MEDIOBANCA

Basel III pillar 3
Disclosure to the public

Situation as at 30 June 2015

MEDIOBANCA

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Introduction

The regulations governing banking supervision have been revised with the issue of Capital Requirements Directive IV and the Capital Requirements Regulation (CRD IV/CRR), which have been incorporated into Italian legislation under Bank of Italy circular no. 285 issued in December 2013. The body of regulations on prudential supervision and corporate governance of banks has incorporated the changes made by the Basel Committee with its "Global regulatory framework for more resilient banks and banking systems".

The prudential regulatory structure remains based around three so-called "pillars":

- *"Pillar 1" introduces a capital requirement to manage typical risks of banking and financial activity, which involves the use of alternative methodologies to calculate capital requirements;*
- *"Pillar 2" requires banks to equip themselves with a strategy and process for controlling current and future capital adequacy;*
- *"Pillar 3" introduces obligations of disclosure to the public aimed at allowing market operators to make a more accurate assessment of banks' capital solidity and exposure to risks.*

With this document the Mediobanca Group (the "Group") intends to provide the market with information regarding its own capital adequacy, exposure to risks, and the general characteristics of the systems put in place to identify, measure and manage such risks.

The document follows the articles contained in Part 8 of the CRR, to provide qualitative and quantitative information where this is considered to be applicable to the Group, within the term set for the annual financial statements to be published; unless otherwise stated, the figures shown are in thousands of Euros.

The Group updates the document on its website at www.mediobanca.com.

Section 1 – General disclosure requirement

Qualitative information

Introduction

The Group has equipped itself with a system for managing and controlling risks which is structured around the various organizational areas involved, to ensure the best possible coverage of significant risks to which the Group is or might be exposed, and at the same time to guarantee each unit's operations are consistent with their own propensity to risk as laid down in the Internal Capital Adequacy Assessment Process or ICAAP (Circular 285 – First part, Section III). In particular, in the course of the ICAAP the governing bodies assess the Group's exposure to the various significant risks, both present and future, taking into account both strategies and developments in the reference scenario.

Group risk control and management system

Risk management involves, with different roles and responsibilities, the management and supervisory bodies and the various operating units of Mediobanca S.p.A. and the Group companies.

The Board of Directors, in view in particular of its role of strategic supervision, approves the strategic guidelines and directions of the risk appetite framework (RAF), business and financial plans, budgets, and risk management and internal control policies. The Board of Directors also assesses the adequacy of the Bank's organizational, administrative and accounting structure annually, with particular attention being paid to the internal control system and management of conflicts of interest.

The Executive Committee is responsible for managing the ordinary activities of the bank and for co-ordinating and directing the Group companies without prejudice to those issues for which the Board of Directors has sole jurisdiction.

The Control and Risks Committee assists the Board of Directors, having duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization. With reference to risk management, the committee:

- performs monitoring, instruction and support activities to the Board of Directors with respect to the supervision of risk management policies, including compliance with applicable regulations, and ensuring these are consistent with the strategic guidance set;
- regularly reviews the functioning and efficiency of the system and procedures for controlling and managing risks, reporting back to the Board on these issues;
- reviews plans for calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP) reporting back to the Board on this issue.

With reference to the structure of the Bank's IT and financial reporting organization, the Control and Risks Committee assesses the compliance of decisions taken by the Head of Company Financial Reporting, the external auditors and the Board of Directors in respect of the correct application of accounting standards with primary and secondary regulations, their consistency for purposes of drawing up individual and consolidated financial statements, and generally serves in an advisory capacity to assist the Board of Directors in taking the decisions for which it has responsibility on matters of financial documents.

The Chief Executive Officer implements the ICAAP process.

The Statutory Audit Committee monitors the system for managing and controlling risks and the internal controls system, assessing the effectiveness of all structures and units and also their co-ordination, and supervises the ICAAP process.

The **Head of company financial reporting** institutes adequate administrative and accounting procedures for the preparation of the financial statements, statutory and consolidated. The relevant bodies and the Head of company financial reporting issue the statements regarding the company's capital, earnings and financial situation required by law.

The following committees have specific powers in the processes of taking, managing, measuring and controlling risks, as part of the parent company's risk management system: the Risks Committee and Delegated Risks Committee for credit, issuer, market and conduct risk; the ALM Committee, for monitoring Group ALM risk taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk¸ the Investments Committee, for investments held and banking book equities; the New Operations Committee, for advance assessment of new activities and entry to new sectors and products, and the related pricing models; the Operational Risks Committee, for management of operational risks in terms of monitoring risk profile and defining mitigation actions.

The other main company units involved in managing and controlling risk are:

- Risk management;
- Asset liability management (ALM) and Liquidity;
- Compliance;
- Group audit.

The **Risk Management unit** presides over the functioning of the Bank's risk system, defining the appropriate methodologies for measuring the set of risks, current and future, in line with the regulatory provisions and the management decisions taken by the Bank, monitoring the risks concerned and checking that the limits set for the various business lines have all been met. In conjunction with the Accounts and Financial Reporting department, the Risk Management unit also measures the internal capital required to face significant measurable risks. Based on the internal risk quantification models, it produces reporting flows to the governing body in order to monitor the various portfolios' exposures to risk.

The structure of the Risk Management unit consists of the Chief Risk Officer, who reports directly to the Chief Executive Officer and is responsible for identifying and implementing an effective risk management process through the following units:

- **Enterprise risk management unit:** responsible for developing risk management policies, for integrated Group risk monitoring, Risk Appetite Framework and ICAAP, and for internal validation of risk measurement models;
- **Credit risk management unit:** responsible for executing the credit risk analysis entailed by lending and market transactions, and for assigning internal credit ratings to the counterparties;
- **Market risk management and Liquidity risk management units:** responsible for monitoring market and counterpart risks and interest rate risk on the banking book;
- **Quantitative risk methodologies**: responsible for developing methodologies for quantitative analysis and credit and market risk management, validating valuation models developed by the front office teams, and developing stress test portfolio models for lending;
- **Operational risk management unit:** responsible for developing and maintaining the systems for measuring and managing operational risks.

The **Risk management unit** also comprises the following two offices reporting directly to the Chief Risk Officer:

- **London risk management office**, which monitors the risks originated by the London branch in conjunction with the other risk management units;
- **Group risk management support office**, which provides operating guidance on Group activities and projects and co-ordinates relations with supervisors.

The **ALM and Liquidity area** is responsible for monitoring future changes in net interest income and the Group's liquidity situation through reporting to the ALM committee. It is responsible for the following duties in particular:

- monitoring the ALM position at the Group level;
- estimating net interest income and the sensitivity indicators for the banking (and non-banking) book;
- monitoring compliance with the liquidity policy and the contingency funding plan (in conjunction with the Risk Management unit);
- measuring the liquidity indicators and monitoring compliance with the relevant limits, by means of the established reporting flows.

The **Compliance** unit is responsible, within the scope of regulations defined in the Internal Compliance Document, for checking and managing compliance and reputational risk in accordance with the relevant regulations; it is tasked with the following duties in particular:

- checking and ensuring that the Bank's and the Group's activities are compliant with legal and regulatory requirements, with reference specifically to regulations on banking activity and the provision of investment services and on market abuse, handling operating relations with the relevant authorities;
- implementing the requisite measures and instruments to ensure that risks associated with management of conflicts of interest are controlled effectively;
- operating duties, proposing organizational and procedural changes to ensure that the risks of non-compliance are adequately covered and preparing flows of information to the governing bodies and the units involved;
- providing assistance to the units of the Bank and Group companies in operating issues, including through explanatory circulars or reports on relevant regulatory aspects, ensuring a continuous and up-to-date flow of information on developments in the domestic and international regulatory framework;
- reporting duties, preparing regular reports for the governing bodies on the activities carried out and in all instances of failure to comply with regulations, and highlighting new compliance risks as well as possible corrective action.

The Compliance unit also contains the Anti-money-laundering unit which, as required by the instructions issued by the Bank of Italy on 10 March 2011, is responsible for ongoing monitoring of the company's procedures to prevent and tackle breach of the regulations on money-laundering and terrorist financing.

The Group Audit Unit provides internal auditing services for the whole Mediobanca Group, in accordance with the provisions of the "Supervisory instructions for banks",[1] "Supervisory instructions for registered financial intermediaries"[2], and the "Joint Consob – Bank of Italy regulations".[3] Its duties include in particular:

defining the audits to be carried out, in accordance with the audit methodology adopted, and preparing three-year and annual audit plans;

checking, among other things:

- that the company's various activities are being performed correctly and that the related risk progression is regular, both at headquarters and the various branch offices;
- monitoring of compliance with the regulations to which the business is subject, at all company levels;
- compliance, in the various sectors of operation, with the limits instituted by the authorization mechanisms, and full and correct use of the information available in the various activities;

[1] Bank of Italy circular no. 285 issued on 17 December 2013 – First Part, Title IV, "Internal control systems".
[2] Bank of Italy circular no. 288 issued on 3 April 2015, Title III, Chapter 1, "Administrative and accounting organization and internal controls".
[3] Bank of Italy/Consob measure issued on 29 October 2007 – "Regulations on organization and procedures of intermediaries providing investment or collective savings management services".

- the effectiveness of the powers of the units responsible for controlling risks to provide prior opinions on most significant transactions and their consistency with the RAF;
- the adequacy and correct functioning of the processes and methodologies for valuing company businesses;
- the adequacy, overall reliability and security of the information system;
- the removal of irregularities detected in operations and in the functioning of controls ("follow-up");

ascertaining that the conduct of individual Group companies is consistent with the guidelines issued by Mediobanca S.p.A.

carrying out audits in respect of specific irregularities if requested by the governing bodies and/or senior management;

regular reporting to management on the audit activities performed and their results, by sending specific reports;

preparing regular summary reports for the governing bodies, describing the principal results to emerge from the audits carried out, suggestions made and any corrective measures undertaken.

Strategies and procedures for managing significant risks

The Group has identified the significant risks based on its operations and reference markets to be specifically assessed as part of ICAAP reporting.

In particular, the types of risk requiring monitoring and management are credit risk, counterparty risk, credit value adjustment risk ("CVA"), market risks, operational risk, concentration risk, expected shortfall on markets risk, interest rate risk on the banking book, liquidity risk, residual risk, strategic risk, compliance risk, reputational risk, risks deriving from securitizations, basis risk, country risk, transfer risk and excessive financial leverage risk.

The principal instruments of control for the main types of risk considered to be significant are described below, along with the strategies and processes adopted to mitigate them.

Credit risk

Credit risk refers to the risk of losses being incurred through defaults by borrowers in respect of cash and off-balance-sheet assets held in the banking book. The Group has implemented different credit management processes to reflect the specific features of the businesses carried out by the various product companies.

While adopting the standardized methodology defined by the supervisory provisions in force for calculating regulatory capital, the Group has also internal rating models for operating purposes for the following customer segments: Banks, Insurances, Large corporates and Holding companies (customers mostly targeted by Mediobanca S.p.A.), Mid-corporate and Small businesses (customers targeted mostly by the leasing and factoring companies), and Private individuals (targeted by Compass for consumer credit, CheBanca! for mortgage lending and Creditech for non-recourse financing).

The features of the processes for managing credit currently applied by the main Group companies are described below:

Corporate lending (Mediobanca)

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

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures, *inter alia* to obtain a positive impact on the Bank's capital ratios.

For the assumption of credit risk, all counterparties are usually analysed and assigned an internal rating, which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned.

