trading	(72,813.0)	257,002.0
- Financial liabilities recognized at fair value	160,878.0	0.0
- Other liabilities	(368,212.0)	23,779.0
<b>Net cash flow (outflow) from operating activities</b>	<b>2,941,331.0</b>	<b>12,864.0</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITY</b>		
<b>1. Cash generated from:</b>	<b>101,363.0</b>	<b>193,072.0</b>
- Disposals of shareholdings	0.0	1,443.0
- Dividends received in respect of equity investments	101,357.0	182,442.0
- Disposals of tangible assets	6.0	192.0
- Disposals of intangible assets	0.0	27.0
- Disposals of subsidiaries or business units	0.0	8,968.0
<b>2. Cash absorbed by:</b>	<b>(48,774.0)</b>	<b>(25,747.0)</b>
- Purchases of shareholdings	0.0	0.0
- Purchases of tangible assets	(21,648.0)	(10,416.0)
- Purchases of intangible assets	(27,126.0)	(15,331.0)
- Purchases of subsidiaries or business units	0.0	0.0
<b>Net cash flow (outflow) from investment activity</b>	<b>52,589.0</b>	<b>167,325.0</b>
<b>C. CASH FLOWS GENERATED FROM FUNDING ACTIVITY</b>	<b>(512,331.0)</b>	<b>(679,828.0)</b>
- Issuance/acquisition of treasury shares	(105,528.0)	(266,186.0)
- Issuance/acquisition of equity instruments	0.0	(2,412.0)
- Distribution of dividends and other purposes	(406,803.0)	(411,230.0)
- Sale/acquisition of minority interest	0.0	0.0
<b>Net cash flow (outflow) from funding activities</b>	<b>(512,331.0)</b>	<b>(679,828.0)</b>
<b>NET CASH FLOW (OUTFLOW) DURING THE PERIOD</b>	<b>2,481,589.0</b>	<b>(499,639.0)</b>



## **Accounting policies and notes to the accounts**

For the notes to the accounts, reference is made to the Note to the Accounts of the consolidated financial statements as at 30 June 2020 and as at 30 June 2019 which are incorporated into the Registration Document by reference and published on the Bank's website at [www.mediobanca.com](http://www.mediobanca.com) in the relevant section (<https://www.mediobanca.com/en/media-relations/press-releases/bod-mediobanca-financial-statements-for-three-months-ended-30-9-20-approved.html>).

For the auditor' report for the financial years ended on 30 June 2019 and 30 June 2020, reference is made to section 11.1.6. "Consolidated financial statements" below.

### **11.1.2 CHANGES IN REFERENCE ACCOUNTING DATE**

The Issuer has not changed its reference accounting date during the period for which financial information for previous years is requested.

### **11.1.3 ACCOUNTING POLICIES**

The financial information has been compiled in accordance with the International Financial Reporting Standards as transposed into the EU regulatory framework under Regulation (EC) 1606/2002.

### **11.1.4 CHANGES TO ACCOUNTING STANDARDS**

The Mediobanca Group draws up the parent company's individual financial statements and the Group's consolidated financial statements in accordance with the international accounting standards in force.

The audited financial information contained in the annual financial statements for the year ended 30 June 2020 are compiled and presented in a form consistent with the accounting standards to be adopted for the Issuer's subsequent financial statements.

For the results for the three months ended 30 September 2020, the Mediobanca Group has issued only a press release along with the relevant balance sheet and profit and loss account.

### **11.1.5 FINANCIAL INFORMATION DRAWN UP IN ACCORDANCE WITH ITALIAN GAAP AND SUBJECT TO AUDIT**

The Issuer does not prepare financial information in accordance with Italian GAAP.

