MEDIOLANUM GROUP

HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2021

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Corporate officers of Banca Mediolanum S.p.A.

Board of Directors

Ennio Doris
Chairman

Massimo Antonio Doris
Chief Executive Officer

Annalisa Sara Doris
Director

Francesco Maria Frasca
Director

Laura Oliva
Director

Roberta Pierantoni
Director

Giovanna Luisa Maria Redaelli
Director

Giacinto Gaetano Sarubbi
Director

Anna Eugenia M. Omarini
Director

Mario Notari
Director

Giovanni Lo Storto
Director

Anna Gervasoni
Director

Giovanni Pirovano
Vice Chairman

Board of Statutory Auditors

Francesco Schiavone Panni	Chairman of the Board of Statutory Auditors
Antonella Lunardi	Standing Auditor
Gian Piero Sala	Standing Auditor

General Manager

Gianluca Bosisio

Financial Reporting Officer

Angelo Lietti

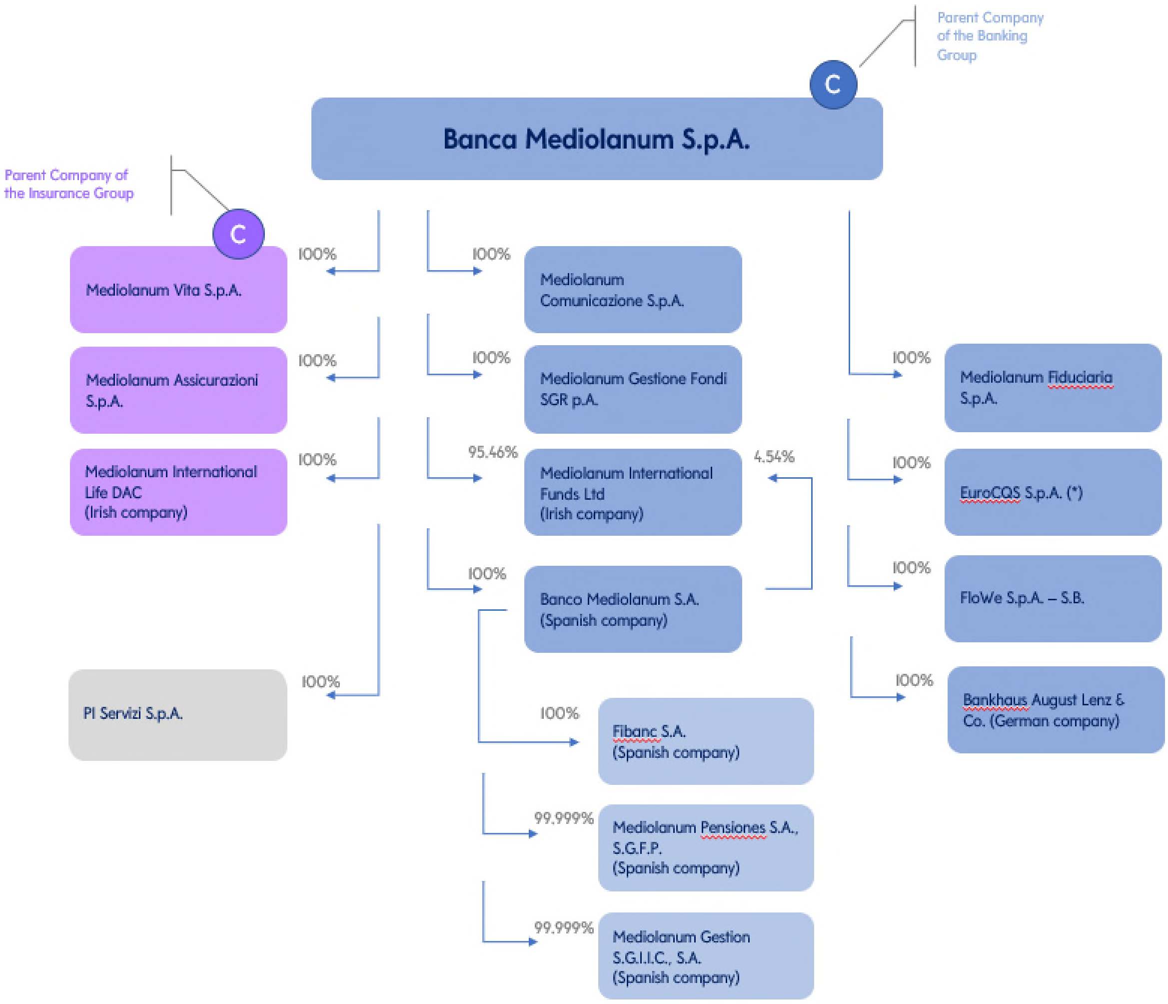
Board Secretary

Luca Maria Rovere

Independent Auditor

PricewaterhouseCoopers S.p.A.

Scope of consolidation at 30 June 2021



(*) The Extraordinary Shareholders' Meeting of EuroCQS on 16/06/2021 resolved to change the company name to Prexta S.p.A. with effect from 12/07/2021.

Consolidated highlights at 30 June 2021

Main results of the Mediolanum Group at the end of the first half of 2021

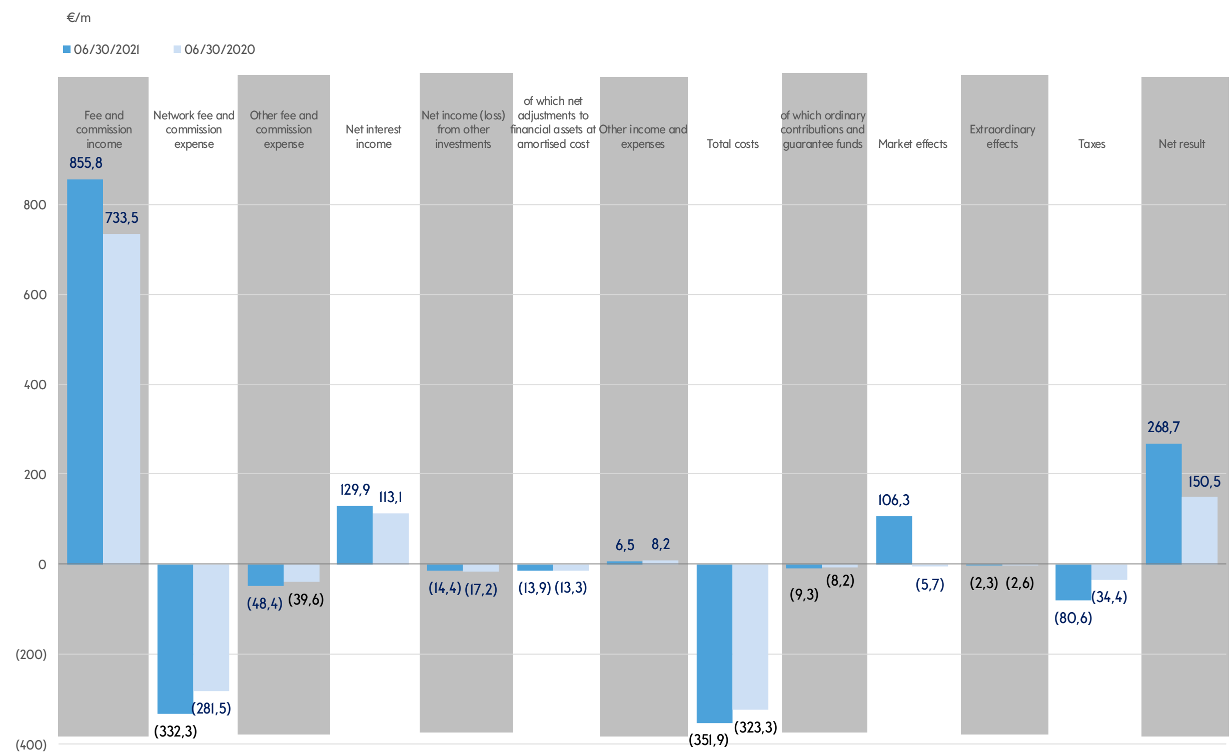
PROFIT PERFORMANCE

The Mediolanum Group closed the first half of 2021 with net profit of €268.7 million, compared with €150.5 million for the comparative period.
The operating margin increased by 27% in the period under review compared with 30 June 2020, due to the increase in the contribution margin (+€80.7 million). Net fee and commission income made a positive contribution (+€62.8 million; +15.2% compared with 30 June 2020), driven by excellent commercial results and favourable market conditions, as did higher net interest income (+€16.8 million on the comparative period).
General and administrative expenses for the period increased by 7%, while the contribution margin increased by 15.6%.

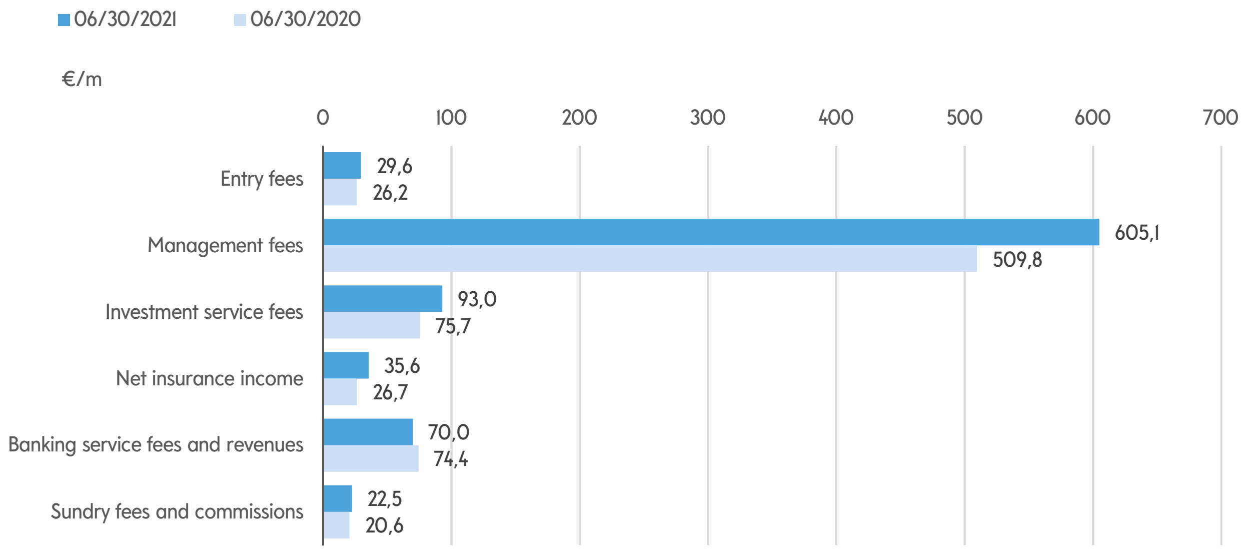
The period in question was also boosted by positive trends in stock market prices, which enabled a particularly positive result to be achieved for the portion of investments measured at fair value through profit and loss, including the write-up recognised on the SIA S.p.A. equity investment (+€72.2 million). For more information, please see the relevant section in the Report on Operations.
The positive performance of the markets in the period under review resulted in the accrual of performance fees of €198.9 million on funds under management in Ireland and Italy, which will be recognised if the same market performance levels are confirmed at the end of the year under review, all other conditions being equal (i.e., the assets under management).

CONSOLIDATED INCOME STATEMENT DATA

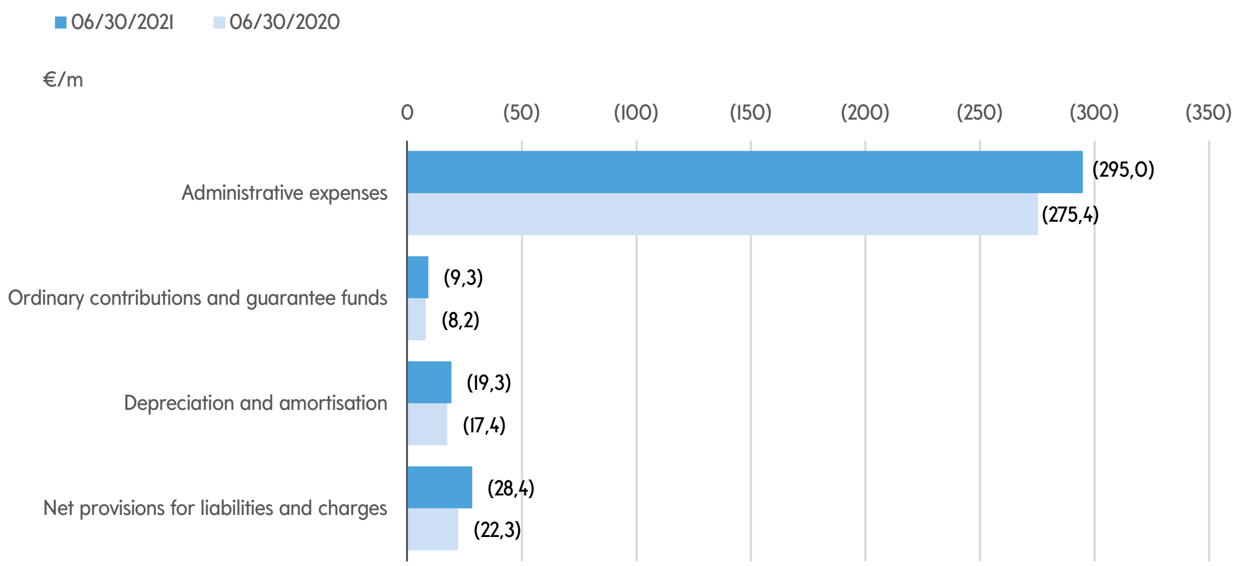
Main items in the consolidated income statement



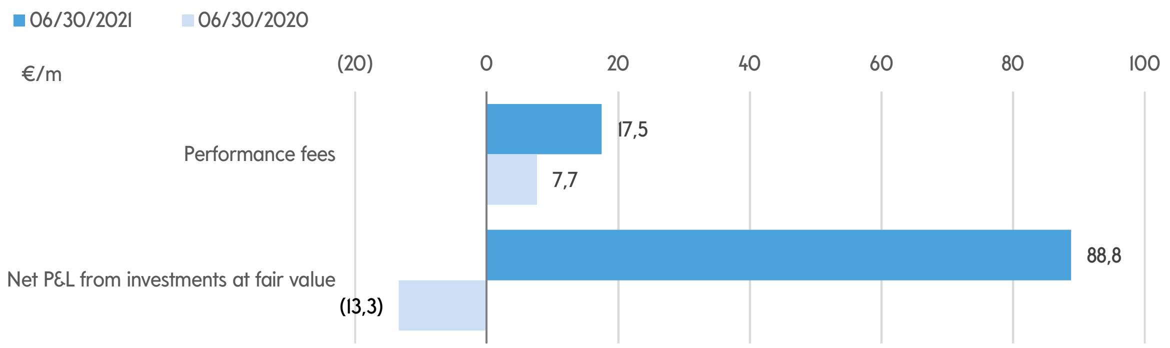
Fee and commission income: breakdown by nature



Costs: breakdown by nature

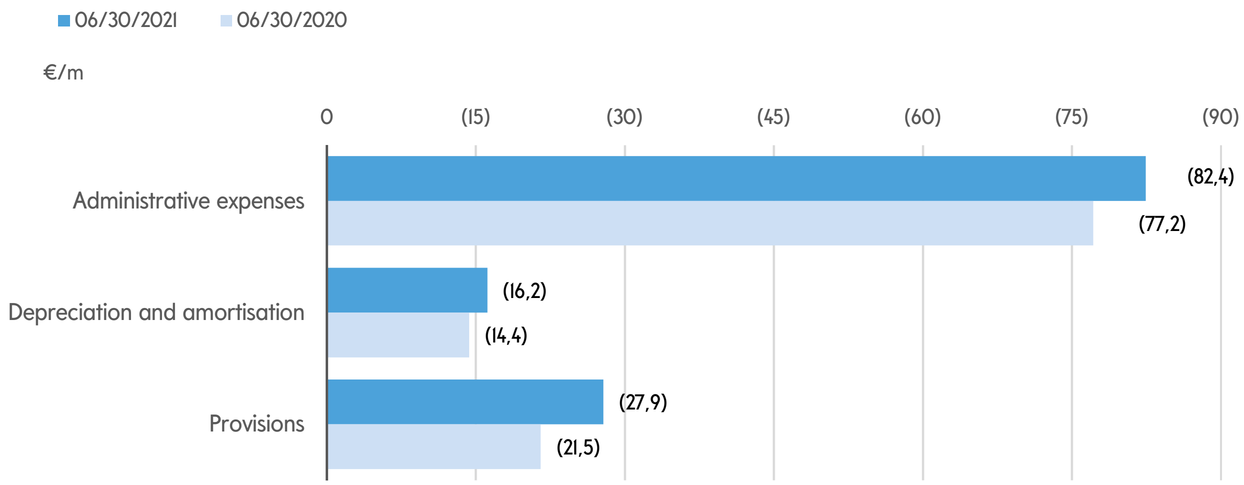


Market effects: breakdown by nature

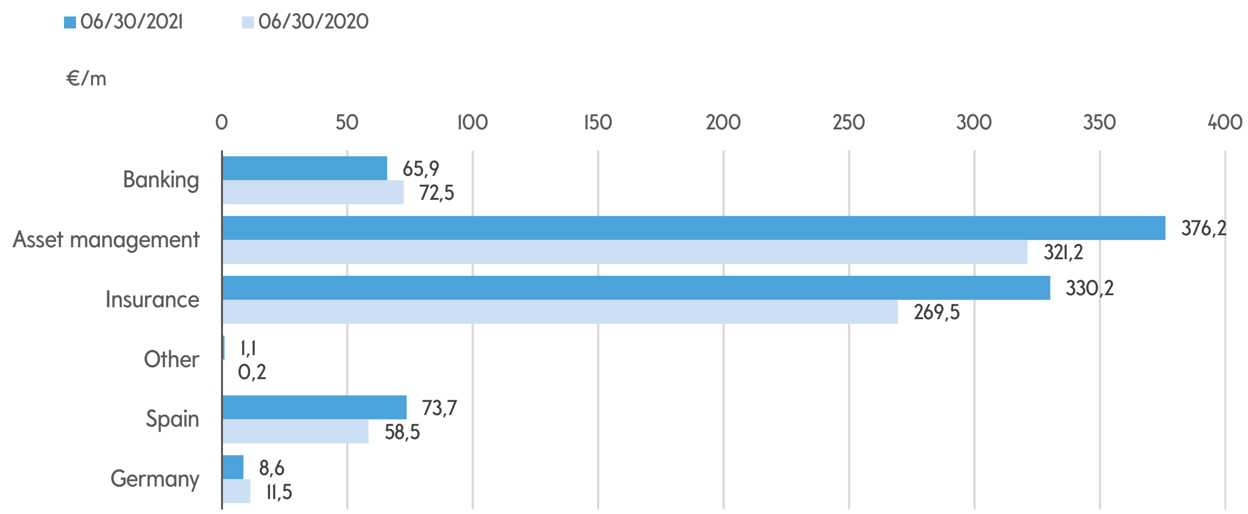


Extraordinary effects: breakdown by nature

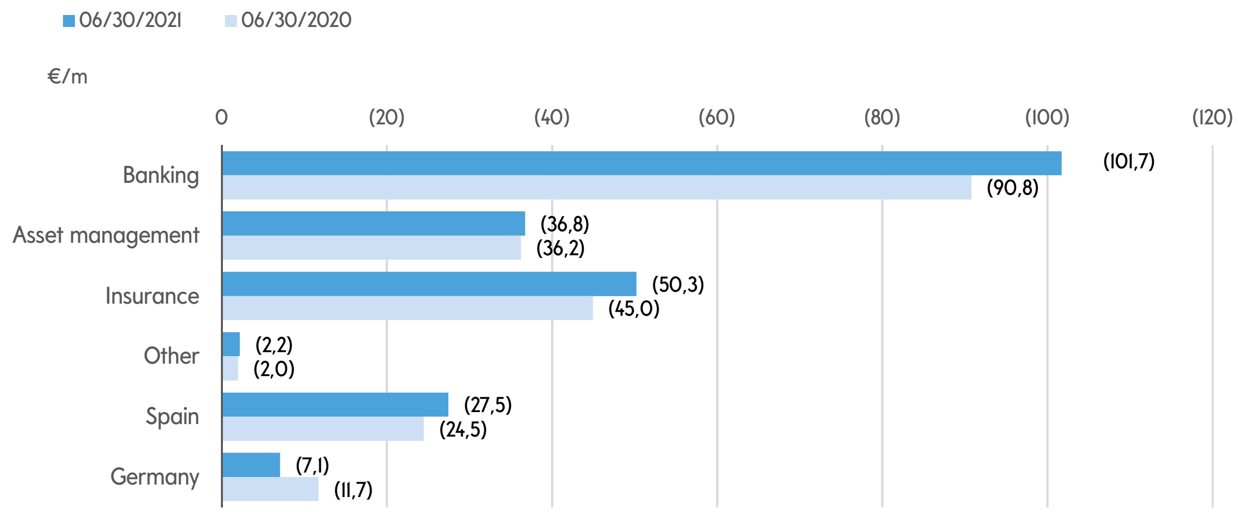
Unallocated costs: breakdown by nature



Fee and commission income: breakdown by operating segment

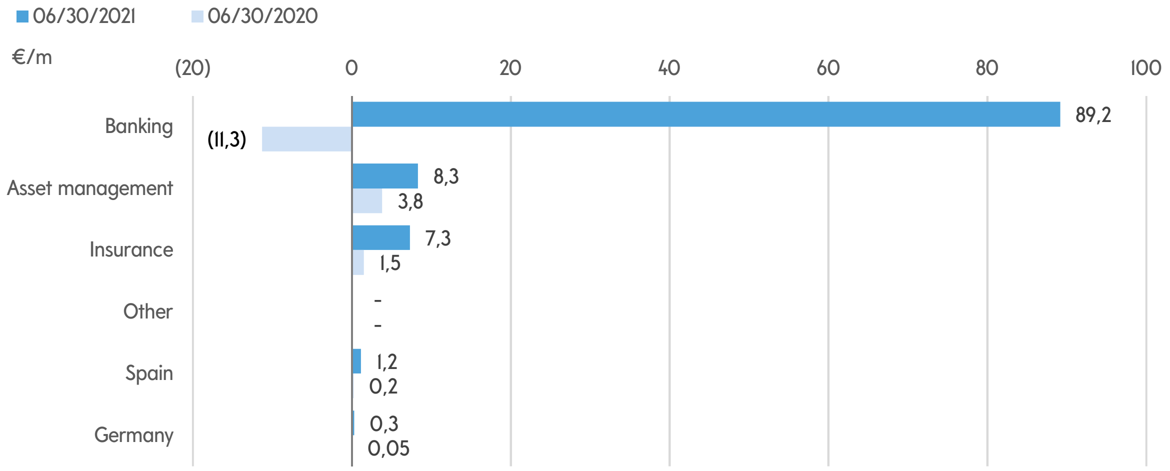


Allocated costs: breakdown by operating segment[1]

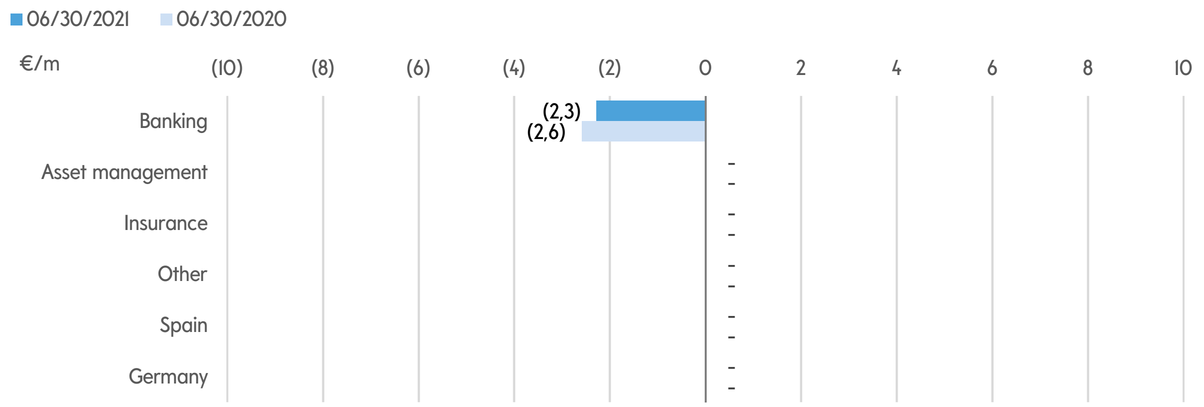


[1] For the Italian market (Banking – Asset Management – Insurance – Other segments) the costs allocated also include contributions to ordinary guarantee funds, while for the foreign market, they represent total costs for the segment (including depreciation, amortisation and provisions).

Market effects: breakdown by operating segment



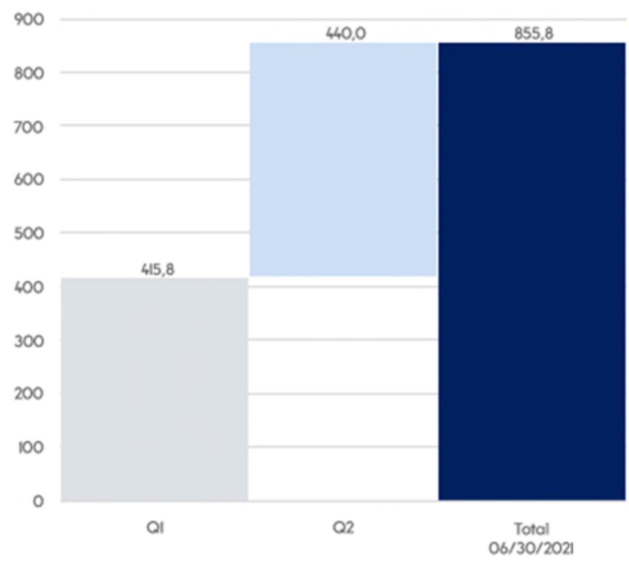
Extraordinary effects: breakdown by operating segment



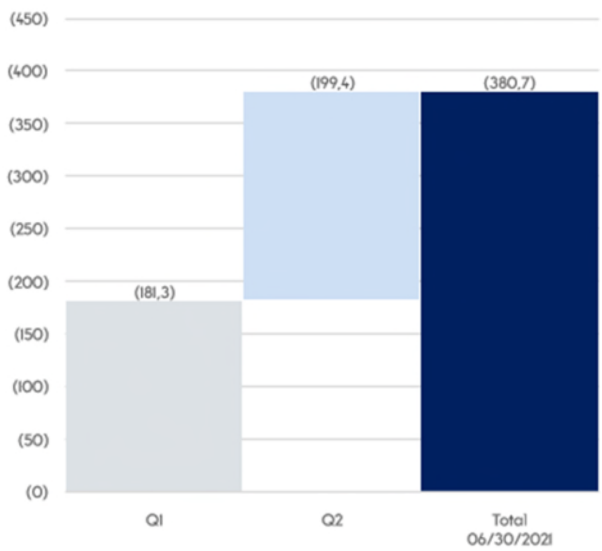
Quarterly changes in main consolidated operating data

(figures in Euro/millions)

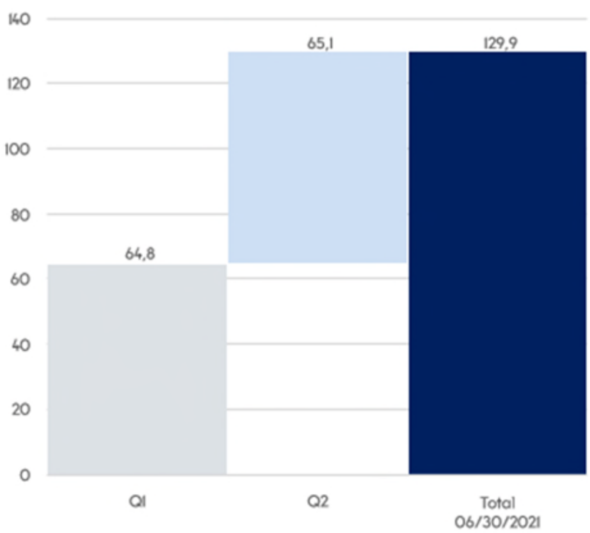
Fee and commission income



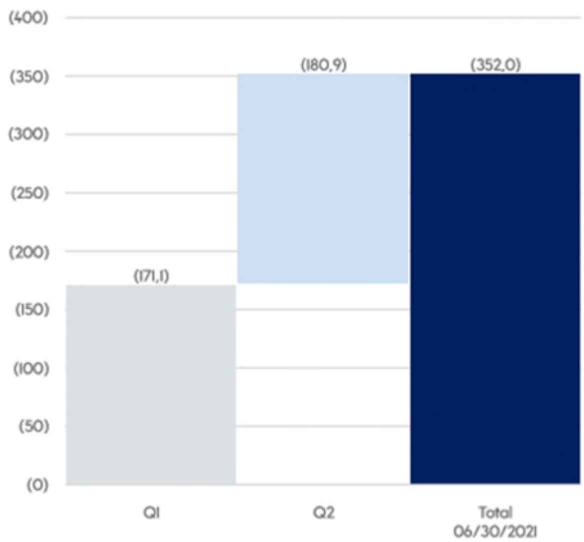
Fee and commission expense



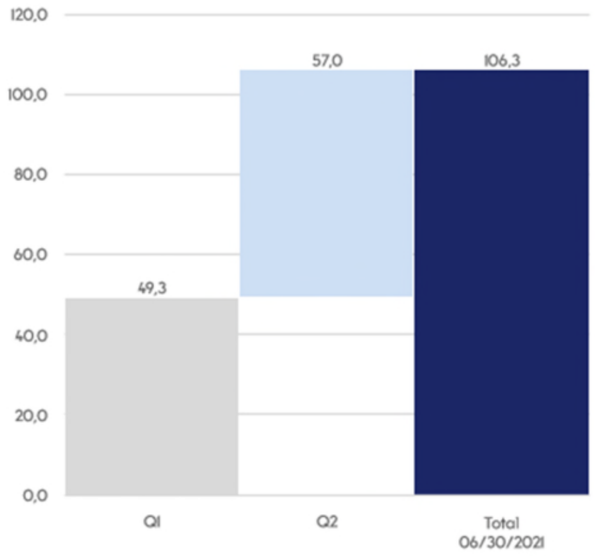
Net interest income



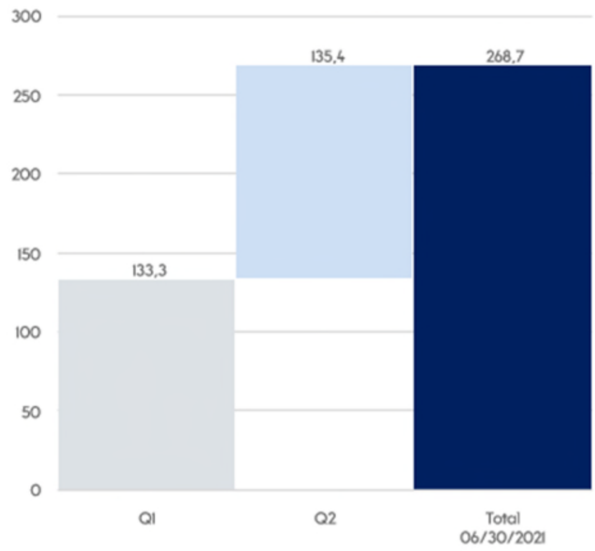
Total costs



Market effects

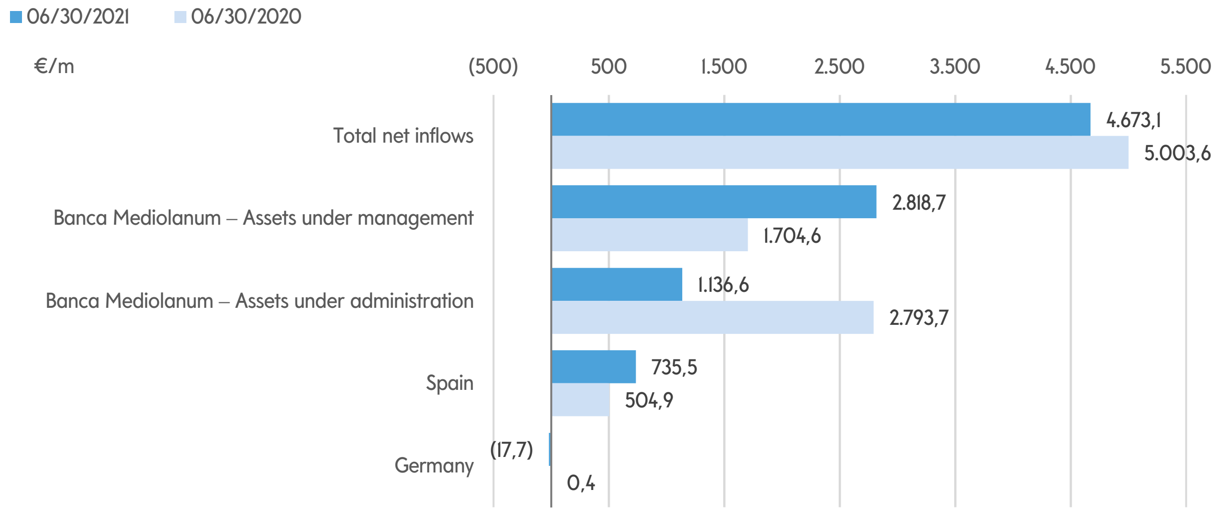


Net result

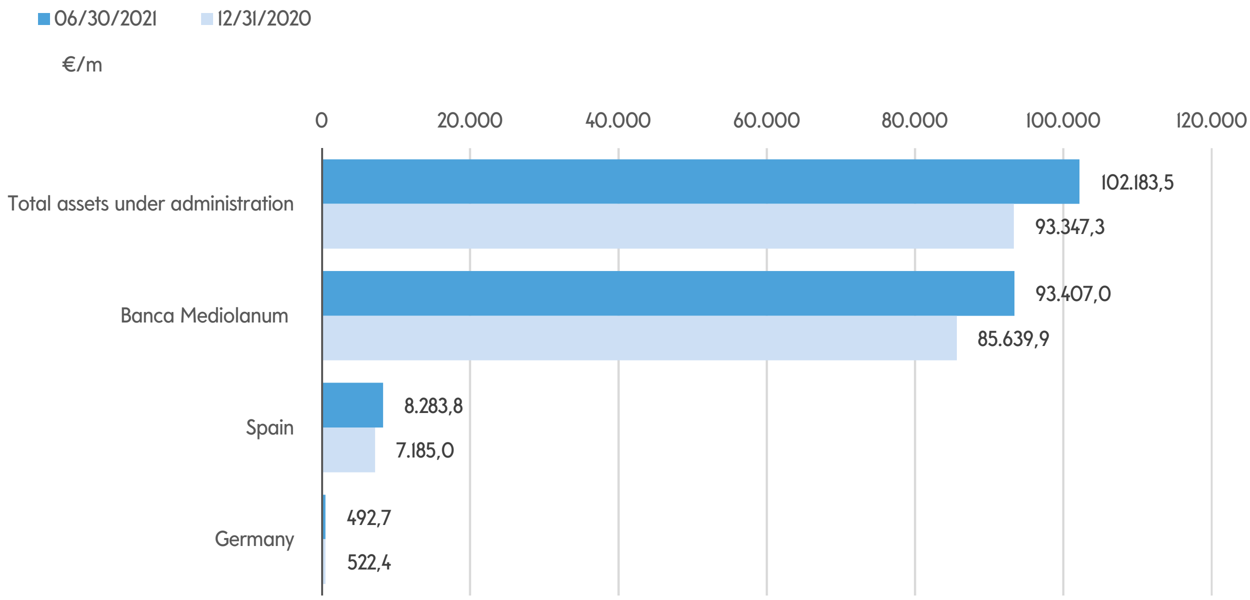


DATA ON INFLOWS AND ASSETS

Net inflows

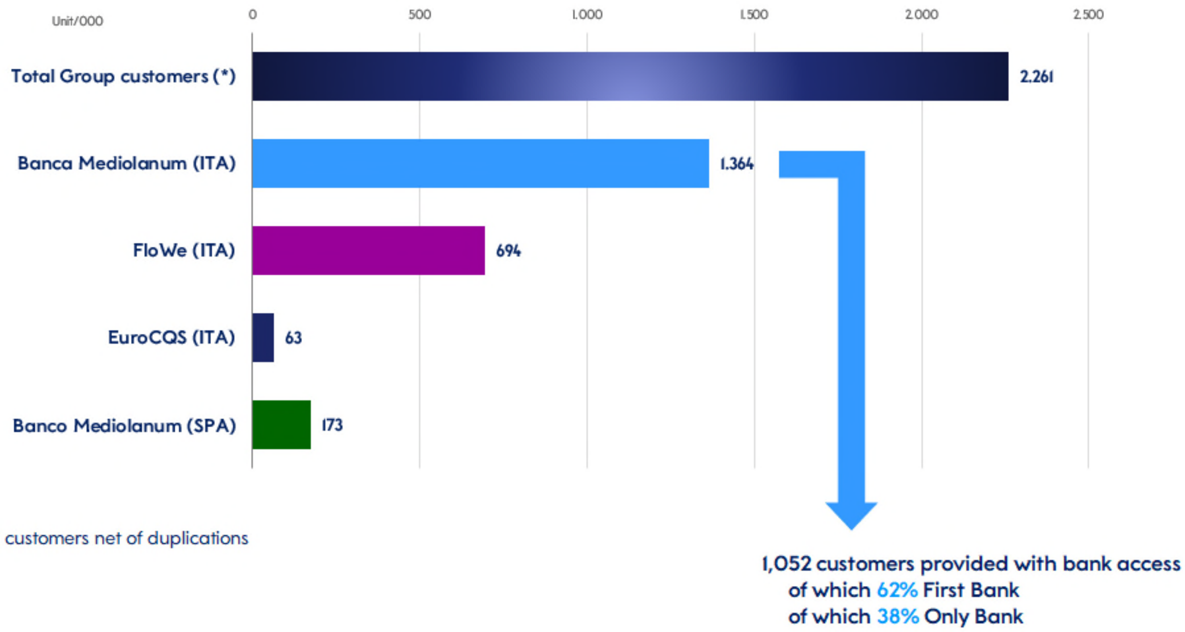


Assets under administration and management



CUSTOMERS

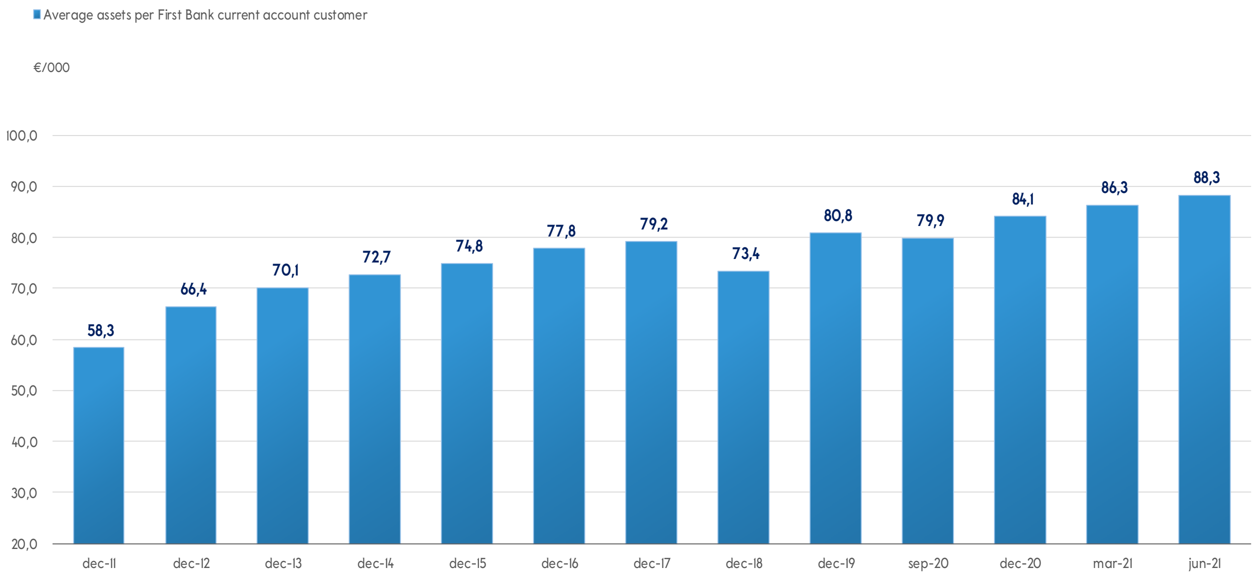
Trends in the customer base



(*) Total customers net of duplications

On 12 July 2021, EuroCQS S.p.A. changed its name to PreXta S.p.A.