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated for approving and managing most significant transactions through the different operating levels. If successful, the applications are submitted for approval to the relevant bodies, i.e. the Board of Directors, Executive Committee, Risks Committee and Delegated Risks Committee, depending on the nature of the counterparty, its credit standing based on internal ratings, and on the amount of finance required.

The Credit Risk Management unit carries out a review of the ratings assigned to the counterparties at least once a year. Approved loans must also be confirmed by the approving body at at least the same intervals, in accordance with the limits established by the Executive Committee's resolution in respect of operating powers.

Any deterioration in the risk profile of either the loan or the borrower's rating are brought swiftly to the management's attention.

In terms of monitoring the performance of individual credit exposures, Mediobanca adopts an early warning methodology to identify a list of counterparties (the "watchlist") requiring indepth analysis on account of their potential or manifest weaknesses. The exposures identified are then classified by level of alert (green, amber or red for performing accounts, black for non-performing items) and are reviewed in the course of meetings held regularly to identify the most appropriate mitigation actions to be taken. The watchlist also includes all forborne positions, which are therefore subject to specific monitoring.

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk.

Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of applicant company).

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing accounts are tested analytically to establish the relative estimated loss against the value of the security provided taken from the results of valuations updated regularly and revised downwards on a prudential basis, and/or any other form of real guarantees issued. Other performing accounts are measured individually on the basis of statistics according to internal ratings and distinguished by their degree of riskiness.

Consumer credit (Compass)

Applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit *bureaux*. Points of sale are linked electronically to the company's headquarters, in order to ensure that applications and credit scoring results are processed and transmitted swiftly. Applications for finance above a certain limit are approved by the relevant bodies at headquarters, in accordance with the authorization levels established by the companies' Boards of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action). After six rate overdue instalments (or four in particular cases, such as credit cards), accounts are held to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been ascertained, acccounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies (including Group company Creditech), for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of historical PD and LGD values distinguished by product and state of impairment. Probability of default in particular is calculated over a time horizon of less than a year, corresponding to the emergence period for hidden losses which is currently six months, and calibrated based on the trend of the last three years. The LGD values are based on data for amounts recovered and written off in the last five years. To calculate the provisions for the performing portfolio, losses defined as "incurred but not reported" are quantified by distinguishing PD values by product, degree of arrears and whether or not there are previous difficulty indicators (including forbearance, if any).

Factoring (Creditech)

Factoring includes both traditional factoring (loans with very short-term disbursements, often backed by insurance cover) and non-recourse factoring (acquiring loans from the seller to be repaid via monthly instalments by the original borrower, who in virtually all cases is a retail customer). For traditional factoring, the internal units appraise the solvency of the sellers and the original borrowers via individual analysis using methodologies similar to those adopted for corporate lending, whereas for non-recourse factoring the acquisition price is calculated following due statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, changes and margins.

Ordinary corporate factoring is subject to analytical monitoring and assessment. Loan instalments are monitored in the same way as retail loans, through ongoing identification and analysis of delays in payment to allow the most effective recovery activities to be adopted. At each reporting date provisions for adjustment are estimated based on the expected cash flows and taking into account both collection times and recovery costs.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. Approval depends partly on the outcome of a credit scoring system, implemented on the basis *inter alia* of an internal rating model, which is largely determined through individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly appraised.

Properties established as collateral are subject to a statistical revaluation process which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert.

Irregular accounts are managed through monthly reports analysing the characteristics of the accounts in order to flag up promptly any potential problem areas using advanced early warning systems linked to public and private databases.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers. Procedurally mortgage loans with four or more unpaid instalments (not necessarily consecutive) are designated as sub-standard accounts, and generally after the eighth or ninth unpaid instalment become non-performing.

Provisioning is determined analytically for non-performing items and collectively for sub-standard, restructured, overdue and performing accounts. For the analytical provisions for the non-performing items, account is taken of the official valuations of the assets (deflated on a prudential basis), timescales and recovery costs. For the performing accounts, the Bank uses risk parameters (PD and LGD), which are estimated via the internal rating model, to determine the collective risk provisions.

* * *

The Group uses credit risk mitigation techniques, in accordance with the provisions of the CRR (Part 3 Title II Section IV) for banks which use the standardized calculation methodology.

In particular, for real guarantees the so-called “integral” method has been adopted, with the standard regulatory adjustments for volatility being applied, while for personal guarantees the replacement principle has been adopted.

Further information on the credit risk mitigation techniques used is provided in Section 8.

Credit Value Adjustment risk (“CVA”)

With reference to the capital requirement for CVA, defined as adjustment to the mid-market valuation of the portfolio of transactions with a counterparty, the Group has applied the standardized methodology provided for by Article 384 of the CRR, considering all counterparties with and without CSA.

Counterparty risk

Counterparty risk is defined as the risk of the counterparty in a transaction involving particular financial instruments defaulting before the transaction has been settled.

Counterparty risk is measured in terms of potential future exposure of market value, using a simulation method based on market volatilty and thus doing away with the need to set arbitrary weightings for each type of instrument. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group. Finally, for medium- or long-term collateralized loans or stocks with reduced liquidity and/or high correlation with the counterparty, the exposure is measured via an *ad hoc* metric, which estimates combined default scenarios (i.e. counterparty and collateral) and particularly stressed conditions for disposing of securities.

Finally, for non-collateralized derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty’s credit risk (CVA) and also of Mediobanca’s credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

Market risk

Market risk is defined as the risk generated by operations on markets involving financial instruments which are held as part of the regulatory trading book and involving foreign currencies and/or merchandise.

The market risks facing the Group are concentrated almost entirely at the parent company level. Mediobanca's exposure to price risk on the trading book is measured on a daily basis by calculating two main indicators:

- sensitivity (the so-called "Greeks") to minor changes in risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility);
- value-at-risk,[1] calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

Such analysis regards not just the trading book but the Bank's entire asset structure, including the banking book but net of the equity investments. Analysis of VaR takes into consideration risks deriving from changes in market interest rates and credit spreads for positions in bonds and hedge derivatives.

In addition to these metrics, *ad hoc* indicators are compiled to capture tail risks not measured by VaR, and stress tests carried out on the main risk factors, to show the impact which significant movements in the main market varibales (such as share prices and interest or exchange rates) might have, calibrated on the basis of the most pronounced historical oscillations.

In order to monitor the various business units' operations, limits have been introduced on sensitivities to movements of different factors as well as the value-at-risk. In the latter case, the indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes (this has become the main benchmark starting from 1 July 2015).[2] This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

As for exchange rate risk, all banking and trading book positions taken on the foreign exchange market are managed regularly and are monitored in integrated fashion by the Finance division using internal VaR models.

A VaR model for market risk is also used by Compagnie Monégasque de Banque (CMB), based on a 99% confidence level.

Fair value hedges and cash flow hedges are also made on future trades (share disposals hedged through forward contracts) via derivative contracts entered into with leading market counterparties, in order to mitigate price risk on equity investments held as available for sale (AFS).

Operational risk

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

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

The processes of identifying, assessing (including through self-risk assessment techniques), collecting and analysing loss data and mitigating operational risks are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies.

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

In general, the operating losses recorded have been very low, accounting for less than 1% of the Group's total revenues.

Furthermore, with reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group, *inter alia* following the establishment of a centralized IT governance unit, is engaged in an IT risk assessment process and in developing both business continuity/disaster recovery and systems security plans, to ensure that activity can continue and to limit operating losses in the event of serious interruptions.

Interest rate risk on the banking book

This is defined as the risk deriving from potential changes in interest rates to the banking book.

The Mediobanca Group monitors and manages interest rate risk in connection with its policy on managing interest rate risk on the banking book. The policy defines the methodologies and supervisory limits and thresholds at Group and individual levels.

Interest rate risk is made up of changes to interest rates which impact on:

- the current net value of assets and liabilities, impacting in turn on the discounted value of future cash flows (fair value risk);
- net interest income and hence also the Bank's earnings (cash flow risk).

The activity of monitoring interest rate risk on the banking book involves use of the following metrics:

- sensitivity of current value, which enables the sustainability of the Group's exposure to interest rate risk over the long term to be represented, providing an indication of the degree of mismatch between the duration of assets and liabilities;
- sensitivity of net interest income, which allows the impact on the profit and loss account to be captured; this figure is expressed in relation to the estimated net interest income for the year, to provide an indication of the degree of uncertainty entailed by the budget projections, and also to common equity in order to estimate the possible impact on the Group's capital solidity.

Hedging

Hedges used are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor, through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months):[4]

Fair value hedges – these are are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. All fixed-rate, zero coupon and structured bond issues are fair-value hedged. With regard to the structured bonds in particular, if they do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign. Fair value hedges are also used in corporate finance for certain bilateral, fixed-rate transactions and to mitigate price risk on equity investments held as available for sale;

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

Further information on interest rate risk on the banking book is shown in Section 11.

Financial leverage risk

The Bank's leverage is the ratio between the entity's capital divided by its overall exposure.

The risk of particularly high indebtedness levels relative to equity is monitored by the Group on a regular basis as part of the quarterly requirements stipulated by Circular 285 (COREP reporting).

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

The leverage ratio is one of the metrics which the Bank has identified in the RAF, with specific alert and limit levels, for the purpose of quantifying its propensity to risk.

Liquidity risk

This is defined as the risk that the Bank will not be able to meet its own payment commitments through being unable to raise the requisite funds ("funding liquidity risk") or through limits on asset disposals ("market liquidity risk").

The Mediobanca Group monitors and manages liquidty risk based on the provisions of Bank of Italy circular no. 263/06 (and related updates), via the following documents: the Liquidity risk management policy (the "Policy") and Contingency funding plan ("CFP").

The basic principles on which the Policy is based are as follows:

- identifying the parties, responsibilities and duties for controlling liquidity risk for the Group as a whole and for the individual Group companies;
- defining and monitoring the short-term risk limits (operating liquidity) within a time horizon of up to twelve months;
- defining and monitoring medium-/long-term liquidity (structural liquidity), which considers events that could impact on the Bank's liquidity position over a time horizon of more than twelve months;
- defining a pricing system of internal fund transfers between the Group's various units and companies.

The Group's objective is to maintain a level of liquidity that will allow it to meet the payment obligations it has undertaken, ordinary and extraordinary, at the present maturities, while at the same time keeping the costs involved to a minimum and hence without incurring non-recurring losses. Specifically, monitoring operating liquidity is intended to ensure that the mismatch between cash inflows and outflows, expected and not expected, remains sustainable in the short term.

In this connection the metric adopted is the ratio between counterbalancing capacity (defined principally as the availability post-haircut of bonds and receivables eligible for refinancing with the ECB) and the cumulative net cash outflows. Through use of the maturity ladder, i.e. projection of the net financial position over time, the underlying methodology consists of evaluating the entire Group's ability to withstand a liquidity crisis in the event of a system or specific crisis situation occuring. This ability is calculated assuming there are no changes in the Group's business structure or asset profile.

The starting point in the process is quantifying certain and uncertain/estimated cash inflows and outflows, and the resulting mismatches or surpluses, in the various brackets of duration outstanding which make up the operational maturity ladder (time horizon up to three months). Cash flows are determined in two analysis scenarios, namely the ongoing concern and the specific and systemic stress scenarios.

Stress testing assumes extraordinary factors such as a) drawdowns on committed lines granted to customers, b) reductions in the debt security funding or unsecured funding channels, c) renewal of only part of the retail funding expiring, and d) anticipation and full realization of lending volumes in the pipeline. The liquidity risk tolerance threshold is defined as the maximum exposure to risk deemed sustainable by the managmenet in the normal course of business, as well as "stress situations".

