

# Fixed Income Investor Presentation



Credit and ESG Update - June 2023

### Banca Mediolanum at a Glance

- The **holistic advisory**, combining traditional (Family Bankers) and technological channels (Multi-channel Distribution) is able to fulfill clients' financial needs at 360° (Banking, Insurance and Investing Products, all vertically integrated)
- The management team has a **proven track record** in delivering results, with a conduct that is prudent, long-term oriented and focused on organic growth
- **Business Results Q1 2023**: Total Net Inflows € 3 bn | Total AUA/AUM € 108.73 bn | Loans Granted € 0.84bn | Credit Book € 16.61 bn | General Insurance Gross Premium € 43 mn
- **Economic and Financial Performance Q1 2023** : Net Commission Income € 261 mn | Net Interest Income € 157.7 mn | Contribution Margin: € 409.1 mn | Operating Margin: € 228.1 mn | Market Effects: € 7.3 mn | Net Income: € 178.3 mn

### Balance Sheet Overview

- The **balance sheet structure is solid and simple** (loan-to-deposit ratio at 62.5%), liquidity is above average (LCR at 336%) and the funding is mainly geared to customers deposits (NSFR at 179%)
- **Ever-growing deposit base**: € 26.45 bn at Q1 2023 (of which 65% are Stable Retail Deposits and 76% are covered by FITD (<€ 100k))
- **Credit Book amounting to € 16.61 bn**, mainly represented by retail mortgages. Best-in-class asset quality, far better than average in the Italian banking system, with **Gross NPEs ratio at 1.30%** also better than European average. Mediolanum **has never done an NPEs disposal**
- The **investment portfolio** (€ 16.9 bn) has a **very low sensitivity to volatility** with an average duration of less than 1 year

### Regulatory Capital and MREL

- The Group's capital level strongly exceeds minimum regulatory requirements: **CET1 at 20.6%** (buffer vs CET1 SREP - including guidance - is more than **1,173 bps**) | **Leverage Ratio at 6.1%**
- Banca Mediolanum is **already compliant with final MREL requirement with a surplus buffer of more than 2.22% of Q123 RWAs**

### Credit Ratings & Bond Issuance

- Issuer ratings: **BBB** (*Stable Outlook*) by S&P and **BBB** (*Stable Outlook*) by Fitch
- The two agencies underline in their rating reports **Mediolanum's strengths: Business Model, Capitalization and low Credit Risk**
- **In November 2022, Banca Mediolanum issued its € 300mn Inaugural Green Senior Preferred** through a Euro Medium Term Notes Programme and under its Green, Social and Sustainability Bond Framework
- Based on balance sheet and MREL requirements evolutions, **Banca Mediolanum is willing to maintain buffers vs MREL requirements**
- To be noted that **since the inaugural Green bond issue in November 2022, Mediolanum originated € 365 mn of new eligible assets**

### Green, Social and Sustainability Bond Framework

- The Group embeds ESG criteria in both its business strategy and in procedure / policies and **commits to creating sustainable stakeholders' value. The Board of Directors is responsible** for the conglomerate's sustainability strategy
- ESG aspects have been rooted in Mediolanum's DNA for years, as also demonstrated by its **long-standing offering of sustainability products**
- **The Green, Social and Sustainability Bond Framework** aligned with ICMA Principles and Guidelines has **been used for the inaugural Green Senior Preferred Issuance. Second Opinion Obtained by ISS ESG**
- The Eligible Portfolio already identified amounts of more than € 1.3 bn (mainly represented by Green Buildings)

# Agenda

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- 1 Banca Mediolanum at a Glance**
- 2 Balance Sheet Overview
- 3 Regulatory Capital and MREL
- 4 Credit Ratings & Bond Issuance
- 5 Sustainability at Mediolanum and Green, Social and Sustainability Bond Framework

## 5 Banca Mediolanum at a Glance

- **Italian Asset Gatherer** addressing **Italian & Spanish retail markets**
- **Vertically integrated** to fully control the value chain (manufacturer & distributor)
- Offering the **entire range of financial services** to customers (banking, investing, insurance)
- **Multi-channel platform & no physical branches**