Average assets per customer

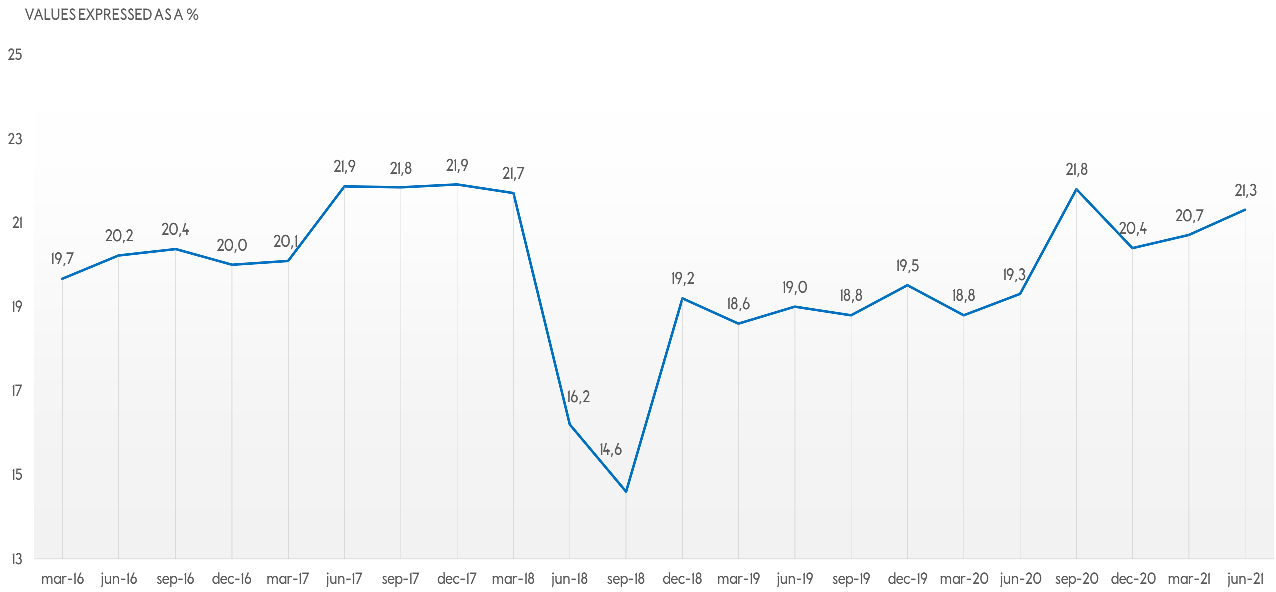


REGULATORY CAPITAL RATIOS

Consolidated capital ratios at 30 June 2021[2]

Common Equity Tier 1	Tier 1	Total Capital Ratio
21,3%	21,3%	21,3%

Evolution of the Common Equity Tier 1 Ratio[3]



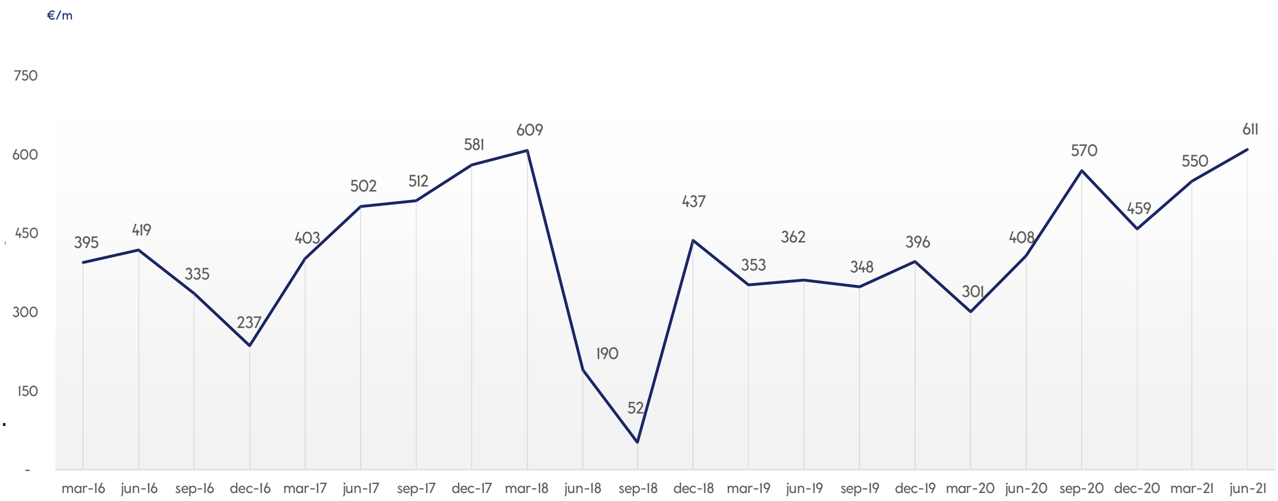
[2] The values set out in this report may be updated during the supervisory authority reporting phase.
[3] As of 1 October 2018, the change in the ratio takes account of the effects of the change of business model.

Capital adequacy of the Financial Conglomerate[4]

€/million	30/06/2021	31/12/2020
Financial conglomerate primarily engaged in banking		
Capital	2,698	2,330
Banking capital requirements	1,181	1,086
Insurance capital requirements	906	785
Capital surplus (deficit)	**611**	**459**

Evolution of the capital surplus of the Financial Conglomerate

Financial conglomerate primarily engaged in banking



Earnings per share (EPS)

Euro	30/06/2021	30/06/2020
Basic EPS	0.365	0.205
Diluted EPS	0.364	0.204

Consolidated risk indicators

	30/06/2021	31/12/2020
Loans to customers (€/t)	29,952,362	28,104,309
Loans to customers - Net impaired assets/Loans to customers (values in %)*	0.62%	0.56%

* Loans to customers do not include the debt securities item.

[4] The values set out in this report may be updated during the supervisory authority reporting phase. Capital adequacy at 30 June 2021 was calculated according to the capitalisation limits communicated by the Bank of Italy based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2021) of the Mediolanum Insurance Group sent to the supervisory authority.

Sales network

Unit	30/06/2021	31/12/2020	30/06/2020	Chge vs. June 2020
ITALY - BANCA MEDIOLANUM	4,200	4,099	4,134	66
SPAIN	1,404	1,318	1,142	262
GERMANY	-	-	40	(40)
Total	**5,604**	**5,417**	**5,316**	**288**

For the definitions used in this summary of results, please see the Glossary at the end of the document.

Group profile

The history of the Group: key milestones

1982

Ennio Doris founds Programma Italia S.p.A. in partnership with the Fininvest Group. It is the first network in Italy to offer global advice on savings.

1996

Mediolanum S.p.A., the holding company for all activities in the sector, is created and listed on the Milan Stock Exchange on 3 June 1996.

1997

Banca Mediolanum is created. This innovative multi-channel bank makes use of all the opportunities offered by technology and multimedia. Mediolanum International Funds, a Dublin-based management company, is established.

2000

Mediolanum offers its first online trading services. Banca Mediolanum arrives in Spain and acquires the Fibanc Banking Group. Mediolanum enters the share capital of Mediobanca and subsequently establishes Banca Esperia, a leading joint venture in the provision of private banking services.

2001

The Group's European expansion continues with the acquisition of Bankhaus August Lenz & Co. in Germany and Gamax Holding AG in Luxembourg.

2004

Mediolanum Channel, the Group's satellite channel, starts broadcasting. Club PrimaFila, dedicated to high-net-worth customers, is launched.

2006

The Family Banker® is created as an evolution of the Global Advisor. As a further qualification to that of Financial Advisor, which is regulated by law, the Family Banker® has become the distinguishing feature of the Bank's sales network and a point of reference for its customers.

2009

Mediolanum Corporate University becomes an operational entity of the Mediolanum Group, as a leading training centre combining technology and a high educational capacity.

2013

Mediolanum Assicurazioni S.p.A. – active in the non-life sector – is acquired and joins the Mediolanum Group. Banca Mediolanum is the first to offer a cash transfer service via smartphone (receiving the "ABI" award for innovation in banking services).

2014

Mediolanum S.p.A. becomes the Parent Company of the Banking Group. Support for customers affected by natural disasters in the region continues, and this commitment is recognised by an ABI award for innovation in banking services; approximately €160 million is paid out in the form of donations.

2015

As of 30 December 2015, Banca Mediolanum becomes the Parent Company of the Banking Group and of the Mediolanum Financial Conglomerate. The circle, which has always represented the central place occupied by the customer and the values of solidity, seriousness and safety, becomes the key feature of Banca Mediolanum's new logo.

2016

In 2016, increasing importance is attached to financial solidity and stability. Banca Mediolanum undergoes a Comprehensive Assessment by the European Central Bank: the results of the assessment confirm that Banca Mediolanum is absolutely solid. The streamlining of the Group's structure continues. There is no longer a need to continue the joint venture with Mediobanca in the private-banking sector. On 16 November 2016, an agreement is signed to sell the 50% stake in Banca Esperia.

2017

The focus on financial solidity and stability continues: CET1 reaches 21.9% at 31 December 2017.

2018

Ten years have passed since the Lehman Brothers crisis, when Mediolanum intervened to protect and defend its customers by taking responsibility for losses on Mediolanum policies linked to the securities of the US investment bank. The Investment Banking department was created in order to contribute to the development of Italian small and medium-sized enterprises and to support business clients on all extraordinary finance matters relating to enterprises.

2019

On 1 April, the merger of Mediolanum Asset Management with Mediolanum International Funds becomes effective. On 19 July, the new company, FloWe S.p.A. - SB, is incorporated. This company, which is wholly owned by Banca Mediolanum, will be active in payment services.

2020

On 28 January, the Board of Directors of Banca Mediolanum decides that the elements for exercising significant influence over the equity investment in Mediobanca no longer exist and therefore agree to treat it as financial investment (IFRS 9), excluding it from the scope of consolidation. The commercial launch of new company Flowe- SB takes place in June. The Luxembourg company Gamax AG is merged with the Irish subsidiary Mediolanum International Funds.

2021

EuroCQS S.p.A., active in salary-backed loans, changes its name to PreXta S.p.A., partly to take account of the extension of the range of products offered to customers (personal loans).

Vision, Mission, …

Vision

We believe
in a better world,
built every day for people
and for the planet.
We believe in human connection and a
deep, freedom-oriented relationship.
We believe that our
aware, positive view of the world and of life
makes a real difference.

Mission

Building relationships of in-depth
knowledge with people
that last over time,
based on loyalty, commitment and
transparency.
Providing personalised, unique advice with
effective, life-long solutions.
Acting in an innovative and sustainable way
for the well-being of people,
families and
the community.

… our values

There is no greater value than FREEDOM

This is the value with which Mediolanum has changed the very idea of banking. The freedom of a genuine relationship with people.

It is about feeling really free to achieve their goals and realise their dreams.

People at the centre

Human relationship is the foundation of every person working at Mediolanum.

Building a RELATIONSHIP helps us to understand people's plans, supporting them as they manage their savings and achieve well-being.

Becoming a personal reference over time means growing together.

ACCOUNTABILITY

We are people for people

We are fully aware
of our social role.
We know how to act ethically
and transparently, even when our
decisions go against the tide.

We are committed to solidarity and to
education and development projects,
implementing tangible measures with a
strong social impact.

We believe in constant Improvement

We anticipate and meet the needs
of people, supported by
our history and our roots.

We develop innovative solutions
to encourage sustainable behaviours
in the interest of the community.

SUSTAINABLE INNOVATION is our
commitment.

POSITIVITY is making possible what seems impossible

Underpinning this philosophy of life and business is the knowledge we have acquired, our track record and the certainty of our actions.

It is always remaining true to this value and conveying this spirit to people.

It is being able to seize opportunities where no one else sees them.

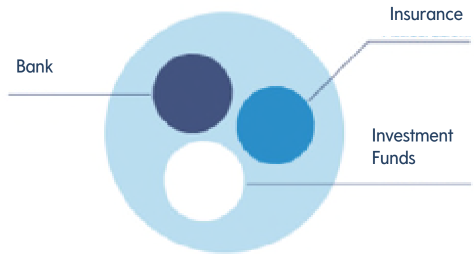
The Mediolanum Group's commercial business model

Banca Mediolanum's commercial business model is designed to meet the external and internal requirements of each customer. Thanks to its numerous communication channels, customers can choose how to "use" "their" bank, deciding on the timing and arrangements of their preferred relationship on an ad hoc basis. Banca Mediolanum offers simple, easy to access products and services that meet the needs of individuals and households, who are its main targets.

Through the Family Bankers®, listed in the Single Register of Financial Advisors, Banca Mediolanum helps its customers to manage their savings and provides investment advice in combination with the products and services offered by the bank. Banca Mediolanum does not simply sell products: it offers solutions. This principle enables us to operate in the various business areas of financial services with the expertise and flexibility necessary to respond better to constant economic, taxation, financial and regulatory changes. The investment strategy is the result of careful study of the world markets and the high level of expertise that Mediolanum has developed in asset management, limiting investment concentration risk.

THE BANK BUILT AROUND THE CUSTOMER

Integrated business model – Banca Mediolanum



Interim Report on Operations of the Mediolanum Group

mediolanum

THE MACROECONOMIC SCENARIO

The first half of 2021 was influenced by the monetary and fiscal policies put in place to support the economy, tested by a year of restrictions on economic and social activities prompted by the Covid-19 pandemic. The start of the vaccination process has resulted in a steady improvement in the outlook, while at the same time generating fear that the overall accommodative conditions implemented might be removed to prevent the economy from overheating: the most recent meetings of the main central institutions have attempted to allay these concerns, which have emerged due to the sudden increase in rates, especially on the long part of the US curve, by guaranteeing accommodative conditions and fixed rates at least until there are clear and lasting signs that the pandemic crisis is over.

In the US, while the FED adopted a wait-and-see approach and remained accommodative at its June meeting, leaving interest rates unchanged and maintaining the pace of asset purchasing, it nevertheless warned that if signs were to emerge that inflation was moving significantly above target level it would be ready to adjust its monetary policy stance. The Central Bank's renewed concerns about higher or more resilient inflation than expected have resulted in higher dots, suggesting that a tightening of rates may be closer than in the recent past. As for the possibility of tapering, Chairman Powell added that more information would be provided at future meetings if data confirms the economic progress made since December. As for fiscal policies, another $6 billion support plan presented to Congress by US President Biden highlights the US Administration's new priorities: infrastructure, social programmes, education, health care, renewable energy and programmes to make the US economy more competitive and rebalance social rifts. Overall, taking into account other previously enacted fiscal stimulus plans, the 2022 US budget amounts to $6,000 billion in outlays and $4,170 billion in receipts, with a prolonged impact on the federal budget. But negotiations aimed at seeking a bipartisan compromise in Congress to find the resources needed to fund the President's mega infrastructure plan are struggling, with Republicans determined to defend former President Trump's tax cuts.

Politically, the meeting between the US President and his Russian counterpart Vladimir Putin in Geneva was the first sign of a rapprochement between the world's two largest powers and of an improvement of their diplomatic relationship: the first results of the meeting include the return of the ambassadors to their respective offices and the resumption of negotiations on nuclear disarmament and cyber security, although friction remains on more sensitive issues, such as the management of Ukraine and the repression of the opposition in Russia. The informal meeting has effectively marked the end of the vicious circle created in recent years between Moscow and the West, characterised by a long chain of aggression, hostility, accusations and violations of international agreements.

On the European side, also, the Governing Council of the Central Bank unanimously decided at its June meeting to keep the rate of net anti-Covid-19 plan purchases unchanged in the next quarter, guaranteeing that monetary policy would remain strongly accommodative, as expected by the market, despite an improved and much more optimistic economic outlook. The risks to Europe's growth outlook are once again balanced, according to President Lagarde, although uncertainties remain, making any discussion of potential PEPP exit strategies premature and unnecessary. The decision to leave the rate of the purchase plan unchanged at €80 billion per month is based on weak inflation data, which show a weak and temporary increase that will decrease further early next year, as a result of the fact that transitional factors will no longer exist and of the worldwide fall in energy prices.

With regard to Italy, the official approval by Brussels of the Italian National Recovery and Resilience Plan (NRRP), together with the many waivers of Next Generation EU loans by many other countries, will enable Italy to absorb the vast majority of the Recovery Fund and sets the stage for an advance payment, expected to take place by the end of July, of €25 billion, i.e. 13% of the total due. The challenge faced by the Italian Government is complex:

it has to embark on a path of spending implementation that must be strictly adhered to, in order to avoid the risk of losing the final loans and thus seeing its deficit and debt increase while other shares of Community aid disappear. The European Commission's green light to Italy has been described by Prime Minister Draghi as the "dawn of the recovery of the Italian economy": the NRRP will invest in the green and digital transition and envisages the implementation of crucial reforms to reduce bureaucracy in public administration and make the legal system more efficient, as well as a competition law that should facilitate contracts for the public sector and a reform of the financial sector, and the ambitious goal of creating more than 240,000 jobs by 2026.
On the subject of fiscal policies to support the economy, a second round of grants worth €15.4 billion approved by the Council of Ministers under the "*sostegni-bis*" decree and funded by a variance of €40 billion authorised by Parliament will contribute to the economic support for Italian companies and their recovery. Mario Draghi has described the plan as the latest extra deficit: the acceleration of the vaccination campaign and the consequent reopening of activities, says the prime minister, will lead to upward revisions to GDP as early as this quarter. However, a rebound in GDP alone is not considered sufficient to kick-start the country, as sustained growth based on aid for businesses is needed to start a virtuous, debt-defeating trajectory. Commenting on the ECB's monetary policy choices, Draghi stated that he agreed with the moves by Frankfurt to maintain an expansionary policy despite the rise in inflation, which was also regarded as temporary by the Italian prime minister.
According to the economic memorandum drawn up by the Confindustria Research Centre (*Centro Studi di Confindustria* or CSC), Italy has indeed embarked on a path of recovery following the crisis, characterised by a strong rebound in GDP expected in the third and fourth quarters (following the limited increase recorded in the second quarter of the year), a path that will be strengthened by the impact of Next Generation EU-funded investment. The recovery has been supported by the manufacturing sector, driven by demand at above-forecast levels, while the services sector, which was hit particularly hard by the pandemic crisis, has shown early signs of recovery following the easing of anti-Covid-19 measures in May. The expansion of the vaccination campaign and the progressive lifting of restrictions on economic activity and personal movements have also prompted the European Union to revise its estimates of GDP growth upwards, to +4.3% for Europe and +4.2% for Italy in 2021.
In Japan, the Bank of Japan (BoJ) has forecast that the core Japanese consumer price index will remain far from Governor Kuroda's target inflation level of 2% by 2024. One factor in the failure to meet the target also in Kuroda's second term was the fall in Japan's GDP in 2020 (by 4.8%), which led to a 0.4% fall in prices, and the new wave of infections which resulted in the return of restrictions on economic activity. As a result, the BoJ reduced its inflation forecast to 0.1% for 2021 (compared with a previous estimate of 0.5%), setting the achievement of this target at beyond 2024, raising doubts as to whether a 2% target is actually correct. However, Kuroda defended the BoJ's decision, saying that all efforts introduced to reach this level had generated positive effects and had kept inflation at least above 0%. The Central Bank has also kept rates unchanged (-0.1% decrease in short-term rates); the inflation picture, a vaccine campaign that is struggling to get off the ground, and the Olympics now on its doorstep suggest that the BoJ will keep its accommodative policies longer than the FED and the ECB.
Lastly, according to economic forecasts from the International Monetary Fund (IMF), China and the US will play a key role in the recovery of global GDP growth in 2021, with the key risks being a further slowing of national vaccination campaigns and the possibility that an overly rapid economic recovery in the US could cause rates to rise more steeply, impacting the emerging economies first and foremost. Specifically with regard to Italy, the IMF has raised its growth forecasts for 2021 (from 3% in January to 4.25% now), thanks to a response to the health crisis that is generally regarded as effective in mitigating its impact; but the timing of the recovery is considered uncertain due to the debt burden, which could force several companies to downsize or close. The Fund has therefore again stressed the need for reforms to increase growth potential in order to boost the efficiency of public spending and the fiscal system.

THE FINANCIAL MARKETS

	Change (bps)		Yield		
Bond markets	Q2	YTD	30/06/2021	31/03/2021	31/12/2020
GOVERNMENT YIELDS					
United States					
2 years	8.83	12.75	0.25%	0.16%	0.12%
5 years	(4.99)	52.23	0.89%	0.94%	0.37%
10 years	(27.24)	54.49	1.47%	1.74%	0.92%
30 years	(32.49)	43.01	2.09%	2.41%	1.66%
Germany					
2 years	2.90	3.70	(0.66%)	(0.69%)	(0.70%)
5 years	4.00	14.90	(0.59%)	(0.63%)	(0.74%)
10 years	8.50	36.20	(0.21%)	(0.29%)	(0.57%)
30 years	3.20	44.80	0.29%	0.26%	(0.16%)
Italy					
2 years	1.40	4.10	(0.37%)	(0.38%)	(0.41%)
5 years	8.30	9.80	0.09%	0.01%	(0.01%)
10 years	15.10	27.60	0.82%	0.67%	0.54%
30 years	18.60	42.00	1.84%	1.65%	1.42%

Since late 2020 and in the past half-year, the main government bonds have generally seen yields rise across the entire curve, supported by the ongoing macroeconomic recovery.
In the US, the 5-year Treasury yield rose from 0.37% at the start of the year to 0.89% at the end of the half-year, as a result of improved growth and inflation momentum, as well as a gradual hike in interest rates, albeit potential, by the Fed from 2023. The rise in yields affected the entire curve to a similar extent among the various maturities.
Although the long part of the curve experienced changes of approximately 90 bps during the first quarter, part of this change was then reabsorbed in the second quarter, following assurances by the Fed that it would maintain its accommodative monetary policy and that inflation growth would be lower than estimated.
The yield on German government bonds followed those of the US, albeit to a lesser extent, rising by around 20/30bps on the 5-10-year curve. The momentum was similar for Italian government bonds, with yields increasing by around 10-40bps depending on the section of the curve.
Government purchases therefore performed negatively, with a physiological rise in yields as anti-Covid-19 measures eased and the post-pandemic recovery picked up. The increase was limited, however, with the central banks still implementing accommodative and expansionary monetary policies.

	Change (bps)		Yield		
Bond markets	**Q2**	**YTD**	**30/06/2021**	**31/03/2021**	**31/12/2020**
SPREADS					
Italy - Germany					
2 years	(1.52)	0.43	0.29%	0.31%	0.29%
10 years	6.60	(8.58)	1.03%	0.96%	1.11%
Spain - Germany					
2 years	(4.53)	7.86	0.16%	0.20%	0.08%
10 years	(0.92)	0.40	0.62%	0.63%	0.62%

	Change (bps)		Yield		
Bond markets	**Q2**	**YTD**	**30/06/2021**	**31/03/2021**	**31/12/2020**
HY and EM					
High yield bonds					
BBG Barclays US Corporate High Yield Yield To Worst	(48.0)	(43.0)	3.75%	4.23%	4.18%
Emerging bonds					
J.P. Morgan EMBI Global Sovereign Yields	(35.30)	32.10	4.66%	5.01%	4.34%

	% change		Level		
Equity markets	**Q2**	**YTD**	**30/06/2021**	**31/03/2021**	**31/12/2020**
World indices					
MSCI All Country World	6.93%	11.57%	719.97	673.29	645.29
MSCI World	7.31%	12.33%	3,017.23	2,811.70	2,686.06
US indices					
Dow Jones I.A.	4.61%	13.46%	34,502.51	32,981.55	30,409.56
S&P 500	8.17%	15.15%	4,297.50	3,972.89	3,732.04
Nasdaq Comp.	9.49%	12.70%	14,503.95	13,246.87	12,870.00
European indices					
STOXX Europe 600	5.41%	13.14%	452.84	429.60	400.25
EURO STOXX	4.60%	13.11%	451.96	432.10	399.59
FTSE MIB	1.84%	12.90%	25,102.04	24,648.56	22,232.90
DAX	3.48%	13.21%	15,531.04	15,008.34	13,718.78
CAC 40	7.26%	16.22%	6,507.83	6,067.23	5,599.41
AEX	4.24%	16.15%	729.52	699.85	628.06
IBEX 35	2.81%	8.18%	8,821.20	8,580.00	8,154.40
SMI	8.10%	11.58%	11,942.72	11,047.37	10,703.51
FTSE 100	4.82%	7.35%	7,037.47	6,713.63	6,555.82
Asian indices					
NIKKEI 225	(1.33%)	4.91%	28,791.53	29,178.80	27,444.17
S&P/ASX 200	7.69%	9.44%	7,313.02	6,790.67	6,682.43
Hang Seng	1.58%	6.19%	28,827.95	28,378.35	27,147.11
Emerging market indices					
MSCI Emerging Markets	4.42%	6.64%	1,374.64	1,316.43	1,289.03

The global equity indices have performed well in the last half-year, continuing the rally seen in the final quarters of the previous year.
The positive performance of the indices was driven by the progressive reopening of economies due to the expansion of the vaccine campaigns, and was supported by the continuation of the expansionary policies of the main global central banks, as well as by the fiscal initiatives implemented to favour the full recovery of economies in the post-pandemic phase.
The US market outperformed global equity markets at an aggregate level during the half-year. The NASDAQ index underperformed the S&P500 on the back of sector rotation favouring the value sector. The European equity market outperformed the global indices, driven by the positive performance of the French market. There was a trend of weakness in the UK and Spanish markets. The expansion of the vaccination campaign and European fiscal policies, as reflected in the Next-Gen EU plan, played an important role in the dynamics of the area. The Pacific markets tended to perform less well, especially the Japanese market, which was weaker, also in relative terms, than the other markets in the area. Lastly, the emerging markets were weak, owing to developments in the pandemic and, more generally, the negative correlation against the US currency.

	% change		Level		
Currency	**Q2**	**YTD**	**30/06/2021**	**31/03/2021**	**31/12/2020**
EUR USD	1.09%	(3.58%)	1.19	1.17	1.23
EUR GBP	0.72%	(5.03%)	0.86	0.85	0.90
EUR JPY	1.46%	3.81%	131.75	129.86	126.91

Year to date, the euro has depreciated against the US dollar (-3.6%) and appreciated (+3.8%) against the Japanese yen. Both movements can largely be explained by a single predominant factor: the steady rise in US 10-year (Treasury) yields.

Expectations of rising US inflation during 2021, combined with the highly expansionary fiscal policy of the Biden administration, resulted in US 10-year rates hitting their highest yields (around 1.75%) in the first quarter of the year, at the end of March, exacerbating the interest rate spread compared with Europe (German bund) and driving the US dollar up to peak at around 1.17 against the euro. Market expectations of US monetary policy tapering by the Federal Reserve in the second half of 2021 then sent the EUR/USD exchange rate back to close to March levels at the end of June.

In the context of the expansionary monetary policy implemented by the Bank of Japan, the aforementioned movement in Treasury bills also impacted the depreciation of the yen during the period under review.

The rapid pace of anti-Covid-19 vaccination by the UK during the first half of 2021, combined with the Bank of England monetary policy that ruled out the introduction of negative interest rates, helped to create a positive market sentiment towards the UK, which was also reflected in the currency: the pound strengthened considerably against the European single currency, especially in the first quarter, where it reached approximately 0.85, remaining in the area of 0.86 in the second quarter.

	% change		Level		
Commodities	**Q2**	**YTD**	**30/06/2021**	**31/03/2021**	**31/12/2020**
Oil (Brent)	20.37%	47.55%	75.12	62.41	50.91
GOLD	3.65%	(6.56%)	1,770.11	1,707.71	1,894.39

With regard to commodities, the launch of the vaccine campaigns has enabled the gradual removal of the restrictions on social and economic activities imposed to curb the spread of the virus. The slow return to normality coincided with a sharp increase in demand for oil, reflected in the price of crude, which has gained 47.6% in the year to date.

The optimistic outlook of an impending exit from the pandemic crisis also gave rise to a general climate of risk appetite on the markets, as evidenced by a fall in gold prices – always considered a safe-haven asset by investors – of 6.6% since the start of the year.

	% change		Level		
Sectors (MSCI World AC)	**Q2**	**YTD**	**30/06/2021**	**31/03/2021**	**31/12/2020**
Info tech	10.33%	12.18%	509.29	461.59	454.00
Health care	9.03%	9.62%	347.04	318.30	316.58
Industrial	4.20%	11.61%	323.24	310.22	289.62
Material	5.32%	10.66%	365.16	346.70	329.97
Cons. Discr.	5.74%	7.76%	409.46	387.24	379.97
Financials	5.44%	17.33%	144.77	137.30	123.39
Cons. staples	4.96%	3.68%	277.80	264.66	267.95
Utilities	(1.31%)	(0.87%)	149.88	151.87	151.20
Real estate	7.48%	14.06%	1,168.89	1,087.56	1,024.83
Tel. services	7.70%	15.20%	115.45	107.20	100.22
Energy	8.37%	25.69%	182.86	168.73	145.49
VIX Index	(18.40%)	(30.5%)	15.83	19.40	22.77

The market continued to register low volatility levels due to the improvement in the global economies, underpinned by the expansionary policies of the Central Banks and the progressive reopenings of economies as the anti-Covid-19 vaccine campaign developed. In the first half of 2021, the performance was positive in almost all segments: The strong rebound in equity markets that began in the second half of 2020 continued in the first half of 2021, with a greater impact on the energy, financial and real estate sectors: the positive trend in crude oil prices that began in November 2020 continued uninterrupted through the first half of 2021 and was reflected in oil stock prices. In the first part of the year in particular, expectations of an improvement in the macroeconomic scenario prompted a rise in interest rates, which had a positive impact on financial sector stocks, based on the assumption that their profitability would improve. Moreover, the recovery in economic activity caused a strong rebound in the confidence indices and triggered a risk-on mood among stock markets, where consumer-related and cyclical themes such as the technology, industrials, basic materials and discretionary consumption segments overperformed, to the detriment of defensive segments such as utilities and staples. The telecommunications sector also performed well.

THE BANKING MARKET[5]

BANK FUNDING

According to initial estimates by SI-ABI, in June 2021, customer funding of all banks operating in Italy – represented by deposits of resident customers (current account deposits, term deposits net of deposits related to loan assignments, notice deposits and repurchase agreements; deposits are net of transactions with central counterparties) and bonds (net of those repurchased by banks) – amounted to €1,988.0 billion, up 6.8% compared with the same period of the previous year. In particular, resident customer deposits (current account deposits, term deposits net of deposits related to receivables assignments, notice deposits and repurchase agreements net of transactions with central counterparties) showed an upward trend of 8.9% in June 2021, with an increase in absolute value on an annual basis of around €145 billion, bringing the amount of deposits to €1,780.5 billion. The annual change in bonds was negative at -8.1% (-8.2% on the previous month). Bonds amounted to around €207.5 billion.

The strong increase in bank deposits during 2020 and in the first three months of 2021, mainly due to the health crisis, began stalling in April 2021. According to official ECB data, in May 2021 the trend in deposits showed very positive, albeit more limited, rates of change in the main European countries: compared with January 2021, the increase changed from 14% on an annual basis to 6.4% in France, from 6.8% to 4.9% in Germany, from 8.8% to 6.0% in Italy and from 9.3% to 6.0% in the euro area overall.

The breakdown of deposits by holding sector (households and businesses) shows that, in May 2021: deposits held by companies grew by 5.8% on an annual basis in France (+28.3% in January 2021; +7.9% for households); by 8.8% in Germany (+13.9% in January 2021; +6.7% for households); and by 17.3% in Italy (+32% at the beginning of 2021; +6.4% for households). Lastly, in all the euro area countries, company deposits grew by 8.4% (+20.3% in January 2021), while household deposits grew by 6.8%.

Foreign deposits decreased in May 2021: in particular, Italian bank deposits amounted to approximately €299.8 billion, 8.5% less than a year earlier. Foreign deposits accounted for 11.5% of total funding (12.7% a year earlier). Net funding inflows from abroad between May 2020 and May 2021 were negative at around -€27.7 billion.

In May 2021, net foreign deposits (foreign deposits minus foreign loans) amounted to approximately €61.8 billion (-19.9%). They represented 3.5% of total domestic lending (4.3% a year earlier), while foreign loans – on the same date – amounted to approximately €238 billion. The ratio of foreign loans/foreign deposits was 79.4% (76.5% a year earlier).

According to the initial estimates of SI-ABI, the average rate on bank funding from customers (covering the return on deposits, bonds and repurchase agreements in euro applied to households and non-financial corporations) was 0.47% in June 2021 (the same as in the previous month). In particular, the rate on deposits in euro applied to households and non-financial corporations was 0.32% (the same as in the previous month), the rate for bonds was 1.80% (1.80% in May 2021) and the rate for repurchase agreements was 0.75% (0.52% in the previous month).

On the secondary market for government securities, the Rendistato index stood at 0.46% in June 2021, 12 basis points lower than in the previous month and 56 basis points lower than a year earlier (1.02%). In May 2021, the gross yield on the secondary market for CCTs (treasury credit certificates) was -0.14% (-0.17% in the previous month; 1.13% a year earlier). The average yield on BTPs (long-term treasury bonds) was 1.01% (0.86% in the previous month; 1.84% a year earlier). Finally, the annualised gross average yield on BOTs (treasury bills) decreased in the period May 2020 – May 2021 from 0.05% to -0.52%.

[5] Source: ABI Monthly Outlook – July 2021 – Summary.

BANK LENDING

According to initial SI-ABI estimates, total loans to Italian residents (private sector plus general governments, net of repurchase agreements with central counterparties) stood at €1,725 billion in June 2021, with an annual change of +3.2% (+3.5% the previous month), calculated including loans not recognised in bank balance sheets because they are securitised and net of changes in stocks not linked to transactions (for example, changes due to exchange rate fluctuations, value adjustments or reclassifications). In the same month, loans to Italian residents in the private sector amounted to €1,457 billion, up by 3.3% compared with one year earlier. Loans to households and non-financial corporations amounted to €1,321 billion. According to estimates based on data published by the Bank of Italy, the annual change in loans to households and businesses calculated with the inclusion of loans not reported in bank balance sheets as they are securitised, and net of changes in amounts not related to transactions (e.g. changes due to exchange rate fluctuations, value adjustments or reclassifications) was +4.0%, down slightly compared with the performance recorded in the previous month (+4.4%).

According to official Bank of Italy data, loans to non-financial corporations increased by 4.6% in May 2021 (+4.5% in the previous month, -5.9% in November 2013, the negative peak). Total loans to households grew by 4.0% (the same as in the previous month; -1.5% in November 2013). The trend in loans to households increased compared with the previous month for both the home purchase component (+3.8% annual change, +3.7% in the previous month), and the consumer credit component (+2.1% YoY vs +1.3% in the previous month).

In the first quarter of 2021, the proportion of home purchases financed by mortgage loans decreased to 72.9% from 73.8% in the previous period. The ratio of the amount of the loan to the value of the property remained almost unchanged, at 76.2%.

The breakdown of bank lending by branch of economic activity shows that in May 2021 manufacturing, mineral extraction and services represented around 57.9% of the total (manufacturing activity alone accounted for 27.8%). Loans for trading, accommodation and catering activities represented around 22.6% of the total, with the construction sector accounting for 9.7% and agriculture 5.4%. The remaining assets represented approximately 4.4%.

According to SI-ABI reports, in June 2021 the rate on euro loans to households for home purchases – which summarises the trend of fixed and variable rates and is also influenced by the change in the breakdown of disbursements based on loan type – was 1.44% (1.40% in the previous month; 5.72% at the end of 2007). Of total new loan disbursements, 87.0% were fixed-rate loans (87.9% the previous month). The average rate on new euro loans to non-financial corporations increased to 1.16% from 1.13% in the previous month (5.48% at the end of 2007). The weighted average rate on total loans to households and non-financial corporations was 2.20% (2.21% in the previous month; 6.16% at the end of 2007).

INTEREST RATE SPREADS

The spread between the average rate on loans and the average rate on deposits to households and non-financial corporations was 173 basis points in June 2021 (175 bps in the previous month). Before the financial crisis began, the spread was more than 300 points (335 bps at the end of 2007).

The spread on bank loans to businesses in the main European countries (calculated as the difference between bank interest rates for new loans and a weighted average rate of new deposits of households and non-financial corporations) was, in May 2021, 51 bps in Italy, lower than the 163 bps in Germany, 126 in France and 161 in Spain. For households, the spread was 78 bps in Italy, lower than the 158 bps in Germany, 112 bps in France and 153 bps in Spain.

The spread between the average rate on interest-bearing assets denominated in euro relating to households and non-financial corporations and the average rate in euro on customer deposits (held by households and non-financial corporations) was 1.12 percentage points in June 2021, compared with 1.13 percentage points in May 2021. This difference is the result of the average interest rate on interest-bearing assets of 1.59% and the average cost of customer deposits of 0.47%.

BAD BANK LOANS

Bad loans, net of write-downs and provisions already made by banks with their own resources, amounted to €18.0 billion in May 2021, down from €26.2 billion in May 2020 (-€8.2 billion, or -31.3%) and €32.6 billion in May 2019 (-€14.6 billion, or -44.8%). The decrease was around €71 billion (or -79.8%) by comparison with the highest level of net bad loans reached in November 2015 (€88.8 billion).
The ratio of non-performing loans to total loans stood at 1.04% (compared with 1.50% in May 2020, 1.87% in May 2019 and 4.89% in December 2015).

SECURITIES PORTFOLIO

Based on SI-ABI initial estimates in June 2021, the total securities in the portfolio of banks operating in Italy amounted to €629.8 billion, up from the previous month (€625.9 billion).
According to official Bank of Italy figures, updated in May 2021, the value of government bonds on bank balance sheets was €407.9 billion, corresponding to approximately 65.2% of the total portfolio.

HARMONISED INTEREST RATES IN ITALY AND THE EURO AREA

The latest available data on interest rates applied in the euro area indicate that the rate on new bank loans of up to €1 million granted to non-financial corporations was 1.75% in May 2021 (1.79% in the previous month; 1.48% in May 2020), a value that compares with the 1.81% recorded in Italy (1.80% in the previous month; 1.60% a year earlier).
The rates applied to new loans to non-financial corporations of amounts in excess of €1 million in the same month were 1.18% on average in the euro area (1.33% in the previous month; 1.21% one year earlier), compared with 0.70% in Italy (0.77% in the previous month; 0.93% a year earlier).
Finally, in the same month, the rate on current accounts and revolving loans to households was 4.89% in the euro area (the same as in the previous month; 5.26% a year earlier) and 3.22% in Italy (the same as in the previous month; 3.79% a year earlier).

THE INSURANCE MARKET

LIFE PREMIUMS[6]

In May, the new individual life policies written in Italy by Italian companies and agencies of non-EU companies, including additional single premiums, amounted to €7.4 billion, in line with the previous month and up 43.8% compared with the same month of 2020, when restrictions to deal with the pandemic crisis resulted in a contraction of around 27% in new policies written. New life premiums written stand at €39.0 billion in the year to date, recording a cumulative increase to +30.8% (from -8.0% at the end of February) compared with the same period of 2020, in which there was the most marked contraction in the period, of -19.6%, compared with the previous year.
In May, 82% of companies, representing 94% of the market in terms of premiums, recorded higher premium income than in the same month of 2020, and 41% of companies (with a 29% share of total premiums) recorded higher growth than the average of all Italian and non-EU companies (+43.8%).
If new life premiums of the sample of EU company agencies, which amounted to €1.3 billion - in line with the previous month and almost tripling (+178.2%) compared with the corresponding month in 2020 - are included, total new life business in May was €8.8 billion (up +55.0%) and reached €45.8 billion in the year to date, 37.1% more than in the corresponding period in 2020.
With regard to premiums by class, the volume of new Class I premiums for individual policies for Italian and non-EU companies amounted to €4.3 billion in May (58% of total new life business, compared with 77% in May 2020), down on the previous month but still up (+8.6%) on the same month in 2020. Of this figure, more than 60% came from new premiums invested in separate management of multi-class products (policies combining Class I and Class III components), for which annual premiums more than doubled (+117.8%). Since January, Class I premiums have reached €23.8 billion, 15.4% more than in the same period of 2020, when the class registered a contraction of 24.6%.
After two months of decreases, new premium income from Class V policies was also positive at just over €50 million (+15.7% compared with May 2020). When added to the figure for the first four months of the year, the total is €257 million, nearly half the total for the same period in 2020 (-46.7%).
For long-term health policies (Class IV), new premiums were down in May compared with the previous quarter, but more than doubled compared with the corresponding month of 2020 (+103.8%) to €4.2 million which, added to year-to-date premiums, amounted to nearly €22 million, with an annual increase of 87.5%.
New contributions in the management of open-ended pension funds were up by 64.1% compared with the same month in 2020, at €12.8 million. When added to the figure for the four previous months, the total was €54 million, 33.7% higher than in the same period of 2020. In the year to date, the number of new policies/enrolments totalled €1.3 million, up by 25.2% compared with the same period of 2020.

With regard to the various types of products marketed, in May new premiums/contributions to individual pension schemes increased by 45.5% compared with the same month in 2020, recording a collection volume of €576 million since January, an annual increase of 38.3%. Just 9% of this total concerned new premiums/contributions relating to the management of open-ended pension funds (Class VI), with individual pension plans (IPPs) accounting for the remainder. Of these IPPs, 48% were subscribed through multi-class products, an increase of 44.4%.

[6] Source: ANIA Trend – New life business – figures as at 31 May 2021.

New premiums for pure risk policies also increased (+47.0%) compared with the same month in 2020, reaching €295 million since January, 7.2% more than in the same period of 2020. Of this total, 44% consisted of policies not

linked to mortgages or consumer credit, up by 40.5%.

New premiums for multi-class products excluding pension products and PIRs (Individual Savings Plans) amounted to €4.1 billion, in line with the previous month and again substantially higher than in May 2020 (+129.8%). If new business year to date is included, these products amounted to €20.3 billion, representing 52% of all new life business, with an annual increase of 65.5%. Looking at the breakdown, it can be seen that 65% of the cumulative premium income from multi-class products consists of Class I premiums and the remaining 35% consists of Class III premiums, while Class I premiums make up 58% of "single-class" products.

The volume of new business relating to PIR contracts, mostly brokered through bank and post office branches of a small number of companies, amounted to €29 million, compared with €9 million new premiums collected in the same month of 2020.

With regard to Italian and non-EU companies, year-to-date single-premium policies continued to constitute the most popular option among policyholders in 2019, accounting for 95% of total premiums and 64% of the number of policies; from the beginning of the year, the average amount of single premiums was around €42,100, while annual and recurring premiums averaged €810 and €6,550, respectively.