### **11.1.6 CONSOLIDATED FINANCIAL STATEMENTS**

The individual and consolidated financial statements as at and for the years ended 30 June 2020 and 30 June 2019 and the accompanying schedules, including the reports by the external auditors, and Mediobanca's interim accounts and reports, are made available to the public at the company's registered office and on its website at [www.mediobanca.com](http://www.mediobanca.com) in the relevant section (<https://www.mediobanca.com/en/investor-relations/results-presentations/results-and-presentations.html>). Parts of the consolidated financial statements as at 30 June 2020 and as at 30 June 2019 are considered to be incorporated into this Registration Document by reference as permitted by Annex 6 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019, supplementing the Prospectus Regulation.

A list of the information deemed to be incorporated by reference into this Registration Document is provided in the following table:





	Balance sheet	Profit and loss account	Cash flow statement	Notes to the accounts	External auditors' report	Comprehensive income statement	Statement of changes to consolidated net equity
Consolidated financial statements for year ended 30/6/20	pp. 100-01	p. 102	pp. 106-7	pp. 110-364	pp. 88-97	p. 103	p. 104-5
Consolidated financial statements for year ended 30/6/19	pp. 86-87	p. 88	pp. 92-93	pp. 96-345	pp. 76-83	p. 89	pp. 90-91

### 11.1.7 DATE OF FINANCIAL INFORMATION

The date of the balance sheet for the most recent financial year for which financial information has been audited is 30 June 2020.

## 11.2 INTERIM AND OTHER FINANCIAL INFORMATION

Interim financial information, along with all Mediobanca's annual statements (statutory and consolidated), along with the auditors' reports where these have been prepared, may be consulted on the Issuer's website at [www.mediobanca.com](http://www.mediobanca.com), in the relevant section (<https://www.mediobanca.com/en/investor-relations/results-presentations/results-and-presentations.html>). This website is updated quarterly with the relevant financial information as approved from time to time, without prejudice to the obligations under Article 23 of the Prospectus Regulation regarding the need to draw up a supplement if any. Regarding the quarterly results, the Mediobanca Group issues only a press release along with the relevant balance sheet and profit and loss account.

### 11.2.1 MEDIOBANCA GROUP INTERIM REVIEW OF OPERATIONS

#### Quarterly consolidated results for three months ended 30 September 2020

Subsequent to the balance-sheet date of 30 June 2020, on 27 October 2020 the Directors of Mediobanca approved the individual and consolidated financial statements for the three months ended 30 September 2020, which should be construed as having been incorporated by reference into this Registration Document.

The Mediobanca Group's financial statements for the three months ended 30 September 2020 have not been audited. Some of the information regarding the quarterly consolidated figures is provided below. For more details see the press release issued on 27 October 2020, which is available at the following link: <https://www.mediobanca.com/en/media-relations/press-releases/bod-mediobanca-financial-statements-for-three-months-ended-30-9-20-approved.html>, along with the financial statements themselves.

The first three months of the new financial year were characterized, in general terms, by the following developments: (i) gradual recovery by global economies, (ii) reduction in the BTP-Bund spread, and (iii) cost of refinancing being at an all-time low, with domestic financial institutions benefiting as well.

For the Issuer specifically, the first three months delivered: (i) **a net profit of €200.1m for the three months**, much higher than in the last two quarters (€84.6m and €48.2m respectively) but 26.1% lower than last year (€270.6m) due exclusively to the reduced contribution from Assicurazioni Generali of €45m (compared with €135.5m last year and €54.8m in 4Q FY 2019-



20), impacted by non-recurring charges; (ii) revenues of €626m (up 3% QoQ), with net interest and fee income combined totalling €546m, up 9% Q.o.Q. and up 6% Y.o.Y.

The main income items performed as follows:

- ◆ Net interest income remained at last year's levels, down 0.6% (from €359.1m to €357.1m) and near 4Q FY 2020-21 levels too (down 0.9%, from €360.5m);
- ◆ Fee income (€189.1m) reported the best performance in the last three years;
- ◆ Net treasury income totalled €35.8m, 3.2% higher than last year (€34.7m) although lower than in 4Q FY 2019-20 (€47.7m);
- ◆ The contribution from equity-accounted Assicurazioni Generali decreased, from €135.5m last year and €54.8m in 4Q FY 2019-20 to €45m, due to extraordinary charges taken following the settlement of a dispute relating to the sale of Swiss group company BSI.

