Executive Summary

FY19 - Business Achievements and Remuneration Highlights

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

Business results
- FY 2018/19: Best-ever results in last 10Y achieved in terms of revenues, GOP, ROTE and CET1
- 2016-19 business plan: strategic goals delivered

Pay for performance
Last FY performance approach confirmed

CEO and General Manager
Scorecard KPIs achieved, variable compensation awarded

Remuneration Policies aligned to the latest European and Italian sets of rules

- Group aligned Remuneration Policy to the latest European and Italian legislation/provisions. In particular with reference to:
  - Governance, metrics and remuneration processes reinforcement
  - Variable remuneration capped at 200% of fixed remuneration (except for Asset Management entities)
  - Severance: established at 24 months of remuneration capped at € 5mln gross
  - 5-year deferral period for 60% of variable remuneration for Executive Directors and Top Executives
- New Policy updated as per Bank of Italy new regulations with focus on deferrals schemes with wider equity components, stronger compliance alignment, “formula based” severance, CSR approach
### Remuneration: Principles and Governance

#### Principles
Attract and retain talent. Guarantee adequate pay mix.

#### Competitiveness

Attract and retain talent. Guarantee adequate pay mix.

#### Value Merit & Performance
Variable compensation strongly related to results.

#### No "Pay for Failure"
Significant equity component. Variable remuneration deferral (performance conditions, malus and claw back clauses).

#### Governance & Compliance
Structure of remuneration in line with Italian law and market practice. New specific regulations for AM staff and FAs.

### Guidelines

#### Risk-Adjusted
Gateways linked to Risk Appetite Framework, Bonus Pools calculated based on Economic Profit/ROAC.
Malus conditions applied.
Claw back in the event of damages on MB’s capital base, profitability, financial results and/or reputation

#### Short-term Remuneration
Targets set at the beginning of the FY (budget targets and quantitative KPIs).
Non-financial and qualitative criteria applied to foster l/t value creation.
Cap applied to mitigate risk appetite.
Mandatory deferral policy.

#### Long-term Approach
Performance targets to ensure a solid capital base, adequate liquidity ratios, profitable results and appropriate risk management.
Total variable compensation vesting over no less than 3Y, 5Y for Top Executives.

### Governance

Group governance of remuneration policies is in line with the most recent Italian and European regulations and involves several functions and corporate departments.

#### Shareholders in Annual General Meeting

#### Remuneration Committee

#### Corporate Departments

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

**Shareholders in Annual General Meeting**

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

**Remuneration Committee**

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

**Corporate Departments Involved**

- **GROUP HR**
  process owner, governs and controls units to verify the Group’s earnings and financial data
- **Audit**
  reviews data and monitors process adherence
- **Accounting**
  provides data for determining the business areas’ performances based on results
- **Compliance**
  evaluates compliance of policy with legal and regulatory frameworks
- **Risk Management**
  contributes to establishing metrics to calculate risk adjusted performance
REMUNERATION COMMITTEE

COMPOSITION
4 non-executive members of which 75% independent

<table>
<thead>
<tr>
<th>Member</th>
<th>Position</th>
<th>Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Carfagna</td>
<td>Chairman</td>
<td>X¹,²</td>
</tr>
<tr>
<td>V. Hortefeux</td>
<td>Member</td>
<td>X¹,²</td>
</tr>
<tr>
<td>A. Lupoi</td>
<td>Member</td>
<td>X¹,²</td>
</tr>
<tr>
<td>A. Pecci</td>
<td>Member</td>
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</tr>
</tbody>
</table>

FY19 MAIN TOPICS
- Definition of scorecards for CEO and GM, with financial and non-financial criteria evaluation
- Assessment of a long-term incentive scheme for senior Group figures as part of approval of new strategic plan
- Analysis of regulatory framework with main focus on employees working in asset management and as financial advisors in the Group
- Analysis of benchmarks and market practice
- Review of the current internal compensation processes and procedures
- Review of the new Remuneration Policy to be approved by the Board of Directors and by shareholders (AGM)

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

Meetings
- 2015-16: 7
- 2016-17: 8
- 2017-18: 8
- 2018-19: 8

Duration (h:m)
- 2015-16: 1:50
- 2016-17: 1:45
- 2017-18: 2:15
- 2018-19: 1:45

Attendance
- 2015-16: 91%
- 2016-17: 95%
- 2017-18: 100%
- 2018-19: 94%

¹) Independent as required in Code of conduct for listed companies.
²) Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.
The remuneration structure is aligned both to the latest European and Italian legislation/provisions\(^1\) and with global best practices. An adequate balance between fixed and variable remuneration is crucial to avoid risk and short-term behaviour.