Bank Customers  
1.72 mn

Employees  
~ 3,500

Licensed Financial Advisors  
(Family Bankers)  
~ 6,100

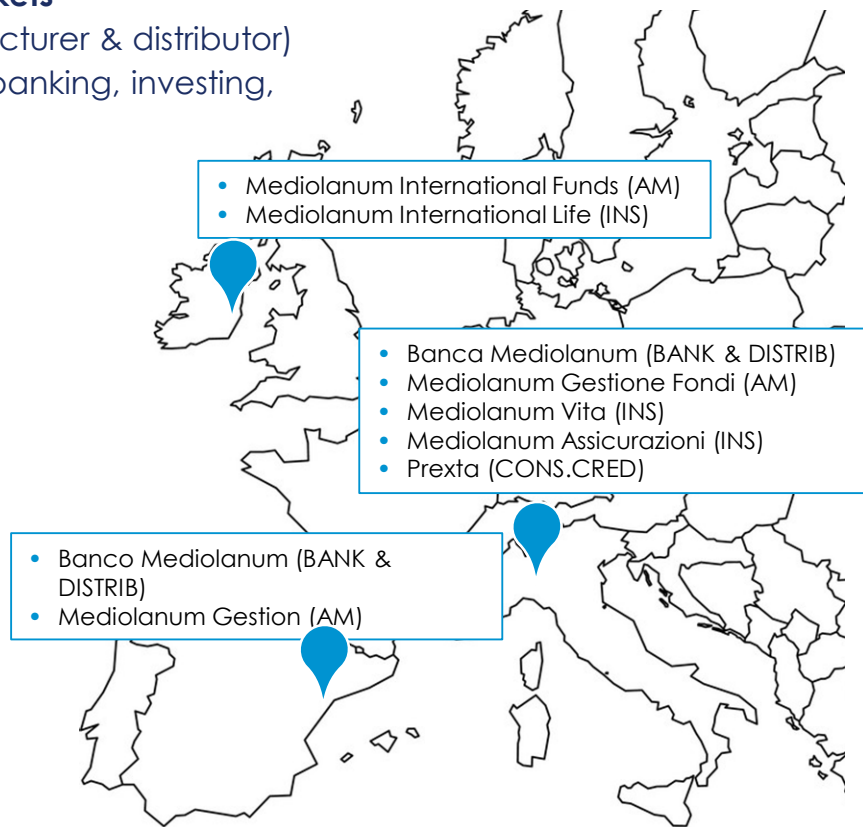
ROE  
10-yr avg  
20%

Total Assets (AUA/AUM)  
€ 109 bn

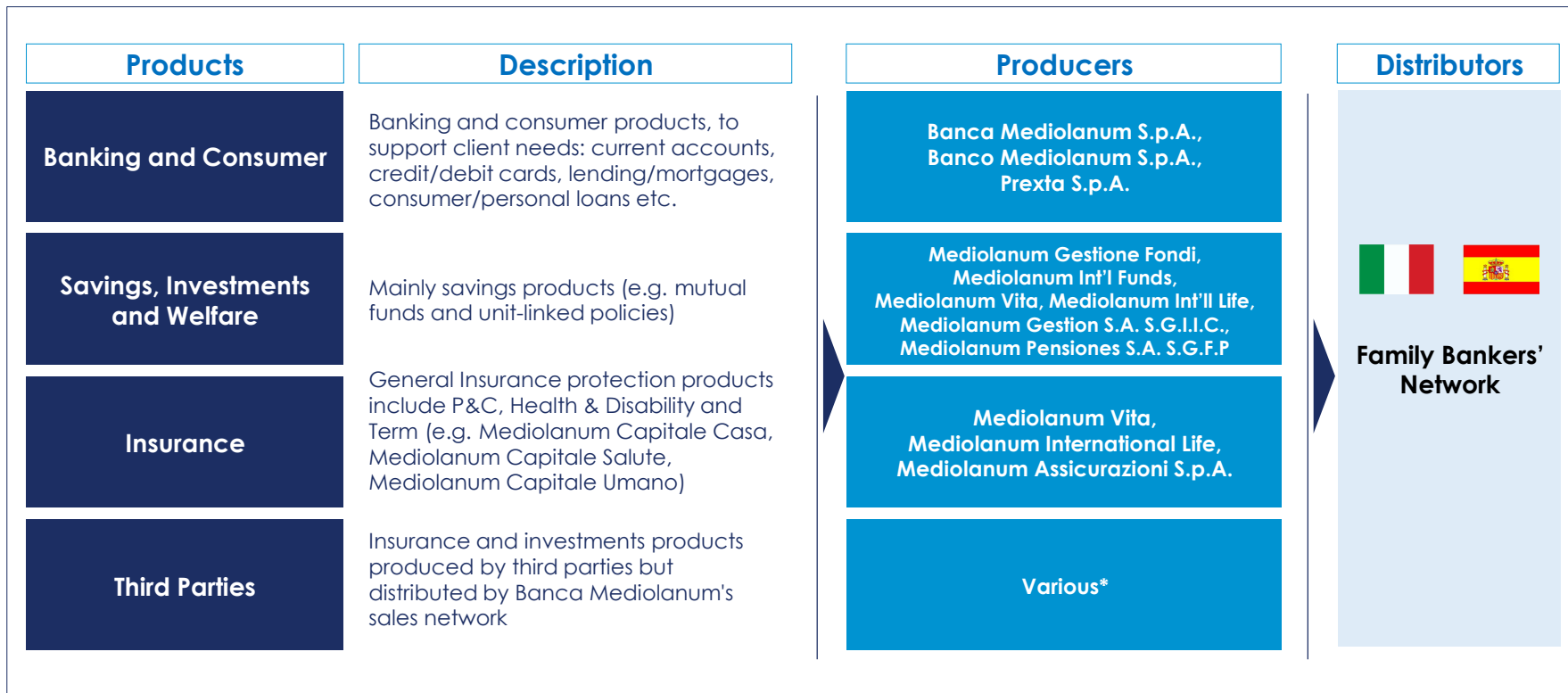
CET1 Ratio  
20.6%

Credit Book  
€ 16.6 bn

Net NPE Ratio  
0.70%



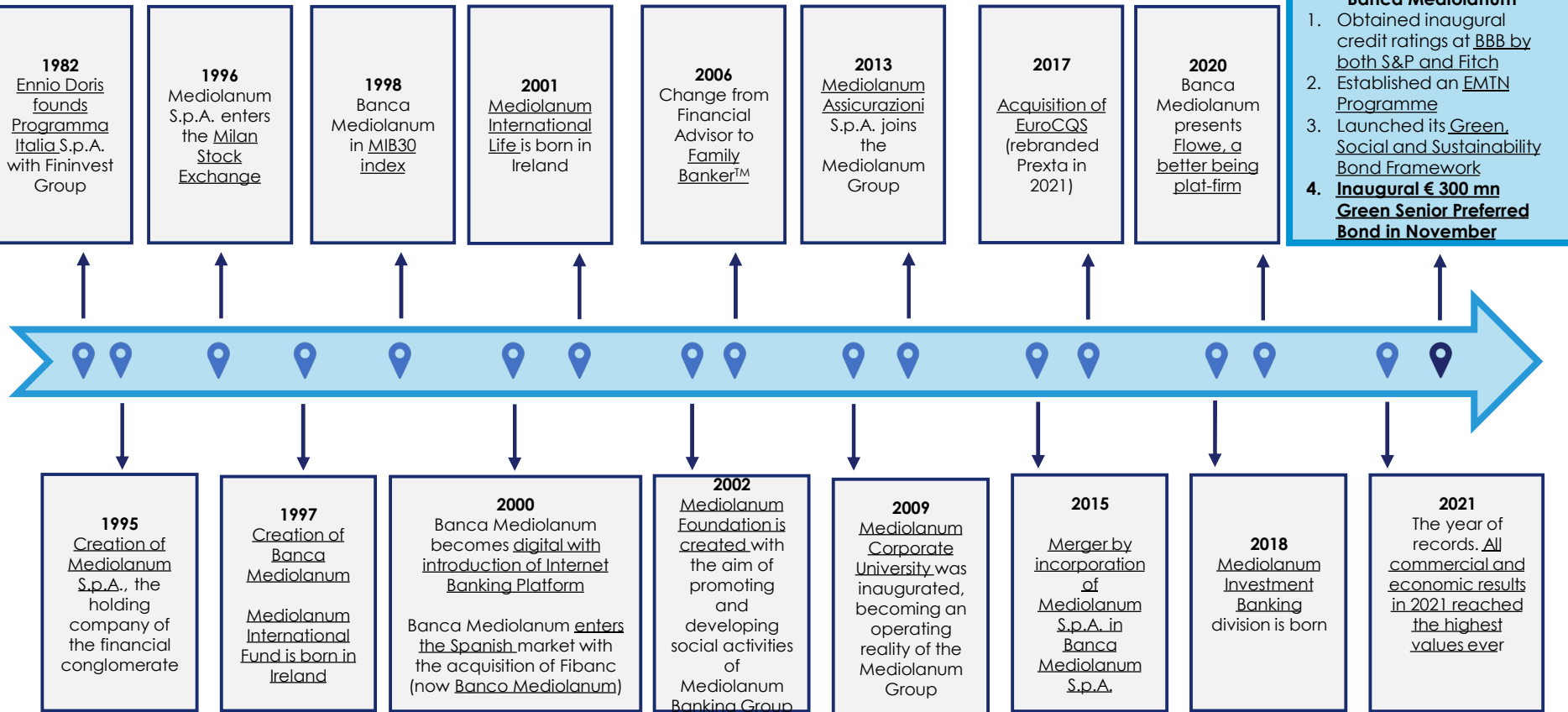
## 6 Products, Producers and Distributors



\* Lombard International Assurance, Santander, ElipsLife and Generali for insurance products - Fidelity, Amundi, Schroders, DNCA, J.P. Morgan, DWS, Pimco, Eurizon, Morgan Stanley, Carmignac, Pictet, BNY Mellon, BlackRock, Natixis, Franklin Investments, TREA A.M., Invesco, UBS, M&G Investments, Tenax Pmi, Candriam, Janus Henderson, Nordea, Robeco, Muznich &Co e Vontobel for investment products

# 7 History and Evolution of the Group

## 40 years of successes



## 8 Economic & Financial Highlights

### Resilience of recurring business & gearing to rates prove strength of our model

€ mn	Q1 2023	Q1 2022 <sup>1</sup>	Change
Net Commission Income	261.0	250.0	+4%
Net Interest Income	157.7	71.9	+119%
Contribution Margin	409.1	317.3	+29%
Operating Margin	228.1	139.5	+64%
Market Effects	7.3	2.2	+233%
Net Income	178.3	112.4	+59%

NCI up despite avg. AUM decline vs. Q1 22, mainly thanks to AUM shift from money market to equity (IIS)

NII continues to reflect rates progression. Cost of funding on current accounts unchanged in Q1. Rates increased on Double Chance service & time deposit to boost AUM growth starting H2.

All-time-high Operating Margin demonstrates the solidity & efficiency of recurring business

Strong step-up in Net Income driven exclusively by recurring business

Key ratios	Q1 2023	Q1 2022 <sup>1</sup>
Cost/Income Ratio*	40.7%	48.3%
Acquisition costs/Gross commission income Ratio	33.4%	34.3%
Annualised Cost of risk (bps)	16	12

C/I ratio keeps improving as operating leverage strengthens, regardless of mechanical uplift generated by IFRS17

YoY change due to lower gross inflows into managed assets

CoR in line with historical average and well below market average



## Steady business performance distinguishes BMED once again

€ bn	Q1 2023	Q1 2022	Change	FY 2022	Change
<b>Total Net Inflows</b>	<b>3.00</b>	2.38	+26%		
<b>Net Inflows into Managed Assets</b>	<b>1.35</b>	1.67	-19%		
<b>Total AUA/AUM</b>	<b>108.73</b>	106.10	+2%	103.66	+5%
<b>Loans Granted</b>	<b>0.84</b>	0.89	-6%		
<b>Credit Book</b>	<b>16.61</b>	14.82	+12%	16.44	+1%
<b>General Insurance Gross Premiums (€ mn)</b>	<b>43.34</b>	41.15	+5%		

Strong positive flows underpin our growth in any market condition. Further support provided by the 4% promotion on the 6-month time deposits

Managed assets inflows still strong despite higher competition from govies and equity markets still volatile.