If premiums are calculated using a measure that allows the amount of single and recurring premiums to be standardised, such as the Annual Premium Equivalent (APE) - equal to the sum of annual premiums, considered at 100% of their amount, and single premiums, spread over the duration of the relative contracts, conventionally set at 10 years - the annual change in premium volume since the beginning of the year remains unchanged at +30.8%.

In the year to date, the bulk of new business has come from the banking, postal and financial networks, which accounted for 81% of the new premiums written, similar to the figure for the same period of 2020.

NON-LIFE PREMIUMS[7]

At the end of the first quarter of 2021, the total premiums (Italian companies and agencies) of the Italian direct Non-Life portfolio amounted to €9.6 billion, up by 1.3% compared with the end of the first quarter of 2020, when the initial effects of the restrictions imposed due to the emergency situation related to the spread of the pandemic began to register, seriously affecting the sales processes and operations of insurance companies; there was no positive interim change since the end of 2019, with premiums increasing by almost 3%. The increase in total Non-Life premiums recorded at the end of the first quarter of 2021 was due, in particular, to the recovery in the Non-Motor sector (+3.5%) and a more limited decrease (-1.4%) in premiums in the Motor sector; specifically, Motor TPL recorded a 3.6% decrease in premiums while land vehicle class premiums rose by almost 7%, a figure not seen since late 2017 and early 2018.

For all companies (Italian, agencies of EU and non-EU companies), the premiums recognised at the end of the first quarter of 2021 amounted to €9,562 million, up 1.3% on the end of the first quarter of 2020, when premiums recognised amounted to €9,443 million.

The increase in total Non-Life premiums at the end of March 2021 is the result of:

> a decrease in the Motor sector, where premiums fell by 1.4% following the 3.3% decrease recorded at the end of December 2020;

[7] Source: ANIA Trends - Quarterly Non-Life Premiums – Q1 2021 data.

> a recovery in the other Non-Life insurance classes, whose premiums increased by 3.5%, a marked improvement on the figure recorded at the end of 2020 when premiums, due to the continuation of restrictive measures relating to the pandemic, were down by 1%.

More specifically, in the Motor class there was a slight decrease in Motor Vehicle Liability and Marine Vehicles premiums (-3.6%), while Land Vehicles premiums continued to grow (+6.9%). The decline in the Motor Vehicle Liability class reflects the combined effect of a further progressive decrease in average premiums, which decreased b more than 6% in March according to association estimates, and an increase of close to 1% in the fleet of insured vehicles.

On the other hand, the Land Vehicle Class (i.e. fire/theft and all risk cover), with more than €0.9 billion in premium income at the end of March 2021, grew by 6.9% compared with the previous year. After the sharp slowdown recorded between March and June 2020 (-10.4%) due to the lockdown period, in which new registrations fell by more than two-thirds and transfers of ownership sharply decreased, the class gradually resumed its growth, recording an increase of 8.5% in the third quarter 2020, 4.7% in the fourth quarter 2020 and close to 7% at the end of March 2021. The other Non-Life classes were positively affected by the easing of the restrictions put in place to stop the spread of the pandemic and the first signs of a tentative recovery in the overall economic cycle.

Only the agencies of companies with registered offices in European countries booked premiums of €1.3 billion, up 4.2% compared with the same period in 2020. The proportion of premiums booked by the agencies of European companies was around 14% of the total, an increase on the previous quarters, when they accounted for 12% on average: specifically, they constituted 6.5% of the Motor class and 19.7% of the other Non-Life classes. For some classes, this share exceeded 40%: these included Goods in Transit (47.2%), Aircraft (55.2%) and Credit, where the proportion recorded by these companies was nearly 88%. By contrast, the proportion of premiums booked by these agencies was particularly low, at less than 10%, in the Railway Rolling Stock classes (zero), Health (4.5%), Motor Vehicle Liability (6.0%), Land Vehicles (8.2%) and Assistance (8.6%).

Among the Italian and non-EU companies, the main form of intermediation in terms of market share was again the agency channel (71.7%), down slightly compared with the end of the first quarter of 2020 (72.3%). Brokers represent the second-largest distribution channel for Non-Life premiums with a share of 9.7%: the classes in which brokers are very significant are Goods in Transit (45.5%), Railway Rolling Stock (47.4%), Credit (27.5%), Sickness (20.4%) and Suretyship (19.9%). Bank branches, with a market share of 8% (7.8% at the end of March 2020), continue to be a rapidly growing distribution channel and have been more involved in the marketing of premiums in the Miscellaneous Financial Loss (37.7%) and Credit (22.0%) classes.

NEW PRODUCTS AND MAIN INITIATIVES DURING THE HALF-YEAR

The forecast scenario produced by the main institutions envisages improvements from both a social/health and economic standpoint, although the difficulties caused by the pandemic have persisted: for this reason, Banca Mediolanum continues to support customers, with a continuous process of innovation in terms of digitalisation and attention to sustainability issues.

Banking Services

Banca Mediolanum, without ever losing sight of its critical success factor of relationships, continued to invest in digitalisation to meet the new needs of its increasingly smart and digital customers. After the launch of SelfyConto in the first few months of the year, during the second quarter of 2021 we pursued acquisition with the "Promo Selfy Summer", rewarding new SelfyConto subscribers for virtuous behaviour with a Samsung Chromebook Go 14".

Together with the SelfyConto current account offer, the Bank continued to promote Conto Mediolanum, the current account that provides access to the complete Banca Mediolanum model and special and personalised facilities and services. A promotion for the account was launched at the beginning of the year that increased the age limit for "Young" Conto Mediolanum customers to 30.

Although the rate market on free assets is close to zero and the liquidity problem is strongly felt by all financial players, Conto Mediolanum continues to offer Black and Elite customers 0.20% on free assets (gross rates offer in effect from 01/06/2021 until 08/07/2021).

In addition, in order to continue to provide customers with a valid investment tool at a time of constant market volatility, accompanying them towards value, Banca Mediolanum offers an extremely competitive rate on the market for the Double Chance product, paying a rate of 1.25% to customers (DC Azionario 1/6/12 months gross rate offer in effect until 08/07/2021).

In June, Banca Mediolanum released the new "Il Mio Bilancio" service in its App.

This is a new digital service that gives customers access, from a single "digital environment" (the Il Mio Bilancio service), to information on accounts and payment tools also held with third parties. The service offers customers two innovative features:

- viewing the balances and transactions of their payment accounts held with Banca Mediolanum and third parties and the relevant payment cards (PISP - Payment Initiation Service Provider feature);
- having an advanced reporting system to categorise expenses, separate transactions into ordinary and extraordinary and increase financial knowledge of their "usual" budget (PFM - Personal Financial Management feature).

The product is available to Banca Mediolanum account holders who are individuals and who access their account through the App and is provided free of charge.

Within Monetica, during the first half of the year, commercial initiatives continued with the aim of enriching Conto Mediolanum's offering for new and existing customers through prize competitions and co-marketing activities.

The initiatives that characterised this first part of the year included promotional offers for new subscribers Carta Oro and Carta Verde American Express as well as, in support of small merchants - given that this period of economic difficulty has continued - the extension of all initiatives launched last year to support their businesses and in line with the cashless government incentive plan were extended until the end of 2021.

Credit services

During the first quarter of 2021, in the area of mortgage product development, with the macro-objective of supporting total disbursement and supporting customers in this long phase of the health emergency, the strategic positioning initiatives already launched in the second half of 2020 continued.
Specifically, the Smart+ 30K Campaign was continued, aimed at a pre-selected target of customers with assets of between €30,000 and €100,000, offering them better pricing than the standard terms.
In order to offer customers a valid alternative to the fixed rate, promotions have been extended including:

- a discount on the pricing of a variable loan with a cap;
- the option for customers to access the mixed rate mortgage offer with an initial period of 10 years (the customer can choose to start with a variable or fixed rate mortgage and at the end of the period can choose the type of rate to combine for the remaining 10 years), which has been added to the ranges already present of 3 and 5 years.

In order to promote initiatives to help Banca Mediolanum's customers in the event of a health emergency, the promotion was extended, with a grace period of six months, to ease the financial commitments in the first few months of the loan, so that the phase of full repayment could be addressed with more peace of mind in anticipation of a better macroeconomic situation.
In addition, to focus more closely on a professional category that battled on the front line during the Covid-19 emergency, the promotion for doctors and paramedics, which includes an additional discount on the spread, continued throughout 2021.
In the area of Loans, as provided for in the last Legislative Decree of the year, the offer of the loans described in the "Liquidity Decree" for the self-employed, sole traderships and undertakings, was extended.
Again with a view to supporting government initiatives, the offer of the three types of loans dedicated to customers needing to renovate property benefiting from the tax deductions introduced in the decree law of May and the possibility of transferring the tax credit, was extended.
To support businesses during the New Year, Valentine's Day and Easter celebrations, time-based promotions were launched on the spread applied by the Instant Credit service.
With regard to the need for initiatives dedicated to a clearly identified target customer base, and in order to provide it with a fast lending service and dedicated pricing, there was a pre-approved lending campaign during the quarter.

PreXta was created in July 2021, capitalising on the history of EuroCQS, which has disbursed €1.2 billion in just over three years, achieving a market share of 8% in salary-backed loans. The new company will act with a broader mandate, targeting consumer households with a full range of financing that includes personal loans for all needs including consolidation, as well as its historical specialisation in salary-backed loans and advance post-employment benefit (public sector employees). Distribution will take place across the country through a sales network of over 400 entities, mostly agents active in finance.

Investment services

Background

The Bank remained very close to its customers in the first half of 2021, offering new asset management solutions capable of meeting the challenges presented by the changed competitive environment and the constant evolution of market conditions. At the same time, Banca Mediolanum continued to work on its offering so that, in the coming months, it could continue to expand its range, in order to provide customers with solutions capable of exploiting opportunities arising on the market.

Funds and management area

In order to enhance the activity of constant management evolution and to improve the competitive and commercial positioning of its offer, Mediolanum International Funds has launched a review project that includes certain sub-funds of the Challenge fund. Specifically, the aim of the project is to invest in funds linked to counter-cyclical and cyclical themes with a shift towards the healthcare and industrial sectors respectively, in order to fully grasp market trends related to the economic recovery and the broader health market. At the same time, action will also be taken to broaden product features and commercial appeal, including for other sectoral funds linked to technology, energy and financing. The measures described above are expected to take effect in the third quarter of 2021.

Another area of development concerns the new alternative PIRs (individual savings plans) of Mediolanum Gestione Fondi, Mediolanum Private Markets. Since 22 April 2021, in order to offer its customers increasingly advanced and exclusive tools, and pursuing the path embarked on in 2017 by Banca Mediolanum towards acting as a partner of the Italian system, distribution of the closed-end, unreserved alternative investment fund Mediolanum Private Markets Italia began. The product is targeted at customers wishing to invest in private assets, with a particular focus on private equity. Due to the complexity of the investments, lack of liquidity and risk profile involved, alternative PIRs are dedicated to a more capitalised client with a high level of investment knowledge and experience.

The fund has a master-feeder structure and primarily invests its assets in the units of the closed-end, unreserved Italian alternative investment fund "ECRA Private Markets Italia", managed by Eurizon Capital Real Asset, an asset management company of the Intesa Sanpaolo Group, and represents a solution for investing in private assets, through which it is also possible to benefit from tax concessions for alternative PIRs.

Insurance area

Mediolanum Più issues

In the second quarter of 2021, when market levels in the high yield segment appeared sufficient to support a minimum target coupon deemed commercially attractive, distribution of the Mediolanum Più product was relaunched in two tranches.

Investment Products in Combination with Banking Products Area

Mediolanum Medplus Certificate

The marketing of certificates continued during the second quarter of 2021, characterised by various payoffs and various durations (4 and 6 years), in order to give customers the option of receiving a defined service within an equally well-defined time frame.

Protection services

In the first quarter of 2021, the health situation due to the spread of the Covid-19 virus continued to influence the market environment in terms of sensitivity to the need for protection, both for individuals and their families, as well as for businesses and their employees.
Banca Mediolanum’s approach, based on the promotion of comprehensive and timely capital planning, therefore focused on the insurance cover needs fuelled by this environment. At the heart of the advisory process was a focus on families and the area of personal protection, to which was added an initial approach towards our customers’ needs in the professional sphere. Distribution of the Mediolanum Capitale KeyPeople policy was therefore launched.
In the second quarter, the changes in Banca Mediolanum's protection insurance offering were the natural response to changes in the environment, which resulted in increasingly widespread digitalisation, and which therefore also saw an increasing interest in self-distributed (via app) cover. An increasingly conscious, modern and demanding approach on the part of customers was therefore confirmed. This approach also requires the development of direct, innovative methods of access to purchase in the protection offer.
The advisory process implemented by our Sales Network was accompanied by a digital offer with the SelfyCare line, dedicated to covering risks related to the area of daily life and relationships, such as travel and pet policies. SelfyCare Travel by Mediolanum Assicurazioni protects policyholders when travelling in Italy or abroad for tourism, study or work through assistance services, medical and accident cover, loss of luggage cover, legal protection and much more. SelfyCare Pet by Mediolanum Assicurazioni protects owners against damage caused by pets to third parties and certain minor health expenses due to injury or illness.
Again in the context of Mediolanum Assicurazioni's offer, the dematerialisation of the communications provided for in the course of the contract for all standalone policies was completed in June; this is an important signal that demonstrates the Mediolanum Group's focus on sustainability through the adoption of behaviours that enable present needs to be fulfilled without compromising the ability of future generations to fulfil their own and to obtain the necessary resources to support this.

Sustainability of the offer

During the first half of 2021, actions continued to achieve the innovation and sustainability objectives which, partly due to the entry into force of Regulation 2019/2088, included the integration of ESG sustainability factors into the investment and advisory processes implemented by the Bank. The guiding principles underlying the integration of these factors were shared with the Group companies participating in the financial markets and cover three key points:

> the selection of instruments and management companies in line with the policies defined
> the assessment of the offer through a rating system
> the ongoing monitoring of supply positioning.

In addition, the study that led to the creation of a methodology to measure the positioning of the Bank's banking, credit and protection products from an ESG perspective, in collaboration with the Catholic University of the Sacred Heart of Milan, was completed during the half-year under review.

OPERATING PERFORMANCE

NET INFLOWS AND ASSETS UNDER ADMINISTRATION AND MANAGEMENT

Net inflows

€/million	30/06/2021	30/06/2020	Chge %
ITALY			
Fund and unit-linked products	**2,842.4**	**1,467.0**	**93.8%**
of which directly in funds	565.5	492.7	14.8%
of which "My Life" unit-linked	1,622.3	629.5	n.s.
of which other unit-linked	654.6	344.9	89.8%
Other insurance products - Life	**(3.6)**	**15.9**	**n.s.**
Total managed	**2,838.8**	**1,482.9**	**91.4%**
Third-party structured notes	(20.1)	221.8	n.s.
Total managed + Structured notes	**2,818.7**	**1,704.7**	**65.4%**
Total administered	**1,136.6**	**2,793.7**	**(59.3%)**
BANCA MEDIOLANUM	**3,955.3**	**4,498.4**	**(12.1%)**
SPAIN	735.5	504.9	45.7%
GERMANY	(17.7)	0.4	n.s.
TOTAL FOREIGN MARKET	**717.8**	**505.3**	**42.1%**
TOTAL NET INFLOWS	**4,673.1**	**5,003.7**	**(6.6%)**

Total net inflows amounted to €4,673.1 million at 30 June 2021, down from €5,003.7 million in the comparative period.

In particular, net inflows in the domestic market amounted to €3,955.3 million compared with€4,498.4 million at 30 June 2020. More specifically, net inflows into mutual funds, through both direct investments and unit-linked policy investments, came to €2,842.4 million, a marked increase on the €1,467.0 million recorded in the first half of 2020. Net inflows into other Life insurance products, excluding unit-linked products, were negative, at -€3.6 million (30.06.2020: +€15.9 million); assets under administration decreased by 59.3% with a positive balance of €1,136.6 million, compared with a positive balance of €2,793.7 million in the first six months of 2020, when deposits were boosted significantly by interest rate initiatives offered to customers.

The foreign market recorded net inflows of €717.8 million, up from €505.3 million for the same period of 2020.

Assets under administration and management

€/million	30/06/2021	31/12/2020	30/06/2020	Chge % vs Dec. 2020
ITALY				
Funds and management and unit-linked policies	65,375.7	59,124.2	53,195.5	10.6%
Other insurance products	1,696.0	1,631.1	1,589.6	4.0%
Bank deposits	26,335.3	24,884.6	23,833.2	5.8%
BANCA MEDIOLANUM	**93,407.0**	**85,639.9**	**78,618.3**	**9.1%**
SPAIN	**8,283.8**	**7,185.0**	**6,153.5**	**15.3%**
GERMANY	**492.7**	**522.4**	**673.1**	**(5.7%)**
TOTAL FOREIGN	**8,776.5**	**7,707.4**	**6,826.6**	**13.9%**
TOTAL ASSETS UNDER ADMINISTRATION AND MANAGEMENT	**102,183.5**	**93,347.3**	**85,444.9**	**9.5%**

At 30 June 2021, the total assets under administration and management of the Mediolanum Group reached €102,183.5 million, up compared with the end of 2020 (31/12/2020: €93,347.3 million) and an increase of €16,738.6 million compared with the balance at 30 June 2020.
Both growth in the funds managed and the positive performance of the financial markets contributed to the strong result.

INFLOWS AND ASSETS BY OPERATING SEGMENT

The following is breakdown of inflow volumes and the composition of assets under administration in relation to the operating segments.

ITALY - BANKING

The breakdown of assets under administration as at 30 June 2021, amounting to €26,335.3 million, summarised using management criteria, is as follows:

Assets managed

€/million	30/06/2021	31/12/2020	30/06/2020	Chge % vs Dec. 2020
Current account deposits	21,415.6	20,308.3	19,788.9	5.5%
Third party structured bonds	1,538.0	1,498.6	1,150.0	2.6%
Securities custody and administration	3,347.1	3,056.2	2,864.6	9.5%
Repurchase agreements	34.6	21.5	29.7	61.0%
Total assets under administration	**26,335.3**	**24,884.6**	**23,833.2**	**5.8%**

The number of current accounts was 1,145,633, including 88,976 deposit accounts, up by 40,350 compared with the figure for the end of 2020 (31.12.2020: 1,105,283 individuals).

ITALY – ASSET MANAGEMENT

Net inflows

€/million	30/06/2021	30/06/2020	% %
"Best Brands" funds of funds	605.5	362.1	67.2%
"Challenge" funds	248.3	246.9	0.6%
Other Italian mutual funds	(782.6)	(284.9)	n.s.
Third-party funds and other management	494.3	168.6	n.s.
Total direct inflows in mutual funds	**565.5**	**492.7**	**14.8%**
Funds included in "My Life" unit-linked	1,622.3	629.5	n.s.
Funds included in other unit-linked	654.6	344.8	89.8%
Total indirect inflows in mutual funds	**2,276.9**	**974.3**	**n.s.**
Total mutual funds and management	**2,842.4**	**1,467.0**	**93.8%**

Total net inflows into mutual funds and management were €2,842.4 million, up by 93.8% compared with the same period of the previous year (30.06.2020: €1,467.0 million).
The change was mainly due to higher indirect net inflows into the mutual funds included in My Life and into the other unit-linked products.

Assets managed

Assets under management in mutual funds, summarised using management criteria, can be broken down as follows:

€/million	30/06/2021	31/12/2020	30/06/2020	Chge % vs Dec. 2020
"Best Brands" funds of funds	24,455.0	22,088.6	19,465.9	10.7%
"Challenge" funds	18,799.7	16,864.2	14,898.3	11.5%
Hedge funds of funds	40.5	50.3	49.4	(19.4%)
Other Italian mutual funds	8,482.5	8,937.4	8,915.9	(5.1%)
"Real estate" funds	263.7	277.1	282.2	(4.8%)
Third-party funds and other management	5,901.1	5,030.1	4,521.8	17.3%
Adjustments for Group funds included in funds of funds and management	(343.1)	(290.2)	(254.0)	18.2%
"My Life" unit-linked products	*11,221.0*	*9,108.7*	*7,592.9*	*23.2%*
Other unit-linked products	*18,265.0*	*16,398.0*	*14,937.9*	*11.4%*
Sub-total unit-linked funds	**29,486.0**	**25,506.7**	**22,530.8**	**15.6%**
Adjustments for own funds included in unit-linked	(21,709.8)	(19,340.0)	(17,214.9)	12.3%
Total assets mutual funds and management	**65,375.7**	**59,124.2**	**53,195.5**	**10.6%**

At 30 June 2021, total assets under management amounted to €65,375.7 million, an increase both compared with the end of 2020 (31.12.2020: €59,124.2 million) and compared with the same period of the previous year (30.06.2020: €53,195.5 million).

ITALY – INSURANCE

INSURANCE

Assets managed

€/million	30/06/2021	31/12/2020	30/06/2020	Chge % vs Dec. 2020
Unit-linked products	29,486.0	25,506.8	22,530.8	15.6%
Traditional products	1,696.0	1,631.1	1,589.6	4.0%
Total Life assets	**31,182.0**	**27,137.9**	**24,120.4**	**14.9%**

The volume of assets under management increased from €27,137.9 million at the end of 2020 to €31,182.0 million at the end of the period under review, an increase of 14.9%.
The table below shows the breakdown of insurance business at 30 June 2021:

Insurance business

€/million	30/06/2021	30/06/2020	% %
Multi-year and recurring premiums	47.8	37.6	27.1%
Single premium and group policies	2,757.1	1,246.6	n.s.
Total new business	**2,804.9**	**1,284.2**	**n.s.**
Subsequent premiums – pension plans	254.4	241.4	5.4%
Subsequent premiums – other products	192.7	202.4	(4.8%)
Total portfolio	**447.1**	**443.8**	**0.8%**
Total gross premiums	**3,252.0**	**1,728.0**	**88.2%**

New business amounted to €2,804.9 million (30.06.2020: €1,284.2 million). It will be recalled that in the first half of 2021, the new Mediolanum Vita Unit “Mediolanum Intelligent Life Plan” was launched. It should be noted that the gross premiums shown in the table include premium income relating to products classed as “investment products”.

Insurance settlements

The table below details the settlements recorded at the end of the first half of 2021:

€/million	30/06/2021	30/06/2020	% %
Claims	117.6	59.6	97.5%
Coupons	23.0	27.6	(16.7%)
Expiries	282.2	210.7	33.9%
Surrenders	555.9	439.9	26.4%
Total settlements	**978.7**	**737.8**	**32.7%**

It should be noted that the settlements shown in the table include those relating to products classed as “investment products”.

NON-LIFE

Inflows from direct premiums written breaks down as follows:

€/million	30/06/2021	30/06/2020	% %
Class-01 Accident	12.1	9.8	23.7%
Class-02 Sickness	29.8	24.8	20.1%
Class-08 Fire	5.9	4.6	27.5%
Class-09 Other Damage to Property	2.1	1.7	21.5%
Class-13 General TPL	2.1	1.8	17.3%
Class-16 Pecuniary Losses	1.4	1.3	14.3%
Class-18 Assistance	0.8	0.6	31.4%
Total direct premiums written	**54.3**	**44.6**	**21.5%**

At 30 June 2021, the volume of premiums written was €54.3 million (30.06.2020: €44.6 million), an increase of 21.5%.

SPAIN

€/million	30/06/2021	31/12/2020	30/06/2020	Chge % vs Dec. 2020
Assets under administration:	**8,283.8**	**7,185.0**	**6,153.5**	**15.3%**
Assets under management	*5,949.6*	*5,137.5*	*4,427.9*	*15.8%*
Assets under administration	*2,334.2*	*2,047.5*	*1,725.6*	*14.0%*

	30/06/2021	31/12/2020	30/06/2020	Chge % vs Jun. 2020
Gross inflows assets under management	**1,369.1**	**2,170.8**	**1,118.4**	**22.4%**
Net inflows:	**735.5**	**1,106.7**	**504.9**	**45.7%**
Assets under management	*498.4*	*687.9*	*376.8*	**32.3%**
Assets under administration	*237.1*	*418.8*	*128.1*	*85.1%*

Assets under management and administration amounted to €8,283.8 million, compared with €7,185.0 million at the end of 2020, an increase of 15.3%.
Net inflows at the end of the period came to €735.5 million, up by €230.6 million compared with the comparative period (30.06.2020: €504.9 million).

GERMANY

€/million	30/06/2021	31/12/2020	30/06/2020	Chge % vs Dec. 2020
Assets under administration:	**492.7**	**522.4**	**673.1**	**(5.7%)**
Assets under management	*489.7*	*508.7*	*514.7*	*(3.7%)*
Assets under administration	*3.1*	*13.7*	*158.4*	*(77.5%)*

	30/06/2021	31/12/2020	30/06/2020	Chge % vs Jun. 2020
Gross inflows assets under management	**16.6**	**49.5**	**39.0**	**(57.5%)**
Net inflows:	**(17.7)**	**(27.9)**	**0.4**	**n.s.**
Assets under management	*(17.7)*	*(7.2)*	*5.7*	*n.s.*
Assets under administration	*0.0*	*(20.7)*	*(5.3)*	*n.s.*

Total assets amounted to €492.7 million, down by €29.6 million compared with the end of 2020 (31.12.2020: €522.4 million).
Net inflows were -€17.7 million compared with +€0.4 million in the comparative period.

THE SALES NETWORKS

Unit	30/06/2021	31/12/2020	30/06/2020	Chge vs. June 2020
ITALY - BANCA MEDIOLANUM	4,200	4,099	4,134	66
SPAIN	1,404	1,318	1,142	262
GERMANY	-	-	40	(40)
Total	**5,604**	**5,417**	**5,316**	**288**

Overall, the sales network comprises 5,604 individuals (31.12.2020: 5,417 individuals; 30.06.2020: 5,316 individuals). Banca Mediolanum's financial advisors number 4,200, an increase on both the number at the end of 2020 (4,099) and on same period last year (4,134).

RECLASSIFIED CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2021[8]

€/t	30/06/2021	30/06/2020	Change	
			value	%
	a	b	c=a-b	c/b
Entry fees	29,643	26,216	3,427	13.1%
Management fees	605,062	509,845	95,217	18.7%
Investment service fees	92,987	75,661	17,326	22.9%
Net insurance income (excluding commissions)	35,643	26,663	8,980	33.7%
Banking service fees and revenues	70,038	74,445	(4,407)	(5.9%)
Sundry fees and commissions	22,457	20,626	1,831	8.9%
Total fee and commission income	**855,830**	**733,456**	**122,374**	**16.7%**
Network fee and commission expense	(332,287)	(281,489)	(50,798)	18.0%
Other fee and commission expense	(48,384)	(39,599)	(8,785)	22.2%
Total fee and commission expense	**(380,671)**	**(321,088)**	**(59,583)**	**18.6%**
Net fee and commission income	**475,159**	**412,368**	**62,791**	**15.2%**
Net interest income	**129,899**	**113,094**	**16,805**	**14.9%**
Net income (loss) from other investments	**(14,363)**	**(17,173)**	**2,810**	**(16.4%)**
of which Net value adjustments of loans and receivables	(13,885)	(13,339)	(546)	4.1%
Other income and expenses	**6,545**	**8,211**	**(1,666)**	**(20.3%)**
CONTRIBUTION MARGIN	**597,240**	**516,500**	**80,740**	**15.6%**
General and administrative expenses	(294,990)	(275,366)	(19,624)	7.1%
Ordinary contributions and guarantee funds	(9,281)	(8,207)	(1,074)	13.1%
Depreciation and amortisation	(19,315)	(17,436)	(1,879)	10.8%
Net provisions for liabilities and charges	(28,355)	(22,301)	(6,054)	27.1%
TOTAL COSTS	**(351,941)**	**(323,310)**	**(28,631)**	**8.9%**
OPERATING MARGIN	**245,299**	**193,190**	**52,110**	**27.0%**
Performance fees	17,486	7,639	9,847	n.s.
Net P&L from investments at fair value	88,827	(13,338)	102,165	n.s.
MARKET EFFECTS	**106,313**	**(5,699)**	**112,012**	**n.s.**
Extraordinary contributions and guarantee funds	(2,275)	(2,586)	311	(12.0%)
EXTRAORDINARY EFFECTS	**(2,275)**	**(2,586)**	**311**	**(12.0%)**
PROFIT BEFORE TAX	**349,337**	**184,905**	**164,432**	**88.9%**
Taxes for the period	**(80,589)**	**(34,416)**	**(46,172)**	**n.s.**
NET PROFIT (LOSS)	**268,748**	**150,489**	**118,259**	**78.6%**

[8] This income statement has been prepared in a format that reflects the Group's management system, which provides for the reclassification of the components of profit before tax by nature, presenting financial income and expenses relating to assets and liabilities for which the investment risk is borne by the insured under "Net insurance income".

Summary of profit performance in the first half of 2021

€/million	30/06/2021	30/06/2020	Change	Change (%)
Net profit (loss) for the period	268.7	150.5	118.3	78.6%
of which:				
Fee and commission income	855.8	733.5	122.4	16.7%

Fee and commission income for the period was €855.8 million, compared with €733.5 million in the comparative period. The strong recovery in markets and the positive net inflows over the previous year for the managed sector resulted in a sharp increase in recurring revenues compared with the first half of 2020.

Network fee and commission expense	(332.3)	(281.5)	(50.8)	18.0%

Network fee and commission expense increased as a result of both the increase in fee and commission income and the cost of assets under management, relating to the more than positive net inflow performance.

Net interest income	129.9	113.1	16.8	14.9%

Net interest income increased compared with the comparative period, as the first half of 2020 incorporated higher costs of administrated inflows due to promotional initiatives relating to customer time deposits.

Net income (loss) from other investments	(14.4)	(17.2)	2.8	(16.4%)

The item in question primarily includes adjustments to loans of €13.9 million compared with €13.3 million in the comparative period, remaining broadly in line despite growth in the loan stock.

General and administrative expenses	(295.0)	(275.4)	(19.6)	7.1%

General and administrative expenses increased mainly as a result of the new initiatives launched, which included an increase in staff costs due to growth in the average workforce, including to support commercial volumes. These initiatives include an increase in expenses due to the development of Flowe (€3.7 million). It should also be noted that the cost of the 2021 Giro d'Italia campaign (€2.6 million), which did not exist in the first half of 2020 due to the pandemic, had an effect on the first half of 2021.

Net provisions for liabilities and charges	(28.4)	(22.3)	(6.1)	27.1%

Net provisions for liabilities and charges increased by €6.1 million on the comparative period. The increase is mainly due to the increase in the calculation bases due to higher commission charges.

Market effects	106.3	(5.7)	112.0	n.s.
of which:				
Performance fees	17.5	7.6	9.8	n.s.
Net profit (loss) from investments at fair value	88.8	(13.3)	102.2	n.s.

Market effects as a whole recorded a strong increase (+€112 million). This change was primarily due to the net profits recorded on investments measured at fair value (+€102.2 million compared with the previous period). The SIA S.p.A. equity investment was written up by a substantial amount (+€72.2 million), to which the greater result on derivatives (up €16.6 million on the comparative period) and the improvement in the UCITS in the proprietary portfolio together with the trading book performance (+€12.6 million compared with the comparative period) are added. For more information on the valuation of the SIA S.p.A. equity investment, please see the relevant section in the Report on Operations.

Taxes for the period	(80.6)	(34.4)	(46.2)	n.s.

The tax rate for the first half of 2021 (23.1%) increased due to the different distribution of income between Italy and abroad. In particular, in the period under review, the impact of fair value is almost entirely attributable to the Italian market.

INCOME STATEMENT AT 30 JUNE 2021 BY COUNTRY AND BUSINESS AREA

Comments on the changes in the income statement by country and business area, with any reclassification of comparatives, are provided below. While revenues can be originally and directly allocated to products and, through aggregation, to the Result Areas, costs underwent an allocation process according to the varying degrees to which they could be assigned to the products and the nature of the underlying processes:

> Direct costs, which can be attributed to the products according to the individual processed parts.
> Indirect costs allocated to the Result Areas, assigned to the products according to their correlation with the production of commercial volumes: costs related to the marketing and commercial support processes.
> Unallocated indirect costs: costs of a strictly administrative nature, or costs related to control or infrastructure processes, the allocation of which to the products/Result Areas entailed the use of estimates.

The details of IFRS 8 are set out in the relevant section of the notes (Part L – Segment reporting).

ITALY – BANKING SEGMENT

€/t	30/06/2021	30/06/2020	Change	% chge
Banking service fees and revenues	63,280	65,614	(2,334)	(3.6%)
Sundry fees and commissions	2,627	6,892	(4,265)	(61.9%)
Total fee and commission income	**65,907**	**72,506**	**(6,599)**	**(9.1%)**
Network fee and commission expense	(46,629)	(49,312)	2,682	(5.4%)
Other fee and commission expense	(16,175)	(11,582)	(4,592)	39.7%
Total fee and commission expense	**(62,804)**	**(60,894)**	**(1,910)**	**3.1%**
Net fee and commission income	**3,103**	**11,612**	**(8,509)**	**(73.3%)**
Net interest income	**127,153**	**108,246**	**18,907**	**17.5%**
Net income (loss) from other investments	**(13,500)**	**(15,410)**	**1,910**	**(12.4%)**
of which Net value adjustments of loans and receivables	(13,775)	(13,169)	(606)	4.6%
Other income and expenses	**(503)**	**698**	**(1,201)**	**n.s.**
LEVEL I CONTRIBUTION MARGIN	**116,253**	**105,146**	**11,106**	**10.6%**
Allocated costs	(94,218)	(83,903)	(10,315)	12.3%
Ordinary contributions and guarantee funds	(7,507)	(6,912)	(595)	8.6%
LEVEL II CONTRIBUTION MARGIN	**14,527**	**14,331**	**196**	**1.4%**
OPERATING MARGIN	**14,527**	**14,331**	**196**	**1.4%**
Net P&L from investments at fair value	89,188	(11,304)	100,492	n.s.
MARKET EFFECTS	**89,188**	**(11,304)**	**100,492**	**n.s.**
Extraordinary contributions and guarantee funds	(2,275)	(2,586)	311	(12.0%)
EXTRAORDINARY EFFECTS	**(2,275)**	**(2,586)**	**311**	**(12.0%)**
SEGMENT MARGIN BEFORE TAX	**101,440**	**441**	**100,999**	**n.s.**

The **segment margin before tax** for the Italy - Banking segment was a positive €101.4 million, compared with a positive €0.4 million in the first half of 2020. This increase is mainly attributable to the write-up of SIA S.p.A.

shares recorded under the item “net profit (loss) from investments at fair value” (+€72.2 million on the comparative period).

Fee and commission income stood at €65.9 million, down by €6.6 million on the comparative period. The decrease was due to the €1.5 million reduction in investigation fees on Banca Mediolanum’s products following commercial promotions, and to the €4.3 million reduction in investigation fees on salary-backed loans due to the final transition to the “tutto TAN” model.

Network fee and commission expense was up by €2.7 million. The decrease was due to the decrease in fee and commission expense related to the salary-backed business, due to the transition to the “tutto TAN” model (€5.6 million), partially offset by higher front fees related to the credit business and by higher management fees related to direct administered funding volumes.

Net interest income, which amounted to €127.2 million, grew compared with the comparative period due to the increase in loans to customers and savings on retail funding, affected by promotional initiatives for customers implemented in 2020.

Allocated costs increased by €10.3 million due to the contribution of the Flowe initiative (+€3.7 million) and direct costs associated with the marketing of credit products (+€2.2 million) and salary-backed products (+€1.4 million) compared with the comparative period.

Market effects stood at approximately €89.2 million, including €72.2 million for the write-up of SIA S.p.A. shares, with the remainder attributable to favourable rate dynamics and the positive performance of the trading portfolio.

ITALY – ASSET MANAGEMENT SEGMENT

€/t	30/06/2021	30/06/2020	Change	% chge
Entry fees	21,053	17,825	3,228	18.1%
Management fees	291,730	254,101	37,629	14.8%
Investment service fees	50,985	41,097	9,888	24.1%
Sundry fees and commissions	12,410	8,218	4,192	51.0%
Total fee and commission income	**376,178**	**321,242**	**54,937**	**17.1%**
Network fee and commission expense	(124,121)	(112,253)	(11,868)	10.6%
Other fee and commission expense	(14,438)	(11,467)	(2,971)	25.9%
Total fee and commission expense	**(138,559)**	**(123,720)**	**(14,839)**	**12.0%**
Net fee and commission income	**237,619**	**197,521**	**40,098**	**20.3%**
Net interest income	**(6,547)**	**(4,428)**	**(2,119)**	**47.9%**
Net income (loss) from other investments	**68**	**85**	**(17)**	**(19.6%)**
Other income and expenses	**(293)**	**(193)**	**(99)**	**51.4%**
LEVEL I CONTRIBUTION MARGIN	**230,848**	**192,985**	**37,863**	**19.6%**
Allocated costs	(36,752)	(36,240)	(512)	1.4%
LEVEL II CONTRIBUTION MARGIN	**194,096**	**156,745**	**37,352**	**23.8%**
OPERATING MARGIN	**194,096**	**156,745**	**37,352**	**23.8%**
Performance fees	8,407	3,930	4,477	n.s.
Net P&L from investments at fair value	(61)	(140)	80	(56.7%)
MARKET EFFECTS	**8,346**	**3,789**	**4,557**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**202,442**	**160,534**	**41,908**	**26.1%**

The segment margin before tax of the Italy - Asset Management segment was €202.4 million, compared with the result for the same period of the previous year of €160.5 million.

Fee and commission income for the period was €376.2 million, an increase of €54.9 million on the first half of 2020. The increase was due to both the good performance of underwriting fees driven by inflows and to recurring fees (management fees and fees on investment services) affected by the increase in assets under management compared with the comparative period.

Network fee and commission expense rose by €11.9 million compared with the first half of 2020. The increase is almost entirely related to growth in assets.

Market effects were up by €4.5 million compared with the comparative period, due to the positive trend in performance fees.

ITALY – INSURANCE SEGMENT

€/t	30/06/2021	30/06/2020	Change	% chge
Management fees	265,338	217,539	47,799	22.0%
Investment service fees	34,732	28,781	5,951	20.7%
Net insurance income (excluding commissions)	25,173	18,937	6,236	32.9%
Sundry fees and commissions	4,979	4,258	722	16.9%
Total fee and commission income	**330,222**	**269,514**	**60,708**	**22.5%**
Network fee and commission expense	(129,420)	(93,466)	(35,954)	38.5%
Other fee and commission expense	(9,187)	(7,404)	(1,784)	24.1%
Total fee and commission expense	**(138,607)**	**(100,870)**	**(37,738)**	**37.4%**
Net fee and commission income	**191,615**	**168,644**	**22,971**	**13.6%**
Net interest income	**914**	**2,157**	**(1,243)**	**(57.6%)**
Net income (loss) from other investments	**(1,181)**	**(1,043)**	**(138)**	**13.3%**
Other income and expenses	**3,786**	**3,905**	**(119)**	**(3.1%)**
LEVEL I CONTRIBUTION MARGIN	**195,134**	**173,664**	**21,470**	**12.4%**
Allocated costs	(50,257)	(44,973)	(5,284)	11.7%
LEVEL II CONTRIBUTION MARGIN	**144,877**	**128,691**	**16,186**	**12.6%**
OPERATING MARGIN	**144,877**	**128,691**	**16,186**	**12.6%**
Performance fees	7,646	3,364	4,282	n.s.
Net P&L from investments at fair value	(329)	(1,838)	1,509	(82.1%)
MARKET EFFECTS	**7,317**	**1,526**	**5,791**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**152,194**	**130,217**	**21,977**	**16.9%**

The segment margin before tax of the Italy - Insurance segment came in at €152.2 million, an increase of €22 million compared with the result of €130.2 million for the first half of 2020.

Fee and commission income for the period was €330.2 million, an increase of €60.7 million on the first half of 2020. Of this increase, €53.8 million was attributable to recurring fees, driven by the increase in assets under management, and €6.2 million to net insurance income, which increased due to the positive performance of the protection business.

Network fee and commission expense was up by €36.0 million. The increase was due to three growth phenomena: upfront fee and commission expense (up by €6.5 million), management fees (up by €15.4 million) and, lastly, an increase relating to provisions for premiums and incentives relating to commercial results for products in the segment that were higher than in the first half of 2020 (+€13.5 million).

Allocated costs increased by €5.3 million, largely due to the trend in business volumes.

Market effects were up by €5.8 million compared with the comparative period, of which €4.2 million was attributable to the positive trend in performance fees and €1.5 million to the improvement in net profit (loss) from investments at fair value.

ITALY – OTHER SEGMENT

€/t	30/06/2021	30/06/2020	Change	% chge
Sundry fees and commissions	1,142	197	945	n.s.
Network fee and commission expense	2,446	1,086	1,360	n.s.
Net fee and commission income	**3,588**	**1,282**	**2,306**	**n.s.**
Net income (loss) from other investments	**333**	**(404)**	**737**	**n.s.**
Other income and expenses	**1,760**	**2,189**	**(429)**	**(19.6%)**
LEVEL I CONTRIBUTION MARGIN	**5,682**	**3,068**	**2,614**	**85.2%**
Allocated costs	(2,191)	(2,004)	(188)	9.4%
LEVEL II CONTRIBUTION MARGIN	**3,490**	**1,064**	**2,427**	**n.s.**
OPERATING MARGIN	**3,490**	**1,064**	**2,427**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**3,490**	**1,064**	**2,427**	**n.s.**

The **Italy – Other segment** comprises financial items not directly attributable to the other lines of business or relating to common activities.