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

<table>
<thead>
<tr>
<th>Employee category</th>
<th>Fixed Compensation</th>
<th>Variable compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base</td>
<td>Pension plan contribution</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>Cash</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Non Executive directors</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Chairman</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>All Executives (material risk takers)</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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

In accordance with the European Directive CRD IV, Mediobanca has set a cap on variable remuneration for all employees at 200% of fixed pay to:
- maintain adequate flexibility and minimize fixed costs
- align interests and encourage the achievement of sustainable results
- attract and retain talent in an aggressive market context
- reward performance and link individual performance to the results of the bank

Employee bonus pool determination and distribution is governed by “gateways”.

Individual allocation is based on documented quantitative and qualitative performance evaluation, with particular attention to aspects of compliance.

Guaranteed bonuses permitted only for the first year of particularly talented new hires.

The Group’s identified staff (or MRT - Material Risk Takers Executives) as at 30 June 2019 represents 2.24% of the total Group staff and are as follows: 108 resources qualified as identified staff, including Executives, Senior Management, Manager of business units and other resources with managerial responsibilities.

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### Variable remuneration settlement as at FY 19

<table>
<thead>
<tr>
<th>Employee categorgy</th>
<th>Instrument</th>
<th>STI Variable compensation settlement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>up front</td>
<td>1Y</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td>Executive Directors &amp; Top Executives (material risk takers)</td>
<td>Equity</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>-</td>
<td></td>
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<tr>
<td>Central Functions</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Executive directors** variable remuneration settlement:
- 2-year holding period for up-front equity components
- 5-year deferral period for 60% of remuneration

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

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

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

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

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1. Note 1) New remuneration structure effective from FY 20 (see also slide pag. 8 and Remuneration policy section 5. d)
Policy updated as per Bank Of Italy new regulations
In force starting from FY20

New strategic plan

Long-term incentive scheme to be introduced in connection with the new strategic plan, for top executives

Long-term approach

Revised deferral mechanisms for variable remuneration for identified staff, with an increase in the equity component assigned (at least 55% of the total variable component) for senior figures

Compliance and controls

Details of activities performed by control units to monitor types of transactions and financial investments that could affect risk alignment of remuneration mechanisms

Severance

Formula-based mechanism defined to calculate maximum amounts payable by way of severance

Competitiveness

Exceptions to 2:1 cap on variable vs. fixed remuneration for employees working in asset management

Strengthening internal processes

Specific policy adopted for identifying material risk takers

CSR

Aspects of policy most closely related to sustainability principles highlighted
**FY19: MB Group achieved best results of the last 10Y ...**

**Mediobanca**, despite the pronounced deterioration in the operating scenario which affected much of the financial year, delivered its best 12M results for the past decade, by revenues (€2.5bn, up 4%), GOP (€1.1bn, up 8%), and net profit (adj. €860, up 8%), with rising indicators in terms of profitability (ROTE 10.2%), capitalization (CET1 ratio 14.1%) and shareholder remuneration (payout ratio 50%).

1) Calculated excluding gains (losses) on disposals of equity investments, value adjustments, and one-off gains (losses), with a normalized tax rate of 33% (25% for Private Banking).
...COUPLED WITH BP19 STRATEGIC GOALS...

**GOP growth exceeding target...**

- Loans growth in line with target
- Density optimization (from 77% to 59%) larger than expected (64%)

**...due to healthy cost of risk trend**

- Capital creation larger than expected (+230bps)
- ROTE up to 10% above target

**Banking ROAC doubled, beating target**

- Shareholder remuneration higher than expected
  - pay-out up to 50% vs. 40%

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1) CET1 BP19T and ROTE BP19T were: i) before acquisitions; ii) assuming payout ratio flat at 40%; iii) including 3pp disposal AG stake; iv) assuming Dec18 Danish Compromise-end. On like for like basis – with AG stake@13% - CET1 BP19 target would have been ~13% and ROTE BP19 target ~9.5%. CET1 ratio as at June19 – actually at 14.1% with Danish Compromise still applied – would be ~15.3%, excluding 45bps invested in RAM and MMA and 65bps invested in buyback and higher dividends (payout ratio at 48% in 2018 and 43% in 2017)
...AND STRONG MARKET OUT-PERFORMANCE

Mediobanca last 3Y market performance vs ITA and EU banks (from BP 16/19 announcement to today)

![Graph showing Mediobanca's 3Y market performance compared to ITA and EU banks from Nov-16 to Jul-19.]