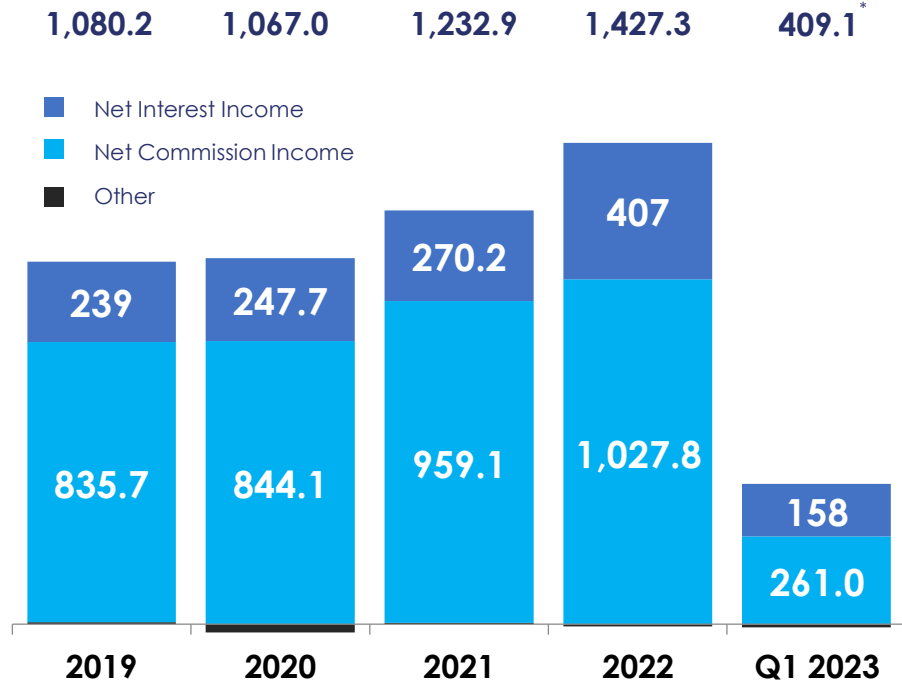
Total assets record new highs thanks to consistent and resilient flows. Deposit base stable since BMED always benefits from customers' flights to quality

Loans granted slightly down y/y following slowdown in RE market & customer demand

Credit book keeps growing with excellent asset quality

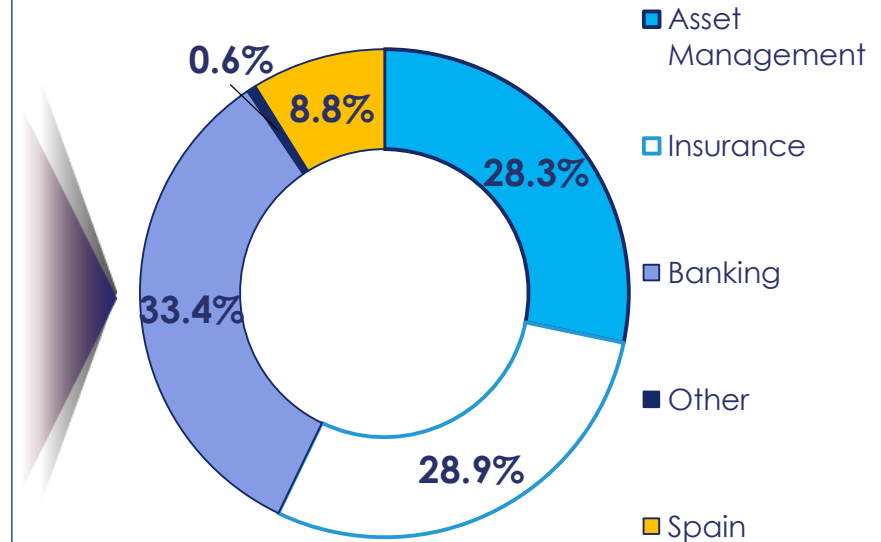
General insurance premiums increase despite Family Bankers current focus on opportunities in other lines of business

Contribution Margin



\* Q1 2023 reported under IFRS 17 accounting principles

By Business Line



Other: Investment Banking and other minor business

# Agenda

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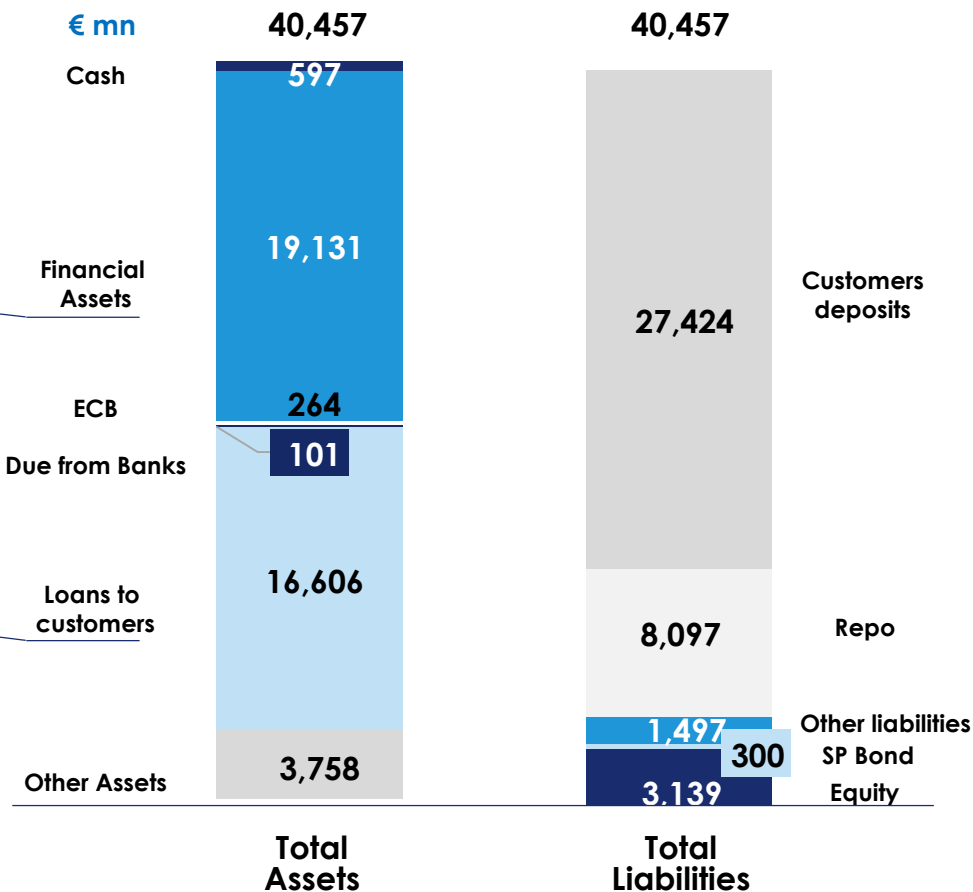
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# 12 Balance Sheet Structure – Banking Group

**Straight-forward & solid balance sheet structure**  
**Approx. € 24\* bn of assets sensitive to interest rates**

- Over € 10 bn in floaters
- Short duration (<1 yr)
- No sensitivity to ITA spread: most assets in HTC portfolio

- High quality book: CoR at 16 bps
- Mainly retail & collateralised
- € 12.6 bn of variable rate loans

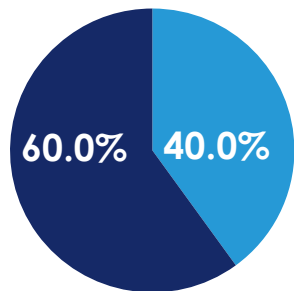


\* Floaters + Variable rate loans + ECB & Interbank liquidity

## Banking Book: € 16.9 bn (nom. values)

## Rate Type

- Fixed
- Floating

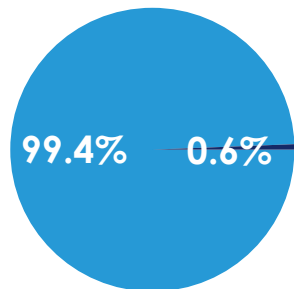


€ 10 bn of floaters directly linked to EUR6M and benefiting from rate increase

Sector	%
Government	99.5%
Financial	0.5%
Govies	%
Italy	91.9%
Spain	6.4%
Other EU Countries	1.7%

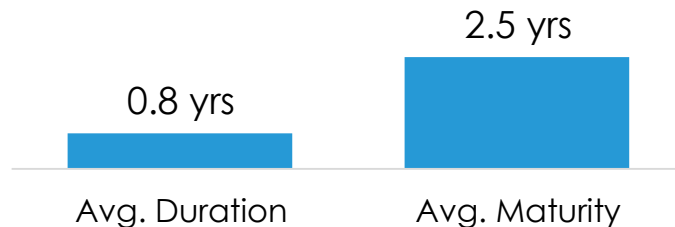
## Portfolio

- HTC
- HTCS



No sensitivity to ITA spread as the entire book is measured at amortised cost

## Portfolio



Prudent & very flexible approach thanks to short duration & very low risk appetite

**Ever-growing deposit base** thanks to **strong customer acquisition** & **increase in share of wallet** of existing customers