SPAIN SEGMENT

€/t	30/06/2021	30/06/2020	Change	% chge
Entry fees	8,590	7,936	654	8.2%
Management fees	43,385	33,418	9,967	29.8%
Investment service fees	6,575	5,077	1,498	29.5%
Net insurance income (excluding commissions)	10,357	7,829	2,528	32.3%
Banking service fees and revenues	3,777	3,490	287	8.2%
Sundry fees and commissions	1,063	759	304	40.1%
Total fee and commission income	**73,747**	**58,509**	**15,238**	**26.0%**
Network fee and commission expense	(32,638)	(25,603)	(7,035)	27.5%
Other fee and commission expense	(5,637)	(4,824)	(813)	16.8%
Total fee and commission expense	**(38,275)**	**(30,427)**	**(7,848)**	**25.8%**
Net fee and commission income	**35,472**	**28,082**	**7,390**	**26.3%**
Net interest income	**8,591**	**7,439**	**1,152**	**15.5%**
Net income (loss) from other investments	**(174)**	**(413)**	**239**	**(57.9%)**
Other income and expenses	**1,179**	**1,301**	**(122)**	**(9.3%)**
LEVEL I CONTRIBUTION MARGIN	**45,068**	**36,408**	**8,660**	**23.8%**
Allocated costs	(22,619)	(20,057)	(2,562)	12.8%
Ordinary contributions and guarantee funds	(1,769)	(1,288)	(481)	37.3%
LEVEL II CONTRIBUTION MARGIN	**20,680**	**15,063**	**5,617**	**37.3%**
Depreciation and amortisation	(2,575)	(2,363)	(212)	9.0%
Net provisions for liabilities and charges	(497)	(760)	263	(34.6%)
OPERATING MARGIN	**17,608**	**11,940**	**5,668**	**47.5%**
Performance fees	1,122	283	839	n.s.
Net P&L from investments at fair value	34	(40)	74	n.s.
MARKET EFFECTS	**1,156**	**243**	**913**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**18,764**	**12,183**	**6,581**	**54.0%**

The **segment margin before tax** was a positive €18.8 million, compared with the result for the comparative period of €12.2 million.

Fee and commission income rose from €58.5 million in the first half of 2020 to €73.7 million in the reporting period. This trend was mainly due to the increase in recurring fees and commissions (+€11.4 million), driven by the increase in assets under management and net insurance income (+€2.5 million) thanks to the commercial results of insurance business products.

Network fee and commission expense grew in line with the growth in upfront revenues and commercial results for the period.

Net interest income stood at approximately €8.6 million, up €1.2 million on the comparative period due to the positive trend in retail loans.

Allocated costs, which represent the total general and administrative expenses for the segment, were up by €2.6 million on the comparative period. This difference is mainly attributable to higher staff costs (+€0.4 million - an average of 21 more resources), costs arising from the increase in mortgage loans (+€0.8 million), IT costs for technological adaptation to support volume growth (+€0.4 million) and higher advertising campaign costs (+€0.5 million).

GERMANY SEGMENT

€/t	30/06/2021	30/06/2020	Change	% chge
Entry fees	-	455	(455)	n.s.
Management fees	4,609	4,787	(178)	(3.7%)
Investment service fees	694	706	(12)	(1.7%)
Net insurance income (excluding commissions)	113	(103)	216	n.s.
Banking service fees and revenues	2,981	5,341	(2,360)	(44.2%)
Sundry fees and commissions	236	302	(66)	(21.9%)
Total fee and commission income	**8,633**	**11,488**	**(2,855)**	**(24.9%)**
Network fee and commission expense	(1,924)	(1,940)	16	(0.8%)
Other fee and commission expense	(2,947)	(4,322)	1,375	(31.8%)
Total fee and commission expense	**(4,871)**	**(6,262)**	**1,391**	**(22.2%)**
Net fee and commission income	**3,762**	**5,226**	**(1,464)**	**(28.0%)**
Net interest income	**(212)**	**(320)**	**108**	**(33.8%)**
Net income (loss) from other investments	**91**	**12**	**79**	**n.s.**
Other income and expenses	**615**	**311**	**304**	**97.7%**
LEVEL I CONTRIBUTION MARGIN	**4,256**	**5,229**	**(973)**	**(18.6%)**
Allocated costs	(6,512)	(11,015)	4,503	(40.9%)
Ordinary contributions and guarantee funds	(5)	(7)	2	(28.6%)
LEVEL II CONTRIBUTION MARGIN	**(2,261)**	**(5,793)**	**3,532**	**(61.0%)**
Depreciation and amortisation	(574)	(720)	146	(20.3%)
OPERATING MARGIN	**(2,835)**	**(6,513)**	**3,678**	**(56.5%)**
Performance fees	311	62	249	n.s.
Net P&L from investments at fair value	(5)	(15)	10	(66.7%)
MARKET EFFECTS	**306**	**47**	**259**	**n.s.**
SEGMENT MARGIN BEFORE TAX	**(2,529)**	**(6,466)**	**3,937**	**(60.9%)**

The **segment margin before tax** of the segment came in at a loss of €2.5 million, compared with the previous year's loss of €6.5 million.

The **operating margin** was approximately -€2.8 million versus -€6.5 million recorded in the comparative period. The lower losses are attributable to the reduction in costs.

PERFORMANCE OF THE PARENT COMPANY AND ITS SUBSIDIARIES

COMPANIES OPERATING IN THE BANKING AND FINANCIAL SECTOR

Banca Mediolanum S.p.A.

Banca Mediolanum ended the first half of 2021 with a net profit of €268.5 million, compared with €150.3 million at 30 June 2020.

Banca Mediolanum's net deposits amounted to €3,955.3 million, down from €4,498.3 million in the same period last year, which benefited from promotional initiatives on rates on deposits in the administered segment. In particular, net inflows into asset management products amounted to €2,818.7 million, up by €1,114.1 million compared with 30 June 2020, while inflows into assets under administration during the reporting period yielded a result of €1,136.6 million, compared with the result of €2,793.7 million for the comparative period. At the end of the reporting half-year, total customers assets administered and managed amounted to €93,407 million, compared with €85,639.9 million at 31 December 2020.

The sales network comprises 4,200 individuals (30.06.2020: 4,134 individuals).

Banco Mediolanum S.A. Group

The Spanish banking group ended the half-year under review with a consolidated net profit of €5.2 million (€12.1 million for the period ended 30 June of the previous year).

Net inflows into asset management products in the Spanish market amounted to €498.4 million, compared with €376.8 million in the first half of the previous year. Inflows into assets under administration came to €237.1 million during the half-year under review, compared with inflows of €128.1 million in the same period of the previous year.

Total customer assets administered and managed in the Spanish market amounted to €8,283.8 million at 30 June 2021, compared with €7,185.0 million at 31 December 2020.

The sales network comprises 1,404 individuals (31.12.2020: 1142 individuals).

Bankhaus August Lenz & Co. AG

The German bank closed the half-year ended 30 June 2021 with a net loss of €8.4 million (a net loss of €9.5 million for the period ended 30 June 2020).

Net inflows into assets under management during the half-year were a negative €17.7 million (30.06.2020: +€5.7 million), while the administered segment did not show any balance (30.06.2020: -€5.3 million). At the end of the reporting half-year, total customer assets administered and managed amounted to €492.7 million (31.12.2020: €522.4 million).

The Bank no longer uses the previous network of financial advisers, but places the products through dedicated platforms.

It will be recalled that the German company closes its financial statements at 30 June.

PreXta S.p.A. (formerly EuroCQS S.p.A.)

The Company presented a net profit of €2.2 million (a net profit of €1.3 million at the end of the comparative period).

Net interest income rose sharply in the first half of 2021, reaching €11.2 million (30.06.2020: €7.4 million), mainly due to the continuous development of the loan portfolio, which began in 2020. At the end of the period under

review, total loans to customers amounted to €1,252.5 million, compared with €1,049.1 million at 31 December 2020.
On 12 July 2021, the Company changed its name from EuroCQS S.p.A. to PreXta S.p.A. partly to take into account the extension of the core business (salary-backed products) in the area of personal loans.

FloWe S.p.A. – S.B.

The Company, a payment service provider, recorded a net loss of €10.8 million at the end of the period under review (a net loss of €4.5 million in the comparative period). It should be noted that the company became fully operational in the second half of 2020. During the year under review, it continued its policy of investing in technological infrastructure and developing brands.

COMPANIES OPERATING IN THE ASSET MANAGEMENT SECTOR

Mediolanum International Funds Ltd

The Irish fund company closed the half-year ended 30 June 2021 with a net profit of €225.7 million (30.06.2020: +€176.7 million).
Net inflows to 30 June 2021 were €1,829.9 million (30.06.2020: +€1,258.0 million).
Consolidated assets under management at 30 June 2021 were €47,828.7 million, compared with €43,030.4 million at 31 December 2020.
The positive performance of the markets in the period under review resulted in the accrual of performance fees of €141.9 million on funds under management in Ireland, which will be recognised if the same market performance levels are confirmed at the end of the year under review, all other conditions being equal (i.e., the assets under management).

Mediolanum Gestione Fondi SGR p.A.

The accounts for the period ended 30 June 2021 show a net profit of €17.9 million, essentially in line with the profit achieved in the same period last year (30.06.2020: €20.7 million).
Total assets directly managed by the Company amounted to €8,955.3 million at 30 June 2021, a decrease of €454.2 million from €9,409.5 million at 31 December 2020.
Fee and commission income for the period ended 30 June 2021 was €30.8 million, compared with €35.0 million in the comparative period. The change was primarily due to the absence of performance fees (€2.9 million in the first half of 2020) and lower net management fees (-€1.1 million compared with the comparative period).
The positive performance of the markets in the period under review resulted in the accrual of performance fees of €57 million on funds under management in Italy, which will be recognised if the same market performance levels are confirmed at the end of the year under review, all other conditions being equal (i.e., the assets under management).

Mediolanum Fiduciaria S.p.A.

The accounts at 30 June 2021 show a net loss of €436.5 thousand, compared with a net loss of €390.3 thousand in the first half of 2020.
Net fee and commission income increased by €40.5 thousand to €192.6 thousand in the period under review. The increase was primarily due to the greater assets under management.
Administrative expenses amounted to €766.6 thousand, up compared with the first half of 2020 (+17%).
At 30 June 2021, funds under trust management amounted to €490,617 thousand, compared with €438,641 million in the previous year.

COMPANIES OPERATING IN THE INSURANCE SECTOR

Mediolanum Vita S.p.A.

The accounts pursuant to IASs/IFRSs at 30 June 2021 show a net profit of €36.2 million compared with €29.1 million in the same period of the previous year.
Net profit for the half-year determined according to Italian GAAP was €51.4 million, compared with €4.9 million for the same period of the previous year.
The result recorded at statutory level benefits from the financial component, mainly attributable to the upturn of €14.7 million in the Mediobanca stock, which in 2020 had been reclassified, from a strategic equity investment in the held-to-collect-and-sell category for IFRS/IAS purposes and in the current segment for statutory purposes, and which, in the first half of 2020 had recorded a loss in value of €22.2 million.
The application of IAS/IFRS to the statement of financial position as at 30 June 2021 generated a decrease in net profit of €15.2 million, compared with national GAAP, due to the different classification of securities in current assets (according to national GAAP) classified within the "Held to collect and sell" portfolio for the purposes of the international accounting standards.
On 14 June 2021 the Company forwarded its counter-arguments to IVASS following the report received on the inspection carried out by the supervisory authority mentioned in the financial statements. The directors are confident that they have provided the supervisory authority with further information and considerations regarding the points raised and that some aspects arising from the inspection have already been taken into account for the purposes of the financial and economic position as at 30 June 2021. Accordingly, it is not believed that the conclusion of the process related to the inspection could give rise to contingent liabilities that could materially compromise the company's financial and economic position.

Mediolanum International Life Dac

At the end of the first half of 2021, the Irish company reported a net profit of +€11.3 million, essentially in line with the comparative period (30.06.2020: +€11.9 million).
Total premium income for the period ended 30 June 2021 was €149.6 million, compared with €267.9 million for the period ended 30 June 2020.
The total balance of commitments to policyholders amounted to €3,589.2 million at 30 June 2021, down compared with the end of the previous year (31.12.2020: €3,072.6 million).

Mediolanum Assicurazioni S.p.A.

The accounts pursuant to IASs/IFRSs at 30 June 2021 show a net profit of €7.7 million compared with €6.8 million in the same period of the previous year.
However, the net profit for the half-year, determined according to national GAAP, was €7.6 million, compared with €6.1 million for the same period last year.
The main difference between the IAS/IFRS result and the GAAP result is mainly due to the cancellation of the catastrophe reserve and to the different procedures for classifying and measuring the securities portfolio.
Administrative expenses for the half-year, amounting to €3.0 million, were essentially in line with the comparative period.
On 17 May 2021 the Company forwarded its responses to IVASS following the report received on the inspection carried out by the supervisory authority mentioned in the financial statements.
The directors are confident that they have provided the supervisory authority with further information and considerations regarding the points raised and that some aspects arising from the inspection have already been taken into account for the purposes of the financial and economic position as at 30 June 2021. Accordingly, it is

not believed that the conclusion of the process related to the inspection could give rise to contingent liabilities that could materially compromise the company's financial and economic position.

OTHER INFORMATION

SHAREHOLDERS' EQUITY, TREASURY SHARES AND DIVIDENDS

At the date of this Report, the share capital of Banca Mediolanum was €600,346,919.5, divided into 741,871,052 shares with no par value.
Shareholders' equity amounted to €2,600.3 million at 30 June 2021, compared with €2,738.5 million at 31 December 2020. The change, excluding the profit for the period, is mainly attributable to the allocation of profits to shareholders and to the capital gain on the Cedacri security which was classified in the HTC&S segment. For more information, please see the relevant section in the Report on Operations.

With regard to the allocation of earnings for 2020, it should be noted that on 3 March 2021, the Board of Directors of Banca Mediolanum and subsequently the Shareholders' Meeting of 15 April 2021 approved the financial statements of Banca Mediolanum for the year ended 31 December 2020, which showed a profit of €433,980,479. In particular, the following resolutions were adopted:
- the distribution of a dividend of €0.02667 for each ordinary eligible share, gross of statutory withholdings in May 2021, from the 2020 profits and equivalent to the measure permitted by the Bank of Italy recommendation, according to which the distributable amount must be limited to no more than 15% of the cumulative profits of 2019-20 or 20 basis points of the CET1 coefficient (in any case the lower of the two);
- the distribution of a dividend in October 2021 equal to €0.41333 for each ordinary eligible share, gross of statutory withholdings – subject to the absence of any new measures and/or recommendations preventing distribution issued by the prudential supervisory authority - from the 2020 profits and €0.34 for each ordinary eligible share, gross of statutory withholdings, from the reserves generated from previous years' profits.

On 26 May 2021, a first dividend totalling €19.3 million was distributed, as described above.

It should therefore be recalled that, following the Shareholders' Meeting resolution described above on 30 June 2021, €555 million was reclassified to payables to shareholders under other liabilities, and consequently excluded from shareholders' equity.

EPS (earnings per share) came to €0.36, compared with €0.21 in the first half of 2020.

CAPITAL ADEQUACY OF THE MEDIOLANUM FINANCIAL CONGLOMERATE

The calculation of the capital adequacy of the Mediolanum Financial Conglomerate at 30 June 2021, in accordance with the additional supervisory provisions in force, showed that, with the capital requirements of the conglomerate of €2,087 million, the capital resources of the conglomerate to cover the required margin amounted to €2,698 million, with a surplus of €611 million:

€/million	30/06/2021	31/12/2020
Financial conglomerate primarily engaged in banking		
Capital	2,698	2,330
Banking capital requirements	1,181	1,086
Insurance capital requirements	906	785
Capital surplus (deficit)	**611**	**459**

OWN FUNDS AND CAPITAL RATIOS FOR REGULATORY PURPOSES AT 30 JUNE 2021[9]

Banca Mediolanum S.p.A. has calculated the consolidated own funds for supervisory purposes and the relative capital ratios in accordance with the regulations in force (Regulation (EU) No 575/2013 (Basel 3)).
For the purposes of supervisory reporting, as at 30 June 2021, consolidated net profit at 30 June 2021, amounting to €268.7 million, was included in the calculation of own funds, net of the pay-out expected on the basis of the economic performance achieved during the half-year (€169.3 million); the amount calculated for the purposes of calculating the own funds was therefore the residual amount of €99.4 million.
In light of the above, the Common Equity Tier 1 (CET1) Ratio was 21.3% at 30 June 2021.

TAX DISPUTE

With regard to the tax dispute involving Banca Mediolanum and Mediolanum Vita over the tax treatment of the fees paid by the Irish companies, there are no updates on the details provided in the 2020 financial statements. For more information, please see the notes to the financial statements – Tax liabilities.

MERGER BY INCORPORATION OF SIA S.p.A. INTO NEXI S.p.A.

As previously described in the section of the 2020 financial statements relating to events after the end of the reporting period, on 11 February 2021, following approval by the Boards of Directors of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement for the merger by incorporation of SIA into Nexi was signed, continuing the process that began in the fourth quarter of 2020 with the signing of the memorandum of understanding in October 2020.
The agreement mainly includes an exchange ratio by which SIA shareholders will receive 1.5761 Nexi shares for each SIA share.
With regard to the valuation of the shares at 30 June 2021, it was taken into account that both companies (SIA and NEXI) had resolved at their respective shareholders' meetings (on 21 June 2021) to carry out the merger, confirming the share exchange value previously agreed in the draft merger plan.

[9] It should be noted that these data may be updated during the supervisory authority reporting phase.

Although widely known about on the market for some time, the merger is at present only awaiting approval by the supervisory bodies in order to be definitively finalised. The valuation therefore considered the transaction to have been essentially completed following the shareholders' meeting, but uncertainty remained as to the date by which it could be finalised. The valuation approach therefore referred to the exchange value of the transaction, the price at 30 June of the NEXI shares and a discount factor to take into account the implicit costs of the transformation and liquidability of SIA S.p.A. shares.

Banca Mediolanum holds an equity investment of 2.85% in the share capital of SIA S.p.A., classified as an asset at fair value through profit or loss.

At 30 June 2021, its fair value was estimated at €135.2 million, compared with €63 million at 31 December 2020, a valuation that was based only on the company's standalone plans.

CEDACRI SHARES

On 3 June 2021 the sale of the shares relating to the Cedacri company, held in the financial portfolio of financial assets at fair value through other comprehensive income, was completed. The sale resulted in the collection of a net value of €176 million. This amount is already net of price adjustment costs, as specified in the agreement signed on 5 March 2021, and transaction costs directly attributable to the transaction.

Based on the net value received, a total capital gain of €149.5 million was recognised on the sale, net of the related tax effect, including €91.8 million related to the increase in the first half of 2021.

In view of the fact that the security was classified among financial assets at fair value through other comprehensive income, the profit realised was recognised as a contra-entry in shareholders' equity and had no effect on the income statement.

EQUITY INVESTMENTS

Equity investment in the German subsidiary Bankhaus August Lenz

In the context of the rationalisation activities carried out within the German subsidiary, it is possible that "payment services" service will be discontinued in favour of a third-party counterparty. If this were to be fully realised in the near future, fully completed in the near future, no tangible economic effects are expected to derive from the potential transaction since it involves the disposal of a low value-added operating service. Assets and liabilities are being defined which, if the transaction is completed, will be transferred to the third-party counterparty. In this regard, it should be noted that these assets will be transferred at book value and, in any case, the scope of the assets to be transferred will be limited to persons and instruments strictly required for the management of the service in question. It should also be recalled that an initial quantification of the assets transferred shows little materiality in terms of values to be transferred, which stand at around €400 thousand at initial recognition, with a negligible impact in terms of asset representation.

Update of impairment test

In light of the recommendations in IAS 36, in the half-year under review, the main economic variables underlying the CGUs that generate goodwill recognised in the financial statements were analysed without identifying possible indicators of impairment.

SIGNIFICANT EVENTS AFTER THE END OF THE FIRST HALF OF THE YEAR

In its notification of 27 July 2021, the Bank of Italy announced that, in line with the provisions of the European Central Bank on the dividend policies of significant banks, recommendations previously issued preventing the distribution of dividends would not be extended beyond the previously established deadline of 30 September 2021. It will therefore also be possible for banks that are "less significant institutions" to resume their own assessment of their dividend policy, subject to the necessary interactions with regulators to ensure a prudent approach.

In this context, Banca Mediolanum promptly began the necessary discussions with the Bank of Italy to resume its dividend policy from 1 October.

No other events that could have a material effect on the Group's financial position and earnings results took place after 30 June 2021.

BUSINESS OUTLOOK

Fears relating to the Delta variant have prevented us from relaxing our guard and are in fact causing delays to reopenings in some developed countries and more difficulties in other areas of the world, particularly the emerging economies. However, governments seems more determined than ever and equipped to deal with what has effectively become a race between the pace at which we can give full vaccine coverage to citizens and the spread of more contagious and apparently single-dose resistant variants. Given the recent acceleration in the pace of vaccination in some emerging countries and the fact that with high vaccination coverage the pressure on health-care systems seems limited, we can assume that this challenge will prove complex, but ultimately successful. If the Delta variable permits, therefore, the global recovery should remain solid over the next few months and become even more synchronised toward the end of the year, when the progress of vaccinations will allow a broader range of countries, including in Asia and Latin America, to ease restrictions and take part in the recovery.

Europe is still at the beginning of the rebound phase, particularly with regard to consumption in many service categories. Economic activity is accelerating and should benefit from a thriving tourist season, despite the reintroduction of some restrictions on arrivals from abroad (particularly from the UK). In the US, the bounce-back may have peaked but activity levels are expected to remain very high over the coming months. With the reabsorption of the boom in reopenings and generous fiscal subsidies, consumption should stabilise but remain supported by high household spending capacity and continued progress in the employment market. On the supply side, at the global level, short-term hurdles should subsequently be a positive factor, as bottlenecks are gradually cleared:

the need to fulfil back orders, replenish stocks – now at extremely low levels – and increase capacity in the sectors under most pressure should continue to support production.

Inflation is likely to remain high throughout 2021, with a further recovery of prices expected, particularly in services, due to the ongoing reopenings; however, the gradual mitigation of current supply/demand imbalances and the reabsorption of the base effect should favour a return of inflationary pressures in the coming months. However, the future inflation regime may be slightly higher than in recent years.

In this context, investors will pay close attention to developments in economic data, in particular US inflation and employment figures, in order to assess the actual progress made towards the achievement of the Fed's objectives and then try to anticipate the timing of the start of the process of reducing securities purchases on the market. After providing exceptional support to cushion the economic impact of the pandemic from the outset, the task of the central banks, especially in the US, is particularly delicate at this stage: on the one hand, there is a need to continue to support the recovery, avoiding shocks due to hasty moves; on the other, they have to avoid a situation in which excessive inflation expectations create self-fuelling spirals.
The result should be a very cautious normalisation process: tapering may be announced at the Jackson Hole symposium in late August and then start in 2022, while the first interest rate hike is also expected to be postponed until 2023. For its part, the ECB is likely to remain patient for even longer, given that a return to pre-Covid growth in the euro zone will take longer, and base price and wage pressures will remain limited as a result.

Moreover, monetary and fiscal policy should continue to operate in concert, as they have done since the outbreak of the pandemic: keeping real interest rates at very low levels helps to maintain the sustainability of public debts, which have reached very high levels and are expected to expand further in the coming years. In the US, after the emergency phase, the Biden administration's focus is now turning to the medium-to-long-term growth outlook, with two major spending programmes – the American Jobs Plan and the American Families Plan – focused on infrastructure investment, digital, climate change and welfare. The road to approval is complex, but the preliminary bipartisan agreement recently reached between Democrats and Republicans should pave the way for at least some of these proposals, which would require the disbursement of more than a trillion dollars over the next eight years. The Democrats also seem determined to push through – in this case without Republican support – another measure that would include additional spending chapters but also a possible increase in taxes on high-income individuals and corporations. There were also significant developments in Next Generation EU in the recent period, with the approval by the European Commission of the recovery and resilience plans of the main countries and the first issue of European bonds to finance the programme, enabling the first payments of funds to member countries to take place as early as July.

The goal of these initiatives, which are a key bet by governments on the medium-to-long-term economic outlook, is essentially to ensure that, once the post-Covid economic cycle bounces back, growth continues on a structurally stronger path.
The scenario outlined above suggests a moderate increase in bond yields and, as a result, an environment that remains challenging for traditional bonds. Meanwhile, the continued caution on the part of the central banks suggests a very gradual adjustment path, with
relatively low rates for a long period, which will continue to encourage investors to seek fixed income yields and asset classes with higher expected returns.

The equity markets should continue to be some of the main targets for this "research". Certainly, after the very significant increases already achieved in recent months and with the transition to a more mature phase of the economic cycle – which will soon or later be accompanied by a reduction, at the margin, of the monetary supports – it is appropriate to account for possible episodes of volatility or more lateral consolidation phases for the asset class. However, the underlying environment remains very supportive. The continuation of the economic recovery will in fact continue to be reflected in corporate earnings, where growth – above index prices – has already partially changed valuations. Furthermore, lending conditions are still very favourable, as evidenced by real interest rates, which are still substantially negative. Lastly, liquidity on the market remains very high, including that available to retail investors, as can be clearly seen from the increase in deposits in all major countries since the start of the pandemic. Investment flows into equity funds have already recovered significantly since the start of the year (although this has only partially corrected the 2020 outflows) and were equally strong into both cash and bond funds. This phenomenon also applies to European equities, after years of mostly stagnant flows, suggesting that there might be a sustained return of confidence in the region's outlook on the part of both foreign and domestic investors.

Considering the risks typical of the sector, and barring the occurrence of exceptional events that may entail a further significant deterioration of the current situation (not subject to the Directors' control and currently not foreseeable by the management), a positive profit performance is expected for 2021.
Basiglio, 29 July 2021

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

Condensed Consolidated Half-year Financial Statements at 30 June 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

€/t		30/06/2021	31/12/2020
10.	Cash and cash equivalents	179,573	129,723
20.	Financial assets at fair value through profit or loss	31,021,921	26,549,573
	a) Financial assets held for trading	739,385	302,660
	b) Financial assets designated at fair value	30,122,264	26,064,405
	c) Other financial assets mandatorily measured at fair value	160,272	182,508
30.	Financial assets at fair value through other comprehensive income	1,576,389	1,957,755
40.	Financial assets measured at amortised cost	33,323,022	28,929,572
	a) Loans to banks	3,370,660	825,263
	b) Loans to customers	29,952,362	28,104,309
50.	Hedging derivatives	34	-
80.	Reinsurers' share of technical provisions	69,084	67,815
90.	Tangible assets	253,196	260,305
100.	Intangible assets	206,610	205,200
	of which:		
	- goodwill	132,925	132,925
110.	Tax assets	452,248	517,756
	a) current	360,827	419,735
	b) deferred	91,421	98,021
120.	Non-current assets and disposal groups	208	208
130.	Other assets	471,775	411,139
TOTAL ASSETS		**67,554,060**	**59,029,046**

Liabilities and shareholders' equity

€/t		30/06/2021	31/12/2020
10.	Financial liabilities measured at amortised cost	30,484,239	26,772,320
	a) Payables to banks	1,120,911	1,003,592
	b) Payables to customers	29,363,328	25,768,728
	c) Debt securities in issue	-	-
20.	Financial liabilities held for trading	270,872	78,322
30.	Financial liabilities designated at fair value	12,315,480	9,645,644
40.	Hedging derivatives	22,841	29,318
60.	Tax liabilities	120,734	121,135
	a) current	92,725	87,665
	b) deferred	28,009	33,470
80.	Other liabilities	1,284,715	700,057
90.	Employee severance benefits	12,040	12,290
100.	Provisions for liabilities and charges	329,331	326,529
	a) commitments and guarantees given	550	475
	b) pensions and similar obligations	544	657
	c) other provisions for liabilities and charges	328,237	325,397
110.	Technical provisions	20,113,485	18,604,900
120.	Valuation reserves	11,849	4,919
150.	Reserves	1,753,927	1,738,797
155	Interim dividends	-	-
160.	Issue premiums	4,122	3,626
170.	Capital	600,347	600,297
180.	Treasury shares (-)	(38,670)	(43,570)
200.	Net profit (loss) for the period	268,748	434,462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**67,554,060**	**59,029,046**

Basiglio, 29 July 2021

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

CONSOLIDATED INCOME STATEMENT

€/t		30/06/2021	30/06/2020
10.	Interest income and similar income	196,652	187,354
	of which: interest income calculated using the effective interest method	169,470	167,900
20.	Interest expense and similar expenses	(27,776)	(42,239)
30.	**Net interest income**	**168,876**	**145,115**
40.	Fee and commission income	881,458	744,707
50.	Fee and commission expense	(380,851)	(319,917)
60.	**Net fee and commission income**	**500,607**	**424,790**
70.	Dividends and similar income	1,376	1,187
80.	Net gains (losses) from trading	84,158	(4,329)
90.	Net gains (losses) from hedging	(511)	(1,421)
100.	Gains (losses) from disposal or repurchase of:	791	243
	a) financial assets measured at amortised cost	6	2
	b) financial assets at fair value through other comprehensive income	785	241
110.	Net gain/(loss) from other financial assets and liabilities at fair value through profit or loss	531,049	(1,208,041)
	a) financial assets and liabilities designated at fair value	526,399	(1,198,176)
	b) other financial assets mandatorily measured at fair value	4,650	(9,865)
120.	**Operating income**	**1,286,346**	**(642,456)**
130.	Credit-risk induced net value adjustments/write-backs relating to:	(14,474)	(17,489)
	a) financial assets measured at amortised cost	(14,623)	(17,111)
	b) financial assets at fair value through other comprehensive income	149	(378)
150.	**Net profit (loss) from financial operations**	**1,271,872**	**(659,945)**
160.	Net premiums	1,323,011	858,189
170.	Balance of other income/expenses from insurance operations	(1,901,977)	301,708
180.	**Net profit (loss) from financial and insurance operations**	**692,906**	**499,952**
190.	Administrative expenses:	(295,223)	(272,674)
	a) staff costs	(126,012)	(118,859)
	b) other administrative expenses	(169,211)	(153,815)
200.	Net provisions for liabilities and charges	(24,486)	(20,699)
	a) commitments and guarantees given	(57)	35
	b) other net provisions	(24,429)	(20,734)
210.	Net value adjustments/write-backs of tangible assets	(8,550)	(8,827)
220.	Net value adjustments/write-backs of intangible assets	(15,321)	(13,728)
230.	Other operating income/expenses	-	836
240.	**Operating costs**	**(343,580)**	**(315,092)**
280.	Gains (losses) on disposal of investments	11	45
290.	**Profit (loss) on continuing operations before tax**	**349,337**	**184,905**
300.	Taxes on income from continuing operations	(80,589)	(34,416)
310.	**Profit (loss) on continuing operations after tax**	**268,748**	**150,489**
330.	**Net profit (loss) for the period**	**268,748**	**150,489**
350.	**Net profit (loss) attributable to the Parent Company**	**268,748**	**150,489**

Basiglio, 29 July 2021

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€/t		30/06/2021	30/06/2020
10.	**Net profit (loss) for the period**	**268,748**	**150,489**
	Other income net of taxes without reversal to the income statement		
20.	Equity securities designated at fair value through other comprehensive income	9,582	(99,996)
70.	Defined benefit plans	151	61
90.	Share of valuation reserves of equity investments measured at equity		
	Other income net of taxes with reversal to the income statement		
140.	Financial assets (other than equity securities) at fair value through other comprehensive income	(2,803)	(4,003)
160.	Share of valuation reserves of equity investments measured at equity		
170.	**Total other income net of taxes**	**6,930**	**(103,938)**
180.	**Comprehensive income (Item 10+170)**	**275,678**	**46,551**
190.	Consolidated comprehensive income attributable to minority interests		
200.	**Consolidated comprehensive income attributable to the Parent Company**	**275,678**	**46,551**

Basiglio, 29 July 2021

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 June 2020

€/t	Balances at 31/12/2019	Change in opening balances	Balances at 01/01/2020	Allocation of previous year's result		Changes in the period								Shareholders' equity at 30/06/2020
							Transactions on shareholders' equity							
				Reserves	Dividends and other destinations*	Changes in reserves	Issue of new shares	Share buybacks	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares	Comprehensive income at 30/06/2020	
Capital:														
a) ordinary shares	600,234		600,234				36							600,270
b) other shares														-
Issue premiums	3,002		3,002				352							3,354
Reserves:														
a) earnings	1,323,553		1,323,553	161,886		(187)						658		1,485,910
b) other														-
Valuation reserves	52,745		52,745										(103,938)	(51,193)
Equity instruments														-
Interim dividends	(154,045)		(154,045)		154,075	(30)								-
Treasury shares	(47,808)		(47,808)					4,238						(43,570)
Net profit (loss) for the period	565,432		565,432	(161,886)	(403,546)								150,489	150,489
Shareholders' equity attributable to the Group	**2,343,113**	**-**	**2,343,113**	**-**	**(249,471)**	**(217)**	**388**	**4,238**	**-**	**-**	**-**	**658**	**46,551**	**2,145,260**
Shareholders' equity attributable to minorities	**-**		**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY AT 30 June 2021

€/t	Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021	Allocation of previous year’s result		Changes in the period								Shareholders' equity at 30/06/2021
							Transactions on shareholders' equity							
				Reserves	Dividends and other destinations	Changes in reserves	Issue of new shares	Share buybacks	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options and performance shares	Comprehensive income at 30/06/2021	
Capital:														
a) ordinary shares	600,297		600,297				50							600,347
b) other shares														-
Issue premiums	3,626		3,626				496							4,122
Reserves:														
a) earnings	1,694,865		1,694,865	110,544		148,803			(250,309)					1,703,903
b) other	43,932		43,932									6,092		50,024
Valuation reserves	4,919		4,919										6,930	11,849
Equity instruments														-
Interim dividends	-		-											-
Treasury shares	(43,570)		(43,570)					4,900						(38,670)
Net profit (loss) for the period	434,462		434,462	(110,544)	(323,918)								268,748	268,748
Shareholders’ equity attributable to the Group	**2,738,531**	**-**	**2,738,531**	**-**	**(323,918)**	**148,803**	**546**	**4,900**	**(250,309)**	**-**	**-**	**6,092**	**275,678**	**2,600,323**
Shareholders’ equity attributable to minorities	**-**		**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Basiglio, 29 July 2021

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

STATEMENT OF CASH FLOWS
Indirect method

Euro/migliaia	30/06/2021	30/06/2020
A. ATTIVITA' OPERATIVA		
1. Gestione	**(177.743)**	**1.176.818**
- risultato del periodo (+/-)	268.748	150.489
- plus/minusvalenze su attività finanziarie detenute per la negoziazione e sulle altre attività/passività valutate al fair value con impatto a conto economico (-/+)	(581.032)	994.775
- plus/minusvalenze su attività di copertura (-/+)	511	1.421
- rettifiche/riprese di valore nette per rischio di credito (+/-)	14.474	17.489
- rettifiche/riprese di valore nette su immobilizzazioni materiali e immateriali (+/-)	23.871	22.555
- accantonamenti netti a fondi rischi ed oneri ed altri costi/ricavi (+/-)	24.486	20.699
- imposte, tasse e crediti d'imposta non liquidati (+/-)	65.107	(31.268)
- altri aggiustamenti (+/-)	6.092	658
2. Liquidità generata/assorbita dalle attività finanziarie	**(7.828.939)**	**(6.210.406)**
- attività finanziarie detenute per la negoziazione	(352.523)	(631.872)
- attività finanziarie designate al fair value	(3.566.466)	(479.264)
- altre attività obbligatoriamente valutate al fair value	27.639	(9.168)
- attività finanziarie valutate al fair value con impatto sulla redditività complessiva	388.445	164.607
- attività finanziarie valutate al costo ammortizzato	(4.408.073)	(5.262.498)
- altre attività	82.039	7.789
3. Liquidità generata/assorbita dalle passività finanziarie	**8.082.971**	**5.015.504**
- passività finanziarie valutate al costo ammortizzato	3.711.919	5.322.827
- passività finanziarie di negoziazione	192.550	276.576
- passività finanziarie designate al fair value	2.669.836	314.159
- altre passività	1.508.666	(898.058)
Liquidità netta generata/assorbita dall'attività operativa	**76.289**	**(18.084)**
B. ATTIVITA' DI INVESTIMENTO		
1. Liquidità generata da	**1.374**	**1.187**
- vendite di partecipazioni	-	-
- dividendi incassati su partecipazioni	1.376	1.187
- vendite di attività materiali	(2)	-
2. Liquidità assorbita da	**(13.929)**	**(18.496)**
- acquisti di partecipazioni	-	-
- acquisti di attività materiali	(1.468)	(2.536)
- acquisti di attività immateriali	(12.461)	(15.960)
Liquidità netta generata/assorbita dall'attività d'investimento	**(12.555)**	**(17.309)**
C. ATTIVITA' DI PROVVISTA		
- emissioni/acquisti di azioni proprie	4.950	4.274
- emissioni/acquisti di strumenti di capitale	496	352
- distribuzione dividendi e altre finalità	(19.330)	-
Liquidità netta generata/assorbita dall'attività di provvista	**(13.884)**	**4.626**
Liquidità netta generata/assorbita nel periodo	49.850	(30.767)

Legenda: (+) generata (-) assorbita

RICONCILIAZIONE

Euro/migliaia	30/06/2021	30/06/2020
Voci di bilancio		
Cassa e disponibilità liquide all'inizio del periodo	129.723	169.957
Liquidità totale netta generata/assorbita nel periodo	49.850	(30.767)
Cassa e disponibilità liquide alla chiusura del periodo	179.573	139.190

Basiglio, 29 July 2021

For and on behalf of the Board of Directors
The Chief Executive Officer
Massimo Antonio Doris

Notes

mediolanum

NOTES

The Notes to the financial statements are divided into the following parts:

Part A – Accounting policies
Part B – Information on the consolidated statement of financial position
Part C – Information on the consolidated income statement
Part E – Information on risks and the related hedging policies
Part F – Information on consolidated capital
Part H – Related party transactions
Part L – Segment reporting

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Declaration of Compliance with International Accounting Standards

The condensed consolidated half-year financial statements of the Mediolanum Group at 30 June 2021 have been prepared pursuant to Legislative Decree No. 38 of 28 February 2005, in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission, as established in Community Regulation No. 1606 of 19 July 2002, as amended.
In particular, the content of this document complies with the international accounting standard applicable to interim financial reporting, IAS 34 Interim Financial Reporting.
The Mediolanum Group, in accordance with the provisions of Legislative Decree No. 142 of 30 May 2005, is a financial conglomerate primarily engaged in banking.
The condensed consolidated half-year financial statements of the Mediolanum Group have also been prepared on the basis of the "Instructions for the preparation of the financial statements of banks and financial parent companies of banking groups" issued by the Bank of Italy, in the exercise of the powers established by Article 9 of Legislative Decree No. 38/2005 with Circular No. 262 of 22 December 2005, as subsequently updated.
The Directors of Banca Mediolanum S.p.A. believe that they may reasonably expect that the Group will continue to operate as a going concern for the foreseeable future, and therefore the condensed consolidated half-year financial statements have been prepared on a going concern basis. They also specify that they have not found any cause for doubt regarding the going concern principle in the Group's financial position or profit performance.

Section 2 – General basis of preparation

These condensed consolidated half-year financial statements consist of:

- a consolidated statement of financial position as at the end of the interim reporting period (30/06/2021) and a comparative statement of financial position as at the end of the previous year (31/12/2020), the balances of which have been determined according to the accounting standards in force at the time;
- a consolidated income statement for the interim reporting period (30/06/2021) compared with the comparative income statement for the corresponding interim period of the previous year (30/06/2020);
- a consolidated statement of comprehensive income for the interim reporting period (30/06/2021) compared with the statement of comprehensive income for the corresponding interim period of the previous year (30/06/2020);
- a consolidated statement of changes in shareholders' equity for the period between the beginning of the year and the end of the half-year of reference, with a comparative statement for the corresponding period of the previous year;
- a consolidated statement of cash flows for the period between the beginning of the year and the end of the half-year of reference, with a comparative statement for the corresponding period of the previous year;
- consolidated notes containing references to the accounting standards used and other specific explanatory notes relating to transactions during the reporting period.

IAS 34 states that, in the interest of timeliness of information, less information may be provided in the interim financial statements ("condensed financial statements") than in the annual financial statements, essentially to provide an update on the last full annual financial statements; consequently, the condensed financial statements must be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2020.

Section 3 –Scope and methods of consolidation

The condensed consolidated interim financial statements include Banca Mediolanum S.p.A. and its direct and indirect subsidiaries.

The following table shows the equity investments included in the scope of full consolidation following the adoption of the international accounting standards.

List of equity investments in Group companies owned directly by Banca Mediolanum S.p.A., included in the consolidation on a line-by-line basis:

Company	Share capital (€/t)	Ownership percentage	Registered office/Operational HQ	Type of relationship*	Business
Mediolanum Vita S.p.A.	207,720	100.00%	Basiglio	1	Life insurance
Mediolanum Comunicazione S.p.A.	775	100.00%	Basiglio	1	Audiovisual production
PI Servizi S.p.A.	517	100.00%	Basiglio	1	Real estate activity
Mediolanum International Life DAC	1,395	100.00%	Dublin	1	Life insurance
Mediolanum Assicurazioni S.p.A.	25,800	100.00%	Basiglio	1	Non-Life insurance
Mediolanum Gestione Fondi SGR p.A.	5,165	100.00%	Basiglio	1	Mutual fund management
Mediolanum International Funds Ltd (**)	165	95.46%	Dublin	1	Mutual fund management
Mediolanum Fiduciaria S.p.A.	240	100.00%	Basiglio	1	Trust management
EuroCQS S.p.A. (***)	2,040	100.00%	Basiglio	1	Financial intermediation
FloWe S.p.A. – SB	10,000	100.00%	Basiglio	1	Payment services
Bankhaus August Lenz & Co. AG	20,000	100.00%	Munich	1	Banking
Banco Mediolanum S.A.	86,032	100.00%	Valencia/Barcelona	1	Banking

(**) The remaining 4.54% interest is held indirectly by Banca Mediolanum through Banco Mediolanum.