In addition to the above, the Group also prepares the weekly liquidity position update required by the Bank of Italy. The maturity ladder report, prepared in accordance with the authority's guidelines, lists the principal maturities falling due in the months following the reference date, and contains a summary of the movements in both directions on the interbank market and a table showing the Group's funding balances by individual form. This monitoring instrument forms a point of contact with the other operational metrics used and promotes dialogue with the regulatory bodies regarding the trends influencing the liquidity risk profile over time. As from March 2015, the Bank also monitors the ratio between the net balance of aggregare liquidity available at three months and the total consolidated assets (FINREP) at the observation date: the ratio value is also notified on at least a monthly basis to the ALM Committee, and at end-June was around 11%.

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term as well. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that inflows cover 100% of outflows for maturities of more than one year, reduced to 90% of outflows for maturities of more than five years.

Throughout the entire twelve months under review, both indicators, short- and long-term, were at all times above the limits set in the policy.

The objectives and metrics described above are addressed through the preparation of the Group Funding Plan, involving sustainable analysis of sources and applications, short-term and structural, and through definition of the Group Risk Appetite Framework, which involves defining the Group’s appetite for risk. Throughout the twelve months under review, the regulatory indicators (the liquidity coverage ratio and net stable funding ratio) and the other indicators established in the Group Risk Appetite Framework remained within the set limits at all times.

Alongside the previous indicators, an event governance model has also been provided known as the Contingency Liquidity Funding Plan, to be implemented in the event of a crisis by following a procedure approved by the Board of Directors.

The objective of the Group Contingency Funding Plan is to ensure prompt implementation of effective action to tackle a liquidity crisis, through precise identification of stakeholders, powers, responsibilities, communication procedures and reporting criteria, in order to increase the likelihood of coming through the state of emergency successfully. This objective is achieved primarily by activating an extraordinary operational and liquidity governance model, supported by consistent internal and external reporting and a series of specific indicators.

Before a contingency situation develops, a system of early warning indicators (EWIs) has been prepared, to monitor situations that could lead to a deterioration in the Group’s liquidity position deriving from external factors (market or sector) or from situations which are specific to the Banking Group itself.

As part of risk control and management activities, a Group-wide project has been launched to rationalize and make more effective the architecture designed to collect and use information for regulatory and operational purposes.

Other risks

As part of the process of assessing the current and future capital required for the company to perform its business (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously:

- concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties (“single name concentration risk”) or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- expected shortfall on credit portfolio risk – with reference to credit risk, the risk deriving from the failure to cover the positive difference between the total amount of the expected loss calcuated with reference to credit exposures with performing counterparties, via the use of risk parameters (PD and LGD) estimated using internal models (not yet ratified for supervisory purposes) and the respective balance-sheet adjustments calculated according to the accounting standards in force;
- strategic risk: both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong

management decisions or inadequate execution of decisions taken (pure strategic risk). To monitor and manage strategic risk, the Group has implemented a regular review activity of the state of progress made in achieving its strategic objectives as defined in the business plan in force at the time and the earnings and financial targets set in the budget, with a view to providing indications as to corrective action to be taken if appropriate;

- basis risk – in the context of market risk, basis risk is the risk of losses caused by unaligned price changes in opposite directions from each other, which are similar but not identical;
- compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;
- country and transfer risk – the risk of losses being caused by events in a country other than Italy, including losses due to difficulties on the part of the borrower in converting the currency in which it receives its main income flows into the currency in which the exposure is denominated.

Section 2 – Scope of application

Qualitative information

The disclosure requirements which subtend this document apply to Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, entered in the register of banking groups, to which the data shown in the document refer.

The consolidated accounts comprise the balance-sheet and profit-and-loss data for the Group's subsidiaries and companies directly or indirectly controlled by them, including those companies operating in different sectors to the parent company.

Based on the combined provisions of FRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities", the Group has proceeded to consolidate its subsidiaries on a line-by-line basis, and its associates and joint arrangements using the net equity method.

Six new companies have been included in the Group's area of consolidation since 30 June 2014, all newly set up and 100%-owned by Mediobanca following the exit of Prudentia Fiduciaria (now merged into Spafid) and MB Sicav (written off after placement activities were launched under the name Yellow Funds Sicav with the sponsorship of CheBanca!). The companies are:

- MB Advisory Mexico Sociedad Anonima de Capital Variable, which performs advisory services in Mexico;
- Quarzo CQS S.r.l., an SPV for the securitization of Futuro receivables;
- CMB Weath Asset Management S.A., a company incorporated under English law to perform advisory and asset management activity in London;
- Sinto MB S.r.l., the company deriving from the demerger of Sintonia S.p.A. which chiefly holds shares in Atlantia S.p.A.;
- Telco MB S.r.l., the company deriving from the demerger of Telco, which chiefly held shares in Telecom Italia S.p.A. subsequently sold onto Mediobanca S.p.A.;
- Spafid Connect, the company set up as a result of an agreement entered into between Spafid S.p.A. and Feedback Italia S.p.A. to manage the general meetings of listed or soon-to-be listed companies; the current 70% stake is expected to rise to 100% as from 2020 by virtue of the put and call options executed.

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Quantitative information

Area of consolidation

	Name	Registered office	Type of relationship [1]	Shareholding		% voting rights [2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	Line-by-line					
1.	Mediobanca - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	Prominvestment S.p.A. - in liquidazione	Milan	1	A.1.1	100,—	100,—
3.	Mediobanca Innovation Services - S.c.p.A.	Milan	1	A.1.1	100,—	100,—
4.	Spafid S.p.A.	Milan	1	A.1.1	100,—	100,—
5.	Compagnie Monegasque de Banque - CMB S.A.M.	Montecarlo	1	A.1.1	100,—	100,—
6.	C.M.G. Compagnie Monegasque de Gestion S.A.M.	Montecarlo	1	A.1.5	99.89	100
7.	Smef Societe Monegasque des Etudes Financiere S.A.M.	Montecarlo	1	A.1.5	99.96	99.96
8.	CMB Asset Management S.A.M.	Montecarlo	1	A.1.5	99.3	99.30
9.	Mediobanca International (Luxembourg) S.A.	Luxemburg	1	A.1.1	99,—	99,—
			1	A.1.10	1,—	1,—
10.	Compass S.p.A.	Milan	1	A.1.1	100,—	100,—
11.	Chebanca! S.p.A.	Milan	1	A.1.1	100,—	100,—
12.	Creditech S.p.A.	Milan	1	A.1.10	100,—	100,—
13.	SelmaBipiemme Leasing S.p.A.	Milan	1	A.1.1	60,—	60,—
14.	Palladio Leasing S.p.A.	Vicenza	1	A.1.13	95,—	100,—
				A.1.14	5,—	
15.	Teleleasing S.p.A. - in liquidazione	Milan	1	A.1.13	80,—	80,—
16.	Ricerche e Studi S.p.A.	Milan	1	A.1.1	100,—	100,—
17.	Mediobanca Securities USA LLC	New York	1	A.1.1	100,—	100,—
18.	Consortium S.r.l.	Milan	1	A.1.1	100,—	100,—
19.	Quarzo S.r.l.	Milan	1	A.1.10	90,—	90,—
20.	Quarzo Lease S.r.l.	Milan	1	A.1.13	90,—	90,—
21.	Futuro S.p.A	Milan	1	A.1.10	100,—	100,—
22.	Mediobanca Covered Bond S.r.l.	Milan	1	A.1.11	90,—	90,—
23.	Compass Re (Luxembourg) S.A.	Luxemburg	1	A.1.10	100,—	100,—
24.	Mediobanca International Immobiliére S. a r.l.	Luxemburg	1	A.1.9	100,—	100,—
25.	MB Advisory Kurumsal Danismanlik Hizmetleri Anonim Sirketi	Istanbul	1	A.1.1	100,—	100,—
26.	MB Advisory Mexico S.A.C.V	osques De Las Loma	1	A.1.1	100,—	100,—
27.	Spafid Connect S.p.A.	Milan	1	A.1.4	100,— (*)	70,—
28.	Telco MB S.r.l.	Milan	1	A.1.1	100,—	100,—
29.	Sinto MB S.r.l.	Milan	1	A.1.1	100,—	100,—

* Taking into account the put-and-call option exercisable as from the fifth anniversary of the execution date of the transaction.

Legend

[1] Type of relationship:
1 = majority of voting rights in ordinary AGMs.
2 = dominant influence in ordinary AGMs.

[2] Effective and potential voting rights in ordinary AGMs.

Section 3 – Composition of regulatory capital

Qualitative information

Consolidated capital

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the Internal Capital Adequacy Assessment Process (ICAAP) and confirmed by the Supervisory Review and Evaluation Process (SREP) performed annually by the supervisory authorities. In general terms, with the introduction of the new prudential supervisory regulations intended to strengthen the capitalization of the banking system, the Group has decided to improve its risk profile still further by disposing of the most closely related assets (investments in banks and insurances) and mitigating concentration risk versus individual borrowers, geographies and sectors.

Based on the new body of supervisory and corporate governance rules for banks, which consists of a directive ("Capital Requirements Directive IV – CRD IV") and a regulation ("Capital Requirements Regulation - CRR") issued by the European Parliament in 2013 and incorporated into the Italian regulatory framework under Bank of Italy circular no. 285, the Group has received authorization to apply the phase-in regime, which involves:

- weighting the investment Assicurazioni Generali at 370%;
- neutralizing the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets.

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group (€7,580m) and to minority shareholders (€108m) of capital paid up, reserves and the profit for the period (€589.8m) adjusted for the dividend of €0.25 per share payable to entitled shareholders (pay-out ratio 36%), net of treasury shares (€198.7m), intangible assets (€47.4m), goodwill (€376.9m) and other prudential adjustments (€35.8m) in connection with the values of financial instruments (AVAs and DVAs). Deductions of €270.5m involve the investments in banking, financial and insurance companies, and have been calculated based on the phase-in and excess regimes.

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

Tier 2 capital includes the liabilities issued (€1,779.2m), plus 30% of the positive reserves for AFS securities (€458m), which does not include the net gain of EU member states' government securities (€53.9m) subject to neutralization. Deductions of €492.1m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies investments in banking, financial and insurance companies in excess of the limits not deducted from Common Equity Tier 1, based on the phase-in regime applied.