- MB total return = +54%
- FTSE Mib30 = +32%
- ITA banks = 0%
- EU banks = -16%

Mediobanca 1Y market performance vs ITA and EU banks

![Graph showing Mediobanca's 1Y market performance compared to ITA and EU banks from Jul-18 to Jul-19.]

- MB = +17%
- FTSE Mib30 = +1%
- ITA banks = -19%
- EU banks = -19%

- MB 3Y performance (up 34%) in line with FTSE Mib and higher than ITA and EU banks (0% and down 16% respectively)
- MB total return (including reinvestment of dividends) over BP16/19 period: up 54%
- MB last year performance (up 17%) well above FTSE Mib (+1%) as well as ITA and EU banks (both down 19%)

Source: Nasdaq IR Insight
Gateways, Key Parameters, Performance Conditions

Variable compensation is subject to gateway achievement

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

As a reference point to ensure the overall financial sustainability of the global bonus pool for the Group’s various business divisions, Economic Profit and/or ROAC are used.

Risk Appetite Framework is the basis of Mediobanca gateways.

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

CEO and GM short term incentive:
- accrues only if aligned with established gateways
- defined by a scorecard with financial and non financial criteria
- is distributed 50% in cash and 50% in equity (performance shares)

<table>
<thead>
<tr>
<th>GATEWAYS (preliminary and min. conditions for any variable remuneration calculation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARAMETER</td>
</tr>
<tr>
<td>Operating profit at Group level</td>
</tr>
<tr>
<td>CET1 ratio</td>
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<tr>
<td>Leverage Ratio</td>
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<tr>
<td>AFR/ECAP</td>
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<tr>
<td>Liquidity Coverage ratio</td>
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<tr>
<td>Net Stable Funding Ratio</td>
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<table>
<thead>
<tr>
<th>CEO</th>
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</thead>
<tbody>
<tr>
<td>PARAMETER</td>
</tr>
<tr>
<td>RWA density</td>
</tr>
<tr>
<td>Banking activities profit before taxes</td>
</tr>
<tr>
<td>Group ROTE</td>
</tr>
<tr>
<td>TFA growth</td>
</tr>
<tr>
<td>Management development initiatives (Succession Plan)</td>
</tr>
<tr>
<td>CSR development initiatives</td>
</tr>
<tr>
<td>Loans/Funding ratio</td>
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<tr>
<td>Banking activities profit before taxes</td>
</tr>
<tr>
<td>Banking activities cost/income ratio</td>
</tr>
<tr>
<td>Private Banking Net New Money</td>
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<tr>
<td>Data Quality project</td>
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<tr>
<td>Wealth Management governance/organization development</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>GM</th>
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<tbody>
<tr>
<td>PARAMETER</td>
</tr>
<tr>
<td>Business Plan 16-19</td>
</tr>
</tbody>
</table>

Note 1) Calculated as funding from retail investors (deposits and bonds to retail) on total funding (excluding ECB funding).
In the last 3 FYs stable CEO and GM compensation on excellent results MB Group growth by dimension and quality in FY20 scorecards

CEO compensation and scorecards

<table>
<thead>
<tr>
<th>Total compensation evolution (€ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14/15</td>
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<tr>
<td>15/16</td>
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<tr>
<td>16/17</td>
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<tr>
<td>17/18</td>
</tr>
<tr>
<td>18/19</td>
</tr>
</tbody>
</table>

- Base salary
- Variable

GM compensation and scorecards

<table>
<thead>
<tr>
<th>Total compensation evolution (€ m)</th>
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<tbody>
<tr>
<td>14/15</td>
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<td>15/16</td>
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<td>16/17</td>
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<tr>
<td>17/18</td>
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<tr>
<td>18/19</td>
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</tbody>
</table>