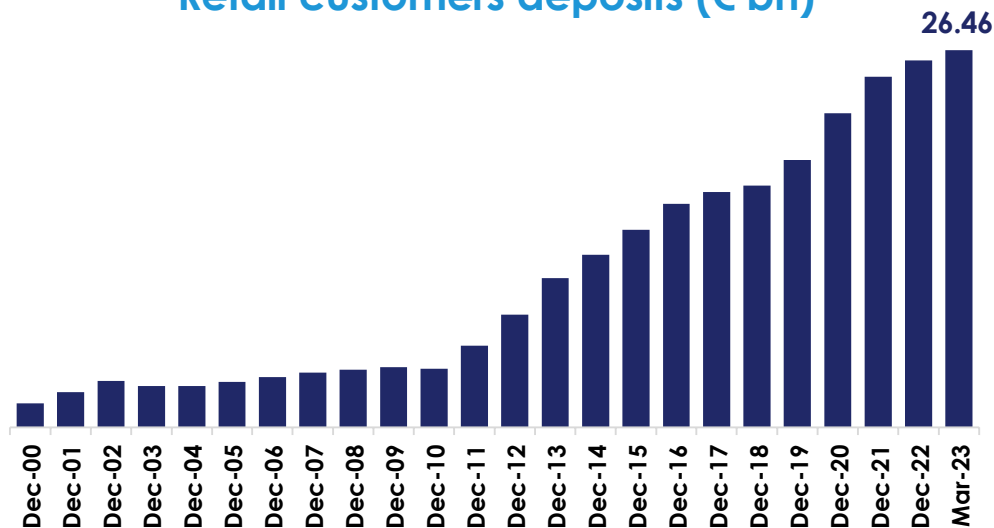
**Growth not impacted** by the continuous **transformation of deposits into managed assets** – our core business

**High stickiness of deposits** as **65%** of customers direct deposit **salary** in their BMED current account

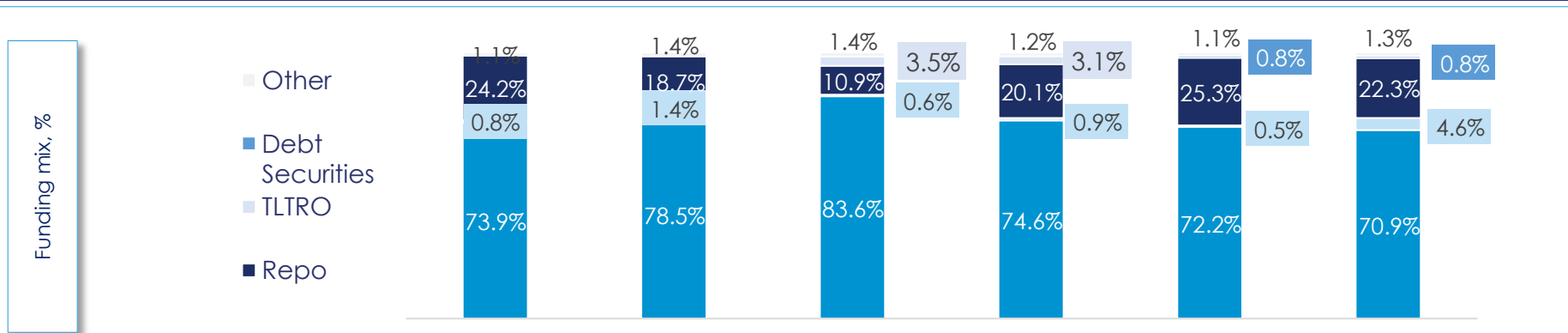
**No signs of customer concern** even in Q1 2023 as BMED is considered the **safe haven** when flying to quality

Capital & Liquidity	CET1 Ratio	20.6%
	LCR	336%
	NSFR	179%
Assets	HQLA	€10.84 bn
	Modified Duration (HTC+HTCS)	0.8 yrs
Liabilities	Stable Retail Deposits (ILAAP)	€18.07 bn
	Deposits covered by FITD (<€100k)	76%
	Customers w/salary direct deposit	65%

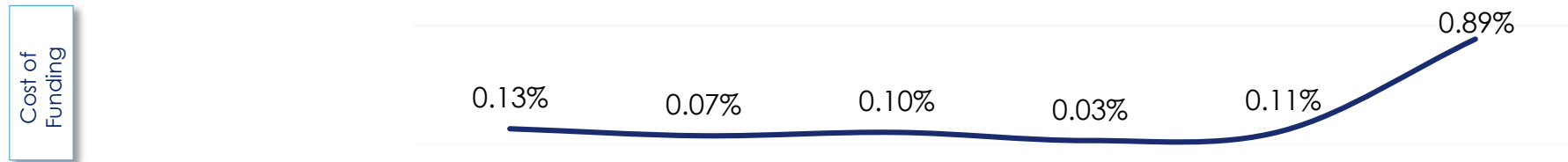
Retail customers deposits (€ bn)