Quantitative information

Table 3.1 – Bank equity

	30/6/15	30/6/14
A. Common Equity Tier 1 (CET1) prior to application of prudential filters	8,604,990	7,770,303
of which CET1 instruments subject to phase-in provisions	–	–
B. CET1 prudential filters (+/-)	41,318	58,331
C. Gross CET1 including items to be deducted and effects of phase-in regime (A +/- B)	8,646,308	7,828,634
D. Items to be deducted from CET1	(863,115)	(492,092)
E. Phase-in regime – impact on CET1 (+/-), including minority interests subject to phase-in provisions	(645,698)	(829,810)
F. Total Common Equity Tier 1 (CET1) (C – D +/-E)	7,137,495	6,506,732
G. Gross additional Tier 1 equity (AT1), including items to be deducted and effects of phase-in regime	–	–
of which AT1 instruments subject to phase-in provisions	–	–
H. Items to be deducted from AT1	–	–
I. Phase-in regime – impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	–	–
L. Total Additional Tier 1 equity (AT1) (G - H +/- I)	–	–
M. Gross Tier 2 equity (T2), including items to be deducted and effects of phase-in regime	1,779,200	1,694,423
of which T2 instruments subject to phase-in provisions	–	–
N. Items to be deducted from T2	(325,827)	(404,026)
O. Phase-in regime – impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	291,729	285,795
P. Total Tier 2 equity (T2) (M - N +/- O)	1,745,102	1,576,192
Q. Total capital (F + L + P)	8,882,597	8,082,924

Table 3.2 – Phase-in model for publication of information on own funds

	Information on own funds	(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013
1	Capital instruments and the related share premium accounts	2,578,088	
	of which: Instrument type 1	2,578,088	
2	Retained earnings	4,734,359	
3	Accumulated other comprehensive income and other reserves	1,729,584	
5	Minority Interests	85,915	46,996
6	Common Equity Tier 1 (CETI) capital before regulatory adjustments	9,127,946	
		-1,697,021	
7	Additional value adjustments	(24,738)	
8	Intangible assets (net of related tax liability)	(424,269)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(715)	
11	Fair value reserves related to gains or losses on cash flow hedges	77,156	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(11,100)	
16	Direct and indirect holdings by an institution of own CET1 instruments	(198,688)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	(46,567)	(6,968)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution	(293,431)	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(969,967)	
	of which: unrealized gains on debt securities issued by EU member state central administrations	(53,945)	
	of which: unrealized gains on debt securities referring to issuers other than EU member state central administrations	(916,022)	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution	(98,133)	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	(1,990,452)	
29	Total Capital Tier 1 (CET1)	7,137,494	

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Table 3.2 (cont.)

	Information on own funds	(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013
	Additional Tier 1 (AT1) capital: instruments	0	
30	Capital instruments and the related share premium accounts	–	
	Additional Tier 1 (AT1) capital: regulatory adjustments	0	
45	Tier 1 capital (T1 = CET1 + AT1)	7,137,494	
	Tier 2 (T2) capital: instruments and provisions	1,779,200	
46	Capital instruments and the related share premium accounts	1,779,200	
	Tier 2 (T2) capital: regulatory adjustments	-34,097	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(325,827)	(237,458)
55	Direct and indirect holdings by the institution of the T2 instruments	(3,504)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	(153,436)	
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	(6,968)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	(2,374)	
	of which: unrealized gains on debt securities referring to issuers other than EU member state central administrations	458,011	
	Of which: ... possible filter for unrealised gains	–	
58	Tier 2 (T2) capital	1,745,102	
59	Total capital (TC = T1 + T2)	8,882,597	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out	10,007	
	of which: items not deducted from tier 1 equity (EU regulation 575/13, residual amounts) (items to be detailed line by line, e.g. deferred tax assets based on future earnings net of tax liabilities, own tier 1 equity instruments held directly, etc.).	10,007	
60	Total risk weighted assets	59,577,100	

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Table 3.2 (cont.)

	Information on own funds	(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013
	Capital ratios and butlers		
61	Common Equity Tier 1	11.98%	
62	Tier 1	11.98%	
63	Total capital	14.91%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or 0-SII buffer), expressed as a percentage of risk exposure amount)	700,469	
65	of which: capital conservation buffer requirement	250,167	
66	of which: countercyclical buffer requirement	–	
67	of which: systemic risk buffer requirement	–	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	
68	Common Equity Tier 1 available to meet buffers	450,301	
	Applicable caps on the inclusion of provisions in Tier 2		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	740,802	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the insti- tution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	363,901	
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	109,336	

Table 3.3.1 – Reconciliation of accounting and regulatory balance sheet with phase-in own fund constituents

Equity constituents	Total
Share capital	458,548
Share premiums	2,147,275
Reserves	4,434,516
Equity instruments	–
(Treasury shares)	(198,688)
Valuation reserves:	1,432,601
- AFS securities	432,575
- Property, plant and equipment	–
- Intangible assets	–
- Foreign investment hedges	–
- Cash flow hedges	(24,296)
- Exchange rate differences	13
- Non-current assets being sold	–
- Actuarial profits (losses) on defined-benefit pension schemes	(5,063)
- Equity-accounted companies' share of valuation reserves	1,014,310
- Special revaluation laws	15,062
- Others	–
Profit (loss) for the period attributable to the Group and minorities	592,846
Net equity	8,867,098
Dividends	(212,893)
Share attributable to ineligible minorities	(49,215)
CET1 pre-application of prudential filters, phase-in adjustments and deductions	8,604,990
Prudential filters	41,318
Phase-in adjustments [1]	(645,698)
Deductions [2]	(863,115)
CET1	7,137,495
Subordinated loans eligible as Tier 2 instruments	1,779,200
Phase-in adjustments [3]	458,011
Deductions [2]	(492,108)
Tier 2 equity	1,745,102
Own funds	8,882,597

[1] Includes effects of phase-in on: AFS reserves, IAS 19 reserve and minority interests.

[2] Deductions on intangible assets (goodwill and others) and investments in financial sector (see table 3.3.2 below for further details).

[3] Includes effects of phase-in on AFS reserves

Table 3.3.2 – Reconciliation of discrepancies between accounting and regulatory balance sheets due to phase-in treatment of own fund constituents

Other asset items	BV	of which deducted	
		CET1	T2
Heading 20 - Financial assets held for trading	11,926,239	(40,735)	(33,214)
Headings 40/50 - AFS and HTM financial assets	9,103,397	(20,465)	(100,283)
Headings 60/70 - Due to banks and customers	43,636,476		(271,608)
Heading 100 - Equity investments	3,967,260	(376,931)	(87,003)
Heading 130 - Intangible assets	424,269	(424,269)	–
Heading 140 - advance tax assets	738,437	(715)	–
Other assets	1,666,094		
Total	**71,462,172**	**(863,115)**	**(492,108)**

Table 3.4 - Subordinated issues

Name	ISIN	Currency	30/6/15		30/6/14	
			Nominal Value	Book Value*	Nominal Value	Book Value*
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	EUR	490,265	484,697	493,205	490,863
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	EUR	496,100	521,840	499,041	535,849
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	EUR	749,091	863,834	739,553	840,771
Total Subordinated Debt Securities			**1,735,456**	**1,870,371**	**1,731,799**	**1,867,483**

[1] Includes fair value component not considered for regulatory purposes.

Table 3.5 – Description of subordinated issues

	Capital instruments main features template	Tier2 IT0004720436	Tier2 IT0004917842	Tier2 IT0004645542
1	Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2	Unique identifier	IT0004720436	IT0004917842	IT0004645542
3	Governing law(s) of the instrument	Whole instrument - Italian law	Whole instrument - Italian law	Whole instrument - Italian law
	Regulatory treatment	-	-	-
4	Transitional CRR rules	Tier2	Tier2	Tier2
5	Post-transitional CRR rules	Tier2	Tier2	Tier2
6	Eligible at only (sub-)consolidated/ only (sub-) consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated
7	Instrument type	Bond - Article 62 CRR	Bond - Article 62 CRR	Bond - Article 62 CRR
8	Amount recognised in regulatory capital	482	493	804
		Buybacks and repayment	Buybacks and repayment	Buybacks and repayment
9	Nominal amount of instrument	500	500	750
9a	Issue price	100	100	100
9b	Redemption price	100	100	100
10	Accounting classification	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	13/06/2011	18/04/2013	15/11/2010
12	Perpetual or dated	At maturity	At maturity	At maturity
13	Original maturity date	13/06/2021	18/04/2023	15/11/2020
14	Issuer call subject to prior supervisory approval	NO	NO	NO
	Coupons / dividends	-	-	-
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed
18	Coupon rate and any related index	Euribor 3M + 2% p.a., min. rate 4.5% and max. rate 7.5% p.a.	5.75% p.a.	5% p.a.
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NO	NO	NO
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	NO	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior
36	Non-compliant transitioned features	NO	NO	NO

Section 4 – Capital adequacy

Qualitative information

The Group pays particular attention to monitoring its own capital adequacy ratios, to ensure that its capital is commensurate with its risk propensity as well as with regulatory requirements.

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analyses or stress tests are also carried out to assess the impact of particularly adverse economic conditions on the Group's capital requirements deriving from its exposure to the principal risks (stress testing), in order to appraise its capital resources even in extreme conditions.

This capital adequacy assessment takes the form of the ICAAP report which is produced annually and sent to the European Central Bank, along with the resolutions and reports in which the governing bodies express their opinions on related matters according to their respective roles and responsibilities.

Capital adequacy in respect of pillar 1 risks is also monitored Accounting and financial reporting unit through checking the capital ratios according to the rules established by the Capital Requirements Regulation (CRR)/Circular 285.

* * *

As at 30 June 2015, the Group's Common Equity Ratio, calculated as Tier 1 capital as a percentage of total risk-weighted assets, amounted to 11.98%, higher than last year (11.08%), helped by the fact that the positive AFS reserves were eligible for inclusion (and which accounted for 40% of the total value equal to €611m, without considering the net gain on EU government securities of €53.9m, which was neutralized) and despite the increase in risk-weighted assets from €58.7bn to €59.6bn. The total capital ratio rose from 13.76% to 14.91%, due in particular to the positive AFS reserves being eligible for inclusion (which accounted for 30% of the total value equal to €458m.

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Quantitative information

Table 4.1 - Capital adequacy

Categories/Values	Unweighted amounts		Weighted amounts/requirements	
	30/6/15	30/6/14	30/6/15	30/6/14
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	58,840,983	63,699,928	50,458,895	47,952,135
1. Standardized methodology	58,686,010	63,472,342	50,079,717	47,632,553
2. Methodology based on internal ratings	–	–	–	–
2.1 Basic	–	–	–	–
2.2 Advanced	–	–	–	–
3. Securitizations	154,973	227,586	379,178	319,582
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			4,036,712	3,836,171
B.2 Credit value adjustment risk			66,864	65,255
B.3 Settlement risk			–	–
B.4 Market risks			540,399	543,239
1. Standard methodology			523,460	524,445
2. Internal models			–	–
3. Concentration risk			16,938	18,794
B.5 Operational risks			255,461	254,866
1. Basic method			255,461	254,866
2. Standardized method			–	–
3. Advanced method			–	–
B.6 Other prudential requirements			–	–
B.7 Other items			–	–
B.8 Total prudential requirements			4,899,435	4,699,531
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			59,577,085	58,744,138
C.2 CET1/RWAs (CET1 capital ratio)			11.98%	11.08%
C.3 Total capital/RWAs (total capital ratio)			14.91%	13.76%

Table 4.2 – Credit risk: exposures by portfolio

Portfolios	Amounts as at 30/6/15			
	Value of exposure gross of CRM	Exposure values net of CRM	Exposures guaranteed	
			Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	5,584,436	5,769,188	–	184,751
Exposures to or guaranteed by regional entities	12,704	12,704	–	–
Exposures to or guaranteed by non-profit-making or public-sector entities	55,624	58,106	–	2,482
Exposures to or guaranteed by Banche multilateral development banks	–	307	–	307
Exposures to or guaranteed by international organizations	10,107	10,107	–	–
Exposures to or guaranteed by regulated intermediaries	18,073,243	18,061,235	11,108,329	100,564
Exposures to or guaranteed by companies	28,019,206	27,732,919	3,408,968	163,004
Retail exposures	12,387,391	12,363,862	38,496	–
Exposures guaranteed by properties	4,837,277	4,837,273	353	–
Overdue exposures	1,183,669	1,171,652	2,114	–
High-risk exposures	78,974	78,974	–	–
Exposures in the form of guaranteed bank debt securities	313,205	313,205	–	–
Short-term exposures to companies	–	–	–	–
Exposures to OICRs	275,493	275,493	–	–
Exposures to equity instruments	4,971,985	4,971,985	–	–
Other exposures	1,888,971	2,035,275	–	146,305
Total cash risk assets	49,846,733	48,967,768	878,965	443,243
Total guarantees issued and commitments to disburse funds	9,823,246	9,359,284	463,962	51,596
Total derivatives contracts	2,714,811	2,008,246	706,565	–
Total SFTs and trades with long-term settlement	15,307,495	3,611,601	12,508,769	102,575
Grand Total	**77,692,285**	**63,946,900**	**14,558,260**	**597,413**