- Base salary
- Variable

CEO – FY20 STI Scorecards

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>WEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross ROAC adj. Banking activities</td>
<td>35%</td>
</tr>
<tr>
<td>RWA density</td>
<td>25%</td>
</tr>
<tr>
<td>Total fee revenues</td>
<td>20%</td>
</tr>
<tr>
<td>% of AUM/AUA/AUC on TFA</td>
<td>20%</td>
</tr>
<tr>
<td>CSR development initiatives</td>
<td>qualitative</td>
</tr>
<tr>
<td>WM, Consumer, CIB distribution platform enhancement</td>
<td>qualitative</td>
</tr>
</tbody>
</table>

General Manager – FY20 STI Scorecards

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>WEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross ROAC adj. Banking activities</td>
<td>35%</td>
</tr>
<tr>
<td>RWA density</td>
<td>20%</td>
</tr>
<tr>
<td>Banking activities cost/income ratio</td>
<td>20%</td>
</tr>
<tr>
<td>Wealth Management ROAC</td>
<td>25%</td>
</tr>
<tr>
<td>IT projects (Data Quality &amp; IT Growth to the business)</td>
<td>qualitative</td>
</tr>
<tr>
<td>WM sinergies (proprietary factories with distribution)</td>
<td>qualitative</td>
</tr>
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STOCK OWNERSHIP REQUIREMENT

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

NEW LONG-TERM INCENTIVE SCHEME TO BE LAUNCHED

New pay mix starting from FY 2020 to allow a long-term incentive scheme to be adopted in connection with the strategic plan (160% short-term Incentive – 40% long-term Incentive – on an annual basis)
FY19 bonus pool stable on results

- FY19 - all gateways met
- Capital and liquidity ratios enhanced
- Positive group gross operating profit
- Variable remuneration under control with bonus pool stable YoY in all Divisions both in absolute and relative terms
- Variable remuneration compliant with sustainable long term incentive policies

**MB Wholesale Banking (€m)**

- FY17: 48.7, Bonus pool 8.9%, Bonus pool/revenues 10.0%
- FY18: 47.6, Bonus pool 9.2%, Bonus pool/revenues 10.0%
- FY19: 48.2, Bonus pool 9.2%, Bonus pool/revenues 10.0%

**CheBanca! (€m)**

- FY17: 10.0, Bonus pool 3.6%, Bonus pool/revenues 3.6%
- FY18: 11.5, Bonus pool 3.9%, Bonus pool/revenues 3.6%
- FY19: 10.7, Bonus pool 3.6%, Bonus pool/revenues 3.6%

**Compass (€m)**

- FY17: 6.8, Bonus pool 0.7%
- FY18: 7.5, Bonus pool 0.8%
- FY19: 7.3, Bonus pool 0.7%

**MB Holding Functions & others (€m)**

- FY17: 18.4, Holding functions 2.3%, Other 16.1%
- FY18: 16.8, Holding functions 2.5%, Other 14.3%
- FY19: 16.2, Holding functions 2.4%, Other 13.8%
**Stable Group variable/fixed remuneration ratio 2019 vs. 2018: long term approach and sustainable remuneration mechanism applied in main BU**
- WB: avg. 98% vs. 101% (Group MRT WB: 116% vs. 135%)
- MB PB: avg. 38% vs. 44% (Group MRT MB PB: 128% vs. 174%)
- Consumer: avg. 9% vs. 10% (Group MRT Consumer 102% vs. 109%)
- WM - Affluent/Premier: avg. 13% vs. 15% (Group MRT CB! 56% vs. 48%)

**CEO and GM FY19**
- fixed/variable ratio 137% vs. 138% in 2018
- 60% of variable compensation deferred
- pay-mix: ≈45% to be paid in 5 years

**FY18/19 identified staff pay mix**

<table>
<thead>
<tr>
<th></th>
<th>To be paid in the next 5 years</th>
<th>To be paid in the next 4/5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/GM</td>
<td>34.8%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Control function</td>
<td>25%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Other Identified Staff</td>
<td>22.2%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

**Variable remuneration distribution by MB Group activity (%) on total bonus pool**
- Investment banking: 46%
- Retail & Consumer: 16%
- Private banking & AM: 19%
- Central and Control functions: 15%
- Other: 19%

**Variable remuneration/fixed salary by activity (%)**
- FY19 avg.: 31%
- FY18 avg.: 37%

1) EBA classification