Administrative costs rose slightly from last year (up 1.9%, from €282.6m to €288m) but were lower than in 4Q FY 2019-20 (down 3.4%). Much of the increase was attributable to CIB (up 5.9%, from €69.3m to €73.4m), reflecting higher accruals for the variable remuneration component in line with the performance in revenues; the other divisions (Wealth Management and Consumer Banking) chiefly reflect the increase in the commercial workforce, and also, in the case of Compass, higher credit recovery expenses due to managing moratoria. Administrative expenses incurred by the Holding Functions were lower than last year.

Loan loss provisions for the quarter returned to the levels seen last year at €71.8m (30/9/19: €65.1m), substantially lower than in 4Q FY 2019-20 (€165.4m) due to the reduced risk on the Consumer Banking loan book.

The cost of risk for the Group reduced to 61 bps due to the results of the moratoria process, and the risk indicators returned to their pre-Covid levels (in terms of loans written off and percentages recovered).

On the balance-sheet side, total assets increased from €78.9bn to €81.9bn, with customer loans stable and funding up 3.2%, as reflected in higher treasury assets; the main items performed as follows:

- ◆ Customer loans remained basically stable at €46.8bn;
- ◆ As at 30 September 2020, the moratoria still outstanding involved loans worth a total of €1.4bn (equal to 2.9% of the total loan book), and represent approx. 50% of the €2.7bn total concessions granted since the start of the pandemic involving more than 141,000 clients. The outstanding stock is mostly concentrated in mortgage lending (38.6%) and leasing (51.2%), as the majority of the Consumer Banking concessions returning to normal and thus reducing the total to €135.8m;
- ◆ Asset quality remains excellent;
- ◆ Funding grew from €54.9bn to €56.7bn;
- ◆ Banking book securities rose from €6.8bn to €7.4bn;



- ◆ Total Financial Assets (TFAs) in Wealth Management amounted to €64.2bn, €0.6bn higher than at end-June. Deposits grew from €23.8bn to €24.2bn, and AUA/AUM totalled €40bn, slightly higher than at the balance-sheet date (€39.8bn).

The capital ratios<sup>6</sup> as at 30 September 2020 remained stable. In view of the recent EBA Recommendation and the ongoing uncertainty, the decision has been taken to abandon the dividend target expressed in absolute terms (DPS) and return to payout guidance, which for the current financial year has been set at 70%, in view of the high capitalization level. Such guidance obviously remains subject to removal of the ECB's restrictions on dividend distributions (in force until 31 December 2020):

- ◆ The Common Equity Tier 1 ratio stood at 16.21% (phase-in);<sup>7</sup>
- ◆ The Common Equity Tier 1 ratio fully loaded without Danish Compromise, i.e. with the Assicurazioni Generali fully deducted (minus 143 bps) and with IFRS 9 FTA applied in full (minus 14 bps), the ratio remains at 14.64%, in line with the figure at 30 June 2020 (14.50%);
- ◆ The total capital ratio stood at 18.75% (17.51% fully loaded).

## 11.3 AUDIT OF FINANCIAL INFORMATION FOR PREVIOUS FINANCIAL YEARS

### 11.3.1 AUDIT AND PREPARATION OF FINANCIAL INFORMATION

The financial information for previous financial years included in the Registration Document has been audited.

The audit reports were drawn up in accordance with Directive 2014/56/EU and Regulation (EU) No. 537/2014.

### 11.3.2 OTHER INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT THAT HAS BEEN REVIEWED BY THE AUDITORS

With the exception of the consolidated financial statements, no information reported in the Registration Document has been subject to review by the external auditors.

### 11.3.3 OTHER INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT NOT TAKEN FROM THE ISSUER'S AUDITED FINANCIAL STATEMENTS

The financial information contained in this Registration Document has been taken from the Issuer's financial statements which have been audited externally, apart from the material taken from the press release for the Group's quarterly results, which has not been subject to full or partial audit.