Table 4.3: Capital requirement for market risks

Capital requirement for market risk	30/6/15
Position risk	424,297
of which relating to positions in respect of securitizations	1,221
Concentration risk	16,938
Regulatory risk for DVP transactions	–
Exchange rate risk	32,759
Risk on positions in commodities	–
Total Market Risk	**473,994**

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Table 4.4 – Risk-weighted assets and requirements by strategic business area*

	30/6/15									30/6/14								
Business Line	Group Capital Requirements	CIB Requirements	%	RCB Requirements	%	PI Requirements	%	CC Requirements	%	Group Capital Requirements	CIB Requirements	%	RCB Requirements	%	PI Requirements	%	CC Requirements	%
Credit and Counterparty Risk	4,036,712	2,076,310	51.44%	849,883	21.05%	933,772	23.13%	176,747	4.38%	3,901,426	2,030,698	52.05%	780,312	20.00%	907,745	23.27%	182,671	4.68%
Market Risk	473,994	473,916	99.98%	79	0.02%	–	–	–	–	543,239	543,176	99.99%	63	0.01%	–	–	–	–
Operational Risk	255,461	119,827	46.91%	122,823	48.08%	–	–	12,811	5.02%	254,866	127,226	49.92%	112,637	44.19%	–	–	15,004	5.89%
Regulatory Capital	**4,766,167**	**2,670,053**	**56.02%**	**972,784**	**20.41%**	**933,772**	**19.59%**	**189,558**	**3.98%**	**4,699,531**	**2,701,100**	**56.67%**	**893,012**	**18.74%**	**907,745**	**19.05%**	**197,675**	**4.15%**

** Divisions comprise:*

- CIB (Corporate and investment banking): comprises wholesale banking (WSB), which includes lending, structured finance and investment banking activity, and private banking (PB), which includes Compagnie Monégasque de Banque, Spafid and Prudentia, plus 50% of Banca Esperia pro-forma;
- Principal Investing: brings together all equity investments in associates (IAS 28) and AFS assets;
- Retail and Consumer Banking: consumer credit and retail banking activities; the division includes Compass, Futuro, Creditech and CheBanca!;
- Corporate Centre: brings together the other Group companies (including leasing) and certain centralized Group costs (including in respect of the Board of Directors).

Section 5 – Financial leverage

Qualitative information

The leverage ratio is the ratio between the Bank's tier 1 capital and the Group's total exposure (i.e. the sum of assets and off-balance-sheet exposures). This ratio has been introduced by the Basel Committee to contain debt and prevent excesse recourse to leverage in the banking sector. The minimum level set by the Committee is 3%, but the definitive figure will be set by end-2017, following which (i.e. as from 1 January 2018) it will become a minimum pillar I requirement.

The ratio, which is calculated quarterly based on point-in-time readings – as required by Bank of Italy circular 285, was introduced from 1 January 2014, with the obligation to disclose starting from 1 January 2015.

Article 429 of the CRR defines the methods used in calculating the ratio, and for off-balance-sheet exposures in particular stipulates that:

- derivatives should be valued using the current exposure method, i.e. the sum of the net market value,[5] if positive, and the potential future exposure;
- secured financing transactions should be valued based on the value recognized for the collateral under the rgulations on credit risk mitigation;
- the other off-balance-sheet exposures should reflect credit conversion factors.

[1] Taking into account the netting agreements with counterparties allowed under the regulations.

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Quantitative information

The following table shows the Mediobanca Group's leverage ratio levels as at 30 June 2015, with CET1 fully-phased and phased-in, along with the various items included in the calculation.

Table 5.1 - Financial leverage

Row	Amount of the exposition	Book Value 30/6/15
10	Securities financing transactions: master netting agreements	3,652,263
20	Securities financing transactions: simplified method	482
	Total exposure to secured financing transactions (heading 10 + 20)	3,652,745
30	Derivatives: market value method: current replacement cost	1,508,206
40	Derivatives: market value method: add-on	1,054,142
50	Derivatives: original exposure method	–
	Total exposure to derivatives (headings 30-50)	2,562,348
60	Revocable credit lines, undrawn	73,874
70	Off-balance-sheet items, medium-low risk	1,722
80	Off-balance-sheet items, medium-risk	3,556,234
90	Other off-balance-sheet items	975,823
	Total exposures to off-balance-sheet items (headings 60-90)	4,607,653
100	Other assets	55,943,422
	Total exposure to on- and off-balance-sheet items	**66,766,168**
	Own funds	
110	Tier 1 equity: fully-phased	7,871,772
120	Tier 1 equity: phased-in	7,137,494
130	Significant investments in financial sector entities comprised	–
140	Significant investments in financial sector entities comprised	–
150	Prudential filters and deductions: fully-phased	(961,262)
170	Prudential filters and deductions: phased-in	(1,442,096)
	Leverage ratio	
180	Financial leverage ratio: fully-phased	12.0%
190	Financial leverage ratio: phased-in	10.9%

Section 6 – Credit risk

6.1 Credit risk: general information for all banks

Qualitative information

The definition of exposures in default (i.e. non-performing, sub-standard, restructured and overdue/overdrawn) adopted by the Mediobanca Group is based on the one used by the Bank of Italy, along with the internal criteria employed to define the transitions between the various categories of impaired loans.

The classification of impaired exposures may be summarized as follows:

- non-performing – cash exposures to individuals or entities in a state of insolvency (even if not certified by law) or in substantially equivalent situations;
- sub-standard – exposures to individuals or entities in temporary situations of objective difficulty which may be expected to be obviated within a reasonable period of time;
- restructured – exposures for which changes are agreed to the original terms of the contract due to a deterioration in the earning and financial condition of the borrower (e.g. rescheduling of repayments, reduction of debt and/or interest) which give rise to a loss;
- overdue/overdrawn – debtor positions for an individual or entity (not classified as non-performing, sub-standard or restructured) in respect of which a condition of persistent non-payment has been recorded (overdue/overdrawn for more than 90 days consecutively).

New definitions of bad loans have been adopted in accordance with the provisions of Bank of Italy circular 272/08, seventh update (three different sub-categories: non-performing, likely default and past due), along with provision for exposures subject to tolerance measures, known as "forborne", which may be applied to all assets, performing or non-performing.

Forborne exposures are defined more precisely as debt contracts in respect of which concessions have been made to a borrower finding themselves or soon to find themselves in a situation where they find or will find it difficult to meet their own financial commitments ("financial difficulties").

For an exposure to be classified as forborne, Mediobanca seeks to identify whether, following contractual amendments which are favourable to the customer (typically rescheduling maturities, suspending payments, refinancing, waivers of covenants, etc.) a situation of financial difficulty would exist as a result of the actual or potential accumulation (if the concessions are not granted) of more than 30 days' arrears. Assessment of financial difficulty is based chiefly on individual analysis in the areas of corporate lending and leasing, and the recurrence of preset conditions in consumer credit (e.g. number of arrears accumulated) and mortgage lending (e.g. loss of employment, serious illnesses and/or divorce or separation).

The introduction of these new categories has made no substantial change to the extent of the non-performing exposures, which have a gross value of €2,385.3m and a net value of €1,155.5m, the previous categories of "sub-standard" and "restructured" exposures largely coinciding with the new category of "likely default".

As at 30 June 2015, non-performing loans net of forborne exposures thus amounted to €631m, with a coverage ratio of 53%, and representing 1.68% of the total loan book.

Performing loans qualifying as forborne amounted to €342m, with a coverage ratio of 13%, and representing 0.91% of the total loan book.

Description of methodologies adopted to determine loan loss provisions

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

Loans and receivables are stated at amortized cost, i.e. initial values adjusted upwards or downwards to reflect: repayments of principal, amounts written down/back, and the difference between amounts drawn at disbursement and repayable at maturity amortized on the basis of the effective interest rate, with the exception of short-term loans which are recorded at cost. The effective interest rate is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

Individual items are tested at annual and interim reporting dates to show whether or not there is evidence of impairment. Items reflecting such evidence are then subjected to analytical testing, and, if appropriate, adjusted to reflect the difference between their carrying amount at the time of the impairment test (amortized cost), and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Future cash flows are estimated to take account of anticipated collection times, the presumed value of receivables upon disposal of any collateral, and costs likely to be incurred in order to recover the exposure. Cash flows from loans expected to be recovered in the short term are not discounted.

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

If the reasons which brought about the loss of value cease to apply, the original value of the loan is recovered in the profit and loss account in subsequent accounting periods up to the value of amortized cost.

Accounts for which there is no objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

With respect to financial leasingIAS 17 stipulates that for finance leases, interest income should be recorded based on methods which reflect a constant, regular return on the lessor's net investment. In accordance with this principle, in the event of changes to contracts one these have become effective, any difference arising from comparison between the outstanding principal amount prior to renegotiation and the value of the new future flows discounted at the original interest rate have been taken through the profit and loss account for the period.

Exposure to sovereign debt risk

The securities portfolio chiefly consists of financial instruments with Italy country risk worth €5.3bn (80% of the total, with an average maturity of 2.4 years). The exposure to German bonds remains substantial (at 11% of the total – the total book value is equal to €764m corresponding to a notional value of €724m).

Quantitative information

Exposure to sovereign debt

Table 6.1.1 - Exposures to sovereign debt securities by state, counterparty and portfolio *

Asset portfolio/quality	In bonis			Total (Net exposure) [1]
	Gross exposure	Specific adjustments	Collective adjustments	
1. Financial assets held for trading	X	X	959,569	959,569
Germany	X	X	554,189	554,189
Italy	X	X	259,788	259,788
Others	X	X	145,592	145,592
2. AFS securities	5,339,943	–	5,339,943	5,339,943
Italy	4,695,875	–	4,695,875	4,695,875
France	362,859	–	362,859	362,859
Germany	209,508	–	209,508	209,508
Others	71,701	–	71,701	71,701
3. Financial assets held to maturity	359,024	–	359,024	359,024
Italy	358,142	–	358,142	358,142
Others	882	–	882	882
Total	**5,698,967**	**–**	**6,658,536**	**6,658,536**

* Does not include financial and credit derivatives.

[2] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €38.7m.

Table 6.1.2 - Exposures to sovereign debt securities by portfolio

Asset Portfolio / quality	Trading book [1]			Banking book [2]			
	Nominal Value	Book value	Duration	Nominal Value	Book value	Fair value	Duration
Italy	219,993	259,788	1.86	4,874,173	5,054,016	5,078,890	2.41
Germany	519,230	554,189	7.53	205,500	209,508	209,508	5.27
France	–	–	–	368,275	362,859	362,859	4.79
US	894	874	9.64	53,624	53,660	53,660	4.42
Others	137,660	144,718	–	28,674	18,924	32,703	–
Total	**877,777**	**959,569**		**5,530,246**	**5,698,967**	**5,737,620**	

[1] Does not include buys of €40m on *Bund/Bobl/Schatz* futures (Germany), with a fair value of €1.4m; or sales of €31m on the Treasury future(United States), with a fair value of - €0.07m, and buys on the *BPT* future (Italy) with a fair value of €0.4m, with a fair value of €0.01m. Net hedge buys of €10m (€7m of which on Italy country risk and €3m on Hungary country risk) have also not been included.