(***) On 12 July 2021 the company changed its name to PreXta S.p.A.

List of equity investments in Group companies owned indirectly by Banca Mediolanum S.p.A., through Banco Mediolanum S.A., included in the consolidation on a line-by-line basis:

Company	Share capital (€/t)	Ownership %	Registered office/Operational HQ	Type of relationship*	Business
Mediolanum Gestión S.A. S.G.I.I.C.	2,506	100.00%	Valencia/Barcelona	1	Mutual fund management
Fibanc S.A.	301	100.00%	Valencia/Barcelona	1	Financial advice
Mediolanum Pensiones S.A. S.G.F.P.	902	100.00%	Valencia/Barcelona	1	Pension fund management

(*) Type of relationship:
1 = majority of voting rights at the ordinary shareholders' meeting
2 = dominant influence at the ordinary shareholders' meeting
3 = agreements with other shareholders
4 = other forms of control
5 = single management pursuant to Article 26, paragraph 1, of "Legislative Decree No. 87/92"
6 = single management pursuant to Article 26, paragraph 2, of "Legislative Decree No. 87/92"

Consolidation methods

Equity investments in subsidiaries are consolidated on a line-by-line basis.

Line-by-line consolidation

The subsidiaries are consolidated as of the date on which control is acquired, according to the purchase method, and cease to be consolidated when the situation of control no longer exists.
Full consolidation is the line by line acquisition of the aggregates of the subsidiaries' statements of financial position and income statements.
Following the allocation to minority shareholders of their interests, where present, in a specific item, in equity and in the result for the year, the value of the equity investment is eliminated against the residual value of the subsidiary's equity. The resulting differences, if positive, are recognised – after allocation to the subsidiary's assets or liabilities – as goodwill in intangible assets or differences in fair value on assets and liabilities still in the statement of financial position recognised on the date of first consolidation and, subsequently, in other reserves.
Negative differences on the date of initial consolidation are taken to the income statement.
Assets, liabilities, income and expenses between consolidated companies are fully eliminated.
The subsidiaries are consolidated as of the date on which the Group acquires control, according to the purchase method, and cease to be consolidated when the situation of control no longer exists.
The financial position and results of the consolidated companies whose accounting currency is different from the euro are converted based on the following rules:

> assets and liabilities in the statement of financial position are converted at the exchange rate at the end of the period;

> revenues and costs in the income statement are converted at the average exchange rates for the period.

Significant valuations and assumptions for determining the scope of consolidation

A summary of the main assessments performed in determining the scope of consolidation is provided below.
The Mediolanum Group does not believe that it controls the "unit-linked" internal insurance funds (of which it holds 100% of the outstanding units) and the promoted funds (investment, real estate and SICAVs) because not all the conditions provided by IFRS 10 are simultaneously met. With regard to the unit-linked funds, the Mediolanum Group believes that:

> it does not exercise full power over the unit-linked entity as it is limited by the requirements of the fund regulations in terms of asset allocation and management policies;
> it is not significantly exposed to the variable returns of the investee entity.

In fact, the gains or losses relating to the valuation of assets in the unit-linked funds are fully attributed to policyholders through the change in financial liabilities, with the only change still attributable to the Group being the related impact on fees and commissions (impact related to the variability of the flows of the entity and assessed as insignificant).

With regard to the funds, the Mediolanum Group believes that:

> it does not own the majority of the outstanding units and does not bear their investment risk (e.g. unit funds holding units in managed funds the risk of which is borne by policyholders);
> it does not exercise full power over the investee entity (the funds) as it is limited by the requirements of the fund regulations in terms of asset allocation and management policies;
> it is not significantly exposed to the variable returns of the investee entity as it does not hold, or holds only marginal units of the funds, or holds units the risk of which it does not bear.

The exposure to changes in the value of the funds, i.e. gains or losses relating to the valuation of the assets, is attributable to the investors, while the Group remains solely responsible for the change in the related impact on fees and commissions. In particular, the Group is exposed to the risk of fluctuations in entry fees and premium loading related to inflow performance, management fees relating to assets under management and incentive fees associated with the performance of the funds under management, as well as operational, compliance and reputational risks typical of the sector in which the Group operates.

Section 4 – Events after the half-year reporting date

In its notification of 27 July 2021, the Bank of Italy announced that, in line with the provisions of the European Central Bank on the dividend policies of significant banks, recommendations previously issued preventing the distribution of dividends would not be extended beyond the previously established deadline of 30 September 2021. It will therefore also be possible for banks that are "less significant institutions" to resume their own assessment of their dividend policy, subject to the necessary interactions with regulators to ensure a prudent approach.

In this context, Banca Mediolanum promptly began the necessary discussions with the Bank of Italy to resume its dividend policy from 1 October.

No other events that could have a material effect on the Group's financial position and earnings results took place after 30 June 2021.

Section 5 – Other aspects

Use of estimates

The preparation of these condensed consolidated half-year financial statements entailed the use of complex estimates and assessments which had an impact on the assets, liabilities, costs and revenues recognised as well as on the identification and amounts of contingent assets and liabilities. These estimates mainly concerned:

- the estimates and assumptions used to determine the fair value of financial instruments that are not quoted in an active market (fair value hierarchy levels 2 and 3);
- the identification of loss events as per IAS 36;
- the assumptions used to identify any impairment of intangible assets recognised in the financial statements;
- the quantification of impairment losses on loans and receivables and other financial assets in general, as well as stage allocation;
- the estimate of the technical reserves;
- the quantification of provisions for risks, including the estimated discount rate and other key parameters (network turnover rate) of the provisions for risk on the sales network;
- the estimate of tax liabilities and the assessment of the related risk of an unfavourable outcome;
- estimates and assumptions regarding the recoverability of deferred tax assets;
- the assumptions used to determine the costs associated with incentive plans.

The directors periodically check the estimates and assessments made on the basis of their historical experience and other factors deemed reasonable. Due to the uncertainty inherent in these financial statement items, the relative actual values may differ from estimates made due to unexpected elements or changes in operating conditions.

DESCRIPTION OF THE EFFECTS OF THE COVID-19 EPIDEMIC ON THE INCOME STATEMENT

With regard to Mediolanum, in terms of the effects of the pandemic, in the first half of 2021 the Mediolanum Group continued to implement the initiatives described at the time of the financial statements designed to protect the health of employees and ensure business continuity. The Group also continued to implement government and other initiatives to support customers affected by the Covid-19 emergency.

On the economic front, despite concerns over the continuation of the health emergency situation, the markets, partly due to the worldwide success of the vaccine plan, showed strong signs of recovery compared with last year, which benefited the financial sector as a whole. In this context, the results achieved during the period under review show that the Group is very resilient. The profit realised was €268.7 million versus €150.5 million in the comparative period, with growth of 27% in the operating margin. In particular, net fee and commission income increased by €62.5 million compared with the first half of 2020, driven by excellent commercial results and favourable market conditions and an improvement in net interest income (+€16.8 million on the comparative period).

In terms of commercial performance, it should be emphasised that the half-year under review was extremely positive. Net inflows amounted to €4,673.1 million, compared with €5,003.6 million in the comparative period. It should be recalled that the first half of 2020 benefited from promotional initiatives on time deposits held by customers.
In particular, net inflows from the Italian domestic market were €3,955.3 million, compared with €4,498.3 million at 30 June 2020. In further detail, net inflows into mutual funds, through both direct investments and unit-linked policy investments, were €2,842.4 million (30.06.2020: +€1,467.0 million); net inflows into other life insurance products, excluding unit-linked products, were -€3.6 million (30.06.2020: +€15.8 million); the assets under administration segment recorded positive flows of €1,136.6 million, compared with inflows of €2,793.7 million in the first six months of 2020.
By contrast, the foreign market recorded net inflows of €717.8 million, up from €505.3 million for the same period of 2020, thanks a bigger contribution from Spain, which recorded an increase of €230.6 million.

The increase in other administrative expenses during the period under review (+€15.4 million) may be attributed not to extraordinary costs incurred to deal with the emergency, but to initiatives relating to Flowe, the new payments company, higher staff costs and costs in advance of the comparative period (e.g. expenses incurred for the Giro d'Italia incurred in the third quarter of last year).

Other items of the statement of financial position and their impact on the income statement, such allowances for the sales network or technical reserves and other financial liabilities, were determined in continuity with the previous reporting period, as it was not necessary to take into account different variables and assumptions from those previously used.

A.2 - PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS

Accounting standards

For information regarding the criteria for the classification and measurement of the main financial statement items, please see Part A.2 of the notes to the consolidated financial statements of the Mediolanum Group as at 31 December 2020.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS OF 01 January 2021

The following IFRS accounting standards, amendments and interpretations were adopted for the first time by the Group as of 1 January 2021:

> On 28 May 2020, the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides that lessees can account for reductions in rent related to Covid-19 without having to assess, by analysing contracts, whether the definition of a lease modification under IFRS 16 has been met. Therefore, lessees applying this option may directly recognise the effects of rent reductions in the income statement at the effective date of the reduction. This amendment applies to financial statements starting on or after 1 June 2020. The adoption of this amendment has had no effect on the Group's consolidated financial statements, as the Group companies did not request any rent concessions relating to Covid.

> On 28 May 2020, the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the extension of the temporary exemption from adoption of IFRS 9 until 1 January 2023 for insurance companies. The adoption of this amendment had no effect on the Group's consolidated financial statements.

> On 27 August 2020, the IASB published, in light of the IBOR interbank interest rate reform, the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:
>
> - IFRS 9 Financial Instruments;
> - IAS 39 Financial Instruments: Recognition and Measurement;
> - IFRS 7 Financial Instruments: Disclosures;
> - IFRS 4 Insurance Contracts; and
> - IFRS 16 Leases.

All the amendments entered into force on 1 January 2021. The adoption of this amendment had no effect on the Group's consolidated financial statements.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 30 JUNE 2021

On 14 May 2020, the IASB published the following amendments:

> Amendments to IFRS 3 Business Combinations: the purpose of these amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this involving changes to the provisions of the standard.

> Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended to prevent the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the asset testing phase. Such sales revenues and the related costs will be recognised in the income statement.

> Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when assessing whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, assessment of whether the contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the undertaking cannot avoid because it has entered into the contract (such as the depreciation rate of the machinery used to fulfil the contract).

> Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All the amendments will take effect on 1 January 2022. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the reference date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and the standards described below.

> On 18 May 2017, the IASB published the standard IFRS 17 – Insurance Contracts, replacing IFRS 4 – Insurance Contracts.
The aim of the new standard is to ensure that entities provide relevant information that faithfully reflects the rights and obligations arising from the insurance contracts they write. The IASB developed this standard to eliminate inconsistencies and weaknesses in existing accounting policies, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts, that an insurer holds.
The new standard also establishes submission and reporting requirements to improve comparability between entities operating in this sector.
The new standard measures an insurance contract based on a General Model or a simplified version of it called the Premium Allocation Approach (PAA).
The main features of the General Model are:

- the estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates envisage the extensive use of information available in the market;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and
- the expected profit is recognised in the contractual coverage period taking into account any adjustments resulting from changes in the assumptions related to the cash flows of each group of contracts.

The PAA approach requires measurement of the liability for the residual coverage of a group of insurance contracts provided that, at initial recognition, the entity ensures that this liability is a reasonable approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplification resulting from application of the PAA method does not apply to the valuation of liabilities for existing claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if the balance is expected to be paid or settled within one year of the date on which the claim occurred.
Entities must apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held, and also investment contracts with a discretionary participation feature (DPF).
The standard applies as of 1 January 2023 but early adoption is permitted, only for entities applying IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.
The Directors expect the application of IFRS 17 to have a significant impact on the recognition of insurance contracts and the related information reported in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of this impact until the Group has completed a detailed analysis of the insurance contracts.

> On 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short- or long-term liabilities. The amendments will come into effect on 1 January 2023, early adoption is therefore permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

> On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The amendments aim to improve disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policy. The amendments will apply from 1 January 2023 but early adoption is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

> On 31 March 2021, the IASB published an amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" by which it extends for one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of concessions granted to lessees due to Covid-19. The amendments will apply from 1 April 2021 and early adoption

is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

> On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes must be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and dismantling obligations. The amendments will apply from 1 January 2023 but early adoption is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

> On 30 January 2014, the IASB published the standard IFRS 14 – Regulatory Deferral Accounts, which allows only first-time adopters of IFRS to continue to recognise the amounts relating to activities subject to regulated rates ("rate-regulated activities") according to the previous accounting standards adopted.

A.3 – REPORTING OF TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

Type of financial instrument (1)	Reclassified from (2)	Reclassified to (3)	Date of reclassification (4)	Reclassified carrying amount (5)	Interest income recorded in the year (before tax) (6)
Debt securities	Financial assets at fair value through other comprehensive income	Financial assets measured at amortised cost	01/10/2018	4,355,649	N.A.

It should be recalled that on 19 July 2018 the Board of Directors of Banca Mediolanum, during its assessment of treasury management, according to an analysis of the logic underlying treasury operations, with particular regard to the risk profile associated with the portfolios used, had taken a strategic decision to maintain a very prudent risk profile in the management of the portfolios used, in a break with past practice. The Bank had therefore opted for an approach to managing financial instruments that favours stability in the collection of medium/long-term cash flows on the securities portfolio, at the expense of the possibility of taking advantage of possible market opportunities. Consequently, the held-to-collect portfolio became the primary portfolio, replacing the previous held-to-collect-and-sell portfolio. This latter portfolio, which is reserved for short-term financial instruments, remains linked to the fulfilment of liquidity needs. This new treasury management stance was also adopted by the governing body of the Spanish subsidiary Banco Mediolanum, which adapted the risk profile of its portfolios to the Parent Company's guidelines, moving in the same direction (held-to-collect as the primary portfolio).

The reclassified financial statement figure set out above represents the carrying amount of the residual securities at the end of the first half of 2021. It should be noted that the reclassification date is the date of the accounting effect of the change of business model.

A.4 – FAIR VALUE REPORTING

QUALITATIVE INFORMATION

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

The Group's Level 2 instruments comprise bonds of third-party issuers and some derivative instruments. Securities in this category are valued on the basis of directly or indirectly observable market data.
The fair value of the bonds is calculated as the sum of the present values at the end of the financial year of the cash flows deriving from them. The discount rate is determined as the sum of two components: the risk-free rate and the credit spread.
The risk-free rate is inferred from the implicit value in IRS (interest rate swap) contracts, while the credit spread is inferred from the price of bonds of the same issuer with a fixed coupon and maturity comparable to the security being valued. Where no securities of the same issuer were present, and for own bonds, a credit spread was used, inferred from a weighted average of the observed values of bonds of the main Italian banks listed on the institutional markets.
If the expected values of the flows are not determined, but depend on market variables, they are identified on the basis of:

- the forward rates implicit in the risk-free rates for the various maturities;
- the volatility implicit in the prices of swaptions, caps and floors.

Expected flows are determined based on implied volatilities (where relevant) using the Black-Scholes model.
The fair value of Level 2 financial derivatives (consisting of amortising interest rate swaps) is determined taking into account their level of collateralisation: in particular, the value of the contracts is calculated by discounting the flows generated by them at rates inferred from the implicit values in OIS (overnight interest swap) contracts and in the relevant basis swap contracts.
Level 3 assets consist of:

- units of real estate funds;
- unlisted equity securities positions;
- units of the Atlante Fund;
- securities positions relating to index-linked policies;
- real estate.

The underlying approach of real estate valuations aims to determine fair value through a mark to model, i.e. a theoretical value derived from assumptions that may be applied to different classes of assets regardless of the particular characteristics of the counterparties or the property itself (its specific features, category, geographical location, etc.).

The starting point for determining the fair value of the properties (included in the real estate funds) consists of the rents (contractually established) that the tenant of the property undertakes to pay the property owner for an agreed number of years. These rents are discounted and capitalised using:

> the initial value of the rent received;
> the discounting rate for the rent received;
> the final net income capitalisation rate after implementation.

The first rate is obtained through a linear combination of a market indicator, a spread for illiquidity risk, a spread for the risk associated with real estate investment and a spread for sector/planning risk (included in discount rates according to an asset-dependent approach). The marginal impact of each of the four components will therefore reflect the valuer's market sensitivity and its forecasts and expectations regarding market trends. The exit rate, by contrast, is the factor that makes it possible to convert an indication of future income into an indication of present value. This is also determined using a linear combination: the inputs are taken from the financial market and reference real estate market. In particular, the risk out rate is inferred by the valuer by observing transactions in the reference market.
In accordance with current legislation, the assets in real estate funds are valued by independent experts every six months. The valuations, assumptions and inputs used by the independent experts are then approved by the Company's risk management.
Equities measured at fair value level 3 include the indirect investee company VISA Europe Limited. When determining fair value, the Mediolanum Group considered the cash value and the value of the preferred instruments to which a liquidity discount was applied according to valuation clauses, and it decided to assign a value of zero to the price adjustment clause due to the uncertainty associated with this component.
For some more significant equity securities, the Bank has determined the fair value of these instruments on the basis of established academic valuation methods (DCF).

Shares measured at fair value level 3 also include Sia S.p.A. shares for an investment of 2.85%. It will be recalled that on 11 February 2021, following approval by the Boards of Directors of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement for the merger by incorporation of SIA into Nexi was signed, continuing the process that began in the fourth quarter of 2020 with the signing of the memorandum of understanding in October 2020.
The agreement mainly includes an exchange ratio by which SIA shareholders will receive 1.5761 Nexi shares for each SIA share.
With regard to the valuation of the shares at 30 June 2021, it was taken into account that both companies (SIA and NEXI) had resolved at their respective shareholders' meetings (on 21 June 2021) to carry out the merger, confirming the share exchange value previously agreed in the draft merger plan. Although widely known about on the market for some time, the merger is at present only awaiting approval by the supervisory bodies in order to be definitively finalised. The valuation therefore considered the transaction to have been essentially completed following the shareholders' meeting, but uncertainty remained as to the date by which it could be finalised. The valuation approach therefore referred to the exchange value of the transaction, the price at 30 June of the NEXI shares and a discount factor to take into account the implicit costs of the transformation and liquidability of SIA S.p.A. shares.

Less significant unlisted equity securities have been assumed to be equal to their historical cost in the absence of facts and information considered sufficiently reliable to determine the fair value reliably, such as recent transactions to be taken as a reference or the presence of inherent characteristics of the company that allow it to be compared with other listed players.

Index-linked policy assets – the volumes of which are residual as a percentage of total assets held by the Irish life insurance company – consist of bonds and derivative contracts traded outside regulated markets and characterised by low liquidity and complex financial structures. They are measured on the basis of appropriately validated assessments of their counterparties or internal stochastic models.

The shares of the Atlante Fund have been measured on the basis of the latest assessments made by the asset management company DEA CAPITAL Alternative Funds SGR.

Fair value Level 3 relating to assets and liabilities not measured at fair value on a recurring basis includes receivables and payables from/to customers and banks and real estate assets.

For short-term receivables and payables from/to customers and banks the fair value was assumed to be equal to the carrying amount, as this was considered a good approximation. For medium/long-term performing and non-performing exposures (past due by more than 90 days and unlikely to pay), mainly consisting of loans to customers for mortgage contracts, the measurement of fair value took into account the discounting of contractual flows. A fair value corresponding to the carrying amount was assumed for non-performing exposures (bad loans). The assumptions underlying the determination of fair value, which are specific to the model and not observable in the market, determine classification at Level 3. The fair value of real properties directly owned by the Company and Group companies has generally been determined using the "comparative" method.

A.4.2 Valuation processes and sensitivity

This section includes disclosure on fair value as required by IFRS 13. Fair value is defined as the consideration that could be received to sell an asset or paid to transfer a liability, in an ordinary transaction between counterparties on the reference market on the measurement date. A financial instrument is considered quoted on an active market if the quoted prices are readily and regularly available on the regulated market (understood as a trading platform, dealer or broker) and such prices represent actual market transactions that take place regularly in normal trading. Alternative valuation models (mark to model) are used if market prices or other observable inputs are not available.

The Group uses valuation methods in line with methods generally accepted and used by the market. The valuation models include techniques based on discounting future cash flows (and estimated volatility) and are reviewed periodically to ensure full consistency with the valuation objectives.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy according to the degree of observability of the inputs and parameters used to achieve the valuations. Three levels are envisaged:

- Level 1: the FV of the instruments classified at this level is determined on the basis of price quotations observed in active markets;
- Level 2: the FV of the instruments classified at this level is determined on the basis of valuation models that mainly use inputs observable in active markets;
- Level 3: the FV of the instruments classified at this level is determined on the basis of valuation models that mainly use significant inputs not observable in active markets.

The Group has a policy in place for the recognition of the fair value level of individual positions. The policy establishes the rules for both the definition of an “active market” and the consequent operating procedure for valuing portfolios in order to avoid any discretion in the identification of levels. Securities not in any of the above categories are regarded as belonging to an inactive market. Securities covering third-party policies for which a repurchase agreement exists with the issuer are excluded from this definition. As part of coordination activities for all Group companies, the Risk Management function provides methodological and/or operational support to the corresponding risk structures of the companies in the conglomerate, including with regard to the definition of an active market.
The following are considered quoted on an active market:

> securities traded on Italian regulated markets (e.g. MTS (electronic government securities market) and MOT (electronic bond and government securities market);
> securities traded on organised exchange systems authorised or recognised by Consob (multilateral trading facilities) for which the materiality of the price has been determined by the procedure described below;
> securities for which an executable quotation is available that meets the following criteria:

  > the reference time series is complete;
  > the bid-ask price tolerance thresholds differ according to the financial instrument;
  > significant variability in the daily price in the reference month;
  > maximum monthly price variation limit;
  > maximum limit of the price deviation from a benchmark quotation.

Securities that meet the above criteria are classified as quoted in an active market and their fair value is determined according to the type of financial instrument, as follows:

> for equity securities listed on the Italian and foreign stock exchanges, the closing price on the last trading day of the reference month;
> debt securities will be valued at the bid price (for long positions) and the ask price (for short positions) from an executable source.

Financial instruments that are not in active markets are valued by assigning them to fair value Level 2 or Level 3, as discussed above.

Description of migrations between asset valuation levels

The Mediolanum Group has a policy in place for the recognition of the fair value level of individual positions. The policy establishes the rules applied by the individual Company for both the definition of an “active market” and the consequent operating procedure for valuing portfolios in order to avoid any discretion in the identification of levels. In the first six months of 2021, one security in the Mediolanum Vita portfolio was reclassified from fair value level 1 to level 2.
This change was necessary due to the absence of the liquidity and quotation characteristics typical of level 1. As established by the policy in force, an ad hoc pricer with a FV of 2 was therefore made in accordance with the criteria defined in the Group's active market policy.

A.4.4 Other information

There are no situations within the Mediolanum Group in which the maximum and best use of a non-financial asset differs from its current use. Moreover, there are no situations in which financial assets and liabilities managed on a net basis relating to market risks or credit risk are measured at fair value on the basis of the price that could be received from the sale of a net long position or the transfer of a net short position.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

€/t	30/06/2021			31/12/2020		
Financial assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets at fair value through profit or loss	30,626,946	98,860	296,116	26,148,913	156,028	244,633
a) Financial assets held for trading	593,721	4,533	141,131	233,757	624	68,279
b) Financial assets designated at fair value	30,008,982	94,327	18,954	25,871,144	155,404	37,857
c) Other financial assets mandatorily measured at fair value	24,243	-	136,031	44,012	-	138,497
2. Financial assets at fair value through other comprehensive income	1,569,752	-	6,636	1,873,715	-	84,040
3. Hedging derivatives	-	34	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
TOTAL	**32,196,698**	**98,894**	**302,752**	**28,022,628**	**156,028**	**328,674**
1. Financial liabilities held for trading	200,857	70,015	-	51	78,271	-
2. Financial liabilities designated at fair value	12,313,441	2,039	-	9,643,661	1,984	-
3. Hedging derivatives	-	22,841	-	-	29,318	-
TOTAL	**12,514,298**	**94,895**	**-**	**9,643,712**	**109,573**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.4.5.2 Changes during the year in assets measured at fair value on a recurring basis (Level 3)

€/t	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	**244,633**	**68,279**	**37,857**	**138,497**	**84,072**	-	-	-
2. Increases	**113,463**	**94,101**	**3,077**	**16,285**	**64**	-	-	-
2.1. Purchases	28,816	21,359	3,077	4,380	64	-	-	-
2.2. Profits booked to:	80,107	72,709	-	7,398	-	-	-	-
2.2.1. Income statement	80,107	72,709	-	7,398	-	-	-	-
- of which, capital gains	80,088	72,690	-	7,398	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	4,540	33	-	4,507	-	-	-	-
3. Decreases	**(61,980)**	**(21,249)**	**(21,980)**	**(18,751)**	**(77,500)**	-	-	-
3.1. Sales	(41,899)	(21,078)	(20,513)	(308)	(77,500)	-	-	-
3.2. Redemptions	(11,012)	(1)	-	(11,011)	-	-	-	-
3.3. Losses charged to:	(3,497)	(96)	(1,467)	(1,934)	-	-	-	-
3.3.1. Income statement	(3,497)	(96)	(1,467)	(1,934)	-	-	-	-
- of which, capital losses	(1,154)	-	-	(1,154)	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(5,560)	(74)	-	(5,486)	-	-	-	-
4. Closing balances	**296,116**	**141,131**	**18,954**	**136,031**	**6,636**	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

€/t	30/06/2021				31/12/2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	33,323,022	16,480,166	4,933	19,536,428	28,929,572	15,658,332	-	15,887,871
2. Tangible assets held for investment purposes	81,777	-	-	96,760	82,357	-	-	96,760
3. Non-current assets and disposal groups	208	-	-	208	208	-	-	208
TOTAL	**33,405,007**	**16,480,166**	**4,933**	**19,633,188**	**29,012,137**	**15,658,332**	**-**	**15.84.631**
1. Financial liabilities measured at amortised cost	30,484,239	-	-	30,486,325	26,772,320	-	-	27,524,613
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	**30,484,239**	**-**	**-**	**31,395,730**	**26,772,320**	**-**	**-**	**27,524,613**

Key:

CA = Carrying amount

L1 = Level 1
L2 = Level 2

L3 = Level 3

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

€/t	30/06/2021	31/12/2020
a) Cash	175,573	124,723
b) Demand deposits with central banks	4,000	5,000
TOTAL	**179,573**	**129,723**

SECTION 2 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.1 Financial assets held for trading: breakdown by type

€/t	30/06/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	593,319	-	136	233,757	-	140
1.1 Structured notes	-	-	-	60,426	-	-
1.2 Other debt securities	593,319	-	136	173,331	-	140
2. Equity securities	57	-	140,986	-	-	68,139
3. Units in investment funds (UCIs)	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL (A)	**593,376**	**-**	**141,122**	**233,757**	**-**	**68,279**
B. Derivative instruments						
1. Financial derivatives	345	4,533	9	-	624	-
1.1 for trading	345	4,568	-	-	624	-
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 other	-	(35)	9	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL (B)	**345**	**4,533**	**9**	**-**	**624**	**-**
TOTAL (A+B)	**593,721**	**4,533**	**141,131**	**233,757**	**624**	**68,279**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.3 Financial assets designated at fair value: breakdown by type

€/t	30/06/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**2,110,817**	**-**	**18,954**	**2,028,237**	**38,274**	**37,857**
1.1 Structured notes	2,110,817	-	18,954	2,028,237	38,274	37,857
1.2 Other debt securities	-	-	-	-	-	-
2. Loans	**27,898,165**	**94,327**	**-**	**23,842,907**	**117,130**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	27,898,165	94,327	-	23,842,907	117,130	-
TOTAL	**30,008,982**	**94,327**	**18,954**	**25,871,144**	**155,404**	**37,857**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

€/t	30/06/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**232**	**-**	**-**	**243**
3. Units in investment funds (UCIs)	**24,243**	**-**	**135,797**	**44,012**	**-**	**138,254**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
TOTAL	**24,243**	**-**	**136,029**	**44,012**	**-**	**138,497**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

SECTION 3 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – ITEM 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by type

€/t	30/06/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,283,113**	**-**	**-**	**1,654,317**	**-**	**-**
1.1 Structured notes	-	-	-	-	-	-
1.2 Other debt securities	1,283,113	-	-	1,654,317	-	-
2. Equity securities	**286,640**	**-**	**6,636**	**219,398**	**-**	**84,040**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**1,569,753**	**-**	**6,636**	**1,873,715**	**-**	**84,040**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

As previously reported, with effect from 2020 Banca Mediolanum and Mediolanum Vita reclassified their interest in Mediobanca, previously considered an associate, to the held-to-collect-and-sell – equity securities portfolio. The Mediobanca shares held by the two companies have therefore been measured at fair value through other comprehensive income as €286.6 million in total at 30 June 2021.

At 31 December 2020, the equity securities – fair value level 3 item included CEDACRI shares for €77.5 million, the sale of which was completed in the second quarter of 2021. For more information, please see the relevant section of the Report on Operations.

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 1 of 2)

€/t	30/06/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	of which: purchased or originated impaired	L1	L2	L3
A. Loans to central banks	**2,790,673**	**-**	**-**	**-**	**-**	**2,790,673**
1. Deposits at notice	1,802	-	-	X	X	X
2. Mandatory reserve	2,614,789	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	174,082	-	-	X	X	X
B. Loans to banks	**579,987**	**-**	**-**	**114,669**	**-**	**491,542**
1. Loans	475,300	-	-	-	-	486,343
1.1 Current accounts and demand deposits	126,332	-	-	X	X	X
1.2 Deposits at notice	67,224	-	-	X	X	X
1.3 Other loans:	281,744	-	-	X	X	X
- Reverse repurchase agreements	200,781	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	80,963	-	-	X	X	X
2. Debt securities	104,687	-	-	114,669	-	5,199
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	104,687	-	-	114,669	-	5,199
TOTAL	**3,370,660**	**-**	**-**	**114,669**	**-**	**3,122,403**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks (Part 2 of 2)

€/t	31/12/2020					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	of which: purchased or originated impaired	L1	L2	L3
A. Loans to central banks	**444,380**	**-**	**-**	**-**	**-**	**444,380**
1. Deposits at notice	-	-	-	X	X	X
2. Mandatory reserve	305,761	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X
4. Other	138,619	-	-	X	X	X
B. Loans to banks	**380,883**	**-**	**-**	**113,765**	**-**	**282,509**
1. Loans	277,639	-	-	-	-	277,640
1.1 Current accounts and demand deposits	117,495	-	-	X	X	X
1.2 Deposits at notice	66,491	-	-	X	X	X
1.3 Other loans:	93,653	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Leasing loans	-	-	-	X	X	X
- Other	93,653	-	-	X	X	X
2. Debt securities	103,244	-	-	113,765	-	4,869
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	103,244	-	-	113,765	-	4,869
TOTAL	**825,263**	**-**	**-**	**113,765**	**-**	**726,888**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

At the end of the first half of 2021, loans to banks amounted to €3,370.7 million, up by €12,545.4 million compared with the comparative period.
The change was primarily due to the increase in receivables from central banks (+€2,346.3 million compared with the comparative period).

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 1 of 2)

€/t	30/06/2021					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	of which: purchased or originated impaired	L1	L2	L3
1. Loans	**13,693,191**	**84,735**	**1,997**	**-**	**-**	**16,349,173**
1.1 Current accounts	320,694	5,468	1	X	X	X
1.2 Reverse repurchase agreements	-	-	-	X	X	X
1.3 Mortgages	9,386,161	55,243	-	X	X	X
1.4 Credit cards, personal loans and salary-backed loans	2,760,935	22,930	1,780	X	X	X
1.5. Leasing loans	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X
1.7 Other loans	1,225,401	1,094	216	X	X	X
2. Debt securities	**16,174,436**	**-**	**-**	**16,365,497**	**4,933**	**64,852**
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	16,174,436	-	-	16,365,497	4,933	64,852
TOTAL	**29,867,627**	**84,735**	**1,997**	**16,365,497**	**4,933**	**16,414,025**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type (Part 2 of 2)

€/t	31/12/2020					
	Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	of which: purchased or originated impaired	L1	L2	L3
1. Loans	**12,723,547**	**72,135**	**1,888**	**-**	**-**	**13,852,595**
1.1 Current accounts	339,053	5,649	3	X	X	X
1.2 Reverse repurchase agreements	-	-	-	X	X	X
1.3 Mortgages	8,711,198	47,848	-	X	X	X
1.4 Credit cards, personal loans and salary-backed loans	2,529,924	16,299	1,669	X	X	X
1.5. Leasing loans	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X
1.7 Other loans	1,143,372	2,339	216	X	X	X
2. Debt securities	**15,308,627**	**-**	**-**	**15,544,191**	**-**	**68,004**
2.1 Structured notes	-	-	-	-	-	-
2.2 Other debt securities	15,308,627	-	-	15,544,191	-	68,004
TOTAL	**28,032,174**	**72,135**	**1,888**	**15,544,191**	**-**	**13,920,599**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 Intangible assets: breakdown by type of asset

€/t	30/06/2021		31/12/2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**	**132,925**	**X**	**132,925**
A.1.1 attributable to the group	X	132,925	X	132,925
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	**73,685**	**-**	**72,275**	**-**
A.2.1 Assets measured at cost	73,685	-	72,275	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	73,685	-	72,275	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
TOTAL	**73,685**	**132,925**	**72,275**	**132,925**

The goodwill item, amounting to €132.9 million, includes the goodwill of €102.8 million allocated to the Spain CGU, €22.7 million to the Italy CGU and €7.3 million to the EuroCQS CGU.

In light of the recommendations of IAS 36, it should be noted that in the half-year under review:
the main economic variables underlying the CGUs that generate the goodwill recognised in the financial statements were analysed without identifying any indicators of impairment.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown of payables to banks by type

€/t	30/06/2021				31/12/2020			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	**1,039,939**	X	X	X	**944,986**	X	X	X
2. Payables to banks	**80,972**	X	X	X	**58,606**	X	X	X
2.1 Current accounts and demand deposits	34,893	X	X	X	558	X	X	X
2.2 Deposits at notice	42,916	X	X	X	4,076	X	X	X
2.3 Loans	-	X	X	X	51,073	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	51,073	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	1,502	X	X	X	1,615	X	X	X
2.6 Other payables	1,661	X	X	X	1,284	X	X	X
TOTAL	**1,120,911**	**-**	**-**	**1,120,911**	**1,003,592**	**-**	**-**	**1,003,592**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers by type

€/t	30/06/2021				31/12/2020			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	23,372,946	X	X	X	22,384,160	X	X	X
2. Deposits at notice	616,610	X	X	X	172,296	X	X	X
3. Loans	5,010,817	X	X	X	2,875,331	X	X	X
3.1 Repurchase agreements	5,009,641	X	X	X	2,874,390	X	X	X
3.2 Other	1,176	X	X	X	941	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	67,311	X	X	X	71,820	X	X	X
6. Other payables	295,644	X	X	X	265,121	X	X	X
TOTAL	**29,363,328**	**-**	**-**	**29,365,415**	**25,768,728**	**-**	**-**	**25,772,539**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

€/t	30/06/2021					31/12/2020				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	199,000	200,856	-	-	200,856	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	50	51	-	-	51
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL (A)	**199,000**	**200,856**	**-**	**-**	**200,856**	**50**	**51**	**-**	**-**	**51**
B. Derivative instruments										
1. Financial derivatives	X	1	70,015	-	X	X	-	78,271	-	X
1.1 For trading	X	1	70,015	-	X	X	-	78,271	-	X
1.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL (B)	**X**	**1**	**70,015**	**-**	**X**	**X**	**-**	**78,271**	**-**	**X**
TOTAL (A+B)	**X**	**200,857**	**70,015**	**-**	**X**	**X**	**51**	**78,271**	**-**	**X**

Key:
NV= Nominal or notional value
L1=Level 1
L2=Level 2
L3=Level 3
Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – ITEM 30

3.1 Financial liabilities designated at fair value: breakdown by type

€/t	30/06/2021					31/12/2020				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Payables to customers	**12,315,480**	**12,313,441**	**2,039**	**-**	**12,315,480**	**9,645,644**	**9,643,661**	**1,984**	**-**	**9,645,644**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	12,315,480	12,313,441	2,039	-	X	9,645,644	9,643,661	1,984	-	X
of which:	-	-	-	-	-	-	-	-	-	-
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL	**12,315,480**	**12,313,441**	**2,039**	**-**	**12,315,480**	**9,645,644**	**9,643,661**	**1,984**	**-**	**9,645,644**

Key:
NV= Nominal value
L1=Level 1
L2=Level 2
L3=Level 3
Fair value*= Fair value calculated excluding changes in value due to a change in the issuer's credit rating since the issue date

Financial liabilities designated at fair value include liabilities relating to contracts not within the scope of IFRS 4 but classified as “investment” by the Group’s life insurance companies, in particular Mediolanum Vita and the Irish company Mediolanum International Life dac.

Section 6 - Tax liabilities - Item 60

Banca Mediolanum

With regard to the tax dispute, also reported on in previous years, on 24 April 2020 the Major Taxpayers Office of the Regional Tax Department for Lombardy served Banca Mediolanum and with assessment notices for IRES (corporate income tax) and IRAP (regional production tax) purposes concerning transfer prices for 2015. These assessment notices claim total additional taxable income of €94.6 million, including €23.5 million due to a recalculation from 57.43% to 64.25% of the retrocession of the management fees of the mutual funds promoted by the subsidiary Mediolanum International Funds and placed in Italy by the bank, as well as additional taxable income of €70.3 million deriving from the allocation to the bank of 23.83% of the performance fees.

In total, additional taxes of €31.2 million were charged (including IRES of €26.0 million and IRAP of €5.3 million). Subsequently, on 8 May 2020, further assessment notices were served for the year 2016, claiming total additional taxable income of €70.6 million, including €24.4 million due to a recalculation from 57.43% to 64.25% of the retrocession of management fees, as well as an additional taxable income of €46.2 million deriving from the allocation to the bank of 21.1% of the performance fees. In total, additional taxes of €23.3 million were charged (including IRES of €19.4 million and IRAP of €3.9 million).

In view of the subjective nature of the charges and the diligent work done by the Company, which prepared the documentation provided for in transfer pricing legislation, the Italian Agency of Revenue has ruled that the administrative tax penalties do not apply and challenged the assessment notices before the Milan Provincial Tax Commission. These assessment notices were also issued under the framework settlement agreement signed on 18 December 2018 between the companies of the Mediolanum Group concerned and the Revenue Agency. The Companies therefore continued to provision for the higher taxes potentially due in respect of the recalculation of the retrocession of management fees at a percentage of 64.25%, net of the corresponding recovery of the amount already paid to the Irish tax authorities in respect of such higher taxable income, as in previous years.

As previously reported, no provision has been made for the allocation to the bank of the performance fees, as there was confidence that during the arbitration procedure this finding will not be upheld, in line with market practice and evidence.

With regard to the arbitration proceedings, as previously reported, in May 2020, with respect to the assessment notices for the years 2014, 2015 and 2016, applications were made for the initiation of the Mutual Agreement Procedure ("MAP") provided for in the European Arbitration Convention No. 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities. With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy. This application was declared admissible by the competent Italian authorities on 11 November 2020.

For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 1 August 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.

Mediolanum Vita

On 5 May 2020, Mediolanum Vita was served IRES and IRAP assessment notices for the year 2015, claiming higher taxable income of approximately €12.8 million, due to the recalculation from 57.43% to 64.25% of the retrocession of the management fees paid to the company by the associate Mediolanum International Funds, corresponding to total taxes of €4.4 million, comprising IRES of €3.5 million and IRAP of €0.9 million, without the application of penalties. On 8 May 2020, IRES and IRAP assessment notices were then served for 2016.
In these notices, the Italian Revenue Agency claims total additional taxes of €4.5 million, including €3.6 million of IRES and €0.9 million of IRAP. The company appealed the assessment notices before the Milan Provincial Tax Commission.

Arbitration proceedings

With respect to the assessment notices for the years 2014 (served on 19 December 2019), 2015 and 2016, in May 2020, applications were made for the initiation of the Mutual Agreement Procedure ("MAP") provided for in the European Arbitration Convention No. 90/436/EC, which allows the matter to be referred to arbitration between the Italian and Irish tax authorities.
With regard to the years 2010-2013, in June 2020 the mutual agreement procedure was activated pursuant to Article 24 of the Convention against Double Taxation between Italy and Ireland, with the intention of obtaining from the Irish authorities a tax credit corresponding to the higher taxable amounts assessed in Italy.
For the years 2019 to 2023, recourse was instead made to an Advanced Pricing Agreement (by application submitted on 24 December 2019), in which the tax authorities are asked to agree on the correct remuneration to be received by the Company from its Irish affiliate.
Finally, it should be recalled that Mediolanum Vita and its Parent Company, Banca Mediolanum, were the subject of a previous inspection procedure relating to the matter in question and concerning the years from 2005 to 2014, which was settled in December 2015 by paying total of €120.2 million in taxes. Mediolanum International Funds applied to the Irish tax authority – thus far to no avail – for a refund of taxes paid corresponding to the higher taxable amounts assessed in Italy, for a maximum value of approximately €41 million.
At 30 June 2021, the total provision set aside for both companies in connection with the above dispute was €42.4 million and the charge for the period in question was €3.2 million. There were no updates to the financial statements regarding the above in the period under review.