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6 The capital ratios do not benefit from application of the additional phase-in measures ("prudential filters") introduced by the regulator to neutralize the Covid-related impact deriving from impairment under IFRS 9 and from changes to the valuation reserves for sovereign debt securities.

7 Internal calculation that differs from the one used in the COREP Common Reporting exercise due to the retained earnings generated in the period (not subject to authorization under Article 26 of the CRR) and based on a dividend payout of 70% subject to the ECB ban currently in place until 31 December 2020 being removed. Retained earnings impact on CET1 as to approx. 15 bps.



## 11.4 COURT AND ARBITRATION PROCEEDINGS

### 11.4.1 ADMINISTRATIVE, COURT OR ARBITRATION PROCEEDINGS FOR THE TWELVE MONTHS PRIOR TO THE REGISTRATION DOCUMENT THAT HAS HAD OR MAY HAVE SIGNIFICANT REPERCUSSIONS ON THE ISSUER'S AND/OR THE GROUP'S FINANCIAL OR EARNINGS SITUATION

As at the date hereof, none of Mediobanca and its consolidated subsidiaries is or has been involved, in proceedings brought by public authorities, legal, arbitration or administrative proceedings relating to claims or amounts of money which may have, or have had in the recent past, a material impact on the Group's financial position or profitability.

As at 30 June 2020, the heading "Other provisions" totalled €129.5m, and includes €12.7m in commitments to disburse funds and financial guarantees issued, €2.6m in company post-retirement benefit provisions (which regard Group company RAM, in line with Swiss regulations), and €113m for litigation and other contingent liabilities, including labour costs. The latter reflect withdrawals by Mediobanca (€27.1m, chiefly due to the recalculation of tax risk, after the dispute pending with Mediobanca International) was settled, and CheBanca! (€12m, to cover the most recent strategic projects, plus the exit of staff as a result of the Barclays acquisition); transfers to provisions for the twelve months totalled €12.1m, and chiefly involve the disputes outstanding and personnel management. The balance of €113m is split between Mediobanca (€71.4m, versus €96.2m last year), CheBanca! (€19.4m, versus €32.9m), SelmaBipiemme (€10m, basically unchanged), Compagnie Monégasque de Banque (€3.8m, versus €4.5m), and Compass (€3.2m, versus €2.3m).

A description of the main litigation and inspections pending is provided below, purely for information purposes:

#### **Civil proceedings pending – claims for damages**

Of the main items of litigation involving Mediobanca still pending, the following claims for damages should be noted, made by:

- ◆ **Fondazione Monte dei Paschi di Siena ("FMPS")**: against the former directors of FMPS and Mediobanca, jointly with fourteen other banks. The liability with which the banks are charged is non-contractual, and consists of participation in the alleged damages caused by execution of the Term Facility Agreement on 4 June 2011 and the consequent breach of FMPS's Articles of Association (20% limit on debt/equity ratio) in a total amount of €286m. Judgement is currently pending at the court of Florence, until the presiding judge pronounces on whether the means of proof requested by the parties are admissible;
- ◆ **Lucchini S.p.A. S.p.A. in extraordinary administration ("Lucchini")**: against twelve banks, including Mediobanca, for their alleged involvement in the financial disaster which affected the company on account of their having compiled and implemented a business and financial plan for Lucchini based on estimates alleged to have been unrealistic as well as a restructuring agreement pursuant to Article 182-bis of the Italian bankruptcy law which included unduly favourable guarantees in favour of the banks, leading to a delay in Lucchini entering the extraordinary administration procedure. In a ruling issued on 21 July 2020, the presiding judge rejected Lucchini's claim (as amended with the first memo pursuant to Article 183 of the Italian Code of Civil Procedure), finding that the right to damages in question had lapsed as it was now statute-barred; the claimant may still challenge the ruling before the Milan Court of Appeal.