[2] Item does not include Greek GDP-linkers securities in a notional amount of €127m recorded at a fair value of €0.5m.

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Quantitative information

Table 6.1.3 - Counterparty credit risk

Counterparty credit risk		30/6/15				30/6/14			
		Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements	Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements
A.	**CREDIT RISK AND COUNTERPARTY RISK**								
A.1	**Standardized methodology - RISK ASSETS**								
A.1.1.	Exposures to or guaranteed by central administrations and central banks	5,584,436	5,763,515	1,480	118	6,905,008	7,061,377	45,040	3,603
A.1.2.	Exposures to or guaranteed by regional entities	12,704	12,704	2,541	203	24,700	24,700	4,940	395
A.1.3.	Exposures to or guaranteed by non-profit-making and public sector entities	55,624	57,894	13,567	1,085	88,523	89,057	19,044	1,524
A.1.4.	Exposures to or guaranteed by multilateral development banks	–	307	61	5	45,286	45,592	–	–
A.1.5.	Exposures to or guaranteed by international organizations	10,107	10,107	–	–	10,343	10,343	–	–
A.1.6.	Exposures to or guaranteed by regulated intermediaries	18,073,243	7,621,201	2,954,200	236,336	23,373,570	8,714,756	3,290,024	263,202
A.1.7.	Exposures to or guaranteed by companies	28,019,206	20,205,386	19,815,659	1,585,253	26,361,496	24,280,649	18,844,552	1,507,564
A.1.8.	Retail exposures	12,387,391	11,350,187	8,439,449	675,156	12,045,991	11,982,497	7,931,687	634,535
A.1.9.	Exposures guaranteed by properties	4,837,277	4,836,915	1,740,042	139,203	4,689,094	4,688,769	1,684,254	134,740
A.1.10.	Overdue exposures	1,183,669	1,163,961	1,330,280	106,422	1,199,150	1,196,984	1,423,309	113,865
A.1.11.	High-risk exposures	78,974	78,974	118,461	9,477	220,022	220,022	330,032	26,403
A.1.12.	Exposures in the form of guaranteed bank obligations	313,205	313,205	54,624	4,370	346,541	346,541	70,423	5,634
A.1.14.	Exposures to collective investment and savings organizations (OICRs)	275,493	264,807	264,807	21,185	303,870	303,870	280,743	22,459
A.1.15.	Exposures to equity instruments	4,971,985	4,971,985	13,018,832	1,041,507	3,040,277	3,040,277	12,435,011	994,801
A.1.16.	Other exposures	1,888,971	2,034,863	1,489,916	119,193	1,430,699	1,466,909	1,273,496	101,880
Total		**77,692,285**	**58,686,010**	**49,243,919**	**3,939,514**	**80,084,570**	**63,472,342**	**47,632,553**	**3,810,604**

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Table 6.1.4 - Credit risk: cash and off-balance-sheet exposures to banks

Type of exposure/counterparty area	30/6/15						
	Gross cash exposures						Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Financial assets held to maturity	Due from customers	Non-current assets and groups of assets being sold	
A. Cash exposures							
a) Non-performing	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–
c) Restructured	–	–	–	–	–	–	–
d) Overdue	–	–	–	–	–	–	–
e) Country risk	–	–	–	–	–	–	–
f) Other exposures	2,735,338	-	938,781	331,821	4,267,379	–	–
Total A	**2,735,338**	**-**	**938,781**	**331,821**	**4,267,379**	**–**	–
B. Off-balance-sheet exposures							
a) Impaired	–	–	–	–	–	–	–
b) Other	–	–	–	–	–	–	28,275,114
Total B	–	–	–	–	–	–	**28,275,114**
Total A+B	**2,735,338**	**-**	**938,781**	**331,821**	**4,267,379**	**–**	**28,275,114**

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Table 6.1.5 - Credit risk: cash and off-balance-sheet exposures to customers

Type of exposure/counterparty area	30/6/15						
	Gross cash exposures						Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Financial assets held to maturity	Due from customers	Non-current assets and groups of assets being sold	
A. Cash exposures							
a) Non-performing	–	–	–	–	613,665	–	–
b) Sub-standard	–	–	–	–	1,317,072	–	–
c) Restructured	–	–	–	–	267,316	–	–
d) Overdue	–	–	–	–	187,223	–	–
e) Country risk	–	–	–	–	-	–	–
f) Other exposures	3,081,061	–	6,199,981	993,271	36,685,525	–	–
Total A	**3,081,061**	**–**	**6,199,981**	**993,271**	**39,070,801**	**–**	–
B. Off-balance-sheet exposures							
a) Impaired	–	–	–	–	–	–	739
b) Other	–	–	–	–	–	–	18,709,033
Total B	–	–	–	–	–	–	18,709,772
Total A+B	**3,081,061**	**–**	**6,199,981**	**993,271**	**39,070,801**	**–**	**18,709,772**

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Table 6.1.6 - Cash and off-balance-sheet exposures to customers by geographical region

Type of exposure/Counterparty area	30/6/15									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Restructured	–	–	–	–	–	–	–	–	–	–
d) Overdue	–	–	–	–	–	–	–	–	–	–
e) Other exposures	3,248,792	3,247,402	4,712,539	4,711,937	277,596	277,582	17,238	17,004	17,154	17,154
Total A	**3,248,792**	**3,247,402**	**4,712,539**	**4,711,937**	**277,596**	**277,582**	**17,238**	**17,004**	**17,154**	**17,154**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–
d) Other exposures	2,424,063	2,424,063	25,075,556	25,075,556	765,217	765,217	10,278	10,278	–	–
Total B	2,424,063	2,424,063	25,075,556	25,075,556	765,217	765,217	10,278	10,278	–	–
Total A + B	**5,672,855**	**5,671,465**	**29,788,095**	**29,787,493**	**1,042,813**	**1,042,799**	**27,516**	**27,282**	**17,154**	**17,154**

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Table 6.1.7 -Cash and off-balance-sheet exposures to customers by geographical region

Type of exposure/Counterparty area	30/6/15									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	587,424	248,890	24,930	10,176	336	311	–	–	975	–
b) Sub-standard	1,309,724	659,071	6,376	2,651	971	176	–	–	1	1
c) Restructured	212,938	131,136	54,242	7,933	9	9	127	78	–	–
d) Overdue	185,106	93,142	1,517	1,309	286	280	1	1	313	313
e) Other exposures	35,434,926	35,216,468	9,859,852	9,833,667	1,523,866	1,519,806	1,742	1,734	139,452	135,898
Total A	**37,730,118**	**36,348,707**	**9,946,917**	**9,855,736**	**1,525,468**	**1,520,582**	**1,870**	**1,813**	**140,741**	**136,212**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	208	208	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	531	464	–	–	–	–	–	–
d) Other exposures	7,014,229	7,005,957	11,510,455	11,501,273	176,033	175,828	615	615	7,701	7,701
Total B	7,014,437	7,006,165	11,510,986	11,501,737	176,033	175,828	615	615	7,701	7,701
Total A + B	**44,744,555**	**43,354,872**	**21,457,903**	**21,357,473**	**1,701,501**	**1,696,410**	**2,485**	**2,428**	**148,442**	**143,913**

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Table 6.1.8 - Cash and off-balance-sheet exposures to customers by sector

Type of exposure/counterparty area	30/6/15																	
	Governments			Other public entites			Financial companies			Insurances			Non-financial undertakings			Other entities		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. Cash exposures																		
a) Non-performing	–	–	–	–	–	–	3,452	(3,428)	24	65	(10)	55	129,249	(65,421)	63,828	480,899	(285,429)	195,470
b) Sub-standard	–	–	–	10	–	10	22,552	(3,236)	19,316	398	(64)	334	885,923	(417,811)	468,112	408,189	(234,062)	174,127
c) Restructured	–	–	–	–	–	–	13,940	(8,202)	5,738	–	–	–	206,731	(103,437)	103,294	46,645	(16,521)	30,124
d) Overdue	–	–	–	2	–	2	33	(14)	19	1,571	(70)	1,501	35,892	(4,718)	31,174	149,725	(87,376)	62,349
e) Other exposures	7,664,229	(3,661)	7,660,568	174,104	(4,129)	169,975	6,974,753	(13,984)	6,960,769	1,368,970	(2,186)	1,366,784	14,505,232	(69,272)	14,435,960	16,272,550	(159,033)	16,113,517
Total A	**7,664,229**	**(3,661)**	**7,660,568**	**174,116**	**(4,129)**	**169,987**	**7,014,730**	**(28,864)**	**6,985,866**	**1,371,004**	**(2,330)**	**1,368,674**	**15,763,027**	**(660,659)**	**15,102,368**	**17,358,008**	**(782,421)**	**16,575,587**
B. Off-balance-sheet exposures	**–**	–		–	–		–	–		–	–		–	–		–	–	
a) Non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–	–	–	30	–	30	178	–	178
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–	–	–	531	(67)	464	–	–	–
d) Other exposures	551,348	–	551,348	7,386	–	7,386	8,893,247	(4,066)	8,889,181	335,779	(55)	335,724	8,736,606	(13,538)	8,723,068	184,667	–	184,667
Total B	**551,348**	**–**	**551,348**	**7,386**	**–**	**7,386**	**8,893,247**	**(4,066)**	**8,889,181**	**335,779**	**(55)**	**335,724**	**8,737,167**	**(13,605)**	**8,723,562**	**184,845**	**–**	**184,845**
Total A+B	**8,215,577**	**(3,661)**	**8,211,916**	**181,502**	**(4,129)**	**177,373**	**15,907,977**	**(32,930)**	**15,875,047**	**1,706,783**	**(2,385)**	**1,704,398**	**24,500,194**	**(674,264)**	**23,825,930**	**17,542,853**	**(782,421)**	**16,760,432**

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Table 6.1.9 - Financial assets by outstanding Maturity