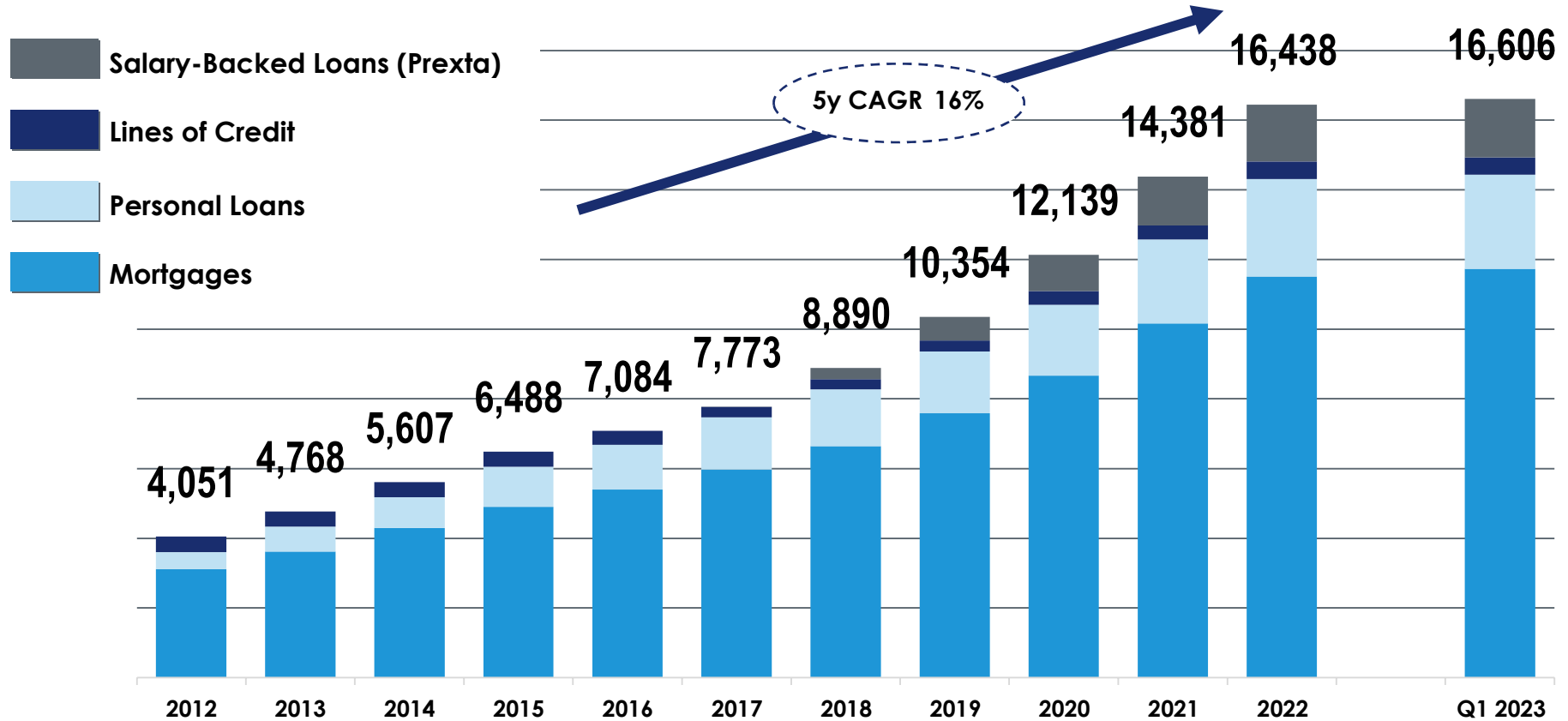


# 15 Funding Overview



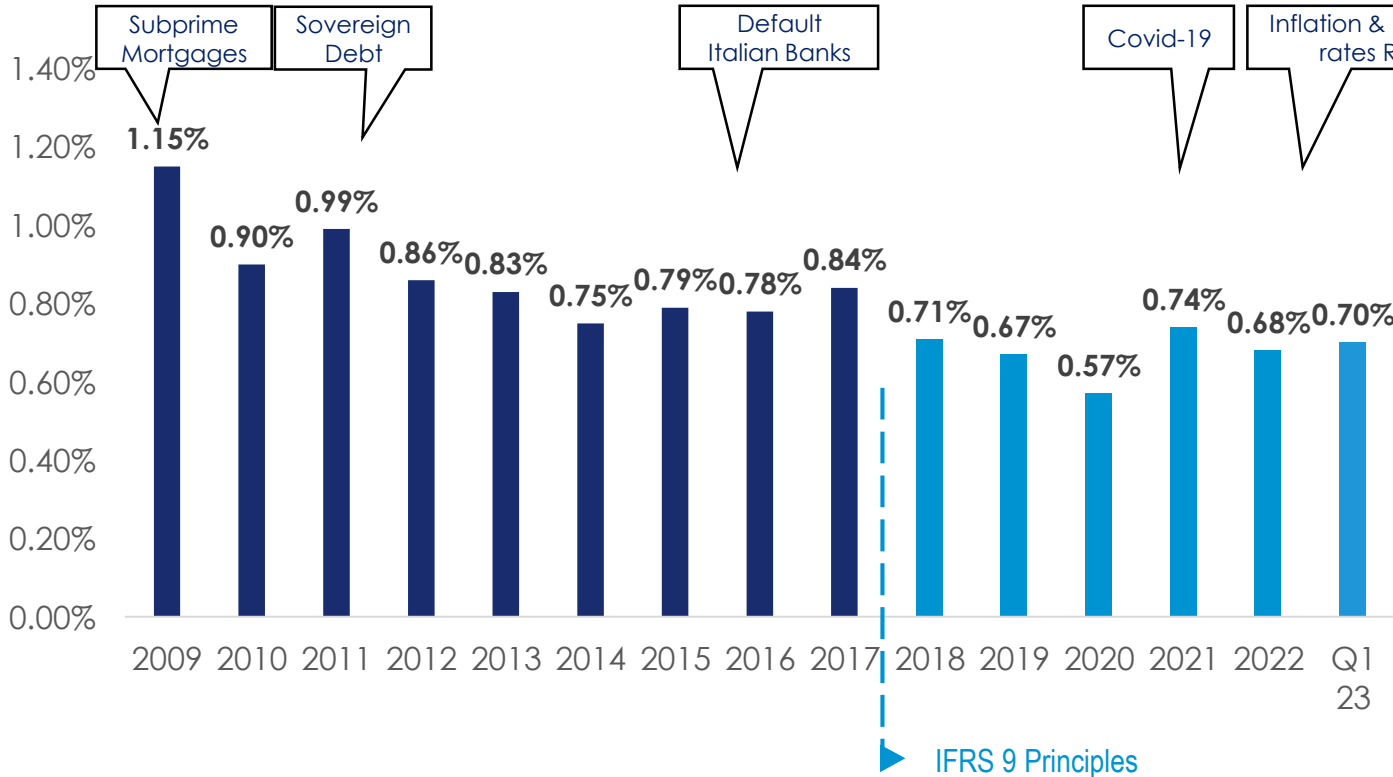
€ mn	2018	2019	2020	2021	2022	Q1 2023
<b>Total Funding</b>	<b>23,266</b>	<b>24,095</b>	<b>26,772</b>	<b>33,510</b>	<b>36,823</b>	<b>36,306</b>
Customers Deposits	17,198	18,915	22,384	25,008	26,574	25,759
Time Deposits	192	329	172	308	202	1,665
Repo	5,626	4,508	2,925	6,742	9,331	8,097
TLTRO	-	-	945	1,035	-	-
Debt Securities	-	-	-	-	300	300
Other	250	343	345	416	417	485





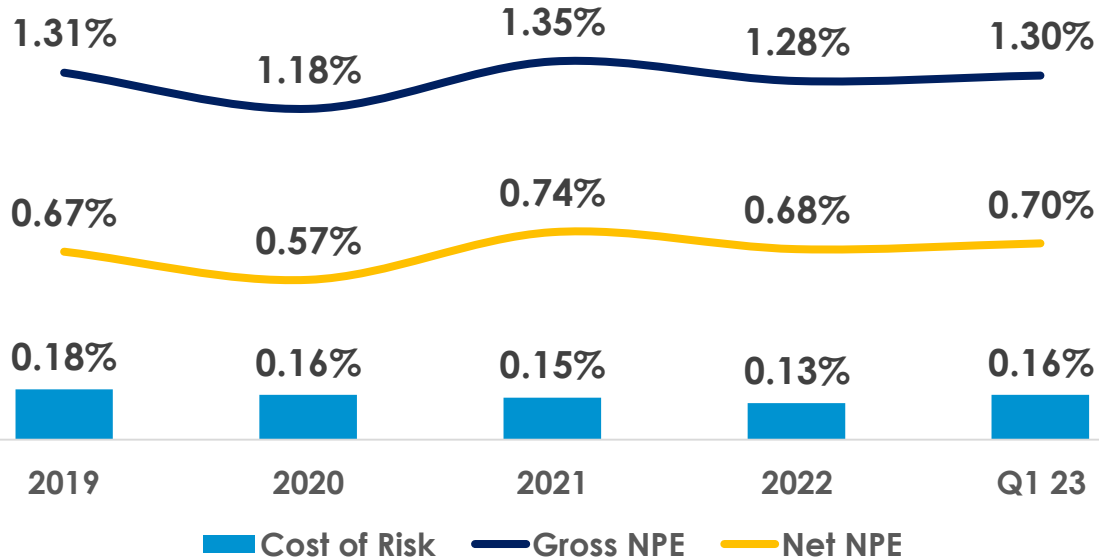


### Net NPE Ratio



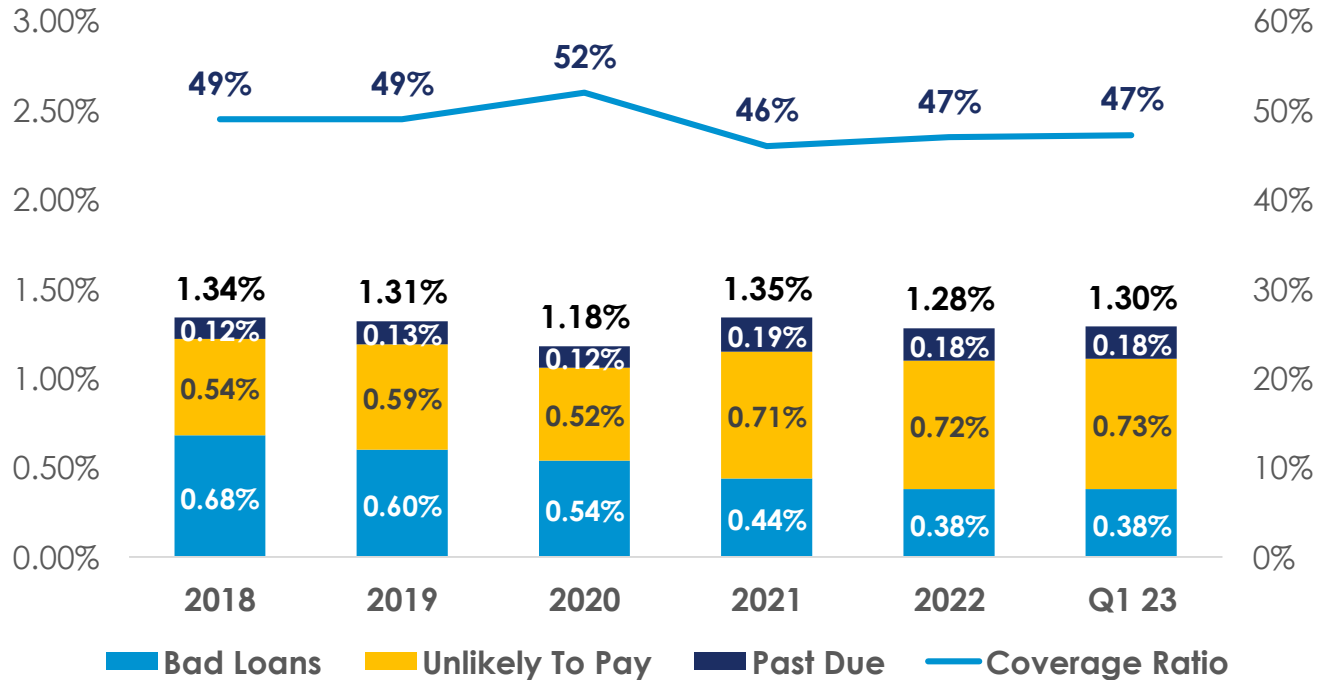
- **Non-material exposure to commercial loans**
- **Stable NPE Ratios** even in crisis times