SECTION 10 – PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 100

10.1 Provisions for liabilities and charges: breakdown

€/t	30/06/2021	31/12/2020
1. Provisions for credit risk relating to commitments and financial guarantees given	206	107
2. Provisions on other commitments and guarantees given	344	368
3. Company pension funds	544	658
4. Other provisions for liabilities and charges	328,237	325,396
4.1 legal and tax disputes	15,146	12,648
4.2 staff costs	-	-
4.3 other	313,091	312,748
TOTAL	**329,331**	**326,529**

Provisions for liabilities and charges include (in the "Other" item), *inter alia*, the additional customer allowance, which includes the provision for fees accrued to financial advisors, the managers' allowance for agents who perform assistance and coordination activities and whose remuneration is based on specific business parameters and is paid upon qualifying for an old-age pension, the portfolio and structure allowance, which consists of remuneration relating to the value of the customer portfolio or the agent structure managed by a financial advisor, as the case may be, and the provision for lawsuits, mainly linked to legal liabilities (litigation and pre-litigation) and also including the related legal expenses.
The provision of €30 million for the restructuring of the German subsidiary set aside in the consolidated financial statements at 31 December 2019 is also included. At 30 June 2021, this provision was €19.1 million.

SECTION 11 – TECHNICAL RESERVES – ITEM 110

11.1 Technical reserves: breakdown

€/t	Direct business	Indirect business	30/06/2021	31/12/2020
A. Non-Life class	**184,829**	**69**	**184,898**	**172,853**
A1. Premium reserves	145,400	-	145,400	137,192
A2. Claims reserves	26,948	69	27,017	25,466
A3. Other reserves	12,481	-	12,481	10,195
B. Life class	**1,761,438**	**-**	**1,761,438**	**1,689,030**
B1. Mathematical reserves	1,614,847	-	1,614,847	1,564,196
B2. Reserves for amounts to be paid	118,455	-	118,455	91,968
B3. Other reserves	28,136	-	28,136	32,866
C. Technical reserves when the investment risk is borne by policyholders	**18,167,149**	**-**	**18,167,149**	**16,743,017**
C1. Reserves relating to contracts whose performance is linked to investment funds and market indices	18,167,149	-	18,167,149	16,743,017
C2. Reserves from pension fund management	-	-	-	-
D. Total technical reserves	**20,113,416**	**69**	**20,113,485**	**18,604,900**

SECTION 13 – GROUP EQUITY – ITEMS 120, 130, 140, 150, 160, 170 and 180

€/t	30/06/2021	31/12/2020
Capital	600,347	600,297
Issue premiums	4,122	3,626
Reserves	1,753,927	1,738,797
Interim dividends	-	-
Treasury shares (-)	(38,670)	(43,570)
Valuation reserves	11,849	4,919
Net profit (loss) for the period	268,748	434,462
Total	**2,600,323**	**2,738,531**

The share capital of Banca Mediolanum is €600.3 million, divided into 741,871,052 shares with no par value. The Company holds 5,667,838 treasury shares with an equivalent value of €38.7 million. No own shares were purchased during the period under review.

With regard to the allocation of earnings for 2020, it should be noted that on 3 March 2021, the Board of Directors of Banca Mediolanum and subsequently the Shareholders' Meeting of 15 April 2021 approved the financial statements of Banca Mediolanum for the year ended 31 December 2020, which showed a profit of €433,980,479. In particular, the following resolutions were adopted:
- the distribution of a dividend of €0.02667 for each ordinary eligible share, gross of statutory withholdings in May 2021, from the 2020 profits and equivalent to the measure permitted by the Bank of Italy recommendation, according to which the distributable amount must be limited to no more than 15% of the cumulative profits of 2019-20 or 20 basis points of the CET1 coefficient (in any case the lower of the two);
- the distribution of a dividend in October 2021 equal to €0.41333 for each ordinary eligible share, gross of statutory withholdings – subject to the absence of any new measures and/or recommendations preventing distribution issued by the prudential supervisory authority - from the 2020 profits and €0.34 for each ordinary eligible share, gross of statutory withholdings, from the reserves generated from previous years' profits.

On 26 May 2021, a first dividend totalling €19.3 million was distributed, as described above.

It should therefore be recalled that, following the Shareholders' Meeting resolution described above on 30 June 2021, €555 million was reclassified to payables to shareholders under other liabilities, and consequently excluded from shareholders' equity.

As reported in the Report on Operations, on 3 June 2021 the sale of the shares relating to the Cedacri company, held in the portfolio of financial assets at fair value through other comprehensive income, was completed. Based on the net amount received, a contra-entry was recognised in equity under earnings reserves of a total capital gain of €149.5 million, net of the related tax effect.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 and 20

1.1 Interest income and similar income: breakdown

€/t	Debt securities	Loans	Other transactions	30/06/2021	30/06/2020
1. Financial assets at fair value through profit or loss:	25,279	-	-	25,279	18,402
1.1 Financial assets held for trading	725	-	-	725	371
1.2 Financial assets designated at fair value	24,554	-	-	24,554	18,031
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	8,389	-	X	8,389	8,953
3. Financial assets measured at amortised cost:	49,694	98,282	X	147,976	146,291
3.1 Loans to banks	2,138	170	X	2,308	2,943
3.2 Loans to customers	47,556	98,112	X	145,668	143,348
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	1,904	1,904	1,053
6. Financial liabilities	X	X	X	13,104	12,655
TOTAL	**83,362**	**98,282**	**1,904**	**196,652**	**187,354**
of which: interest income on impaired financial assets	-	330	-	330	1,286
of which: interest income on finance leases	-	-	-	-	-

1.3 Interest expense and similar expenses: breakdown

€/t	Payables	Securities	Other transactions	30/06/2021	30/06/2020
1. Financial liabilities measured at amortised cost	(20,163)	-	X	(20,163)	(35,454)
1.1 Payables to central banks	(100)	X	X	(100)	(62)
1.2 Payables to banks	(393)	X	X	(393)	(779)
1.3 Payables to customers	(19,670)	X	X	(19,670)	(33,982)
1.4 Debt securities in issue	X	-	X	-	(631)
2. Financial liabilities held for trading	(652)	-	-	(652)	(210)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(1,977)	(1,977)	(2,513)
5. Hedging derivatives	X	X	(1,900)	(1,900)	(2,166)
6. Financial assets	X	X	X	(3,084)	(1,896)
TOTAL	**(20,815)**	**-**	**(3,877)**	**(27,776)**	**(42,239)**
of which: interest expense relating to lease liabilities	(753)	-	12	(741)	(854)

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 Fee and commission income: breakdown

€/t	30/06/2021	30/06/2020
a) guarantees given	38	47
b) credit derivatives	-	-
c) management, intermediation and advisory services	698,616	587,526
1. trading of financial instruments	1,076	1,250
2. currency trading	1	2
3. portfolio management	630,033	528,846
3.1 individual	3,896	2,161
3.2 collective	626,137	526,685
4. securities custody and administration	2,349	2,008
5. custodian bank	-	-
6. placement of securities	24,537	25,357
7. receipt and transmission of orders	6,780	6,256
8. advisory activities	945	42
8.1 relating to investment	-	-
8.2 relating to financial structure	945	42
9. distribution of third-party services	32,895	23,765
9.1 portfolio management	28,975	18,812
9.1.1 individual	-	-
9.1.2 collective	28,975	18,812
9.2 insurance products	509	356
9.3 other products	3,411	4,597
d) collection and payment services	8,946	9,920
e) securitisation servicing services	-	-
f) factoring services	-	-
g) tax collection and treasury	-	-
h) management of multilateral trading facilities	-	-
i) keeping and management of current accounts	9,248	9,734
j) other services	164,610	137,480
TOTAL	**881,458**	**744,707**

2.2 Fee and commission expense: breakdown

€/t	30/06/2021	30/06/2020
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(344,283)	(285,130)
1. trading of financial instruments	(620)	(644)
2. currency trading	-	-
3. portfolio management:	(2,965)	(2,418)
3.1 on own account	(458)	(386)
3.2 delegated to third parties	(2,507)	(2,032)
4. securities custody and administration	(1,306)	(722)
5. placement of financial instruments	(26,626)	(20,828)
6. financial solicitation	(312,766)	(260,518)
d) collection and payment services	(17,086)	(15,371)
e) other services	(19,482)	(19,416)
TOTAL	**(380,851)**	**(319,917)**

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

€/t	30/06/2021		30/06/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	23	-	6	-
B. Other financial assets mandatorily measured at fair value	-	1,353	-	1,175
C. Financial assets at fair value through other comprehensive income	-	-	6	-
D. Equity investments	-	-	-	-
TOTAL	**23**	**1,353**	**12**	**1,175**

SECTION 4 – NET GAINS (LOSSES) FROM TRADING – ITEM 80

4.1 Net gains (losses) from trading: breakdown

€/t	Capital gains (A)	Gains from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**73,020**	**384**	**(663)**	**(862)**	**71,879**
1.1 Debt securities	473	381	(606)	(822)	(574)
1.2 Equity securities	72,547	3	-	(40)	72,510
1.3 Units in investment funds (UCIs)	-	-	(57)	-	(57)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**394**	**2,106**	**-**	**(1)**	**2,499**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	394	2,105	-	-	2,499
2.3 Other	-	1	-	(1)	-
Financial assets and liabilities: foreign exchange gains and losses	**X**	**X**	**X**	**X**	**267**
3. Derivative instruments	**11,456**	**7,253**	**(5)**	**(12,472)**	**9,517**
3.1 Financial derivatives:	11,456	7,253	(5)	(12,472)	9,517
- On debt securities and interest rates	11,456	7,253	(5)	(12,472)	6,232
- On equity securities and equity indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	3,281
- Other	-	-	-	-	-
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	X	X	X	X	-
TOTAL	**84,870**	**9,743**	**(668)**	**(13,335)**	**84,158**

At the end of the reporting period, the item in question amounted to €84.2 million (30.06.2020: -€4.3 million). The equity securities item includes the €72.2 million write-up of SIA S.p.A. shares. For further information, please see the description provided in the paragraph entitled "Merger by incorporation of SIA S.p.A. into NEXI S.p.A." in the Report on Operations. As previously reported, the period of comparison was affected by turbulent market conditions due to the Covid-19 pandemic.

SECTION 5 – NET GAINS (LOSSES) FROM HEDGING – ITEM 90

5.1 Net gains (losses) from hedging: breakdown

€/t	30/06/2021	30/06/2020
A. Income relating to:		
A.1 Fair value hedging derivatives	4,637	3
A.2 Hedged financial assets (fair value)	-	1,005
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging cash flows	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging (A)	**4,637**	**1,008**
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(71)	(2,398)
B.2 Hedged financial assets (fair value)	(5,077)	(31)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging cash flows	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	**(5,148)**	**(2,429)**
C. Net gains (losses) from hedging (A - B)	**(511)**	**(1,421)**
of which: result of hedges on net positions	-	-

SECTION 7 – NET GAIN (LOSS) FROM OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.1 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

€/t	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**1,833,147**	**226,131**	**(98,245)**	**(191,161)**	**1,769,872**
1.1 Debt securities	31,558	83,407	(32,472)	(52,373)	30,120
1.2 Loans	1,801,589	142,724	(65,773)	(138,788)	1,739,752
2. Financial liabilities	**752,205**	**-**	**(1,995,678)**	**-**	**(1,243,473)**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-
2.3 Payables to customers	752,205	-	(1,995,678)	-	(1,243,473)
3. Foreign-currency financial assets and liabilities: foreign exchange gains and losses	X	X	X	X	-
TOTAL	**2,585,352**	**226,131**	**(2,093,923)**	**(191,161)**	**526,399**

This item almost exclusively comprises financial changes in the assets underlying unit-linked insurance contracts. The economic changes in the assets in question match the insurance and financial liabilities relating to the aforementioned insurance contracts.

7.2 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

€/t	Capital gains (A)	Gains from disposals (B)	Capital losses (C)	Losses on disposals (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**7,593**	**-**	**(2,178)**	**(765)**	**4,650**
1.1 Debt securities	-	-	(50)	-	(50)
1.2 Equity securities	-	-	-	-	-
1.3 Units in investment funds (UCIs)	7,593	-	(2,128)	(765)	4,700
1.4 Loans	-	-	-	-	-
2. Financial assets: foreign exchange gains and losses	X	X	X	X	-
TOTAL	**7,593**	**-**	**(2,178)**	**(765)**	**4,650**

SECTION 8 – CREDIT-RISK INDUCED NET ADJUSTMENTS/WRITE-BACKS – ITEM 130

8.1 Credit-risk induced net value adjustments relating to financial assets measured at amortised cost: breakdown

€/t	Value adjustments			Write-backs		30/06/2021	30/06/2020
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3		
		Write-offs	Other				
A. Loans to banks	(206)	-	-	50	-	(156)	(4)
- Loans	-	-	-	-	-	-	-
- Debt securities	(206)	-	-	50	-	(156)	(4)
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
B. Loans to customers	(6,601)	(905)	(12,442)	241	5,240	(14,467)	(17,107)
- Loans	(6,446)	(905)	(12,442)	156	5,240	(14,397)	(14,522)
- Debt securities	(155)	-	-	85	-	(70)	(2,585)
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
TOTAL	**(6,807)**	**(905)**	**(12,442)**	**291**	**5,240**	**(14,623)**	**(17,111)**

8.2 Credit risk-induced net value adjustments relating to financial assets at fair value through other comprehensive income: breakdown

€/t	Value adjustments			Write-backs		30/06/2021	30/06/2020
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3		
		Write-offs	Other				
A. Debt securities	(355)	-	-	516	-	161	(378)
B Loans	(12)	-	-	-	-	(12)	-
- to customers	-	-	-	-	-	-	-
- to banks	(12)	-	-	-	-	(12)	-
of which: purchased or originated impaired financial assets	-	-	-	-	-	-	-
TOTAL	**(367)**	**-**	**-**	**516**	**-**	**149**	**(378)**

SECTION 10 – NET PREMIUMS – ITEM 160

10.1 Net premiums: breakdown

€/t	Direct business	Indirect business	30/06/2021	30/06/2020
A. Life class				
A.1 Gross premiums written (+)	1,290,256	-	1,290,256	833,204
A.2 Reinsurance premiums ceded (-)	(4,180)	X	(4,180)	(3,118)
A.3 Total	1,286,076	-	1,286,076	830,086
B. Non-Life class				
B.1 Gross premiums written (+)	52,961	-	52,961	43,361
B.2 Reinsurance premiums ceded (-)	(9,188)	X	(9,188)	(9,587)
B.3 Change in gross amount of premiums reserve (+/-)	(8,209)	-	(8,209)	(8,402)
B.4 Change in reinsurers' share of premiums reserve (+/-)	1,371	-	1,371	2,731
B.5 Total	36,935	-	36,935	28,103
C. Total net premiums	**1,323,011**	**-**	**1,323,011**	**858,189**

Net premiums include only business relating to products defined as insurance products under IFRS 4 and do not include business relating to products classified as "financial".
Insurance business for the period totalled €3,252 million (30.06.2020: €1,728 million) including new business of €2,804.9 million (30.06.2020: €1,284.2 million).

SECTION 11 – BALANCE OF OTHER INCOME AND EXPENSES FROM INSURANCE OPERATIONS – ITEM 170

11.1 Balance of other income and expenses from insurance operations: breakdown

€/t	30/06/2021	30/06/2020
1. Net change in technical reserves	(1,229,636)	800,682
2. Claims pertaining to the period paid during the year	(666,535)	(492,266)
3. Other income and expenses from insurance operations	(5,806)	(6,708)
TOTAL	**(1,901,977)**	**301,708**

11.2 Breakdown of the sub-item "Net change in technical reserves"

€/t	30/06/2021	30/06/2020
1. Life class		
A. Mathematical reserves	(232,270)	(21,371)
A.1 Annual gross amount	(231,233)	(21,025)
A.2 (-) Reinsurers' share	(1,037)	(346)
B. Other technical reserves	(1,461)	1,353
B.1 Annual gross amount	(1,461)	1,353
B.2 (-) Reinsurers' share	-	-
C. Technical reserves when the investment risk is borne by insurers	(994,716)	821,415
C.1 Annual gross amount	(994,716)	821,415
C.2 (-) Reinsurers' share	-	-
Total "life reserves"	**(1,228,447)**	**801,397**
2. Non-Life class		
Changes in other technical reserves of the Non-Life class other than claims reserves, net of reinsurance cessions	(1,189)	(715)
Total "Non-Life reserves"	**(1,189)**	**(715)**

11.3 Breakdown of the sub-item "Claims pertaining to the period"

€/t	30/06/2021	30/06/2020
Life class: claims-related expenses, net of reinsurance cessions		
A. Amounts paid	(630,666)	(474,321)
A.1 Annual gross amount	(633,845)	(476,861)
A.2 (-) Reinsurers' share	3,179	2,540
B. Change in reserve for amounts to be paid	(26,218)	(11,994)
B.1 Annual gross amount	(26,294)	(12,161)
B.2 (-) Reinsurers' share	76	167
Total Life claims	**(656,884)**	**(486,315)**
Non-Life class: claims-related expenses, net of recoveries and reinsurance cessions		
C. Amounts paid	(8,313)	(5,682)
C.1 Annual gross amount	(12,514)	(7,380)
C.2 (-) Reinsurers' share	4,201	1,698
D. Change in recoveries, net of reinsurers' share	3	20
E. Changes in the claims reserve	(1,341)	(289)
E.1 Annual gross amount	(1,551)	(1,319)
E.2 (-) Reinsurers' share	210	1,030
Total Non-Life claims	**(9,651)**	**(5,951)**

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Staff costs: breakdown

€/t	30/06/2021	30/06/2020
1) Employees	(116,580)	(111,586)
a) wages and salaries	(83,461)	(79,810)
b) social security contributions	(22,657)	(21,444)
c) severance indemnity	(16)	-
d) social security costs	-	-
e) provision for employee severance benefits	(3,558)	(3,301)
f) provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(1,544)	(1,397)
- defined contribution	(1,395)	(1,255)
- defined benefit	(149)	(142)
h) costs arising from share-based payment agreements	(2,468)	(697)
i) other employee benefits	(2,876)	(4,937)
2) Other staff in service	(4,657)	(3,276)
3) Directors and statutory auditors	(4,775)	(3,997)
4) Retired staff	-	-
TOTAL	**(126,012)**	**(118,859)**

12.2 Average number of employees by category

Unit	30/06/2021	30/06/2020
1) Employees	**2,902**	**2,783**
a) executives	111	113
b) management	521	479
c) other employees	2,270	2,191
2) Other staff	**240**	**200**
Total	**3,142**	**2,983**

12.5 Other administrative expenses: breakdown

€/t	30/06/2021	30/06/2020
Information systems services	(58,884)	(46,370)
Infoprovider services	(8,858)	(9,138)
Financial services fees and charges	(386)	(398)
Other sundry services	(18,852)	(17,569)
Taxes and duties	(1,727)	(1,791)
Television and internet communications services	(920)	(706)
Measures in support of the banking system	(11,554)	(10,378)
Network consultancy and collaborations	(2,215)	(1,404)
Rentals, hiring, leases	(8,209)	(9,935)
Maintenance and repairs	(1,891)	(1,691)
Telephone and postal expenses	(6,358)	(5,797)
Other consultancy and collaborations	(12,289)	(13,524)
Contributions to “Family Banker Offices”	(785)	(839)
Consumables	(1,713)	(2,105)
Insurance	(1,247)	(1,259)
Membership contributions	(2,793)	(2,622)
Advertising and promotional expenses	(18,281)	(15,986)
Organisation of conventions	(2,316)	(1,372)
Sales network consulting, education and training	(1,415)	(631)
Energy utilities	(626)	(758)
Entertainment, gifts and donations	(3,350)	(3,762)
Market research	(306)	(971)
Search and selection of employees	(582)	(395)
Travel expenses	(196)	(452)
Other administrative expenses	(3,458)	(3,962)
TOTAL	**(169,211)**	**(153,815)**

Other administrative expenses for the period amounted to €169.2 million, an increase of €15.4 million on the comparative period. This change was mainly due to expenses incurred for the new initiatives of Flowe (a company operating in electronic money that was launched last year) and to costs in advance of the comparative period (e.g. expenses incurred for the Giro d'Italia incurred in the third quarter of last year).

SECTION 13 – NET PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 200

€/t	30/06/2021	30/06/2020
Net provisions for liabilities and charges		
a) commitments and guarantees given	(57)	35
b) other net provisions	(24,429)	(20,734)
TOTAL	**(24,486)**	**(20,699)**

The increase in other net provisions is mainly due to the increase in the volumes of commissions paid to the sales network generated by the assets under management achieved in the reporting period.

SECTION 25 – EARNINGS PER SHARE

25.1 Average number of ordinary shares (fully diluted)

	30/06/2021	30/06/2020
Net profit (loss) (€/t)	268,748	150,489
Weighted average number of shares outstanding (units)	735,596,550	734,225,258
Adjustment for stock options with potential dilutive effect	3,107,608	3,471,496
Weighted average number of shares outstanding for diluted EPS purposes	738,704,158	737,696,753
Diluted earnings per share (€)	**0.364**	**0.204**

PART E - INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Introduction

In economic disciplines, the importance of the risk concept has grown significantly in recent decades due to the operating environments of many companies. Their assets, whether financial or non-financial, always carry a certain margin of risk, which derives from uncertainty over the achievement of corporate objectives and is therefore ultimately associated with changes in the company's future economic value. Until recently, risk was seen only in its negative sense, and the aim of corporate management was to protect the business by minimising or eliminating risks at all costs. Because risk is inherent to a company's business, it must be regarded as an integral part of generating value for shareholders. A risk management system is therefore required to ensure that risk is controlled and regulated. Risk management identifies a process through which the organisation manages its business, taking into account the costs and benefits associated with each action that it undertakes. The main purpose of the risk management function is to enable the company to obtain lasting benefits from all the activities it performs, thereby helping to create value for the company and its stakeholders. Managing risk continuously and steadily becomes part of each company's strategic management. It lessens uncertainty over the achievement of the company's objectives, thereby reducing the probability of failure and increasing the probability of success.

In the banking field, according to the Basel Committee, the risk management function of a credit institution must be able to identify material risks at both an individual and aggregate level, as well as identifying emerging risks, assessing them and measuring the bank's exposure to these risks.

The world of risk is changing and referring only to "classic risks" to represent the risk level of a financial institution implies a necessarily partial viewpoint. A risk-based business approach therefore requires a risk management function that is flexible and oriented towards change, not only of the economic and financial environment. This change relates to the skills and professionalism required to perform the role of the future risk manager, who must include, among the risks that may occur, the environmental, social and corporate governance risks that may be associated with the various business lines and their management. In fact, the regulator's vision is also shifting toward an increasingly holistic representation of the risk spectrum.

Risk control organisational structure

The control environment is the element of corporate culture that determines the level of management sensitivity to auditing needs. It forms the basis for all other components of the Internal Control System. The Internal Control System (hereinafter also referred to as the "ICS") is defined as a set of rules, procedures and organisational structures designed to enable the Company to be managed soundly and correctly and in line with pre-established objectives through an adequate process of identifying, measuring, managing and monitoring key risks. The factors that influence the control environment are: integrity, ethical values and the competence of staff, management philosophy and style, the ways in which responsibilities are delegated, organisation and professional development and the commitment and leadership of the Board of Directors. A fundamental role is played by the Parent Company's Risk Committee, which carries out comparison and analysis activities in order to develop an overview of the various risks associated with the various types of business, and shares the actions taken to manage the risks identified. Within the Banking Group, the various companies undertake to implement a complex and efficient internal control system in their operating structures, taking account, in accordance with the guidelines received from the Parent Company, of the different applicable regulations and various areas of business. In order to promote the dissemination of values guided by professional propriety and compliance with laws and regulations, Banca Mediolanum also has a Code of Ethics, which outlines the conduct to be observed and is distributed for adoption by the subsidiaries.

Principles underlying the risk control and management model

The Internal Control System is strategically important for the Banking Group, as it has a high ranking on the scale of company values, relating not only to the corporate control functions but also involving the entire corporate organisation in the development and application of logical and systemic methods for identifying, measuring, communicating and managing risks.
The definition of the risk governance system must take into account the following general principles:

- completeness of the types and location of the risks to be governed in accordance with legislative and regulatory provisions;
- adequacy of the control system, which is coherent and structured in proportion to the characteristics of the Group and/or the companies concerned;
- system functionality, as the application and suitability of the controls enable the Group to pursue its overall sound and prudent management;
- reliability, i.e. the control system must be effective on an ongoing basis;
- incorporation, by means of an ongoing search, of co-ordination mechanisms to provide the governing bodies with full, comprehensible and integrated information;
- dissemination of control activities to each operating and hierarchical segment;
- development, by means of an ongoing search, of mechanisms designed to ensure the continuous improvement of the structure of the system and its effectiveness and efficiency;
- timeliness, through the timely and prompt knowledge and communication of the appropriate levels of the company capable of implementing appropriate corrective measures;
- independence of second-level control functions from the line organisational units, safeguarding the proportionality principle for the subsidiaries and thus ensuring a gradual implementation approach for smaller entities;
- sharing and consistency between all the organisational units and/or companies in the same Group in relation to the use of uniform models and methodologies for the collection of data and information and for the analysis and measurement of risks, as applicable;
- transparency and dissemination of the models, methodologies and assessment criteria used to facilitate the process of cultural dissemination and understanding of the underlying rationales of the choices made;
- assignment of accountability and delegation by the Board of Directors to the organisational units in the direct management of the risks to which the corporate processes are exposed.

The Mediolanum Banking Group has defined, in the context of the processes of the various business activities, its Risk Appetite Framework ("RAF"), i.e. the overall level of risk and type of risk, which it intends to assume in order to achieve its strategic objectives, identifying the metrics to be monitored, the relative tolerance thresholds and the different risk limits.
In order to ensure compliance with the principles described above, the Mediolanum Banking Group has adopted a system of internal policies that define the general reference framework for risk management and control. The main objectives of these policies are:

- to ensure that the Internal Control System is able to promptly identify significant anomalies and prepare the appropriate corrective and/or mitigation measures;
- to ensure the sharing and homogeneity of the essential risk management rules and principles within the Group;
- to disseminate the risk management culture within the Group as part of a structured process and promote conscious and consistent behaviours and operational choices.

Section 1 – Risks of accounting consolidation

QUALITATIVE INFORMATION

Conglomerate risk management

The Mediolanum Group incorporates banking and/or securities activities (investment services) and insurance activities. The Banking Group specifically consists of banks (Banca Mediolanum and Banco Mediolanum) and management companies (e.g. Mediolanum Gestione Fondi and Mediolanum International Funds), while the insurance business is carried out by subsidiaries of Banca Mediolanum which produce financial insurance products in the Life class (Mediolanum Vita and Mediolanum International Life) and insurance products in the Non-Life class (Mediolanum Assicurazioni).
Traditional regulation has an essentially sectoral approach (banking, securities, insurance) and consequently the regulatory and supervisory provisions on the capital adequacy of financial intermediaries take into account the risk profiles of the individual banking and insurance components of the Conglomerate and establish capital requirements for the typical risks (also considered individually) of each of them. Therefore, without prejudice to the risk control and management procedures in the Solvency area for insurance and ICAAP/ILAAP for banking, a management methodology for monitoring and analysing risk concentration is used at the Conglomerate level. This control is implemented by aggregating the exposures of all the companies in the Conglomerate to the same counterparty, both public and private, in all forms of financial commitment and investment. Periodically, therefore, each exposure is added together for all companies in the same group, analysing whether it could entail a potential loss of capacity that could compromise the solvency or the general financial position of all the companies in the Mediolanum Conglomerate. The situation regarding the various types of investment of the Conglomerate with respect to the counterparties to which all the companies of the Mediolanum Group are most exposed is also reported to the Supervisory Board on a quarterly basis. On the same quarterly basis, the Parent Company's Risk Management Function reports to the Strategic Supervisory Body (Board of Directors) on the performance of the various businesses, representing all the relevant risk indicators by type of business provided for by sector regulations or by internal management and mitigation policies.
With regard to strategic, operational, non-compliance and reputational risks, a single Group framework has been adopted, also in view of the pervasiveness of these risks, without prejudice to the application of this framework according to a criterion of proportionality that takes due account of the specific business and regulatory aspects of the various companies, including at the national level.
Consequently, the figures on financial and credit risks are presented separately below, maintaining the distinction between the banking and insurance sectors, while the figures on strategic, operational, non-compliance and reputational risks are presented on a comprehensive basis.

Reporting of financial risks pursuant to international accounting standard IFRS 7

IFRS 7, which is addressed in this section, mainly concerns the reporting to be provided on the nature of the risks arising from the financial instruments held and the related exposure that the company has to the risks identified. The exposure to the risk associated with the possession of financial instruments, as defined in IFRS 7, includes information on credit risk, liquidity risk and market risk. In this context, the qualitative information describes "the purposes, policies and processes assumed by management for managing related risks", while the quantitative information describes the extent of the risk exposure, separately examining credit, liquidity and market risk reporting. This section therefore describes the characteristics of the risk control model according to the requirements of IFRS 7 that are relevant for the Mediolanum Group, classifying them in relation to their significance in terms of the business segments of the Group companies: banking, asset management and insurance. Under IFRS 7, the risks on which the analysis is conducted are liquidity risks, credit risk and market risks with their various forms and characteristics. A brief summary is also provided of the risk management techniques and policies adopted by the control functions for purposes beyond the scope of IFRS 7. It should also be noted that with the introduction of IFRS 13, several amendments were made to various standards. In particular, all the reporting associated with the Fair Value Hierarchy (FVH) is no longer governed by IFRS 7 but by IFRS 13. IFRS 13 establishes a single accounting standard for measuring fair value and provides complete instructions on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 proposes a new definition of fair value, to be interpreted as "the price that should be received to sell an asset or that should be paid to settle a liability in a normal transaction between market participants at the measurement date". The fair value is therefore determined on the basis of market values. The topics relating to the reporting of the various fair value levels of the accounting items subject to the relevant measurement, as required by IFRS 13, have been adequately covered in Part A of this note.

Methodology and classification principles for financial instruments

The additional information envisaged by IFRS 7 can essentially be classified into three main types of risk:

- Credit risk. Refers to the risk of suffering losses as a result of a deterioration in creditworthiness to default of both retail/corporate customers and institutional counterparties of which the Bank is a creditor in its investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.
- Market risk. Defined as the risk of suffering significant losses due to the unfavourable performance of market variables sensitive to the value of the investment activities of companies of the Mediolanum Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.
- Liquidity risk. Liquidity risk generally takes the form of limits on the liquidation of assets. More precisely, it is the risk that a financial instrument cannot be bought or sold without a sharp reduction/increase in the price (bid-ask spread) due to the potential inability of the market to settle the transaction partially or completely. Liquidity risk is also defined as the risk associated with access to funding. Under Pillar II of Basel 2 as it applies to the Banking Group, the regulator requires banks to implement policies, management procedures and methods for measuring liquidity risk (e.g. the ILAAP).

The main aspects of the individual risks are therefore reported on the basis of the Group's lines of business.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing credit exposures: amounts, value adjustments, trends and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amount)

€/t	Bad loans	Unlikely to pay	Non-performing past due	Other non-performing	Performing	TOTAL
1. Financial assets measured at amortised cost	21,616	40,211	22,908	54,895	33,183,392	33,323,022
2. Financial assets at fair value through other comprehensive income	-	-	-	-	1,283,113	1,283,113
3. Financial assets designated at fair value	-	-	-	-	30,122,264	30,122,264
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
TOTAL 30/06/2021	**21,616**	**40,211**	**22,908**	**54,895**	**64,588,769**	**64,728,399**
TOTAL 31/12/2020	**22,645**	**38,604**	**10,888**	**110,444**	**56,465,713**	**56,648,294**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

€/t		Non-performing				Performing			TOTAL (net exposure)
		Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost		167,155	(82,420)	84,735	-	33,295,877	(57,592)	33,238,285	33,323,020
2. Financial assets at fair value through other comprehensive income		-	-	-	-	1,283,532	(419)	1,283,113	1,283,113
3. Financial assets designated at fair value		-	-	-	-	X	X	30,122,264	30,122,264
4. Other financial assets mandatorily measured at fair value		-	-	-	-	X	X	-	-
5. Financial assets held for sale		-	-	-	-	-	-	-	-
TOTAL	**30/06/2021**	**167,155**	**(82,420)**	**84,735**	**-**	**34,579,409**	**(58,011)**	**64,643,662**	**64,728,397**
TOTAL	**31/12/2020**	**150,779**	**(78,644)**	**72,135**	**-**	**30,563,497**	**(51,741)**	**56,576,161**	**56,648,296**

* Value to be displayed for information purposes

€/t		Assets clearly of poor credit quality		Other assets
		Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	593,455
2. Hedging derivatives		-	-	34
Total	**30/06/2021**	**-**	**-**	**593,489**
Total	**31/12/2020**	**-**	**-**	**234,521**

Section 2 – Risks of prudential consolidation

THE PRUDENTIAL CONTROL PROCESS

Since 2014, the Supervisory Review and Evaluation Process (SREP) has undergone a profound transformation through the establishment of the Single Supervisory Mechanism (SSM), which includes the European Central Bank (ECB) and the competent national authorities of the EU Member States. This body is responsible for the prudential supervision of all credit institutions in the Member States and ensures that EU policy on prudential supervision of banks is implemented consistently and effectively in all EU countries. Therefore, the rules introduced require the supervision of intermediaries defined as significant to be carried out by the ECB in close cooperation with the national supervisory authorities. The supervision of the other banks will remain the responsibility of the authorities in each country and will be carried out according to uniform criteria. On the basis of the criteria established by the ECB, Banca Mediolanum currently belongs to this second group of banks, but the ECB nevertheless exercises indirect supervision over a category of banks which includes the Mediolanum Group. In accordance with the proportionality principle, which takes into account the size and risk profile of the intermediary and its level of interconnection with the rest of the financial system, these banks are subject to more and more intense direct supervision by their national supervisory bodies and indirect supervision by the ECB. Supervision is divided into two distinct phases: the first is the internal ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) in which the banks make an independent assessment of their current and prospective capital and liquidity adequacy in respect of the risks assumed and company strategies. The second consists of the Supervisory Review and Evaluation Process (SREP) and is the responsibility of the Supervisory Authority, which reviews the ICAAP/ILAAP, formulates an overall opinion of the bank and takes corrective measures, where necessary.

The SREP is based, first and foremost, on a dialogue between the Supervisory Authority and the banks. This allows the Bank of Italy and the European Central Bank to gain a more in-depth understanding of ICAAP/ILAAP and the underlying methodological assumptions, and allows the banks to explain the reasoning supporting their assessments. Banks define strategies and establish instruments and procedures for determining the capital that they consider adequate – in terms of amount and composition – to permanently cover all the risks to which they are or could be exposed, including risks other than those for which they have to comply with capital requirements. ICAAP/ILAAP is based on appropriate company risk management systems and presupposes adequate corporate governance mechanisms, an organisational structure with clearly defined lines of responsibility and an effective internal control system. The corporate bodies are responsible for this process, independently determining its design and organisation in accordance with their respective competences and prerogatives. They implement and instigate updates to ICAAP/ILAAP to ensure that it is always consistent with the Bank's operational characteristics and strategic context. ICAAP/ILAAP must be documented, known and shared by the corporate structures and subject to internal review. The prudential control process complies with the proportionality principle, whereby:

- the corporate governance systems, risk management processes and mechanisms for internal control and capital determination considered adequate to cover risks must be commensurate with the characteristics, size and complexity of the bank's business;
- the frequency and intensity of the SREP take into account the systemic relevance, characteristics, size and complexity of banks.

The ECB's supervisory authorities carry out a regular risk assessment and measurement exercise at the individual bank and/or group level, summarising the results of the analysis year after year, and formally notifying the bank or the Parent Company of the actions to be taken to restore and/or keep the financial position under control.

THE BANKING GROUP: RISK APPETITE FRAMEWORK AND MAPPING OF MATERIAL RISKS

The Risk Appetite Framework (RAF), approved by the Strategic Supervisory Body of the Parent Company, i.e. the Board of Directors, is the reference framework that expresses the risk appetite that the Bank intends to assume, with respect to all the risks considered relevant that may characterise the business conducted. This overall approach includes the policies, processes, controls and methodologies through which the aforementioned risk appetite of the bank is defined, communicated, managed and reassessed, in accordance with the maximum risk that may be assumed, the business model and the strategic plan. Risk governance policy is therefore a strategic component of the RAF, enabling it to be aligned with the overall economic and financial plan and thus enabling the achievement of a sustainable growth objective. For this reason, the RAF is the result of a structured process involving various company organisational structures, specifically Risk Management and Planning and Control, each in its own areas of competence. The Group's risk appetite is reviewed annually to take account of the ongoing changes in the internal and external context, as well as changes in the expectations of the various stakeholders. The economic and financial figures estimated when the economic and financial plan was drawn up are reconciled with the risk appetite limits and incorporated as part of the RAF updating process, resulting in the revision and adjustment of the thresholds and limits established during the previous year, where applicable.
The RAF document approved by the Parent Company is sent to all Group companies to facilitate the preparation of individual RAF documents that some Group companies (Banco Mediolanum, EuroCQS, Bankhaus Agust Lenz) produce for their respective businesses and to enable all companies belonging to the Group to achieve the objectives in accordance with the risk appetite established.
The RAF indicators defined by the Group are grouped into macro families to ensure that they are easily understood and represented, including, for example, capital adequacy indicators (e.g. CET I Ratio, Capital Ratio), credit risk indicators (e.g. NPL, Coverage Ratio) and liquidity risk indicators (e.g. LCR, NSFR), and the other indicators of market risk, interest rate risk, operational risk, technology risk, strategic risk and anti-money laundering risk are then rolled out. During the annual review of the document, the Banca Mediolanum Group carries out a critical review of the indicators by assessing the relative usefulness from time to time of those use, supplementing them, where appropriate, with new calculation methodologies or the introduction of new, more representative risk indicators.
The RAF, as a tool capable of focusing attention on the Banking Group’s risk profile through an integrated view of risks, has significant connections to and synergies with ICAAP/ILAAP, and is ideally positioned “upstream” of this process.

ICAAP/ILAAP

The risk profile is assessed and the periodic review carried out continuously, and reported at least once a year through the ICAAP (Internal Capital Adequacy Assessment Process)/ILAAP (Internal Liquidity Adequacy Assessment Process) report, which describes the internal capital adequacy assessment and the liquidity risk management and governance system, in accordance with the Group's internal rules. The "Pillar II" regulations (Title III, Chapter I, Bank of Italy Circular No. 285/2013) require banks to have processes and instruments in place to determine the level of internal capital and liquidity management that is adequate to cover all types of risks, including risks other than those covered by the overall capital requirement ("Pillar I"), as part of an assessment of current and prospective exposure that takes account of strategies and the evolution of the relevant context. The regulations identify the phases and periodicity of the process and the main risks to be assessed, in some cases providing information on the methodologies to be used. In accordance with the proportionality principle, banks are divided into different classes which generally contain intermediaries of different sizes and operational complexity. The Parent Company's corporate governance bodies are responsible for the ICAAP/ILAAP process.

MAPPING OF MATERIAL RISKS

The process of identifying material risks for the Mediolanum Group, in accordance with Circular No. 285 of December 2013, as subsequently updated, starts with an analysis of the scope of operations of the Bank and the Group in the regulatory lines of business and the activities carried out in these lines. The starting point of the risk mapping is therefore an awareness of the macro lines of business that make up the Banking Group's typical activity. The following main business segments can be identified within the Mediolanum Banking Group:

- Retail and Commercial Banking
- Trading and Sales
- Asset Management
- Retail Brokerage.

Based on the risk assessment, a significance threshold is set for both risks with a capital requirement and those that do not absorb any capital but that must nevertheless be analysed and monitored. In the context of the significance of risks, in line with the guidelines of the European governance and supervisory authorities, ESG risks are increasingly important, particularly climate risk, a factor that is increasingly taken into consideration in all economic sectors, including banking.

PILLAR I RISKS

Credit risk (including counterparty risk)

The risk of suffering losses as a result of a deterioration in creditworthiness to default of institutional, retail and corporate counterparties of which the Bank is a creditor in its investment or lending activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.

Market risk

Market risk is defined for banks using the standardised approach as the sum of capital requirements calculated for position risk, settlement risk, concentration risk and commodity position risk.

Operational risk

Banca Mediolanum, like the Parent Company, defines operational risk as "the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts".

PILLAR II RISKS AND OTHER RISKS

Concentration risk

Risk arising from exposure to counterparties, groups of related counterparties and counterparties in the same economic sector or that conduct the same business or are located in the same geographical area.

Rate risk

Interest rate risk arising from activities other than trading: risk arising from potential changes in interest rates.

Liquidity risk

Liquidity risk generally takes the form of limits on the liquidation of assets. More precisely, it is the risk that a financial instrument cannot be bought or sold without a sharp reduction/increase in the price (bid-ask spread) due to the potential inability of the market to settle the transaction partially or completely. Liquidity risk is also defined as the risk associated with access to funding.

Residual risk

The risk that the recognised techniques for mitigating credit risk used by the bank prove less effective than expected. Excessive leverage risk. The risk that a particularly high level of debt to equity could make the bank vulnerable, requiring corrective changes to its business plan, including the sale of assets entailing the recognition of losses that could also result in the impairment of the remaining assets.

Strategic risk

The current or prospective risk of a decrease in profits or capital due to changes in the competitive environment or poor corporate decision-making, the inadequate implementation of decisions, or insufficient responsiveness to changes in the competitive environment.

Compliance risk (or risk of non-compliance)

The risk of incurring legal or administrative penalties, significant financial losses or reputational damage due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g. bylaws, codes of conduct or governance codes).

Reputational risk

The current or prospective risk of a decline in profits or capital should customers, counterparties, shareholders, investors or supervisors come to have a negative perception of the Bank.