Type	30/6/15										Total
	On demand	From 1 day to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	Unspecified duration	
Cash assets	7,518,798	861,087	1,418,366	1,504,155	4,170,105	3,742,153	4,465,138	23,081,230	10,881,592	129,108	**57,771,732**
A.1 Government securities	999	12,764	60,811	22,037	98,615	472,540	698,163	5,034,356	1,243,808	–	**7,644,093**
A.2 Other debt securities	7,016	68,817	273,147	108,271	324,906	416,206	553,020	1,702,524	1,803,738	–	**5,257,645**
A.3 OICR units	69,085	–	–	–	–	–	–	–	–	–	**69,085**
A.4 Loans and advances	7,441,698	779,506	1,084,408	1,373,847	3,746,584	2,853,407	3,213,955	16,344,350	7,834,046	129,108	**44,800,909**
- to banks	2,738,173	284,469	324,306	45,325	1,623,884	174,110	36,789	723,011	1,024	116,572	**6,067,663**
- to customers	4,703,525	495,037	760,102	1,328,522	2,122,700	2,679,297	3,177,166	15,621,339	7,833,022	12,536	**38,733,246**
Off-balance-sheet assets	13,766,613	1,163,861	851,649	787,122	3,993,724	4,365,659	3,890,723	19,876,160	4,392,691	6,774	**53,094,976**
B.1 Financial derivatives with exchange of principal	8,316,220	687,296	281,650	385,490	1,272,577	1,785,503	2,531,724	1,163,890	259,452	–	**16,683,802**
- to banks	1,141,890	257,012	150,075	71,009	178,537	12,590	34,006	233,942	207,739	–	**2,286,800**
- to customers	7,174,330	430,284	131,575	314,481	1,094,040	1,772,913	2,497,718	929,948	51,713	–	**14,397,002**
B.2 Deposits and loans	3,291	333	69,640	125,008	262,884	1,938,546	1,313,805	12,751,631	3,986,816	–	**20,451,954**
B.3 Other liabilities	5,447,102	476,232	500,359	276,624	2,458,263	641,610	45,194	5,960,639	146,423	6,774	**15,959,220**
Operazioni fuori bilancio	13,893,114	3,948,412	948,749	2,569,830	4,590,310	3,474,926	1,572,846	14,626,510	9,969,949	50,190	**55,644,836**
C.1 Financial derivatives with exchange of principal	357,704	562,928	304,174	2,182,462	1,267,644	1,713,242	712,932	5,925,426	1,807,286	–	**14,833,798**
- long positions	328,998	464,545	212,162	1,169,825	760,510	892,842	355,011	2,507,442	95,538	–	**6,786,873**
- short positions	28,706	98,383	92,012	1,012,637	507,134	820,400	357,921	3,417,984	1,711,748	–	**8,046,925**
C.2 Financial derivatives without exchange of principal	8,223,155	6,005	3,328	19,771	89,954	138,019	279,533	–	7,488	–	**8,767,253**
- long positions	4,188,783	4,912	1,257	7,550	61,353	79,381	186,743	–	-	–	**4,529,979**
- short positions	4,034,372	1,093	2,071	12,221	28,601	58,638	92,790	–	7,488	–	**4,237,274**
C.3 Deposits and financing receivables	2,181,850	978,349	308,768	365,217	2,398,101	499,000	154,275	3,288,564	3,198,426	–	**13,372,550**
- long positions	2,181,850	978,349	308,768	365,217	2,339,598	–	–	512,493	-	–	**6,686,275**
- short positions	–	–	–	–	58,503	499,000	154,275	2,776,071	3,198,426	–	**6,686,275**
C.4 Irrevocable commitment to disburse funds	2,778,615	2,401,130	332,479	2,380	680,511	843,576	102,139	3,659,210	2,600,137	–	**13,400,177**
- long positions	96	45,514	32,214	2,380	14,820	243,579	102,139	3,659,210	2,600,137	–	**6,700,089**
- short positions	2,778,519	2,355,616	300,265	-	665,691	599,997	–	–	–	–	**6,700,088**
C.5 Financial guarantees issued	34,003	–	–	–	1,000	42	1,955	10,855	643	50,190	**98,688**
C.6 Financial guerantees received	–	–	–	–	–	–	–	–	–	–	**–**
C.7 Credit derivatives with exchange of principal	–	–	–	–	153,100	281,047	322,012	1,742,455	2,355,969	–	**4,854,583**
- long positions	–	–	–	–	60,925	101,955	69,703	917,671	1,277,038	–	**2,427,292**
- short positions	–	–	–	–	92,175	179,092	252,309	824,784	1,078,931	–	**2,427,291**
C.8 Credit derivatives without exchange of principal	317,787	–	–	–	–	–	–	–	–	–	**317,787**
- long positions	163,528	–	–	–	–	–	–	–	–	–	**163,528**
- short positions	154,259	–	–	–	–	–	–	–	–	–	**154,259**

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Table 6.1.10 - Cash exposures: trends in overall value adjustments

Description/category	30/6/15									
	Exposures to banks					Exposures to customers				
	Non-performing	Sub-standard	Restructured	Overdue exposures	Total	Non-performing	Sub-standard	Restructured	Overdue exposures	Total
A. Adjustments at start of period	–	–	–	–	–	**(380,779)**	**(584,030)**	**(53,523)**	**(75,332)**	**(1,093,664)**
B. Additions	–	–	–	–	–	**(387,148)**	**(366,539)**	**(83,481)**	**(65,292)**	**(902,460)**
B.1 value adjustments	–	–	–	–	–	(142,116)	(210,655)	(48,024)	(53,901)	(454,696)
B.1.bis losses on disposals	–	–	–	–	–	(198,513)	(103,883)	–	(94)	(302,490)
B.2 transfers from other categories of impaired assets	–	–	–	–	–	(42,100)	(35,901)	(35,414)	(4,502)	(117,917)
B.3 other additions	–	–	–	–	–	(4,419)	(16,100)	(43)	(6,795)	(27,357)
C. Reductions	–	–	–	–	–	**413,639**	**295,396**	**8,844**	**48,446**	**766,325**
C.1 writebacks based on valuations	–	–	–	–	–	8,664	15,244	2,772	6,582	33,262
C.2 writebacks due to amounts collected	–	–	–	–	–	18,418	11,618	937	3,768	34,741
C.2.bis gains realized on disposals	–	–	–	–	–	–	–	–	–	–
C.3 amounts written off	–	–	–	–	–	176,638	89,640	365	978	267,621
C.4 transfers to other categories of impaired assets	–	–	–	–	–	4,331	72,775	4,305	36,508	117,919
C.5 other reductions	–	–	–	–	–	205,588	106,119	465	610	312,782
D. Total adjustments at end of period	–	–	–	–	–	**(354,288)**	**(655,173)**	**(128,160)**	**(92,178)**	**(1,229,799)**
of which:										
- specific adjustments	–	–	–	–	–	(354,288)	(655,173)	(128,160)	(92,178)	(1,229,799)
- collective adjustments	–	–	–	–	–	–	–	–	–	–
E. Value adjustments taken to P/L	–	–	–	–	–	–	–	–	–	–

6.2 ECAIs

Qualitative information

Mediobanca uses the following external ratings agencies (or “ECAIs” in order to determine risk weightings in connection with the standardized method:

- Moody’s Investors Service
- Standard & Poor’s Rating Services
- Fitch Ratings

The books for which Mediobanca uses official ratings are listed below, along with the agencies which issue the ratings and the rating’s characteristics:

Book	ECAI	Rating characteristic*
Exposures to central administrations and central banks	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to international organizations	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to multilateral development banks	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to companies and other entities	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited
Exposures to undertakings for collective investments in transferable securities (UCITS)	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited

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Book	ECAI	Rating characteristic*
Positions in securitizations with short-term ratings	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	
Positions in securitizations other than those with short-term ratings	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	

* "Solicited ratings" are ratings issued following a request by the entity being rated and in return for a fee. Ratings issued without such a request being made are treated as comparable to solicited ratings if the entity has previously received a solicited rating from the same ECAI. "Unsolicited ratings" are those issued without the entity being rated requesting a rating and without any fee being paid. The decision to use unsolicited ratings as well stems from some ECAIs choosing to convert the ratings of some European states from solicited to unsolicited.

Quantitative information

Table 6.2.1 - Standardized methodology: risk assets

Portfolios	30/6/15		
	Value of exposure	Exposures guaranteed	
		Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	**5,584,436**	**–**	**–**
credit rating class 1	5,583,553	–	–
credit rating class 2	–	–	–
credit rating class 3	1	–	–
credit rating classes 4 and 5	882	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by regional entities	**12,704**	**–**	**–**
credit rating class 1	–	–	–
credit rating class 2	12,704	–	–
credit rating class 3	–	–	–
credit rating classes 4 and 5	–	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by non-profit-making or public-sector entities	**55,624**	**–**	**–**
credit rating class 1	–	–	–
credit rating class 2	51,952	–	–
credit rating class 3	3,134	–	–
credit rating classes 4 and 5	538	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by Banche multilateral development banks	**–**	**–**	**–**
credit rating class 1	–	–	–
credit rating class 2	–	–	–
credit rating class 3	–	–	–
credit rating classes 4 and 5	–	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by international organizations	**10,107**	**–**	**–**
Exposures to or guaranteed by regulated intermediaries	**18,073,243**	**102,575**	**11,108,329**
credit rating class 1	14,982	–	–
credit rating class 2	12,654,339	–	–
credit rating class 3	3,381,193	–	–
credit rating classes 4 and 5	2,022,729	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by companies	**28,019,206**	**49,644**	**3,408,968**
credit rating class 1	21,910	–	–
credit rating class 2	536,479	–	–
credit rating classes 3 and 4	27,221,049	–	–
credit rating classes 5 and 6	240,468	–	–
Retail exposures	**12,387,391**	**665**	**38,496**
Exposures guaranteed by properties	**4,837,277**	**–**	**353**
Overdue exposures	**1,183,669**	**–**	**–**
High-risk exposures	**78,974**	**–**	**2,114**
Exposures in the form of guaranteed bank debt securities	**313,205**	**–**	**–**
Short-term exposures to companies	**–**	**–**	**–**
Exposures to OICRs	**275,493**	**–**	**–**
credit rating class 1	–	–	–
credit rating class 2	–	–	–
credit rating classes 3 and 4	275,493	–	–
credit rating classes 5 and 6	–	–	–
Exposures to equity instruments	**4,971,985**	**–**	**–**
Other exposures	**1,888,971**	**–**	**–**
Total cash risk assets	**49,846,733**	**49,422**	**878,965**
Total guarantees issued and commitments to disburse funds	**9,823,246**	**887**	**463,962**
Total derivatives contracts	**15,307,495**	**102,575**	**12,508,769**
Total SFTs and trades with long-term settlement	**2,714,811**		**706,565**
Grand total	**77,692,285**	**152,884**	**14,558,260**

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6.3 Unencumbered assets

Table 6.3.1 - Information on committed assets recognized in the balance sheet

Form	Committed		Uncommitted		Total as at 30/6/15
	Book value	Fair value	Book value	Fair value	
1. Cash and cash equivalents	–	X	49,074	X	49,074
2. Debt securities *	4,532,224	4,584,197	8,425,704	8,491,412	12,957,928
3. Equities	1,750,977	1,750,977	1,079,609	1,079,609	2,830,586
4. Loans and advances °	12,054,810	X	31,121,536	X	43,176,346
5. Other financial assets	–	X	10,364,088	X	10,364,088
6. Non-financial assets	–	X	2,084,151	X	2,084,151
Total	**18,338,011**	**6,335,174**	**53,124,162**	**9,571,021**	**71,462,173**

* €771m of which in securities and €6,974m in loans established as collateral with the ECB.

Table 6.3.2 - Information on proprietary committed assets derecognized from the balance sheet

Form	Committed	Uncommitted	Total as at 30/6/15
1. Financial assets	4,621,423	4,290,011	8,911,434
- Securities	4,621,423	4,290,011	8,911,434
- Others	–	–	–
2. Non-financial assets	–	–	–
Total	**4,621,423**	**4,290,011**	**8,911,434**

The asset encumbrance ratio is the ratio between the share of assets committed and/or used and thoase available, with the definition of assets including not only those on the balance sheet but also financial instruments received as collateral and eligible for reuse.

The objective of the asset encumbrance ratio is to provide disclosure to the public and to creditors on the ranking of the assets committed by the Bank and therefore unavailable, and also to provide an indication of the Bank's future funding capacities in easy and convenient fashion through secured funding.

The ratio was 28.6% as at 30 June 2015.

Section 7 – Counterparty risk

Qualitative information

Counterparty risk is measured in terms of potential future exposure of market value, using a simulation method based on market volatilty and thus doing away with the need to set arbitrary weightings for each type of instrument. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group. Finally, for medium- or long-term collateralized loans or stocks with reduced liquidity and/or high correlation with the counterparty, the exposure is measured via an *ad hoc* metric, which estimates combined default scenarios (i.e. counterparty and collateral) and particularly stressed conditions for disposing of securities.