#### **Administrative proceedings – tax disputes**



With reference to the disputes outstanding with the Italian revenue authorities, an inspection by the authorities started in 2018 with reference to the 2014-15 and 2015-16 financial years was completed, in the course of which three main charges had emerged:

- ◆ Alleged failure to apply, as required by the transparency regulations, the tax on controlled foreign companies (CFCs) required by the regulations in force to revenues generated by Compagnie Monégasque de Banque and Compagnie Monégasque de Gestion for years 2013, 2014 and 2015, as follows:
  - ◆ Notice of assessment regarding alleged failure by Mediobanca to pay tax in FY 2013-14 on 2013 earnings, in an amount of €21.3m (plus fines and interest), notified at end-2018;
  - ◆ Notice of assessment for FY 2014-15 (on 2014 earnings), for a disputed amount of €16.1m (plus fines and interest), notified at end-December 2019;
  - ◆ A formal notice of assessment was issued in October 2019 with regard to FY 2015-16 (on 2015 earnings), for which no notice of assessment has yet been issued;
- ◆ Alleged failure to apply withholding tax on interest payable as part of a secured financing transaction, as disputed by means of notice with reference to 2014 (involving tax of €2.3m, plus fines and interest), and included again with reference to 2015 in the formal notice of assessment received in October 2019;
- ◆ Dispute over the application of transfer pricing between Mediobanca S.p.A. and Mediobanca International S.A. (based in Luxembourg) in the financial years from 2012-13 to 2016-17. With regard to this case, in October 2019 an agreement was reached with the Italian revenue authority which resulted in a payment of €21m, plus interest but no fines ("penalty protection"). At the same time, a new transfer pricing methodology has been agreed with the revenue authority, to minimize the tax risks going forward. Mediobanca took the opportunity to voluntarily free up profit reserves for a total of €42m deriving from Mediobanca International's activities prior to 2002, i.e. when the transparency taxation mechanism for companies with registered offices in countries with privileged taxation regimes (i.e. blacklisted countries) was not in place. For its part, Mediobanca International SA has submitted an application to the Luxembourg tax authority to recover the higher taxes paid in relation to the taxable revenues attributed by the Italian revenue authority to Italy.

With reference to the first two charges, the company is convinced there has been no wrongdoing, and has challenged the rulings; in particular, the appeal presented by Mediobanca against the 2018 CFC charge was discussed by the Milan Province Tax Commission in November 2019, for which the ruling is now pending.

Other significant events during the twelve months under review include the following cases, all now successfully concluded:

- ◆ Process for writing off tax debts ("rottamazione delle liti") provided for by Article 6 of Italian Decree Law 119/18 for seven out of the eight tax disputes SelmaBipiemme (notified tax per €11.7m, (plus fines and interest totalling €35.2m), which may now to all intents and purposes be considered as closed;
- ◆ Dispute regarding the alleged failure by CheBanca! to pay registration tax on the acquisition deed for the transaction involving the former Barclays business unit, with both rulings from the Court of Appeal in favour, confirming the first-degree rulings issued;
- ◆ Tax relief on collection notice issued following an automatic check carried out on the 2015 Unico tax return for the former Banca Esperia.

### **Additional tax proceedings**

In view of the above, the disputes outstanding in which the Group is involved at the reporting date regard the following:



- ◆ Three disputes pending with the Court of Cassation, one of which regards leasing (involving notified tax of €191,000), one the former Banca Esperia to report a money transfer outside Italy as part of the tax monitoring communications, for which fines of €5.9m were handed down; ((already paid), and the third regarding Mediobanca SGR, which was charged in its capacity as fund manager of the “Marsupio” real estate fund for the alleged failure to pay withholding tax on three transactions, involving a higher amount of tax notified of €746,000 (payable by the fund);
- ◆ Three disputes regarding the alleged failure to refund the tax credit due to interest on VAT for various tax years by SelmaBipiemme; in particular the Milan Court of Appeal confirmed that interest of €470,000 had not been repaid (for 2008);
- ◆ A total of eight tax disputes therefore remain outstanding, involving claims in respect of direct and indirect taxes, for minor amounts and at different stages of the legal process, for a total notified amount of €1.2m.