ICT and security risk

The risk of loss due to breach of confidentiality, shortcomings in the integrity of systems and data, the inadequacy or unavailability of systems and data or the inability to replace information technology (IT) within reasonable time and costs when the requirements of the external environment or activity (i.e. agility) are changed. This includes security risks arising from inadequate or incorrect internal processes or from external events, including cyber attacks or inadequate physical security.

Conduct risk

Conduct risk, as a sub-category of operational risk, can generally be defined as "the current or potential risk of incurring economic losses generated by the inadequate provision of financial services, including instances of wilful misconduct or negligence".

Climate risks

The growing focus of all government, social and production sectors on environmental issues and the simultaneous implementation of shared guidelines at the level of the banking industry for the management and mitigation of risks related to climate change, such as physical risk and transition risk, has also been the subject of particular attention and interest, including on the part of the Banca Mediolanum Group. In the context of the initiatives undertaken, an initial consequence has been the relevant consideration that financial risks may be related precisely to the physical and transition risk mentioned above. The first refers to the economic effects suffered by individuals who may be exposed to extreme events related to natural phenomena. For example, environmental disasters can destroy physical capital (homes, warehouses, industrial facilities, public or private service facilities), thereby forcing households, businesses, and public bodies, both local and central, to devote financial resources to the reconstruction of these assets, with consequences for banks, which may suffer the loss of the value of assets received as collateral, as well as increased recourse to credit by parties affected by these extreme weather events. If these effects occur on a large scale, they effectively threaten the stability of the financial system as a whole, with inevitable consequences in terms of a contraction in productive investment.
Transition risks are a particular type of risk, mainly consisting of financial costs related to and/or arising from the implementation of a process of moving towards a sustainable low-carbon economy. This risk is in fact the ability of an economic or corporate system to be able to continue to perform its functions continuously, including in the face of extreme climate impacts and their evolution, as well as changes in the accessibility of natural resources. At the same time, it is necessary to be able to reconfigure, evolve and adapt internal processes to increase the environmental sustainability of the system itself, in order to help mitigate climate change and develop the capacity to respond appropriately to possible future impacts resulting from any new legislative and/or regulatory regimes.

Money-laundering risk

The risk arising from the violation of provisions of law, regulations and self-regulations functional to the prevention of the use of the financial system for the purposes of money-laundering, financing of terrorism or financing of programmes for the development of weapons of mass destruction, as well as the risk of involvement in episodes of money-laundering, financing of terrorism or financing of programmes for the development of weapons of mass destruction. The implementation of the safeguards adopted by the Bank and the Group dedicated to the traceability of financial transactions and the identification of suspicious transactions are part of the activities dedicated to the prevention, monitoring and repression of money-laundering and terrorist financing. To this end, the Bank has also adopted an RAF indicator for the risk in question.

1.1 Credit risk

QUALITATIVE INFORMATION

The credit policy of the Mediolanum Banking Group is essentially designed to meet the financial needs of customers who hold assets invested in the financial and insurance products distributed by the Group companies. Therefore, within the context of the Banking Group's strategies, lending is complementary to the provision of financial/insurance products and investment services to customers, and includes credit facilities designed to meet customers' short/medium-term needs (ordinary loans) and loans for the purchase, exchange, completion and, in general, execution of real estate transactions (special loans). With regard to the granting of credit facilities in the form of salary/pension-backed loans and "with recourse" assignment of the receivable for post-employment benefit (government employees), such products are offered by the subsidiary PreXta (formerly EuroCQS).
Credit risk mainly relates to retail credit, corporate and treasury activities. In the context of retail credit and corporate activity, at the level of the Banking Group, credit risk is identified as the possibility that a counterparty, to which there is a credit exposure, will not fulfil in whole or in part the obligations assumed, thereby causing impairment of the exposure.
With regard to treasury activity, credit risk is defined as the risk of suffering losses as a result of a deterioration in creditworthiness to default of institutional counterparties of which Banca Mediolanum and the other Group companies are creditors in their investment activities, as a result of which the debtor may not fulfil all or part of its contractual obligations.
The amounts disbursed were essentially in line with budget forecasts, in accordance with the Group's vocation of providing credit mainly to retail customers, and also met the borrowing requirements of corporate counterparties which turned to our Group in the period in question.
The prevalence of loans to retail customers also means that the value of large exposures is significantly below the regulatory requirements.
Counterparties that fall within the scope of this type of reporting are primarily Italian and European banks operating with their respective group treasury units.
With regard to the European Banking Authority (EBA) guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis (EBA/GL/2020/07 - *Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis*), please see the Public Disclosure document relating to the data of 30/06/2021, which is published in the dedicated section of the Banca Mediolanum corporate website.
These guidelines, which were also adopted by the National Supervisory Authority in June 2020, require presentation of the following information on:

1) Loans subject to "moratoria" falling within the scope of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02);
2) loans subject to forbearance measures applied due to the Covid-19 crisis;
3) new loans guaranteed by the state or other public body.

The ongoing health emergency has had no significant impact in the first six months of the year on the management processes adopted by the Risk Management Function, at both individual and Group level. It should also be noted that the quality of the credit portfolio has remained at "pre-Covid" levels (i.e. with a low level of non-performing loans), partly due to the relative insignificance of the loans subject to moratoria. At 30 June, these receivables accounted for approximately 2% of the total portfolio, which amounted to more than €11 billion.

With reference to the adoption of the regulatory requirements of the new definition of default ("New DoD"), after the first six months from its entry into force, the Group's credit portfolio, at the reference date, maintains the same quality levels as those recorded in the last six months of the previous year. However, compared with 31/12/2020, the increase in the percentage of ECLs recorded at 30/06/2021 (from 0.30% to 0.32% for the individual accounting scope and from 0.32% to 0.35% considering only traditional credit technical forms) is mainly attributable to the estimate of the PD risk parameter in accordance with the new definition of default that entered into force on 01/01/2021 and the increase in write-downs, compared with the automatic calculation of the IT procedure, determined by the Credit Department for a limited number of exposures classified as non-performing loans in July.

1.2 Market risks

1.2.1 Interest rate risk and price risk - regulatory trading book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

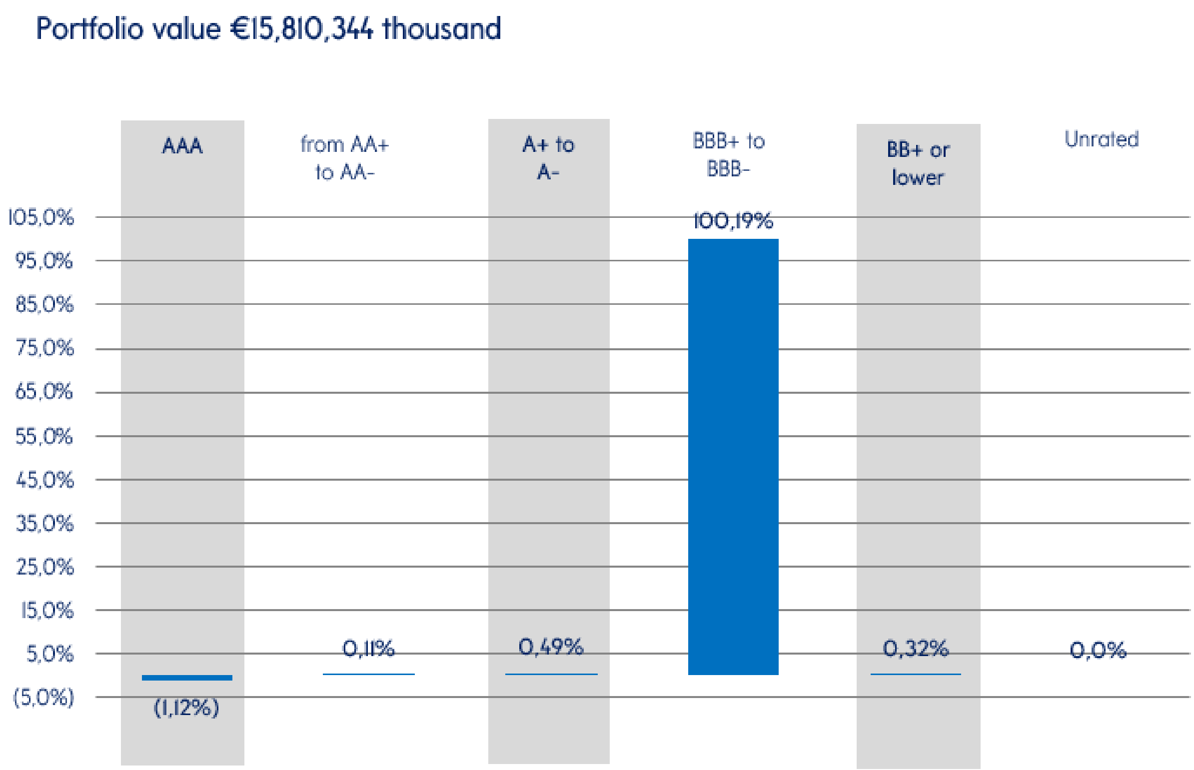
Market risk is defined as the risk of suffering significant losses due to the unfavourable performance of market variables capable of influencing the value of the investment activities of companies of the Mediolanum Banking Group, such as interest rates, exchange rates, stock prices, volatility and bond spreads.
This risk is essentially present in the activity carried out within the Group's units with treasury functions. In particular, the assets classified in the trading book, for which the Mediolanum Banking Group adopts the standardised market risk calculation method, fall within this scope for regulatory purposes. Based on this classification, only Banca Mediolanum has a trading book in the strictest sense.

Mediolanum Banking Group total securities portfolio - RATING COMPOSITION (S&P Equivalent)
Period-end data (June 2021 vs December 2020)

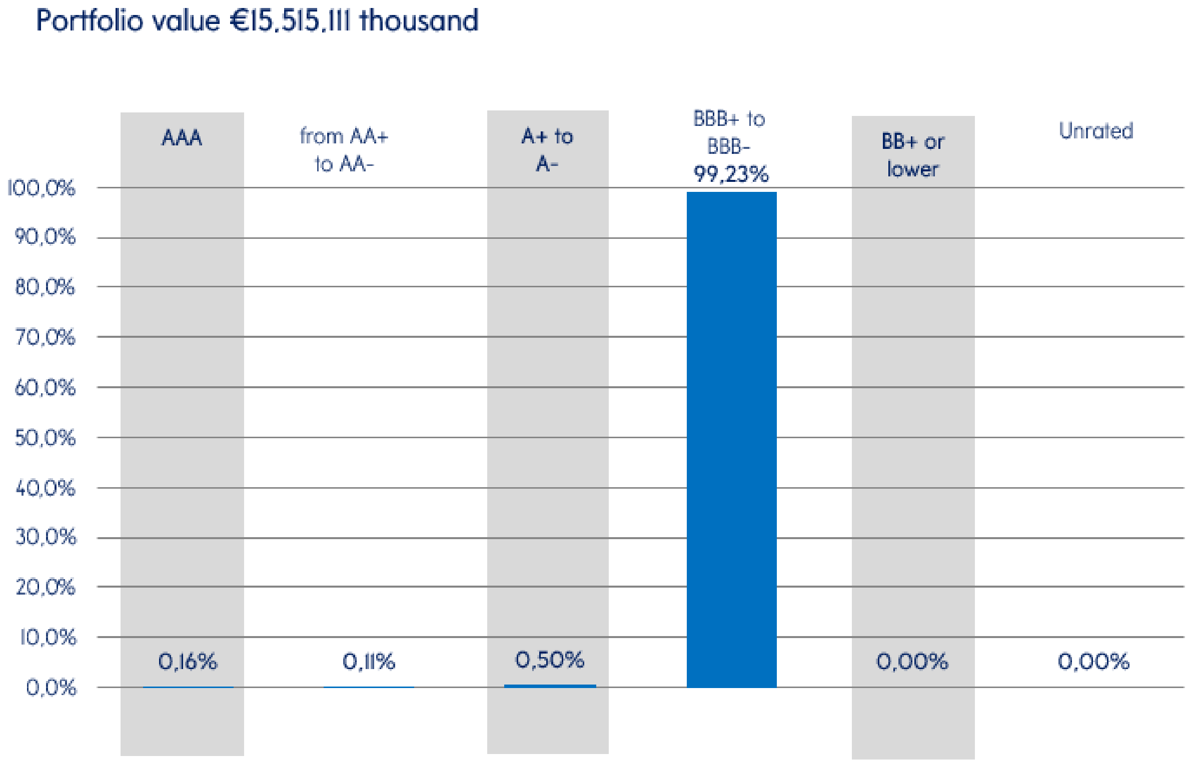
€/t	30 June 2021		31 December 2020		Change (%)
	Val.	%	Val.	%	
TOTAL PORTFOLIO	**15,810,344**	**100.0%**	**15,140,672**	**100.0%**	4%
AAA	(176,586)	(1.1%)	4,050	0.0%	n.s.
from AA+ to AA-	17,827	0.1%	18,227	0.1%	(2%)
A+ to A-	78,091	0.5%	86,120	0.6%	(9%)
BBB+ to BBB-	15,839,853	100.2%	14,934,651	98.6%	6%
BB+ or lower	51,159	0.3%	97,625	0.6%	(48%)
Unrated	-	-	-	-	n.s.

For the current year the issuer's rating is shown. The negative securities are the short positions in the trading of German government securities in the individual portfolio of Banca Mediolanum S.p.A. and shown in the statement of financial position under financial liabilities held for trading.

Rating composition of the Mediolanum Banking Group's portfolio
(June 2021)



Rating composition HTC&S and HTC Mediolanum Banking Group portfolios **(June 2021)**



The first half of 2021 was marked by very low bond yields, with a pause between April and May, when there was a repositioning of the rates curves.

The reopenings of economic activities planned for the second quarter of 2021 prompted markets to take into account a rapid recovery in growth alongside an increase in commodity prices, resulting in a resurgence of inflation.

The central banks quickly intervened, stating that the inflation spikes were caused by transitory factors, and the markets rapidly returned to the yields of the first quarter of 2021.

In terms of investment for the Banking Book, a wait-and-see strategy was adopted during the first quarter of 2021 without the repurchase of maturing securities.

The opportunity for better returns that began early in the second quarter of 2021 enabled the Group to realign the stock of its proprietary portfolios, emphasising the purchase of variable rate government bonds.

The implementation of these tactical measures allows for the possibility of future upward repricing of yields without any material impact on the interest rate indices.

The monitoring of the RAF indicators carried out in the first half of the year confirmed that the strategies adopted and the positions in the Group's portfolios are in line with the risk appetite defined by the Strategic Supervisory Body at the beginning of the year.

The monitoring measures adopted by all Group companies, in accordance with the Parent Company's guidelines on market risks, do not show significant evidence of impacts of the Covid-19 pandemic that have had a symptomatic influence on the value of the accounting portfolios held.

B. Interest rate risk and price risk management procedures and measurement methods

The Parent Company's Risk Management function ensures that financial risk assessment methods are consistent across the various operating entities and helps to set credit limits and operating limits. Each Group Company is, however, directly responsible for controlling the risks assumed in accordance with the guidelines approved by the respective boards of directors in accordance with the principle of consistency between the complexity of the assets under management and the risk measures adopted. Interest rate risk is analysed using indicators of both portfolio composition (concentration limits, characteristics of admitted instruments, characteristics of issuers, etc.) and maximum loss (value at risk).

Trading securities portfolio – VAR tables – MARKET RISK
Period-end data (June 2021 vs December 2020)

€/t	Jun-21	Dec-20	Change (%)
Nominal	295,288	96,994	204%
Market value	295,233	101,573	191%
Duration	0.64	0.55	16%
VaR 99% - 1 d	741	156	374%

Rather than the June 2021 period-end values, the minimum, maximum and average values of the VaR measurement recorded for the trading portfolio in the first half of 2021 are shown below.

€/t	Jun-21	Dec-20	Change (%)
Minimum value	154	37	319%
Average value	1,908	1,027	86%
Maximum value	2,742	2,215	24%

1.2.2 Interest rate risk and price risk - banking book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, INTEREST RATE RISK AND PRICE RISK MANAGEMENT PROCEDURES AND MEASUREMENT METHODS

The reference legislation prescribes a set of rules to be adopted to quantify the potential impact that unexpected changes in the term structure of the market might have on the current profits and shareholders' equity of financial corporations. Banks are required to have effective rules, processes and tools for managing the interest rate risk arising from activities (banking book) other than those allocated to the trading book for supervisory purposes.
The regulations also provide methodological guidelines, consistent with the Basel guidelines, for the preparation of a simplified system by which to determine internal capital with respect to the interest rate risk on the banking book. The Parent Company, Banca Mediolanum, has adopted these guidelines within its risk appetite framework, effectively providing the general rules and procedures for managing and controlling the risk in question, to be

adopted and transposed into the internal policies of Group companies. The Banca Mediolanum Group carries out daily monitoring of its banking book through VaR, P&L, and duration and each month it complements these analyses with the calculation of the interest rate risk on the banking book.

1.2.3 Currency risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, CURRENCY RISK MANAGEMENT PROCEDURES AND MEASUREMENT METHODS

The following risk profile includes all assets and liabilities (on- and off-balance sheet) in foreign currencies, including transactions in euro pegged to foreign currency exchange rates. In these cases, limits on exposure to currency risk are established in terms of the equivalent value of the net position of the main trading currencies.

1.3 Derivative instruments and hedging policies

1.3.2 Accounting hedges

QUALITATIVE INFORMATION

A. Fair value hedging

Fair value hedges aim to neutralise adverse changes in the price of assets and liabilities recognised in the financial statements or of irrevocable commitments that, without a hedge, could affect financial performance for the year. As established by the Parent Company, the Banking Group has adopted hedging policies through derivative instruments, exceptionally solely for exposures in its fixed-rate loan portfolio.

D. Hedging instruments

Within the Banking Group, Banca Mediolanum hedges the interest rate risk of fixed or floating rate loans with caps using interest rate swap (IRS) or interest rate option (IRO) derivatives. Hedge accounting can only be adopted if the effectiveness of the hedge is observed at the beginning and throughout its life, i.e. changes in fair value or in the cash flows of the hedged instrument must be almost completely offset by corresponding changes recorded for the hedging instrument. This effectiveness is monitored periodically through specific tests: it is highly effective when changes in the fair value of the hedging instrument exactly offset changes in the hedged instrument. There are clear limits on how far a hedging instrument can deviate from a perfect hedge when offsetting changes in the hedged instrument. The effectiveness of the hedge should be assessed initially and continuously throughout the life of the hedge. The source of the possible ineffectiveness of the hedge over time, on the hedging instrument side, is market fluctuations that are reflected unevenly on the two elements of the hedging relationship.

E. Hedged items

The hedged instruments are fixed rate loans and floating rate loans with caps. The accounting method selected by Banca Mediolanum to hedge these instruments is the "group microhedge", where the hedged item consists of a group of instruments that are homogenous in terms of the associated risk and can in any case be identified individually. One of the possible sources of ineffectiveness of the hedge is the dynamics over time of the "group" initially chosen: in fact, over the years the pool of loans can shrink due to early repayment, renegotiation, substitution, etc. As the hedged item changes, the relationship with the hedging instrument is also altered, generating a misalignment that can reduce effectiveness over time. The effectiveness of hedges is assessed by carrying out periodic effectiveness tests, which fall into two categories:

- Prospective test: this test justifies the application of hedge accounting, demonstrating the expected effectiveness of the hedge during its life, and enables the justification and continuation of the hedging relationship. This test must also be carried out on the date of commencement of the hedge in order to start applying hedge accounting: in practice, it is a question of determining whether the hedging relationship would be maintained in the event of potential more or less extreme scenarios.
- Retrospective test: this test reveals the degree of effectiveness of the hedge achieved in the period to which the test refers; in other words, it measures how far the actual results diverged from the perfect hedge. If the results fall within a defined range, hedge accounting may continue to be applied: otherwise, it must be discontinued.

1.4 Liquidity risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, LIQUIDITY RISK MANAGEMENT PROCEDURES AND MEASUREMENT METHODS

Liquidity risk is understood as the inability of financial corporations such as banks to meet their payment obligations promptly and economically according to the contractual schedule. Depending on the possible area of impact, a distinction is usually made between two types of liquidity risk generally borne by a bank: market liquidity risk and funding liquidity risk. The first type of risk relates to the inability to dispose of a financial asset without incurring capital losses due to poor liquidity of the reference market or inefficiencies within it. The second type of risk concerns the inability to meet expected and unexpected cash flows and collateral requirements according to cost-effectiveness criteria, without prejudicing the bank's daily operations or financial situation. In its liquidity risk management and control system, the Mediolanum Banking Group, coordinated by the Parent Company, has established daily, weekly and monthly monitoring of the quantities that change its liquidity stock in the short and medium-long term. During the first six months of 2021, in view of the mitigation of the critical issues arising from the Covid-19 emergency, there were no significant changes in the liquidity reserve, which continued to be very substantial, demonstrating the high level of liquidity and solvency of the Banca Mediolanum Group. All short-term and long-term liquidity limits of its risk appetite framework were observed.

1.5 Operational risks

QUALITATIVE INFORMATION

The Mediolanum Banking Group defines operational risks as "the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts".
In line with industry regulations, Banca Mediolanum S.p.A. has adopted and regularly updates an operational risk management and control framework.
The Risk Management Function is responsible for monitoring operational risk and collaborates with the Internal Audit Function to control and manage the operational risks arising from the operations of the sales network of Banca Mediolanum S.p.A.
It also coordinates with the Administration, Accounting and Financial Reporting section in controlling capital adequacy in respect of the requirements for own funds for operational risks of Banca Mediolanum S.p.A. and the Banking Group. The organisational positioning of the Risk Management Function is based on the principles of "separation" and "independence" with respect to the operational lines, with it reporting directly to the corporate bodies of the Parent Company. Specific Risk Management functions are also present at the main companies of the Banking Group, in order to be closer to the business, while maintaining a guiding and coordination role at the Parent Company. The reference framework for the management and control of operational risks adopted by the Mediolanum Banking Group consists of the following four sequential phases:

1. "Identification";
2. "Measurement";
3. "Monitoring, Control and Reporting";
4. "Management".

Each of the above phases is characterised by specific objectives, models, methods and instruments and is implemented by the Group companies, according to the complexity of the activities performed, exposure to operational risks and specific normative and regulatory instructions, in line with the proportionality principle.
Identification is the activity of identifying and collecting information on operational risks through the consistent and coordinated processing of all relevant sources of information. The aim is to establish a complete information base.
Identification takes place through the definition and classification of the information necessary for integrated operational risk management. The information necessary for this purpose is:

- the qualitative and quantitative assessment of the risk exposure of the main corporate processes, as part of the annual risk self-assessment process;
- internal loss data, accompanied by all the relevant information for the purposes of measuring and managing risks (including insurance and direct recoveries), collected through the loss data collection process;
- preliminary analysis of the risk exposure arising from entry into new businesses or the signing of new contracts/commercial agreements, as well as following organisational/regulatory changes;
- performance indicators representative of operations and risks, internally known as "key risk indicators", which form the basis of management analyses and part of the control model. These indicators may include "exposure indicators" or "anomaly indicators".

Measurement is the activity of analysing and assessing risk. The aim of this activity is to gain comprehensive knowledge of the overall risk profile of the enterprise, resulting in the quantification of:

> regulatory capital: the capital requirement defined on the basis of regulatory provisions (Regulation (EU) 575/2013). In order to measure regulatory capital for operational risk, all companies in the Mediolanum Banking Group use the "standardised" method to calculate the regulatory capital requirement;
> economic capital: measurement of risks for internal purposes, using an integrated approach that reflects both actual losses from operational risks and potential losses, measured net of the effectiveness of the controls put in place to mitigate those risks. This measurement activity is therefore based on the results of the risk identification process, applying an actuarial statistical model, and constitutes a tool for controlling the adequacy of regulatory capital for operational risks.

Monitoring, Control and Reporting is a direct consequence of the preliminary phases of identification and measurement. It enables the analysis of the overall exposure to operational risks of the various business units and the prompt reporting of any critical issues encountered. The main tool used to carry out this process is periodic reporting to the business functions concerned, to senior management and to the Board of Directors.
Finally, the aim of the Management phase is to periodically assess "strategies for control and reduction of risk", deciding, according to the nature and size of the risk, whether to assume it, implement mitigation policies or transfer it to third parties, according to the risk appetite expressed by senior management.

During the first half of 2021, the processes governed by the framework described in the previous paragraphs proceeded normally and there are no critical issues to report.
No new operational risk events were identified attributable to the health emergency period relating to the first six months of the current year.

Section 3 – Risks of insurance companies

Risks of the Mediolanum Insurance Group

The Mediolanum Insurance Group (hereinafter "GAM") has prepared and adopted an internal risk management framework that enables risks to be identified, assessed, monitored, managed and reported on an ongoing basis, taking due account of changes in the nature and size of the business and in the market environment. The Risk Management System not only involves technical aspects but also a cultural, organisational, functional and process element.
The Risk Management System consists of strategic processes functional to the definition of the reference framework, which includes the operating processes.

Specifically, the **strategic processes** include:

> formulating the **Risk Appetite Framework** (RAF): this is the process whereby the GAM and the companies of which it is composed define the risk they intend to assume (risk appetite) in achieving their corporate objectives and within which strategic activities (business model, business unit, planning) are analysed according to risk-based criteria and approaches. For this reason, the RAF must be consistent with the other processes at the strategic level.

- conducting the **Own Risk and Solvency Assessment (ORSA)**: this consists of a forward-looking assessment of the risk level of the company and the GAM over the time horizon of the company strategic plan. This activity is closely interconnected with both the RAF and the overall governance of the risk management process.
- formulating **contingency plans**: in accordance with Article 83 of IVASS Regulation No. 38/2018, for financial stability purposes the Mediolanum Insurance Group has prepared an Enhanced Contingency Plan to identify and assess the actions that could be taken to restore its position following crisis situations related to the major sources of risk identified.

The **operating processes** include the following activities:

- **identification of risk categories**: this consists of the definition of principles, tools and methodologies for adequate risk identification, description, classification, estimation and assessment and the identification of preference for each risk.
- **risk management procedures**: The risk management process takes place through all activities that result in the acceptance, transfer/mitigation or elimination of risks, with regard to risks arising from existing activities and risks arising from new business and activities. Each year, the Board of Directors approves policies for the management of individual risks, ensuring that it is consistent with the directions in the Risk Appetite Framework, with the evolutionary guidelines defined in the Strategic Plan and with the current and forward-looking assessments of risks and solvency.
- **risk assessment**: the methods for measuring the risks to which the companies that are part of the GAM are exposed are defined. This activity enables the economic and/or financial effects of quantifiable risks to be determined and the significance of non-quantifiable risks to be assessed. The solvency assessment of the risks of the Mediolanum Insurance Group and of the individual companies that make it up is currently carried out using the Solvency II standard formula.
- **stress testing**: this consists of periodic stress tests using a range of scenarios considered both individually and in combination to identify the causes of possible tensions on the aggregates and risks subject to stress and to simultaneously analyse the tolerance limit and sustainability that such extreme events impact in operational and financial management.
- **risk monitoring**: the risk monitoring process aims to monitor the performance of Mediolanum Vita S.p.A. and the other GAM companies in relation to what has been defined, as part of the Business Plan and corporate objectives, in the context of the Risk Appetite Framework and the Own Risk and Solvency Assessment (ORSA); it also supports the decision-making process, ensuring compliance on the one hand with what is defined within the Risk Policies and on the other with the legal and regulatory requirements.
- **definition of escalation actions**: the escalation process ensures that reports of dangerous situations and breaches of limits to all interested parties are promptly communicated to the competent corporate bodies in order to allow for the development and implementation of remedial measures. Specifically, GAM and its individual companies define escalation measures within the Risk Appetite Framework and where limits are defined the breaching of which requires specific measures.
- **risk reporting**: Mediolanum Vita S.p.A. and the GAM companies are constantly reviewing their risk management system and regularly produce appropriate reporting to support and feed into the discussion with the competent bodies, as well as the decision-making process of GAM and its individual companies.

The risk management system has therefore been designed in order to provide a shared, consistent approach to risk management at all corporate levels and in all the companies that make up the Mediolanum Insurance Group and has the objective of supporting and facilitating the processes of identification, reduction, transfer or elimination, to the extent that the residual risk is acceptable, of the impact that the risks have on the ability of the Mediolanum Insurance Group and of the individual companies to achieve their business objectives.

3.1 Insurance risks

A. LIFE INSURANCE

QUALITATIVE INFORMATION

The insurance risks to which the life companies are exposed are underwriting risks, divided into:

> Mortality risk;
> Longevity risk;
> Lapse risk;
> Expense risk;
> Catastrophe risk

Mortality risk

Mortality risk is associated with (re)insurance obligations (e.g. death insurance or mixed policies) whereby the (re)insurer guarantees a series of individual or recurring payments in the event of the death of the policyholder during the life of the policy.
It applies to (re)insurance obligations that depend on the risk of mortality, for example those for which the amount to be paid in the event of death exceeds the technical reserves: consequently, an increase in mortality rates results in an increase in technical reserves.

Longevity risk

Longevity risk is associated with (re)insurance obligations (e.g. annuities) that provide for the (re)insurer guaranteeing a series of payments until the policyholder dies, and for which a decrease in mortality rates results in an increase in technical reserves, or (re)insurance obligations (e.g. mixed policies) whereby the (re)insurer guarantees a single payment if the policyholder survives for the duration of the policy.
It applies to (re)insurance obligations that depend on the risk of longevity, i.e. where there is no benefit in the event of death or the amount to be paid in the event of death is less than the technical reserves: consequently, a decrease in mortality rates results in an increase in technical reserves.
With regard to longevity risk, Mediolanum Vita periodically analyses the adequacy of the technical bases of portfolios of annuities in the course of payment.
For cover that provides for an accumulation phase and a future option to convert capital to an annuity, no guarantee is normally granted on the technical bases for determining the annuity that can be disbursed. The level of appetite for annuities is also monitored so that the demographic bases can be adjusted.

Lapse risk

Lapse risk is the risk of the loss of, or changes in, liabilities due to a change in the rate at which options are exercised by policy holders.

All options for policy holders, whether legal or contractual, which can significantly change the value of future cash flows must be taken into account.

Expense risk

Expense risk arises from a change in the expenses incurred in relation to insurance or reinsurance contracts.

Catastrophe risk

Catastrophe risk arises from extreme or irregular events, the effects of which are not sufficiently captured in other Life insurance underwriting sub-modules.

Monitoring

In relation to regulatory capital, the management monitoring of underwriting risks takes place through the control of the risk indicators defined in the Risk Appetite Framework and their impact on the ORSA.
In particular, the reference values of the underwriting risk indicators are closely related to the budget situation and, specifically, will be equal to the value they assume in the ORSA at the end of the first projection year.
Short-term limits on the budget amount have been established for each technical/insurance risk classified as significant. Significant external risks of a technical insurance nature and monitoring of the relative risk factors that affect them, concern, for the Group and the individual companies, for example, expense risk, lapse risk, annuity conversion risk and reserve risk (only for the Non-Life company).

QUANTITATIVE INFORMATION

Amount of direct Life segment reserves by contractual maturity

€/t	Insurance	Investment	Total
less than 1 year	1,120,332	7,712	1,128,044
1 to 2 years	1,119,323	48,866	1,168,188
2 to 3 years	1,390,641	70,682	1,461,323
3 to 4 years	1,287,162	64,365	1,351,527
over 5 years	10,783,344	11,236,930	22,020,273
Lifetime	4,081,195	886,926	4,968,121
Total	**19,781,996**	**12,315,480**	**32,097,477**

The total includes mathematical reserves and technical reserves when the investment risk is borne by policyholders, amounting to €1,614,848 thousand and €18,167,149 thousand respectively, and financial liabilities from investment contracts, amounting to €12,315,480 thousand. The reserves for amounts to be paid (€118,454 thousand), the reserve for other technical items of €8,198 thousand and the valuation of the retrocession of capital gains/losses from valuation on securities to cover contracts with DPFs (shadow accounting) of €19,937 thousand are therefore excluded.

Concentration of direct business technical reserves by level of guarantee offered

€/t	30/06/2021
Liabilities with interest rate guarantee	948,528
0%	72,870
2%	52,268
3%	120,913
4%	702,477
Liabilities without interest rate guarantee	18,884,158
Total	**19,832,686**

Concentration of gross direct Life premiums by line of business and geographical area

€/t	Unit-linked	Index-linked	Traditional	Collective	Total
Spain	77,939	-	-		77,939
Germany	3,919	-	-		3,919
Italy	3,233,624	-	32,134	7,709	3,273,467
Total	**3,315,482**	**-**	**32,134**	**7,709**	**3,355,325**

It should be noted that the gross premiums shown in the table include premium income relating to products classed as "investment products".

B. NON-LIFE INSURANCE

With regard to the Non-Life class, technical risk is the risk of loss or unfavourable change in the value of insurance liabilities due to inadequate assumptions relating to the determination of policy premiums and the creation of reserves.

In particular, technical risk includes the following:

Pricing risk

This is the risk arising from fluctuations that may arise in the time of occurrence, frequency and severity of insured events. Pricing risk relates to policies underwritten during the year, including renewals, and risks arising from contracts still outstanding at the end of the year in question. It cannot be ruled out that the actual claims for compensation will be significantly higher in the future, in terms of number and amount, than the provisions used to calculate the price of the products, with possible adverse effects on the operating results, financial position and/or cash flows of Mediolanum Assicurazioni and, consequently, the Mediolanum Group. Furthermore, it is possible that inadequate data and pricing methodologies, with resulting compensation claims that are much higher than projected, could also result in a pricing level that is inappropriate with respect to the size of the actual risks, with consequent adverse effects on the operating results and the company's profit performance, financial position and/or cash flows.

Reserve risk

It expresses the variability between the best estimate of the claims reserve at a given date and its actual development over time (the relevant future payment flows) which, in accordance with Solvency II, is defined on an annual basis, where the variability of the reserve is not properly estimated, despite the safeguards adopted by Mediolanum Assicurazioni. Any policyholder requirements with respect to Mediolanum Assicurazioni that exceed expectations could have adverse effects on the profit performance, financial position and cash flows of the Insurance Group and thus of the Mediolanum Conglomerate.

€/t	30/06/2021	Composition (%)
Class - 01 Accident	3,043	11.29%
Class - 02 Sickness	15,836	58.77%
Class - 08 Fire	1,714	6.36%
Class - 09 Other Damage to Property	630	2.34%
Class 10 - Motor	1,459	5.41%
Class 13 - General TPL	3,622	13.44%
Class 16 - Pecuniary Losses	582	2.16%
Class 17 - Legal Protection	27	0.10%
Class 18 - Assistance	35	0.13%
Total	**26,948**	**100.00%**

Amount of claims reserve before reinsurance. Values including IBNR, Reserve for direct and indirect expenses and amounts to be recovered.

Lapse risk

The Solvency II standard formula is used to estimate a potential early lapse rate for certain types of product, calculating the impact of this risk in terms of loss of regulatory capital. Despite the estimates made by Mediolanum Assicurazioni, there is a possibility that an increase in lapsed policies could have negative effects on the company's financial and economic situation.
The breakdown of premiums for the period under review by class is shown below:

€/t	30/06/2021	Composition (%)
Class-01 Accident	12,090	22.28%
Class-02 Sickness	29,764	54.86%
Class-07 Transported Goods	3	0.01%
Class-08 Fire	5,886	10.85%
Class-09 Other Damage to Property	2,110	3.89%
Class-13 General TPL	2,134	3.93%
Class-16 Pecuniary Losses	1,442	2.66%
Class-17 Legal Protection	35	0.06%
Class-18 Assistance	795	1.47%
Total direct premiums written	**54,259**	**100.00%**

Catastrophe risk (cat risk)

Catastrophe risk consists of the risk of a loss or unfavourable change in the value of insurance liabilities due to significant uncertainty regarding the assumptions used to determine premiums and create reserves in relation to extreme or exceptional events. This risk arises from events which are not adequately captured by the capital requirement for pricing and reserve risk. Mediolanum Assicurazioni limits the economic impact of catastrophic events through reinsurance, allocating the risk between reinsurers selected for their reliability and financial soundness. Therefore, the occurrence of one or more catastrophic events such as earthquakes, storms, explosions, floods, fires or acts of terrorism, resulting in damage exceeding the limit of Mediolanum Assicurazioni's reinsurance cover, could have adverse effects on the profit performance, financial position and/or cash flows of the Mediolanum Insurance Group and Conglomerate.

Earthquake section	Exposures (€/t)
Capitale Casa	1,231,688
Runoff fire and explosion	266,697

Flooding section	Exposures (€/t)
Runoff fire and explosion	266,697

Hail section	Exposures (€/t)
Stand alone	3,826,962
Fire and explosion	9,339,054

Reinsurance counterparty default risk

Reinsurance counterparty default risk is the risk of a possible default by a counterparty that has outward portfolio reinsurance dealings with the Company. In accordance with its corporate policies, Mediolanum Assicurazioni may enter into contracts with reinsurers with the following characteristics:

- A minimum BBB rating;
- Belonging to groups or conglomerates with a minimum BBB rating;
- A maximum commitment limit for reinsurers with a BBB rating of 30%;
- Maximum commitment limit per reinsurer is 60%; this limit may be granted if the rating is A or above;
- The commitment limits are to be regarded as the maximum degree of risk concentration on a group basis;
- The minimum rating limits apply to both short- and long-tail risks;
- Reinsurers in major European groups are preferred, possibly with representation in Italy and in any case with an operational headquarters in Italy;
- In the case of specific products, for a defined time period and with the option of collecting premiums not exceeding one million euros, the commitment limit for the reinsurer may be waived, but in any case must not exceed 95% with a minimum A rating;
- The above cession limits may be waived under special conditions, such as in the case of new business lines or risks that are not relevant to the company, subject to assessment by Risk Management and the Actuarial Function;

- If no rating is available from Standard & Poor's or another ratings company, other assessments by companies in the insurance or reinsurance sector may be used with the approval of the Risk Management Function.

3.2 Financial risks

Financial risks include:

- Market risks;
- Credit risk;
- Reinsurance counterparty default risk.

QUALITATIVE INFORMATION

Market risks

Article 13, point 31) of Directive 2009/138/EC defines market risk as the risk of loss or unfavourable change in the financial situation arising, directly or indirectly, from fluctuations in the level and volatility of the market prices of assets, liabilities and financial instruments.
The three companies of the Mediolanum Insurance Group have adopted this definition, identifying and classifying the following risks within this category:

- Interest rate risk;
- Equity risk;
- Currency risk;
- Property risk;
- Spread risk;
- Market concentration risk.

Interest rate risk

Interest rate risk exists for all assets and liabilities whose value is "sensitive" to changes in the term structure of interest rates or interest rate volatility. This applies to both real and nominal term structures. Assets sensitive to interest rate movements include fixed-income investments, financing instruments (e.g. loans), surcharges on policies, interest rate derivatives and any insurance assets.

Equity risk

Equity risk arises from the level or volatility of the market prices of equity securities. Exposure to equity risk relates to all assets and liabilities whose value is sensitive to changes in equity prices. This risk is the main contributor to the risk profile of the Mediolanum Insurance Group given the high exposure to the equity market of assets to cover unit-linked products.

Currency risk

Currency risk arises from changes in the level or volatility of exchange rates. Undertakings may be exposed to currency risk from various sources, including their investment portfolios, assets and liabilities and investments in associates.
For the Mediolanum Insurance Group, exposure to currency risk has been shown to be high, due to the marked diversity of the currencies of the financial instruments underlying the unit-linked policies in the portfolio.

Property risk

Property risks arise due to the sensitivity of financial assets, liabilities and investments to the level or volatility of the market prices of real estate.
The following investments are treated as real estate investments and their risks are considered in accordance with the property risk sub-module:

- land, buildings and property rights;
- direct or indirect equity investments in real estate companies that produce periodic income, or that are otherwise aimed at investing;
- property investments for use by the insurance company.

The properties owned by the Insurance Group are appraised annually.

Spread risk

Spread risk is the part of risk that reflects changes in the value of financial assets, liabilities and instruments due to a change in the level or volatility of credit spreads with respect to the forward structure of the risk-free rate.
Spread risk applies to at least the following financial asset classes: High credit quality (investment grade) corporate bonds and high yield corporate bonds.
Spread risk also applies to all types of asset-backed securities, as well as to all segments of structured credit products such as covered bonds. Spread risk covers instruments including but not limited to credit derivatives, credit default swaps, total return swaps and credit linked notes that are not held as part of a recognised risk mitigation policy. Spread risk also includes the credit risk of other high-risk investments, including in particular: equity investments; debt securities issued by and to associates and companies in which the insurance company has a participating interest; debt securities and other fixed-income securities; and mutual fund investments. However, it should be stressed that the Solvency II credit risk requirement does not include credit risk arising from exposures to government securities.

Market concentration risk

Market concentration risk relating to financial investments arises from the accumulation of exposures with the same counterparty. Concentration risk extends to assets affected by equity risk, interest rate risk, spread risk and ownership risk and excludes assets covered by the counterparty default risk module. It does not include other types of concentration (e.g. by geographical area, industry, etc.).