### Group Asset Quality evolution



- **Best in class asset quality**, far better than Italian banking system
- Constant ratios over the years
- Have **never** done an **NPL disposal**

## Group Asset Quality evolution



- Limited non-performing exposures with **declining share of bad loans in the period 2018-2023**
- **Best-in-class Gross NPE ratio**, above European average

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## 21 Capital Adequacy & Balance Sheet Highlights

### Prudent business approach, low risk-appetite & strong returns for shareholders

	Q1 2023	FY 2022
CET1 Ratio	20.6%	20.6%
Risk-weighted assets (€ bn)	12.51	12.41
Leverage Ratio	6.1%	6.0%
Retail Loan/Deposit Ratio	62.5%	63.8%

Robust capital position, with very low volatility of CET1 ratio given the non-material size of HTCS portfolio

RWAs increasing in line with credit book growth

Leverage ratio well above regulatory requirements

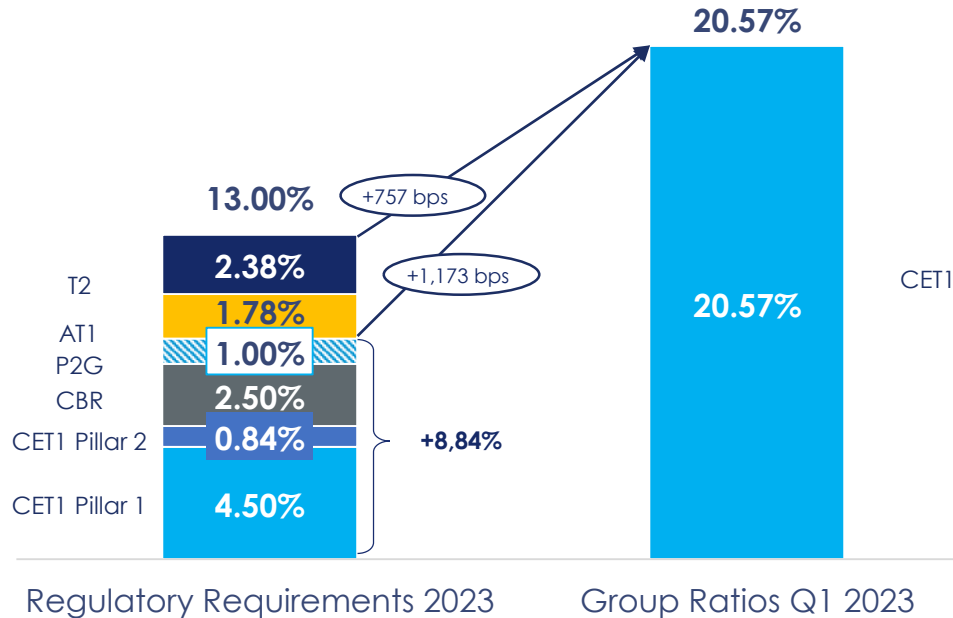
Solid & simple balance sheet structure, with very safe approach to lending. See slide 20 for more details

Total Capital Ratio: 20.6%. SREP Req. on Total Capital Ratio: 13.0%.

Leverage Ratio = CET1 / Banking Group Assets

## 22 Regulatory Requirements

### SREP Capital Requirements and MDA

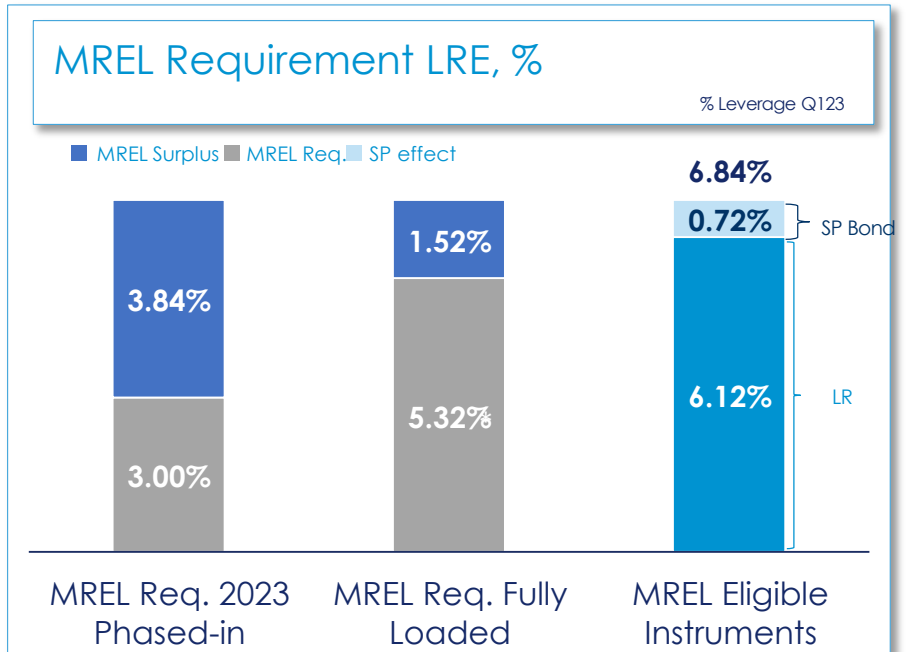
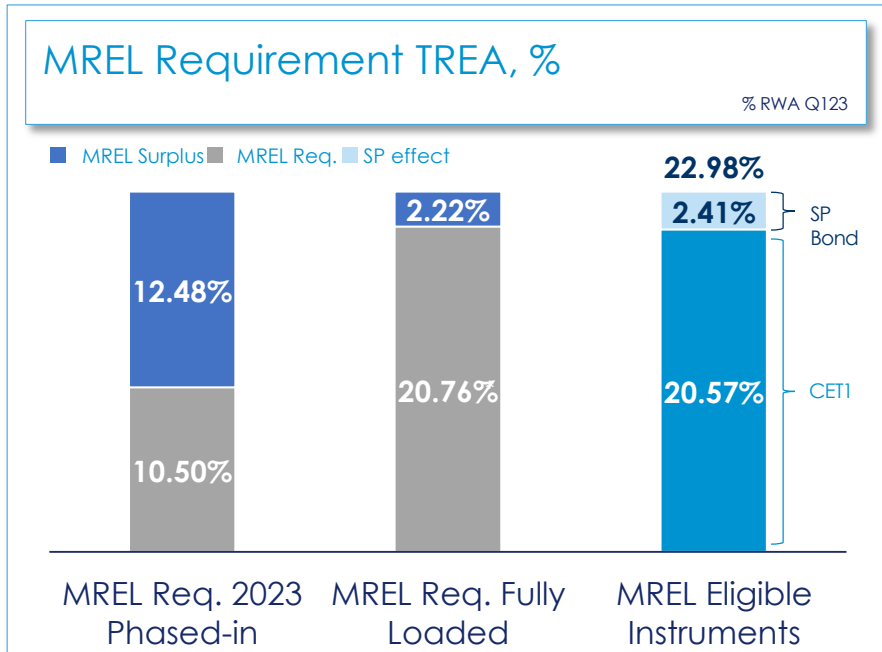


- Banca Mediolanum's capital level strongly exceeds minimum regulatory requirements
- As of March 2023, the buffer versus CET1 SREP (including guidance) is 1.173 bps

## 23 Current MREL Position

### Already compliant with Fully Loaded MREL requirement (2024)

Current buffer over Fully Loaded RWA based requirement of **€ 277 mn** (2.22% Q123 RWAs) and over Fully Loaded Leverage based requirement of **€ 637 mn** (1.52% Q123 Leverage Exposure)



\* Requirement received in Q1 2023 to be met from 1/1/24

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# 25 Credit Ratings

- On July 13<sup>th</sup> 2022, Banca Mediolanum announced its **inaugural credit ratings**
- **BBB level** achieved on the long-term ratings by **S&P** and **Fitch** represents the **maximum level achievable** by an Italian bank and are in line with the Republic of Italy and the National Champions operating in the banking space
- The two agencies underline in their rating reports **BMED strengths: Business Model, Capitalisation & low Credit Risk**