The enquiries launched by the French and German tax authorities into the Mediobanca Paris and Frankfurt branches were completed in December 2019. In both cases the enquiries focused on analysis of the branch offices’ transfer pricing policies in force with the parent company, and resulted in the policies being amended and settlement agreements being signed without incurring any further charges in terms of taxes or fines (save for a very minor amount payable by way of interest), without prejudice in any case to the possibility of recovering the higher tax paid abroad in Italy.

### **Proceedings with the supervisory authorities**

Mediobanca has no proceedings outstanding vis-à-vis the supervisory authorities.

At Group level, Compass, after proceedings were launched by the Italian antitrust authorities in relation to allegations of engaging in improper commercial practices in the distribution of insurance products bundled with loans, has two rulings pending with the Lazio regional court to overthrow the penalties handed down under the proceedings in question.

## **11.5 SIGNIFICANT CHANGES IN THE ISSUER’S FINANCIAL POSITION**

### **11.5.1 DECLARATION BY THE ISSUER**

Since the most recent audited financial information (consolidated financial statements as at 30 June 2020), there have been no material changes in the financial situation of Mediobanca.



## 12 ADDITIONAL INFORMATION

### 12.1 SHARE CAPITAL

As at the date of the Registration Document, the Issuer's fully subscribed and paid up share capital amounted to €443,616,723.50, made up of 887,233,447 ordinary par value €0.50 shares.

Changes in the share capital are published from time to time on the Bank's website at [www.mediobanca.com](http://www.mediobanca.com) in the relevant section (<https://www.mediobanca.com/en/corporate-data-1.html>), without prejudice to the obligations under Article 23 of the Prospectus Regulation regarding the need to draw up a supplement if any.

### 12.2 DEED OF INCORPORATION AND ARTICLES OF ASSOCIATION

The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.

Mediobanca is registered in the Companies' Register instituted at the Milan chamber of commerce under Registration no. 00714490158.

Under Article 3 of the company's Articles of Association, the corporate purpose of Mediobanca is to raise funds and provide credit in any of the forms permitted, especially medium- and long-term credit to corporates. Within the limits laid down by current regulations, the Company may execute all banking, financial and intermediation-related transactions and/or services and carry out any transaction deemed to be instrumental to or otherwise connected with achievement of the Company's purpose.

As part of its supervisory and co-ordinating activities in its capacity as parent company of the Mediobanca Banking Group within the meaning of Article 61, paragraph 4, of Legislative Decree No. 385 dated 1 September 1993, Mediobanca issues directives to member companies of the Group to comply with instructions given by the Bank of Italy in the interests of maintaining the Group's stability.





## **13 MATERIAL AGREEMENTS**

### **13.1 DECLARATION BY THE ISSUER**

Neither Mediobanca nor any of the companies controlled by Mediobanca has entered into or participates in agreements outside of their normal course of business which could result an obligation or entitlement for Group members that would impact significantly on the Issuer's ability to meet its obligations versus holders of financial instruments issued or to be issued.



## 14 AVAILABLE DOCUMENTS

### 14.1 DECLARATION BY THE ISSUER

For as long as the Registration Document is valid, the following documents may be consulted if necessary:

- a) Deed of incorporation and Articles of Association of the Issuer;
- b) All the documents incorporated by reference into, or otherwise referred to in, the Registration Document.

All the documents referred to under points a) and b) are available for consultation on the Issuer's website at [www.mediobanca.com](http://www.mediobanca.com), with the exception of the deed of incorporation of 10 April 1946, drawn up by Notary public Arturo Lovato, file no. 3041/52378, which may be consulted on the Bank's website at [www.archivistoricomedioibanca.it](http://www.archivistoricomedioibanca.it). The website [www.mediobanca.com](http://www.mediobanca.com) is updated on an ongoing basis.