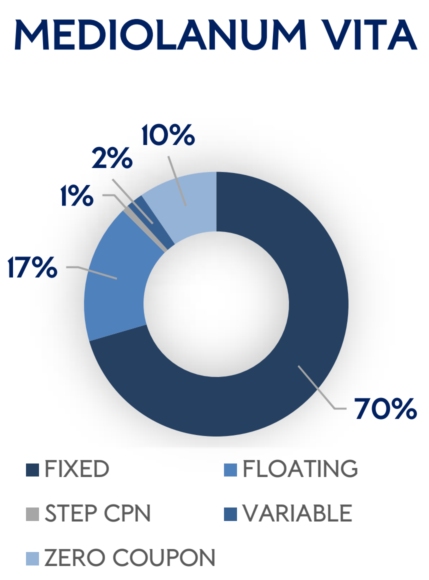
Monitoring

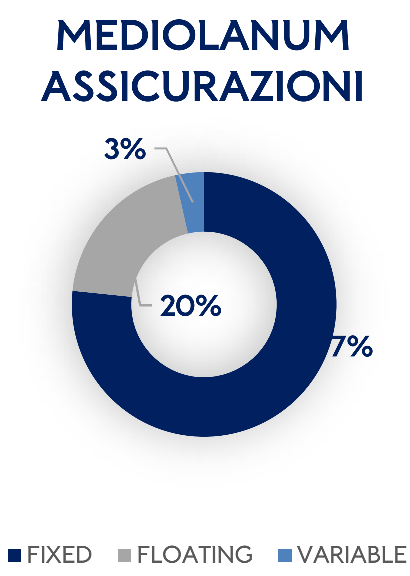
Within Solvency II, market risks are monitored by controlling compliance with the risk limits defined in the Risk Appetite Framework (RAF).
The Insurance Group has decided to analyse and monitor only those market risks that are material in terms of their quantitative impact on the calculation of the regulatory capital requirement.
As described in the RAF, to which reference should be made for further details, the market risk classes being monitored are:

> Equity;
> Currency;
> Interest rate;
> Spread.

The monthly monitoring is intended to ensure constant monitoring of risk exposures and compliance with tolerance levels. This reporting provides a range for the solvency ratio, rather than a precise figure.
For the portfolio of traditional Life reserves, the risk of mismatching between liabilities and assets is also periodically assessed using an asset liability management model. The tool enables monitoring of the long-term effects of possible asset management choices on the degree of profitability and solvency of Mediolanum Vita by means of “ad hoc” reporting.

The following graphs show a breakdown of own securities and separately managed accounts by type of interest rate:





With regard to Mediolanum International Life, it should be noted that fixed-rate securities constitute almost all of the relevant portfolio.

The following table shows the portfolios of the individual insurance companies and the Insurance Group according to the classification established by IFRS 9:

Securities portfolio of the Insurance Companies - Position Data as at 30/06/2021

€/t	Mediolanum Assicurazioni	Mediolanum Vita	Mediolanum International Life	INSURANCE GROUP
FVPL				
Nominal	1,000	77,001	19,176	97,177
Market value	1,012	79,744	18,835	99,591
Amortised cost				
Nominal	86,700	974,356	-	1,061,056
Market value	91,220	1,090,626	-	1,181,846
FVOCI				
Nominal	67,380	841,181	-	908,561
Market value	69,669	940,168	-	1,009,837
BOND FV				
Nominal	-	3,168	-	3,168
Market value	-	40,090	-	40,090
TOTAL				
Nominal	**155,080**	**1,895,706**	**19,176**	**2,069,962**
Market value	**161,901**	**2,150,628**	**18,835**	**2,331,364**

Credit risk

Credit risk represents the possibility that an event will occur during the life of a financial instrument linked to the insurance product that changes the repayment capacity (the so-called creditworthiness) of a counterparty (issuer) thereby changing the value of the credit position itself. Credit risk can be divided into two components: default risk and migration risk. The first concerns the possibility of not collecting a certain number of future payments in full due to debtor insolvency; the second concerns the risk of impairment of the security due to a deterioration in the creditworthiness of the debtor. Counterparty risk mainly arises from the derivatives activity typical of certain third-party Life products. In particular, when the financial soundness of the counterparty to the OTC transaction deteriorates to such an extent that default could result, it may not fulfil the obligations arising from the trading of that instrument. This risk is monitored in compliance with the European Market Infrastructure Regulation (EMIR). Credit risk may primarily arise from issuer risk following the default of the securities held. It should be noted that for the two Italian companies, the securities portfolio comprises more investments in domestic government securities than those of other issuers, effectively resulting in insignificant default risk exposure.

Securities portfolio of Mediolanum Vita S.p.A. Rating composition (S&P Equivalent)
Spot data (30/06/2021 vs 31/12/2020)

€/t	30/06/2021		31/12/2020		% change
	amounts	%	amounts	%	
Total portfolio	**2,150,628**	**100.0%**	**2,148,134**	**100.0%**	**0.1%**
AAA	-	-	-	-	-
from AA+ to AA-	-	-	-	-	-
A+ to A-	8,444	0.4%	14,134	0.7%	(40.3%)
BBB+ to BBB-	1,985,788	92.3%	1,974,343	91.9%	0.6%
BB+ or lower	41,945	2.0%	39,384	1.8%	6.5%
Unrated	114,451	5.3%	120,273	5.6%	(4.8%)

Securities portfolio of Mediolanum Assicurazioni S.p.A. Rating composition (S&P Equivalent)
Spot data (30/06/2021 vs 31/12/2020)

€/t	30/06/2021		31/12/2020		% change
	amounts	%	amounts	%	
Total portfolio	**161,901**	**100.0%**	**165,460**	**100.0%**	**(2.2%)**
AAA	-	-	-	-	-
from AA+ to AA-	-	-	-	-	-
A+ to A-	2,403	1.5%	914	0.6%	n.s.
BBB+ to BBB-	152,393	94.1%	155,259	93.8%	(1.8%)
BB+ or lower	6,392	3.9%	8,577	5.2%	(25.5%)
unrated	713	0.4%	710	0.4%	0.4%

Mediolanum International Life DAC securities portfolio rating composition (S&P Equivalent)
Spot data (30/06/2021 vs 31/12/2020)

€/t	30/06/2021		31/12/2020		% change
	amounts	%	amounts	%	
Total portfolio	**18,835**	**100.0%**	**18,304**	**100.0%**	**2.9%**
AAA	6,313	33.5%	6,008	32.8%	5.1%
from AA+ to AA-	12,221	64.9%	12,012	65.6%	-
A+ to A-	134	0.7%	127	0.7%	5.5%
BBB+ to BBB-	167	0.9%	142	0.8%	17.6%
BB+ or lower	-	-	-	-	-
Unrated	-	-	15	0.1%	(100.0%)

Mediolanum Insurance Group securities portfolio rating composition (S&P Equivalent)
Spot data (30/06/2021 vs 31/12/2020)

€/t	30/06/2021		31/12/2020		% change
	amounts	%	amounts	%	
Total portfolio	**2,331,364**	**100.0%**	**2,331,898**	**100.0%**	**(0.0%)**
AAA	6,313	0.3%	6,008	0.3%	5.1%
from AA+ to AA-	12,221	0.5%	12,012	0.5%	1.7%
A+ to A-	10,981	0.5%	15,175	0.7%	(27.6%)
BBB+ to BBB-	2,138,348	91.7%	2,129,744	91.3%	0.4%
BB+ or lower	48,337	2.1%	47,961	2.1%	0.8%
Unrated	115,164	4.9%	120,998	5.2%	(4.8%)

Reinsurance counterparty default risk

Given that, with regard to commercial premiums reinsurance, Mediolanum Vita's technical reserves are deposited with the Company itself (rendering the risk of default almost nil), the reinsurance policy of the same requires the reinsurer to have a rating of BBB+ before a treaty is entered into.

3.3 Other risks

Liquidity risk

Liquidity risk is defined as the risk that the company may incur when it is faced with cash commitments (expected or unexpected) and the available cash is not sufficient.
The causes of a possible temporary shortage of liquidity include:

> an amount of cash outflows exceeding the amount of cash inflows;
> low liquidity of investments;
> potential cash flow mismatches.

Available cash is not limited to the cash and bank accounting items but is also related to the possibility of liquidating investments in the portfolio, taking into consideration the potential economic and equity loss arising from the sale. A further option to address liquidity risk in the medium term is the Company's ability to raise funds by issuing debt. The risk arising from these operations is defined as the possibility of not having access to the market or only having access at excessive costs.
Assets for which policyholders bear no liquidity risk do not entail any liquidity risk for the Mediolanum Insurance Group as the assets are invested in units of UCITS that can be readily liquidated and payment to the customer only takes place after disinvestment of the units. In accordance with the Liquidity Risk Management Policy of the Group, including the Insurance Group, in order to ensure proper risk monitoring, any deviations in the liquidity indicators from the limits defined are controlled at least once a quarter.

Strategic risk

Strategic risk is regarded as the current and prospective possibility of a decline in profits or capital due to:

> erroneous "strategic" decisions;
> inadequate implementation of established strategic decisions;
> a lack of responsiveness to changes in the competitive and market environment.

The GAM and the individual companies that make it up formalise the Risk Appetite Framework, which defines the risk appetite targets, risk tolerance thresholds and risk capacity limits in line with the individual strategic plans. These enable the corporate governance bodies to continuously and effectively monitor the actual risk profile compared with that envisaged.

Compliance risk

The Mediolanum Insurance Group, through the Compliance Function, has identified and assessed the risks of non-compliance with the rules as the risk of incurring legal or administrative penalties or suffering losses or reputational harm as a result of non-compliance with directly applicable European laws, regulations and rules, or the provisions of supervisory authorities or self-regulations such as bylaws, codes of conduct or self-governance codes; it is the risk arising from unfavourable changes in the regulatory framework or case law guidelines.
Compliance risk is monitored, using a risk-based approach, by the Compliance Function in accordance with the compliance model described in the internal reference regulations, which is periodically reviewed and updated.

Operational risk

On the basis of the Solvency II regulations, the Group has defined operational risk as: "the risk that illegal or inappropriate conduct by staff, technological shortcomings or malfunctions, errors or deficiencies in operating processes and external factors may result in economic or pecuniary losses and sometimes legal or administrative impacts".
In this definition, it is important to emphasise the inclusion of legal risk, but not of strategic or reputation risk.
Operational risk is also managed by a complex process that aims to identify vulnerabilities in the IT system, possible threats and the associated probability of occurrence, and to estimate the potential harm caused by the emergence of homogeneous groups of threats, known as "scenarios".
Operational risk takes into account the annual expenses incurred in relation to the insurance risks/obligations assumed by the individual companies.

An operational loss is defined as a group of negative economic effects, net of recoveries and exceeding specifically selected minimum thresholds, arising from the occurrence of an operational event. Material losses for legislative purposes are only those actual losses, both direct and indirect, whose amount is certain as they have been transferred to the income statement.

Conduct risk, which is a sub-category of operational risk, can generally be defined as "the current or prospective risk of losses resulting from cases of the inappropriate offering of financial services, including cases of inappropriate conduct (wilful misconduct/negligence). The approach to conduct risk provides for a clear interrelation between the business strategies and the conduct of the financial institution and the Family Bankers, taking into account the corporate values and mission.

Operational risk also includes information risk, which is defined as "the risk of incurring economic losses or loss of reputation and market share due to the use of information and communication technology".

Reputation risk

With regard to the provisions of Article 19, letter h) of Ivass Regulation No. 38, the Mediolanum Insurance Group and the individual companies that comprise it recognise that reputation is an indispensable value that forms the basis of the relationship of trust with customers and credibility with the market. Reputational risk is controlled through:

- the identification and expression of the values to which the entire organisation should aspire;
- the promotion of a corporate culture based on ethical principles of honesty, fairness and compliance with rules at all levels of the organisation;
- the adoption of a reputation risk governance and control model.

Reputation risk may in fact derive from a variety of factors, including events relating to operational risk, violations of internal and external rules, the quality of internal and external communications, including through new media, and/or other digital communication tools, as well as other circumstances that could undermine the reputation of the Group as a whole and of the individual companies within it.

Contagion risk

Contagion risk is defined as the risk deriving from situations of difficulty arising in a Banca Mediolanum S.p.A. Group entity that may spread, with negative effects on the Insurance Group's financial position, results or cash flows.
The Parent Company, Mediolanum Vita, has identified the reduction/loss of the sales network as its main contagion risk.
It should be noted, in fact, that the insurance products of Mediolanum Vita, Mediolanum Assicurazioni and Mediolanum International Life Branch Italia are distributed by the sales network of Banca Mediolanum, while for the Spanish branch, they are distributed by the sales network of Banco Mediolanum S.A.
Contagion risk is assessed for ORSA purposes, assuming an impact of the network risk factor on both new business volumes and the "in force" portfolio.

PART F – INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – Consolidated capital

Own funds for supervisory purposes of the Mediolanum Banking Group at 30 June 2021

Own funds have been determined in accordance with the regulations governing prudential supervision in effect since 1 January 2014. These reforms were implemented to strengthen the ability of banks to absorb shocks arising from financial and economic tensions, regardless of their origin, to improve risk management and governance and to strengthen banks' transparency and reporting. The new harmonised regulations set stricter rules for banks and investment firms for calculating own funds and higher capital adequacy levels.

The regulatory changes of the Basel 3 agreements were translated into law in Europe through two separate legislative instruments: a Directive (the Capital Requirements Directive IV - CRD IV) and a Regulation (the Capital Requirements Regulation - CRR). Regulation (EU) 575/2013 (CRR) includes most of the provisions regarding capital requirements, which are directly binding and applicable within each member state of the European Union.

In December 2013 the Bank of Italy published "Circular 285" which implements the rules of CRD IV/CRR and introduces supervisory rules on aspects non-harmonised at the EU level.

With the entry into force of the Directive and the Regulation, Italian banks must comply with a minimum CET1 ratio of 4.5%, a Tier 1 ratio of 6% and a Total Capital Ratio of 8%. These minimum regulatory requirements were supplemented by a Capital Conservation Buffer of 2.5%. Failure on the part of the supervised entity to comply with the sum of these requirements (Combined Requirement) will result in limitations on the distribution of dividends, variable remuneration and other elements that contribute to regulatory capital beyond pre-established limits and the supervised entities will have to identify the measures necessary to restore the required level of capital by adopting a capital conservation plan.

With effect from 1 January 2016, banks are required to hold a Countercyclical Capital Buffer. With effect from 1 January 2019, this buffer, consisting of Common Equity Tier 1 capital, may not exceed 2.5% of total risk-weighted exposures.

Considering that, per the Bank of Italy communication dated 26 March 2021, for the second quarter of 2021 the countercyclical reserve ratio for exposures to counterparties resident in Italy was set at 0%, that countercyclical capital ratios were generally set at 0%, with the exception of the Slovak Republic (2%), Norway (1%), Hong Kong (1%), the Czech Republic (0.5%), Bulgaria (0.5%), Luxembourg (0.5%) and that Banca Mediolanum mainly presents exposures to domestic entities, Banca Mediolanum's specific countercyclical coefficient is close to zero.

Bank of Italy Circular No. 285 of 17 December 2013, as subsequently updated, defines that elements of prudential consolidation of assets and liabilities are to be calculated on the basis of the consolidation methods established by the legislation on the financial statements (Bank of Italy Circular No. 262).

The prudential scope of consolidation is composed of prudential regulations and therefore differs from the scope of consolidation of the condensed consolidated half-year financial statements. In particular, the two consolidation areas are distinguished by the different methods of consolidation of insurance companies that are consolidated using the equity method for prudential supervision purposes.

In order to determine own funds as at 30 June 2021, consolidated net profit at 30 June 2021, amounting to €268.7 million, was calculated, net of the pay-out expected on the basis of the economic performance achieved during the half-year (€169.3 million); the amount calculated for the purposes of calculating the own funds was therefore the residual amount of €99.4 million.

In light of the above, own funds amounted to €2,262.6 million at 30 June 2021 and consisted of:

> Common Equity Tier 1 (CET 1) capital of €2,262.9 million;
> Additional Tier 1 (AT1) capital of zero;
> Tier 2 (T2) capital of zero.

On 14 December 2020 the Bank of Italy - Banking and Financial Supervision Department - announced the minimum capitalisation limits for the Mediolanum Banking Group, following the periodic Supervisory Review and Evaluation Process (SREP), confirming the requirements laid down for 2020. These requirements are binding with effect from 01/01/2021.
The specific capital requirements attributed to the Banca Mediolanum Group are as follows:

> a Common Equity Tier 1 capital ratio (CET1 ratio) of 7.67%, composed of a binding measure of 5.17% (of which 4.5% in relation to the regulatory minimum requirements and 0.67% in relation to the additional requirements determined following the SREP) and the remainder of the capital conservation buffer component (2.5%);
> a Tier 1 capital ratio (Tier 1 ratio) of 9.39%, composed of a binding measure of 6.89% (of which 6.0% in relation to the regulatory minimum requirements and 0.89% in relation to the additional requirements determined following the SREP) and the remainder of the capital conservation buffer component (2.5%);
> a Total Capital Ratio of 11.69%, composed of a binding measure of 9.19% (of which 8.0% in relation to the regulatory minimum requirements and 1.19% in relation to the additional requirements determined following the SREP) and the remainder of the capital conservation buffer component (2.5%).

In order to ensure compliance with binding measures, including in the event of a deterioration in the economic and financial environment, the Bank of Italy has also identified the following levels of capital that the Banca Mediolanum Group is invited to maintain continuously:

> Common Equity Tier 1 capital ratio (CET1 ratio): 8.17%, composed of an Overall Capital Requirement (OCR) CET1 ratio of 7.67% and a Target Component (Pillar 2 Guidance, P2G), for greater risk exposure in stress conditions, of 0.5%;
> Tier 1 capital ratio: 9.89%, composed of an Overall Capital Requirement (OCR) T1 ratio of 9.39% and a Target Component (Pillar 2 Guidance, P2G), for greater risk exposure in stress conditions, of 0.5%;
> Total Capital Ratio: 12.19%, composed of an Overall Capital Requirement (OCR) TC ratio of 11.69% and a Target Component (Pillar 2 Guidance, P2G), for greater risk exposure in stress conditions, of 0.5%.

These latter capital levels represent an expectation by the supervisory authority that the Group will hold additional resources.

At 30 June 2021, the Banca Mediolanum Group's ratios were well above the regulatory thresholds, even considering the limits imposed by the Supervisory Authority through the SREP procedure.

QUANTITATIVE INFORMATION

Own funds

€/t	30/06/2021	31/12/2020
A. Common Equity Tier 1 (CET1) capital before application of prudential filters	2,430,999	2,165,242
B. CET1 prudential filters (+/-)	(1,597)	(1,358)
C. CET1 gross of deductions and effects of transitional arrangements (A +/- B)	2,429,402	2,163,884
D. Deductions from CET1	166,780	163,376
F. Total Common Equity Tier 1 (CET1) capital (C - D +/-E)	**2,262,622**	**2,000,508**
Q. Total own funds (F + L + P)	**2,262,622**	**2,000,508**

Risk assets and regulatory ratios

€/t	Unweighted amounts	Unweighted amounts	Weighted amounts/ requirements	Weighted amounts/ requirements
	30/06/2021	31/12/2020	30.06.2021	31.12.2020
A. RISK ASSETS				
A.1 Credit and counterparty risk	**35,054,607**	**33,402,036**	**8,446,366**	**7,776,796**
1. Standardised methodology	35,054,607	*33,402,036*	8,446,366	*7,776,796*
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**675,709**	**622,144**
B.2 Credit valuation adjustment risk			**2,505**	**548**
B.4 Market risks			**33,323**	**22,194**
1. Standard methodology			33,323	22,194
B.5 Operational risk			**139,885**	**139,885**
2. Standardised method			139,885	139,885
B.7 Total prudential requirements			**851,422**	**784,771**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets *			**10,642,775**	**9,809,636**
C.2 Common Equity Tier 1 capital/risk-weighted assets (CET1 capital ratio)			**21.26%**	**20.39%**
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			**21.26%**	**20.39%**
C.4 Total own funds/risk-weighted assets (Total Capital Ratio)			**21.26%**	**20.39%**

(*) The amount of risk-weighted assets is determined as a product of the total prudential requirements (Item B.7) and 12.5 (inverse of the mandatory minimum coefficient of 8%).

The capital ratios set out in this report may be updated during the supervisory authority reporting phase. As described above, the profit for the period was calculated at €99.4 million for the calculation of own funds. In addition, €555 million has been reclassified to payables to shareholders and is therefore excluded from the shareholders' equity amount.

Capital adequacy of the Banca Mediolanum financial conglomerate as at 30 June 2021[10]

€/million	30/06/2021	31/12/2020
Financial conglomerate primarily engaged in banking		
Capital	2,698	2,330
Banking capital requirements	1,181	1,086
Insurance capital requirements	906	785
Capital surplus (deficit)	**611**	**459**

At 30 June 2021, the capital adequacy of the Mediolanum financial conglomerate was determined in accordance with the regulatory provisions of reference for financial conglomerates primarily engaged in banking. In particular, in respect of the conglomerate's capital requirements of €2,087 million, the conglomerate's capital resources covering the required margin amounted to €2,698 million, with a surplus of €611 million.

As described above, the profit for the period was calculated at €99.4 million for the calculation of capital adequacy. It should also be recalled that at 30 June 2021, €555 million was reclassified to amounts due to shareholders and therefore excluded from shareholders' equity.

[10] The values set out in this report may be updated during the supervisory authority reporting phase. Capital adequacy at 30 June 2021 was calculated according to the capitalisation limits communicated by the Bank of Italy based on the Supervisory Review and Evaluation Process (SREP). The insurance requirements relate to the latest quarterly report (31 March 2021) of the Mediolanum Insurance Group sent to the supervisory authority.

PART H – RELATED PARTY TRANSACTIONS

The Board of Directors of Banca Mediolanum has adopted a Single Group Regulation to manage transactions with related parties and affiliated persons in compliance with the procedures laid down by law. This document takes into account both Consob Resolution No. 17221/2010 as subsequently updated and the supervisory provisions concerning transactions with "Affiliated Persons".

On 22 December 2020, Consob Resolution No. 21624 of 10 December 2020 was published in the Official Journal. This resolution contains, *inter alia*, amendments to the Regulations on Related Party Transactions. With regard to the rules governing related party transactions, the main changes introduced are:

a) the definition of related party: since the Directive refers to the definition of related party contained in the international accounting standards in force at the time (IAS 24);

b) the obligation to abstain from voting on the part of the director involved in the related party transaction;

c) the need for the timely involvement of the committee of independent directors in the negotiation and investigation of a transaction of major significance;

e) the introduction of the obligation to identify transactions of small amounts according to different criteria, taking into account at least the nature of the counterparty.

A transitional period was provided for, which ended on 30 June 2021, for adaptation of procedures to the new provisions, which apply from 1 July 2021.
On 22 June 2021, the Board of Directors of Banca Mediolanum approved the new Policy for the Management of Transactions with Related Parties and Affiliated Persons and the relevant Process Regulations, with effect from 1 July 2021.

Banca Mediolanum entered into transactions with related parties in the first half of 2021. These transactions are part of the normal operations of the companies belonging to the Mediolanum Group and are regulated under market conditions.
In accordance with IAS 24, the related parties of Banca Mediolanum S.p.A. are:

> the Fin. Prog. companies, wholly owned by the Doris family and the Fininvest company headed by Silvio Berlusconi;

> "key management personnel" and close family members of "key management personnel" and companies subject to the control, including joint control, of key management personnel or their close family members;

> the Chief Executive Officer, other members of the Board of Directors and Statutory Auditors, their close family members and companies subject to their control, including joint control.

For the purposes of defining and managing related party transactions, reference is made to the rules defined in Consob Regulation No. 17221/2010, as subsequently updated, and Bank of Italy Circular No. 285. Considering that the disclosure prepared pursuant to IAS 24 therefore also derives from the provisions cited above, it was considered, for merely prudential purposes, to continue to include Mediobanca in continuity with the approach adopted in previous years, even if at present the connection for the purposes of inclusion in the IAS 28 consolidation scope has ceased.

1. Information concerning the remuneration of key management personnel

€/t	Directors, executives, deputy general managers and statutory auditors	Other key management personnel
Emoluments and social security contributions	(6,390)	(1,317)
Other remuneration	-	(10)

2. Information on related party transactions

The following table shows the credit and debit balances outstanding at 30 June 2021 in respect of related parties other than intercompany parties. The scope of related parties considered for the purposes of the tables in this section has been extended, on the basis of IAS 24.

€/t	Other related parties
Asset items	
Financial assets designated at fair value	62,172
Financial assets at fair value through other comprehensive income	287,000
Loans to banks	9,050
Loans to customers	35,271
Other assets	164
Liability items	
Payables to banks	(78)
Payables to customers	(141,182)
Financial liabilities held for trading	(5,243)
Other liabilities	(6,059)
Guarantees issued and commitments given	450

€/t	Other related parties
Income statement items	
Interest income and similar income	369
Interest expense and similar expenses	(345)
Net interest	**24**
Fee and commission income	23,116
Fee and commission expense	(1,316)
Net fee and commission income	**21,800**
Net gains (losses) from trading	(397)
Net gains (losses) from financial assets and liabilities at FVTPL	280
Premiums issued	6,578
Administrative expenses	(6,293)
Other operating income and expenses	82

PART L – SEGMENT REPORTING

This section presents the consolidated segment results which, pursuant to IFRS 8, were prepared using a format that reflects the management system of the Mediolanum Group (the "management reporting approach"), in accordance with all the information provided to the market and to the various stakeholders.
This representation of the breakdown of the consolidated result for the period makes it possible to assess the quality and sustainability over time of the results generated by the Mediolanum Group in the various operating segments.

The income statement by segment, pursuant to IFRS 8, shows the consolidated results of the Mediolanum Group in relation to the following operating segments:

›› ITALY - BANKING
›› ITALY - ASSET MANAGEMENT
›› ITALY - INSURANCE
›› ITALY - OTHER
›› SPAIN
›› GERMANY

The income statement by segment, or by Result Area, was prepared by allocating costs and revenues to the various segments according to a hybrid model, intermediate between the Direct Costing and Full Costing models, given the essentially indirect nature of the operating activities carried out by the Mediolanum Group.
While revenues can be originally and directly allocated to products and, through aggregation, to the Result Areas, costs underwent an allocation process according to the varying degrees to which they could be assigned to the products and the nature of the underlying processes:

- Direct costs, which can be attributed to the products according to the individual processed parts.
- Indirect costs allocated to the Result Areas, assigned to the products according to their correlation with the production of commercial volumes: costs related to the marketing and commercial support processes.
- Unallocated indirect costs: costs of a strictly administrative nature, or costs related to control or infrastructure processes, the allocation of which to the products/Result Areas would be highly arbitrary.

Operating data by business area at 06/30/2021

MEDIOLANUM GROUP	ITALY					FOREIGN		TOTAL
Euro thousands	BANKING	ASSET MANAGEMENT	INSURANCE	OTHER	TOTAL	SPAIN	GERMANY	
Entry fees	-	21.053	-	-	21.053	8.590	-	29.643
Management fees	-	291.730	265.338	-	557.068	43.385	4.609	605.062
Investment Management fees	-	50.985	34.732	-	85.718	6.575	694	92.987
Net insurance revenues (excluding commissions)	-	-	25.173	-	25.173	10.357	113	35.643
Banking services fees	63.280	-	-	-	63.280	3.777	2.981	70.038
Other fees	2.627	12.410	4.979	1.142	21.158	1.063	236	22.457
Total commission income	**65.907**	**376.178**	**330.222**	**1.142**	**773.450**	**73.747**	**8.633**	**855.830**
Acquisition costs and sales network commission expenses	(46.629)	(124.121)	(129.420)	2.446	(297.725)	(32.638)	(1.924)	(332.287)
Other commission expenses	(16.175)	(14.438)	(9.187)	-	(39.800)	(5.637)	(2.947)	(48.384)
Total commission expenses	**(62.804)**	**(138.559)**	**(138.607)**	**2.446**	**(337.525)**	**(38.275)**	**(4.871)**	**(380.671)**
Net commission income	**3.103**	**237.619**	**191.615**	**3.588**	**435.925**	**35.472**	**3.762**	**475.159**
Net interest income	**127.153**	**(6.547)**	**914**	**-**	**121.520**	**8.591**	**(212)**	**129.899**
Net income (loss) on other investments	**(13.500)**	**68**	**(1.181)**	**333**	**(14.280)**	**(174)**	**91**	**(14.363)**
o/w Impairment on loans	(13.775)	-	-	-	(13.775)	(201)	91	(13.885)
Other revenues & expenses	**(503)**	**(293)**	**3.786**	**1.760**	**4.751**	**1.179**	**615**	**6.545**
CONTRIBUTION MARGIN I	**116.253**	**230.848**	**195.134**	**5.682**	**547.916**	**45.068**	**4.256**	**597.240**
Allocated Costs	(94.218)	(36.752)	(50.257)	(2.191)	(183.418)	(22.619)	(6.512)	(212.549)
Regular Contributions to Banking Industry	(7.507)	-	-	-	(7.507)	(1.769)	(5)	(9.281)
CONTRIBUTION MARGIN II	**14.527**	**194.096**	**144.877**	**3.490**	**356.991**	**20.680**	**(2.261)**	**375.410**
Unallocated Costs	-	-	-	-	(82.441)	-	-	(82.441)
Amortisation & depreciation	-	-	-	-	(16.166)	(2.575)	(574)	(19.315)
Net provisions for risks	-	-	-	-	(27.858)	(497)	-	(28.355)
OPERATING MARGIN	**14.527**	**194.096**	**144.877**	**3.490**	**230.526**	**17.608**	**(2.835)**	**245.299**
Performance fees	-	8.407	7.646	-	16.053	1.122	311	17.486
Net income on investments at fair value	89.188	(61)	(329)	-	88.798	34	(5)	88.827
MARKET EFFECTS	**89.188**	**8.346**	**7.317**	**-**	**104.851**	**1.156**	**306**	**106.313**
Extraordinary Contributions to Banking Industry	(2.275)	-	-	-	(2.275)	-	-	(2.275)
EXTRAORDINARY ITEMS	**(2.275)**	**-**	**-**	**-**	**(2.275)**	**-**	**-**	**(2.275)**
PROFIT BEFORE TAX	**101.440**	**202.442**	**152.194**	**3.490**	**333.102**	**18.764**	**(2.529)**	**349.337**
Income tax					**(76.733)**	**(3.367)**	**(489)**	**(80.589)**
NET PROFIT (LOSS)					**256.369**	**15.397**	**(3.018)**	**268.748**

Operating data by business area at 06/30/2020

MEDIOLANUM GROUP	ITALY					FOREIGN		TOTAL
Euro thousands	BANKING	ASSET MANAGEMENT	INSURANCE	OTHER	TOTAL	SPAIN	GERMANY	
Entry fees	-	17.825	-	-	17.825	7.936	455	26.216
Management fees	-	254.101	217.539	-	471.640	33.418	4.787	509.845
Investment Management fees	-	41.097	28.781	-	69.878	5.077	706	75.661
Net insurance revenues (excluding commissions)	-	-	18.937	-	18.937	7.829	(103)	26.663
Banking services fees	65.614	-	-	-	65.614	3.490	5.341	74.445
Other fees	6.892	8.218	4.258	197	19.565	759	302	20.626
Total commission income	**72.506**	**321.242**	**269.514**	**197**	**663.459**	**58.509**	**11.488**	**733.456**
Acquisition costs and sales network commission expenses	(49.312)	(112.253)	(93.466)	1.086	(253.946)	(25.603)	(1.940)	(281.489)
Other commission expenses	(11.582)	(11.467)	(7.404)	-	(30.453)	(4.824)	(4.322)	(39.599)
Total commission expenses	**(60.894)**	**(123.720)**	**(100.870)**	**1.086**	**(284.399)**	**(30.427)**	**(6.262)**	**(321.088)**
Net commission income	**11.612**	**197.521**	**168.644**	**1.282**	**379.060**	**28.082**	**5.226**	**412.368**
Net interest income	**108.246**	**(4.428)**	**2.157**	**-**	**105.975**	**7.439**	**(320)**	**113.094**
Net income (loss) on other investments	**(15.410)**	**85**	**(1.043)**	**(404)**	**(16.772)**	**(413)**	**12**	**(17.173)**
o/w Impairment on loans	(13.169)	-	-	-	(13.169)	(176)	6	(13.339)
Other revenues & expenses	**698**	**(193)**	**3.905**	**2.189**	**6.599**	**1.301**	**311**	**8.211**
CONTRIBUTION MARGIN I	**105.146**	**192.985**	**173.664**	**3.068**	**474.862**	**36.408**	**5.229**	**516.500**
Allocated Costs	(83.903)	(36.240)	(44.973)	(2.004)	(167.119)	(20.057)	(11.015)	(198.192)
Regular Contributions to Banking Industry	(6.912)	-	-	-	(6.912)	(1.288)	(7)	(8.207)
CONTRIBUTION MARGIN II	**14.331**	**156.745**	**128.691**	**1.064**	**300.831**	**15.063**	**(5.793)**	**310.101**
Unallocated Costs	-	-	-	-	(77.174)	-	-	(77.174)
Amortisation & depreciation	-	-	-	-	(14.353)	(2.363)	(720)	(17.436)
Net provisions for risks	-	-	-	-	(21.541)	(760)	-	(22.301)
OPERATING MARGIN	**14.331**	**156.745**	**128.691**	**1.064**	**187.763**	**11.940**	**(6.513)**	**193.190**
Performance fees	-	3.930	3.364	-	7.294	283	62	7.639
Net income on investments at fair value	(11.304)	(140)	(1.838)	-	(13.283)	(40)	(15)	(13.338)
MARKET EFFECTS	**(11.304)**	**3.789**	**1.526**	**-**	**(5.989)**	**243**	**47**	**(5.699)**
Extraordinary Contributions to Banking Industry	(2.586)	-	-	-	(2.586)	-	-	(2.586)
EXTRAORDINARY ITEMS	**(2.586)**	**-**	**-**	**-**	**(2.586)**	**-**	**-**	**(2.586)**
PROFIT BEFORE TAX	**441**	**160.534**	**130.217**	**1.064**	**179.188**	**12.183**	**(6.466)**	**184.905**
Income tax					**(31.699)**	**(2.371)**	**(346)**	**(34.416)**
NET PROFIT (LOSS)					**147.489**	**9.812**	**(6.812)**	**150.489**

Reconciliation of the income statement at 06/30/2021 with the reclassified income statement

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
Entry fees			-	29,643
Management fees			(35,907)	605,062
Investment service fees and commissions			-	92,987
Net insurance income	160. Net premiums	1,323,011	56,253	1,379,264
	170. Balance of other income/expenses from insurance operations	(1,901,977)	558,356	(1,343,621)
Banking service fees and revenues			(261)	70,038
Sundry fees and commissions			(7,621)	22,457
Total fee and commission income	**40. Fee and commission income**	**881,458**		**855,830**
Network fee and commission expense		(330,850)	(1,435)	(332,287)
Other fee and commission expense		(50,001)	1,614	(48,384)
Total fee and commission expense	**50. Fee and commission expense**	**(380,851)**		**(380,671)**
Net fee and commission income	**60. Net fee and commission income**	**500,607**		**475,159**
Interest income and similar income	10. Interest income and similar income	196,652	(39,731)	156,921
Interest expense and similar expenses	20. Interest expense and similar expenses	(27,776)	754	(27,022)
Net interest income	**30. Net interest income**	**168,876**		**129,899**
Equity method valuation		**-**	**-**	**-**
Net proceeds of disposal of other investments				102
	70. Dividends and similar income	1,376	-	1,376
	100. a) Financial assets measured at amortised cost	6	-	6
	100. b) Financial assets at fair value through other comprehensive income	785	(1,031)	(246)
	100. c) Financial liabilities	-	-	-
	230. Other operating income/expenses	-	(1,036)	(1,036)
	250. Gains (losses) on equity investments	-	-	-
	280. Gains (losses) on disposal of investments	11	(9)	2
Net value adjustments of loans and receivables	130. a) Financial assets measured at amortised cost	(14,623)	738	(13,885)
Net value adjustments of other investments	130. b) Financial assets at fair value through other comprehensive income	149	(729)	(580)
Net income (loss) from other investments				**(14,363)**
of which: Net value adjustments of loans and receivables	130. a) Financial assets measured at amortised cost	(14,623)	738	(13,885)
Other income and expenses	230. Other operating income/expenses	**-**	**6,545**	**6,545**
Contribution margin				**597,240**

Reclassified item/segment	Consolidated income statement item	Consolidated income statement	Reclassifications	Reclassified income statement
General and administrative expenses		(295,223)		(294,990)
	190. a) Staff costs	(126,012)	(3,686)	(129,698)
	190. b) Other administrative expenses	(169,211)	7,579	(161,632)
	230. Other operating income/expenses	-	(3,660)	(3,660)
Ordinary contributions and guarantee funds	190. b) Other administrative expenses	-	(9,281)	(9,281)
Depreciation and amortisation/Provisions		**(48,357)**		**(47,670)**
Depreciation and amortisation		(23,871)		(19,315)
	210. Net value adjustments/write-backs of tangible assets	(8,550)	4,557	(3,993)
	220. Net value adjustments/write-backs of intangible assets	(15,321)	-	(15,321)
Net provisions for liabilities and charges		(24,486)		(28,355)
	200. a) Commitments and guarantees given	(57)	-	(57)
	200. b) Other net provisions	(24,429)	(3,869)	(28,298)
Total costs		**(343,580)**		**(351,941)**
Operating margin				**245,299**
Performance fees	40. Fee and commission income	-	17,486	17,486
Net P&L from investments at fair value		614,696		88,827
	80. Net gains (losses) from trading	84,158	545	84,703
	90. Net gains (losses) from hedging	(511)	-	(511)
	110. Net gain (loss) from other financial assets and liabilities at fair value through profit or loss (IFRS 7 par. 20(a)(i)	531,049	(526,414)	4,635
Market effects				**106,313**
Capital gains/losses		-		-
	250. Gains (losses) on equity investments	-	-	-
	280. Gains (losses) on disposal of investments	-	-	-
Extraordinary contributions and guarantee funds	190. b) Other administrative expenses	-	(2,275)	(2,275)
Other extraordinary effects		-		-
	190.*bis* Other extraordinary effects	-	-	-
	200. Net provisions for liabilities and charges	-	-	-
Extraordinary effects				**(2,275)**
Profit before tax	**290. Profit (loss) on continuing operations before tax**	**349,337**	-	**349,337**
Taxes for the period	300. Taxes on income from continuing operations	(80,589)	-	(80,589)
Net profit (loss) for the period	**330. Net profit (loss) for the year**	**268,748**	-	**268,748**

Declaration of the Financial Reporting Officer

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Certification of the half-year financial report pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended and supplemented

Certification of the half-year financial report pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 as amended

1. The undersigned, Massimo Antonio Doris, as the Chief Executive Officer, and Angelo Lietti, as the Financial Reporting Officer of Banca Mediolanum S.p.A., hereby certify, also taking account of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

   > the appropriateness in relation to the characteristics of the company and
   > the effective application of the administrative and accounting procedures for the preparation of the consolidated half-year financial report during the first half of 2021.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the half-year financial report at 30 June 2021 was based on a process defined by Banca Mediolanum S.p.A. consistent with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally accepted international framework.

3. It is further certified that:

   3.1 the half-year financial report:

   > has been drawn up in accordance with the international accounting standards recognised in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   > correspond to the figures in the accounting books and records;
   > is suitable to provide a true and correct representation of the financial position and profit performance of the issuer and of all of the companies within the scope of consolidation.

   3.2 the Interim Report on Operations includes a reliable analysis of references to significant events that occurred in the first six months of the year and their impact on the half-year financial report, as well as a description of the main risks and uncertainties in the remaining six months of the year. The Interim Report on Operations also includes a reliable analysis of information on significant transactions with related parties.

Basiglio, 29 July 2021

The Chief Executive Officer
(Massimo Antonio Doris)

The Financial Reporting Officer
(Angelo Lietti)

GLOSSARY

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Assets Under Management

These consist of: - managed assets, which include the assets of mutual funds and pension funds and the assets under management and technical reserves of the Life class; - non-managed assets, which include securities in custody (net of shares in the Group's funds), the technical reserves of the Non-Life class and the debit balances of current accounts.

Common Equity Tier 1 or CET 1

The highest quality capital component pursuant to the Basel III regulations, mainly consisting of ordinary paid-up capital, the relative share premium reserves, calculable net profit for the period, reserves and third-party equity (calculable within certain limits), net of certain regulatory adjustments, as provided for by Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, as subsequently updated.

Common Equity Tier 1 Ratio or CET 1 Ratio

The solvency ratio expressed by the relationship between Common Equity Tier I and risk weighted assets (RWAs, as defined below) calculated on the basis of Basel III regulations in application of the provisions of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 and of Directive 2013/36/EU (CRD IV) as subsequently updated.

Family Bankers

The figurative wordmark used to describe the financial advisors of Banca Mediolanum.

Own funds

Own funds are made up of a series of items (net of negative items to be deducted) classified on the basis of capital quality and the ability to absorb losses determined pursuant to Part Two of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 as amended. Own funds consist of Tier I and Tier 2 capital.

Net inflows

Amount of subscriptions net of divestments.

RWA or risk-weighted assets

This is the risk-weighted value of on- and off-balance sheet assets. Depending on the types of assets concerned, bank assets are weighted by factors representing their risk level and default potential in order to calculate a capital adequacy indicator.

Total Capital Ratio

Solvency ratio expressed by the relationship between Total Capital and RWAs calculated on the basis of the Basel 2 regulation.

Consolidated basic earnings per share (EPS)

Ratio of consolidated net income to the weighted average number of ordinary shares outstanding.

Consolidated diluted earnings per share (EPS)

Diluted earnings per share are determined by dividing net profit by the weighted average number of shares outstanding in the period, excluding treasury shares, plus the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares under stock option plans.

Review report on condensed consolidated half-year financial statements

To the shareholders of
Banca Mediolanum SpA

Foreword

We have reviewed the accompanying condensed consolidated half-year financial statements of Banca Mediolanum SpA and its subsidiaries (Mediolanum Group) as of 30 June 2021, comprising the consolidated statement of financial position, the consolidated income statement, the statement of consolidated comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Banca Mediolanum SpA are responsible for the preparation of the condensed consolidated half-year financial statements in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of the condensed consolidated half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on condensed consolidated half-year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-year financial statements of Mediolanum Group as of 30 June 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 5 August 2021

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

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