**STANDARD  
& POOR'S**

**FitchRatings**

<b>Long-Term Issuer credit Rating</b>	<b>BBB</b>	<b>BBB</b>
<b>Short-Term Issuer credit Rating</b>	A-2	F3
<b>Outlook</b>	<i>Stable</i>	<i>Stable</i>
<b>Credit Highlights</b>	<p>“BMED benefits from its <b>agile, diversified business model</b>, with an <b>established franchise</b> in the <b>attractive wealth management business</b> in Italy”</p> <p>“In addition, the bank is significantly <b>less exposed than domestic commercial banks to the high credit risk</b> we see in Italy and has a <b>strong track record of effectively managing operational and reputational risks</b>”</p>	<p>“BMED ratings reflect the bank's business profile with <b>adequate domestic franchise, and stable client base</b>, which have ensured <b>resilient net new money</b> flows and <b>earnings</b> throughout economic cycles.</p> <p>Traditional lending activities are ancillary to BMED's core asset management business.</p> <p>The ratings also consider the bank's <b>sound funding and liquidity and adequate capitalisation</b>”</p>



### Terms & Conditions

<b>Issuer:</b>	Banca Mediolanum S.p.A.
<b>Issuer Rating (S/F):</b>	BBB/BBB ( <i>stable/stable</i> )
<b>Expected Issue Rating (S/F):</b>	BBB/BBB
<b>Type:</b>	Senior Preferred
<b>Size:</b>	€ 300m
<b>Launch Date:</b>	15 November 2022
<b>Settlement Date:</b>	22 November 2022 (T+5)
<b>Maturity:</b>	22 January 2027
<b>Call Date (optional):</b>	22 January 2026
<b>Coupon:</b>	5.035%
<b>Reoffer Spread:</b>	MS+225bps
<b>Reoffer Price:</b>	99.994%
<b>Reoffer Yield:</b>	5.043%
<b>Listing / ISIN:</b>	Luxembourg / XS2545425980
<b>Minimum denomination:</b>	€ 100k + 1k
<b>UoP:</b>	Financing / Refinancing of Eligible Green Assets, according to the <b>Green, Social, Sustainability Framework</b> , dated July 2022
<b>Law:</b>	Italian
<b>Documentation:</b>	€ 1bn EMTN Programme

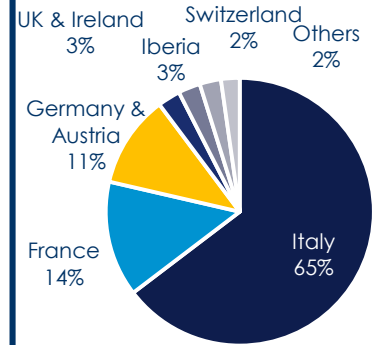
### Book Analysis

# orders	Orders Amount	Allocated Amount	Oversub.
>110	~€ 800m	€ 300m	2.7x

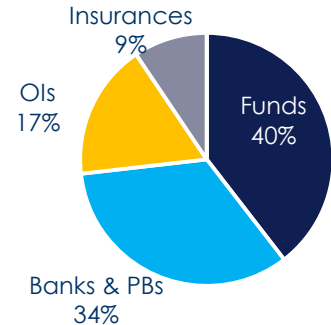
### Marketing and Executions Steps

- ◆ After having (i) obtained **inaugural BBB ratings** by both S&P and Fitch, (ii) established a € 1bn **EMTN programme**, (iii) published its **Green, Social & Sustainability Bond Framework**, aligned with ICMA principles, on the September 14, 2022 **Banca Mediolanum** announced a non-deal roadshow exercise
- ◆ Two months later, on Monday November 14, 2022, **Banca Mediolanum** announced a deal-related marketing exercise for a potential € exp. 300m **Green Senior Preferred 4NC3**
- ◆ The day after at around 9:15am CET, IPT were released at MS+255bps area, with a long 4NC3 tenor (Jan-27NC26)
- ◆ At 10:50am CET, thanks to an orderbook rapidly grown over € 550m, an update message was circulated to the market. Lastly, at 12:15pm CET, **Final Terms were set at MS+225bps, 30bps tighter than IPT**, for a size fixed at € 300m
- ◆ Final book (~€ 800m) saw the participation of more than 110 accounts, high quality and well diversified geographically. **Non-domestic accounts represented 35%** of the total allocated amount, with major contributions from **France (14%) and Germany & Austria (11%)**. In terms of investor breakdown, 40% of the notes were allocated to Funds, followed by Banks & PBs (34%), Official Institutions (17%) and Insurances (9%)
- ◆ **ESG labelled accounts participated for more than 70%**

### Breakdown by geography



### Breakdown by investor type



## 27 Eligible Assets

- In 4 months, the Bank already generated > **€350 mn** of eligible green assets. Looking just at green buildings residential mortgages, the €48 mn corresponds to 16% of the bond proceeds
- All these assets are **performing & located in Italy**

Eligible Categories	Nov. 2019- Nov. 2022				Bond Issuance Nov. 2022	Nov 2022 – Mar. 2023			
	Aggregated Granted Amount (€ mn)	No. of Tickets	Average Ticket size	Average Tenor (years)		Aggregated Granted Amount (€ mn)	No. of Tickets	Average Ticket size	Average Tenor (years)
Green Buildings (Residential Mortgages with EPC A or B)	520	2,963	175k	24.8	48	288	168k	24.7	
Green Buildings (Tax Incentives – Ecobonus / Superbonus)	399	7,921	50k	5.2	316	5,063	62k	4.3	
Clean Transportation (Electric or Hybrid vehicles)	9	506	18k	4.1	1	54	20k	3.9	
SME Financing (Covid-related)	244	5,667	43k	4.9	1	37	15k	4.9	
Support to the third Sector (Anti-usury loans)	2	200	8k	3.7	1	60	9k	3.4	

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«BMED is committed to create stakeholder value through ethical & sustainable business practices, with the aim of having an ongoing positive impact on society»

- **Euronext MIB ESG** Component / **Bloomberg GEI** Component
- Signatory of **U.N. Principles for Responsible Banking**
- Signatory of **U.N. Global Compact** since 2021
- **Diversity in Board of Directors. Lead Independent Director**
- **Top Management LTIP & STIP** linked to sustainability
- **ESG Commission & GSS Bond Framework Commission**
- **Exclusion criteria** for green bond proceeds usage  
(Fossil-Fuel energy, Nuclear energy, Gambling, Tobacco, Alcohol, Animal abuse, Weapons)
- **Flowe** certified **B-Corp & Carbon Neutral** company

	2022	2021
MSCI ESG Rating	AA	A
ESG S&P Global	52	52
CDP	C	B-
FTSE Russel	2.5	2.5
Vigeo Eiris	53	51
Standard Ethics	EE-	E+



PRINCIPLES FOR  
RESPONSIBLE  
BANKING





### Economic

- **Solid capital position** and safe approach to business.
- **Simple balance sheet & resilient financial results** given the **well-diversified business model**
- Management team has a **proven track record in delivering** results, w/ **prudent conduct** that is **long-term oriented** & focused on **organic growth**
- **Credit quality** guaranteed by ultra-safe approach, since we lend to our own high-quality customer base made up of households



### Customers

- Long-lasting **sustainability product offering**. ESG Mutual funds (art. 8 & 9) currently **14% of AUM**.
- **Green mortgages & loans** financed by the **Green bond** issued in Nov. 2022
- **99% of mutual fund AUM** with **ESG rating** by **MSCI ESG Research**:



- **Integration of sustainability criteria** in **product offer** (asset mgmt, banking, credit & general insurance) & **advisory process**
- Ad hoc **financial relief initiatives for customers in need** (natural disasters, financial distress)
- Data Protection and Privacy policies to safeguard customer data. Processes to optimise the mgmt of potential data breaches



## Community & Environment

- Use of **Green bond proceeds** to finance **green buildings**
- **Climate risk metrics** included in the **Risk Appetite Framework** of the Bank
- Monitoring of **GHG emissions**<sup>1</sup>:

Scope 1: **2,266** tCO<sub>2</sub>e

Scope 2: **2,799** tCO<sub>2</sub>e

Scope 3: **4,039,197** tCO<sub>2</sub>e

**93.4% Customer AUM – 6.4% Credit Book – 0.2% Treasury Assets**

- **Mediolanum Foundation & Relief loans** in collaboration with anti-usury foundations
- **Tri-generation plants** allow the **self-generation of electricity and energy** used in heating and cooling



## Employees & Family Bankers

- In 2022, each **Employee** received **over 34 hours of training** on avg., **Family Bankers 114 hours** each
- **Over 300 Family Bankers** have **EFPA ESG Advisor certification**. Creation of the **Mediolanum Value Manager** in each region to convey **BMED sustainability-related values**

1. Calculation methodologies based on "Partnership for Carbon Accounting Financials Standard" (PCAF) & "ABI - Italian Banking Association guidelines on the GRI Standards application for environmental topics"

# Green, Social and Sustainability Bond Framework

- With the release of its **Green, Social and Sustainability Bond Framework** (the “**GSS Framework**”), Mediolanum equips itself with a sustainable financing tool that acknowledges the pivotal role financial markets play in tackling climate change and ensuring a more inclusive and just society
- The Framework is aligned with the ICMA Green Bond Principles 2021, Social Bond Principles 2021 and the Sustainability Bond Guidelines 2021, and is presented through the following **five key pillars**:

## I. Use of Proceeds

- **Green eligible assets:**
  - Green buildings
  - Clean transportation
  - Energy efficiency
- **Social eligible assets:**
  - Employment generation
  - Support to the Third Sector
  - Affordable housing

## II. Evaluation and Selection

- Each product department will make a first assessment if a specific asset meets the Eligibility Criteria
- The GSS Bond Framework Commission will validate, monitor and review each single asset according to the eligible categories

## III. Management of Proceeds

- Internal accounting system to track proceeds
- Portfolio approach
- Look forward 3 years
- Eligible Assets always  $\geq$  of the net proceeds of outstanding Green, Social and Sustainability Bonds
- Pending proceeds will comply with the Framework’s exclusion criteria

## IV. Reporting

- Annual allocation and impact reporting published on Mediolanum website

## V. External Review

- Leading Second Opinion provider engaged: ISS ESG
- Independent external auditor to verify the reporting activity

- The Framework encompasses three different types of sustainable bonds, namely: **Green Bonds**, **Social Bond** and **Sustainability Bonds** that could be issued as different debt instruments, including public or private placements, senior preferred, senior non-preferred and subordinated bonds
- Mediolanum commits to periodically reviewing its **GSS Framework** to ensure alignment with best market practices and other voluntary standards



- **Six Eligible Categories** have been identified by Mediolanum reflecting its current lending products offering

### Green Buildings

- **Energy efficiency** class A / B or belonging to the top 15% in Italy in terms of most carbon-efficient **buildings**
- PED at least 10% lower than the threshold set for the nearly zero-energy building (NZEB)
- Renovation projects with an **improvement in energy efficiency** resulting in a minimum of 30% of energy savings
- The acquisition of **tax incentives related to investments in energy efficiency** renovations and improvements



### Clean Transportation

- **Electric** or **Hybrid vehicles** with CO2 lower than 50g CO2/km
- **Charging points** dedicated to foster the adoption of clean transportation



### Energy Efficiency

- **Smart grids**
- **District heating** and **cooling**
- **Energy storage**
- **Efficient LED lighting** appliances and systems



### Employment Generation

- **SMEs in response to the Covid-19 pandemic** crisis
- **Microfinance**
- SMEs (**low income** and **disadvantaged groups**)



### Support to the Third Sector

- **Third Sector** (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) with **positive social impact** on the society in the following sectors: Health, Education, Clean Transportation, Art/Culture, Solidarity and Social Activities and Fair Trade



### Affordable Housing

- **Social Housing**



## II. Process for Project Evaluation and Selection

- The process for **evaluation and selection** of the Eligible green and social Assets is as follows:



1. Each relevant product department will evaluate from the inception whether an asset complies with **Eligibility Criteria**



2. The **GSS Bond Framework Commission** – an internal cross-functional platform consisting of members from the Top Management, the Group Treasury, the ESG Commission and all relevant departments that contribute to the origination of Eligible Assets – will perform a second analysis to approve the assets meet the relevant **Eligibility Criteria**



3. The final decision on the **allocation of the bond proceeds** to the designated assets to the Bonds is **taken by the GSS Bond Framework Commission**. The GSS Bond Framework Commission also examines **twice a year the pool of assets** already allocated to verify their continued compliance and absence of significant controversy

### GSS Bond Framework Commission

Among other duties, the **GSS Bond Framework Commission** will also be in charge of:

- monitoring** and **reviewing the Eligible Assets pool**
- reviewing** and **validating new assets/financing to be included in the categories of Eligible green and social Assets** as well as inclusion of new potential categories
- assessing**, at least on a yearly basis, **the impact stemming from the activities included in the categories** of Eligible green and social Assets

- The following activities are **excluded from eligibility**: Fossil-Fuel energy, Nuclear energy, Gambling, Tobacco, Alcohol, Animal abuse and Weapons.

Moreover, Mediolanum ensures that all Eligible Assets selected are compliant with official national and international environmental and social standards as well as local regulation on a best effort basis



- An amount equivalent to the **Green, Social and Sustainability Bond net proceeds** will be allocated to disbursement for the portfolio of Eligible Assets. The proceeds raised through Green, Social and Sustainability Bond transactions are managed on an aggregated basis (i.e. portfolio approach). Indeed, the overall portfolio of Eligible Assets is composed of one green Eligible Assets sub-portfolio and one social Eligible Assets sub-portfolio



- Mediolanum commits to reach **full allocation within three years** following the Green, Social and Sustainability Bond issuance. Mediolanum will monitor and track the net proceeds through its internal accounting system



- Mediolanum also ensures that the **amount of Eligible Assets** will always exceed or will at least equal the sum of the net proceeds of outstanding Green, Social and Sustainability Bonds



- **Pending the allocation or reallocation** the net proceeds to Eligible Assets, Mediolanum will invest the **balance of the net proceeds** - at its own discretion and in compliance with its liquidity policy as well as the Exclusion Criteria reported above - in cash or other liquid marketable instruments

# 36 IV. Reporting

**Allocation report** will be published **once a year** from the date of issuance of each GSS Bond until the full allocation of the proceeds:

- the total amount of Green, Social and Sustainability Bonds net proceeds raised through the transactions / allocated to Eligible Assets
- the amount of **unallocated proceeds**, if any
- **share of financing versus refinancing**
- **breakdown** of total amount of **Eligible Assets per category**
- brief description of the asset category
- **Impact report** will instead potentially include some impact metric as indicated below

## Green Buildings

- **Number of environmental labels** obtained or improved
- **Total amount of green buildings** with a breakdown per EPC level

## Clean Transportation

- Number and type of **electric / hybrid vehicles** purchased
- **Charging points** installed

## Energy Efficiency

- Type and number of assets installed
- **Smart meters**: number of installed points
- Estimated **energy saved** (MWh)

## Employment Generation

- Number of **SMEs financed**
- Number of **employees working in the SMEs funded**
- Amount and number of **microfinance loans** provided

## Support to the Third Sector

- Total amount and number of loans granted to **non-profit organizations**
- Estimated **number of beneficiaries of non-profit organizations**, when available

## Affordable Housing

- Number of residents benefiting from new/improved **affordable housing** and **social housing schemes**
- Number and location (when available) of the infrastructure built/refurbished/improved

### Second Party Opinion

- BMED has engaged **ISS ESG** to provide its opinion on the alignment of its Framework with the latest ICMA's Principles and Guidelines
- Moreover, **ISS ESG** expressed **positive** views on BMED sustainability quality of the Selection criteria, as the **UoP** will have a **significant contribution to SDG 1, 8, 10, 11 and 13**. **ISS ESG** found that the UoP financed through this Framework are **consistent with the Issuer's sustainability strategy and material ESG topics for the issuer's industry**. The rationale for issuing Green, Social, and Sustainability Bonds is clearly described by the issuer

#### Use of Proceeds

- **ISS ESG** considers the **UoP** description provided by Mediolanum's Green, Social and Sustainability Bond Framework as **aligned with the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines**
- The Issuer's green and social categories align with the project categories as proposed by the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines. Criteria are defined in a clear and transparent manner. Environmental and social benefits are described and quantified
- Furthermore, Mediolanum excludes financing certain activities, in line with best market practices

#### Project Evaluation and Selection

- **ISS ESG** considers the **Process for Project Evaluation and Selection** description provided by Mediolanum's Green, Social and Sustainability Bond Framework as **aligned with the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines**
- The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer

#### Management of Proceeds

- **ISS ESG** finds that the **Management of Proceeds** proposed by Mediolanum's Green, Social and Sustainability Bond Framework is **aligned with the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines**
- The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds
- Moreover, the Issuer defines an expected allocation period and is transparent regarding temporary investments, in line with best market practices

#### Reporting

- **ISS ESG** finds that the **Allocation and Impact Reporting** proposed by Mediolanum's Green, Social and Sustainability Bond Framework is **aligned with the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines**
- The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Mediolanum explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated
- Additionally, Mediolanum commits to publish an annual impact report, in line with best market practices

### External Verification

- Furthermore, Mediolanum will appoint an independent external auditor to perform a limited assurance of the Green, Social and Sustainability Bonds reporting activity

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