Finally, for non-collateralized derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty’s credit risk (CVA) and also of Mediobanca’s credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

* * *

For regulatory purposes, counterparty and CVA risk (see Part 3 Title VI) is calculated by applying the methodologies stipulated in Section 6. The following methodologies in particular have been used to calculate the exposure:

- the “current value” method for financial and credit derivative instruments traded OTC and for trades with long-term settlements;
- the “integral” method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities;
- the standardized methodology for calculating the capital requirement in rspect of credit value adjustment, considering all counterparties, with or without CSA.

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Quantitative information

Counterparty risk

Table 7.1 - Counterparty risk - real guarantees held

Counterparty risk - Real guarantees held	Amounts as at 30/6/15	Amounts as at 30/6/14
Standardized approach		
- derivatives contracts	707,629	492,091
- SFTs and trades with long-term settlement	14,655,030	16,668,172
IRB approaches		
- derivatives contracts	–	–
- SFTs and trades with long-term settlement	–	–

Table 7.2 - Counterparty risk - risk assets

Counterparty risk	Amounts as at 30/6/15	Amounts as at 30/6/14
Standardized approach		
- derivatives contracts	2,008,246	2,033,059
- SFTs and trades with long-term settlement	3,611,601	1,849,080
IRB approaches		
- derivatives contracts	–	–
- SFTs and trades with long-term settlement	–	–

Table 7.3 - Regulatory trading book: average and reporting-date notional values

Type of transaction	30/6/15		30/6/14	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	109,478,188	20,231,168	107,668,064	57,001,046
a) Options	–	19,543,795	–	54,769,947
b) Swaps	96,773,438	–	91,433,064	–
c) Forwards	–	–	–	–
d) Futures	–	687,373	–	2,231,099
e) Others	12,704,750	–	16,235,000	–
2. Equities and share indexes	11,555,553	12,768,242	11,175,472	15,089,394
a) Options	8,638,072	12,534,420	10,468,337	14,792,475
b) Swaps	1,717,225	–	707,135	–
c) Forwards	1,200,256	–	–	–
d) Futures	–	233,822	–	296,919
e) Others	–	–	–	–
3. Exchange rates and gold	11,047,949	–	11,866,711	–
a) Options	44,269	–	911,480	–
b) Swaps	4,524,542	–	4,299,466	–
c) Forwards	6,479,138	–	6,655,765	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**132,081,690**	**32,999,410**	**130,710,247**	**72,090,440**
Average values	132,665,977	52,544,925	139,848,343	85,307,451

Table 7.4 - Banking book: average and reporting-date notional values- Hedge derivatives

Type of transaction	30/06/2015		30/06/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	17,829,292	–	23,654,293	–
a) Options	–	–	–	–
b) Swaps	17,520,894	–	23,395,895	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	308,398	–	258,398	–
2. Equities and share indexes	24	–	27	–
a) Options	24	–	27	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	2,782	–	2,798	–
a) Options	–	–	–	–
b) Swaps	2,782	–	2,798	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**17,832,098**	**–**	**23,657,118**	**–**
Average values	20,904,685	–	25,665,506	–

Table 7.5 - Banking book: average and reporting-date notional values - Other derivatives

Type of transaction	30/06/2015		30/06/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	302,251	–	507,251	–
a) Options	–	–	–	–
b) Swaps	302,251	–	507,251	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
2. Equities and share indexes	2,331,100	–	4,650,601	–
a) Options	2,331,100	–	4,650,601	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	2,692	–	2,205	–
a) Options	–	–	–	–
b) Swaps	2,692	–	2,205	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**2,636,043**	**–**	**5,160,057**	**–**
Average values	3,740,870	–	6,114,314	–

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Table 7.6 – Financial derivatives: gross positive fair value, by product

Type of transaction	Positive Fair Value			
	30/06/2015		30/06/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,732,092	621,272	4,621,321	537,400
a) Options	967,565	617,262	1,422,408	530,800
b) Interest rate swaps	3,108,280	–	2,981,272	–
c) Cross currency swaps	250,291	–	94,625	–
d) Equity swaps	60,960	–	14,255	–
e) Forwards	344,996	–	108,761	–
f) Futures	–	4,010	–	6,600
g) Others	–	–	–	–
B. Banking book: hedge derivatives	1,029,774	–	1,232,101	–
a) Options	–	–	–	–
b) Interest rate swaps	766,279	–	1,031,455	–
c) Cross currency swaps	19	–	41	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	263,476	–	200,605	–
C. Banking book: other derivatives	66,126	–	105,522	–
a) Options	58,977	–	93,037	–
b) Interest rate swaps	7,148	–	12,485	–
c) Cross currency swaps	1	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**5,827,992**	**621,272**	**5,958,944**	**537,400**

Table 7.7 – Financial derivatives: gross negative fair value, by product

Type of transaction	Negative Fair Value			
	30/06/2015		30/06/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,607,653)	(745,125)	(4,738,803)	(722,356)
a) Options	(738,000)	(742,326)	(1,187,818)	(718,230)
b) Interest rate swaps	(3,227,551)	–	(3,252,296)	–
c) Cross currency swaps	(393,640)	–	(103,754)	–
d) Equity swaps	(15,095)	–	(82,142)	–
e) Forwards	(233,367)	–	(112,793)	–
f) Futures	–	(2,799)	–	(4,126)
g) Others	–	–	–	–
B. Banking book: hedge derivatives	(557,604)	–	(554,938)	–
a) Options	(264,291)	–	(200,610)	–
b) Interest rate swaps	(293,181)	–	(354,196)	–
c) Cross currency swaps	(132)	–	(132)	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking book: other derivatives	(223,574)	–	(267,753)	–
a) Options	(223,284)	–	(265,747)	–
b) Interest rate swaps	(290)	–	(1,981)	–
c) Cross currency swaps	–	–	(25)	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**(5,388,831)**	**(745,125)**	**(5,561,494)**	**(722,356)**

Table 7.8 – OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts forming part of netting arrangements	30/06/2015						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	–	–	67,038,484	35,036,904	758,309	763,500	–
- positive fair value	–	–	1,988,495	950,612	94,602	95,833	–
- negative fair value	–	–	(2,058,757)	(842,222)	(1,415)	(5,316)	–
2. Equities and share indexes							
- notional value	–	–	8,636,870	1,299,127	94,080	44,750	–
- positive fair value	–	–	543,276	189,308	70	1,400	–
- negative fair value	–	–	(398,693)	(205,679)	(2,181)	–	–
3. Exchange rates and gold							
- notional value	–	–	7,987,851	1,293,481	122,691	402,181	–
- positive fair value	–	–	336,725	140,285	1,205	–	–
- negative fair value	–	–	(366,757)	(24,022)	(2,095)	(61,715)	–
4. Other assets							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–

Table 7.9 – OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair values by counterparty, contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	30/06/2015						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	–	–	630,000	1,892,532	–	6,358,459	–
- positive fair value	–	–	12,197	66,084	–	164,207	–
- negative fair value	–	–	(5,137)	(29,199)	–	(425,030)	–
- future exposure	–	–	3,150	6,530	–	59,368	–
2. Equities and share indexes							
- notional value	–	4,450	142,000	836,209	60,321	437,744	–
- positive fair value	–	80	8	129,352	–	5,259	–
- negative fair value	–	–	–	(3,449)	–	(3,215)	–
- future exposure	–	267	120	29,684	6,032	34,631	–
3. Exchange rates and gold							
- notional value	–	–	–	235,621	–	1,005,401	722
- positive fair value	–	–	–	7,639	–	5,449	6
- negative fair value	–	–	–	(25,695)	–	(147,075)	–
- future exposure	–	–	–	4,813	–	58,421	7
4. Other assets							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–

Table 7.10 - Credit derivatives: average and reporting-date notional values

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	1,135,001	7,970,108	319,414	11,500
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total A at 30/06/2014	**1,135,001**	**7,970,108**	**319,414**	**11,500**
Average values	1,471,372	20,424,938	357,114	11,500
Total A at 30/06/2013	**1,758,973**	**32,870,769**	**413,264**	**18,000**
2. Hedge sales				
a) Credit default	961,977	7,440,465	36,200	1,151,867
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total B at 30/06/2014	**961,977**	**7,440,465**	**36,200**	**1,151,867**
Average values	1,059,929	20,155,243	44,950	1,138,976
Total B at 30/06/2013	**1,041,435**	**32,613,322**	**114,627**	**1,382,786**

Table 7.11 - OTC credit derivatives: gross positive fair value, by product

Portfolio/derivative instrument type	Positive fair value	
	30/06/2015	30/06/2014
A. Regulatory trading book	200,389	515,962
a) Credit default products	200,389	515,962
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
B. Banking book	16,721	21,181
a) Credit default products	16,721	21,181
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
Total	**217,110**	**537,143**

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Table 7.12 - OTC credit derivatives: gross negative fair value, by product

Portfolio/derivative instrument type	Negative fair value	
	30/06/2015	30/06/2014
A. Regulatory trading book	(162,864)	(480,281)
a) Credit default products	(162,864)	(480,281)
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
B. Banking book	(16,729)	(19,183)
a) Credit default products	(16,729)	(19,183)
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
Total	**(179,593)**	**(499,464)**

Table 7.13 - OTC credit derivatives: gross positive and negative fair values by counterparty - contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	–	–	500,000	–	–	–	–
- positive fair value	–	–	24,111	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	25,000	–	–	–	–
2. Hedge sales							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–
Banking book							
1. Hedge buys							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
2. Hedge sales							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–

Table 7.14 – OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–
- net counterparty risk	–	–	–	–	–	–	–
2) Credit derivatives bilateral agreeements							
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–
- net counterparty risk	–	–	–	–	–	–	–
3) "Cross product" agreements							
- positive fair value	–	–	459,878	375,554	92,041	55,461	–
- negative fair value	–	–	(241,667)	(87,938)	(1,856)	(25,259)	–
- future exposure	–	–	607,666	248,062	12,006	22,360	–
- net counterparty risk	–	–	624,082	442,516	56,371	71,042	–

Section 8 – Risk mitigation techniques

Qualitative information

The Group has implemented specific activities aimed at defining and meeting the necessary requirements for correctly applying credit risk mitigation (CRM) techniques, to maximize the effect of mitigation on the real and personal guarantees for loans, and to obtain a positive impact on the Group's capital requirements.

With reference to Mediobanca in particular, specific policies and procedures have been developed in order to accurately calculate the indicators for eligibility of collateral in connection with securities financing transactions.

Netting policies and processes for on- and off-balance-sheet transactions

The Group does not net credit risk exposures for on- or off-balance-sheet transactions. Instead, risk reduction policies are adopted by entering into netting agreements and collateral agreements, both for derivatives and for positions held in securities lending transactions.

With respect to derivatives, the Group has also drawn up counterparty risk reduction policies, by entering into ISDA and Credit Support Annex agreements with institutional counterparties, in accordance with regulations in force. As for securities lending transactions, repos and repurchasing repos, the Group has implemented counterparty risk reduction policies by executing GMSLA and GMRA (for repos and repurchasing reports) netting agreements which provide for collateralization agreements, in some cases in the form of triparty repos.

Policies and processes for valuing and managing real guarantees

In performing lending operations, the Group widely acquires guarantees which are typical of banking activity, principally as real guarantees over financial instruments and properties as described below:

- mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;
- pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

Main types of guarantors and counterparties in credit derivative transactions and their credit rating

The Group uses leading market counterparties to hedge credit derivative exposures.

Information on market or credit risk concentrations in connection with credit risk mitigation techniques adopted

As at 30 June 2015, 86% of the guarantees received (€15.4bn) involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees; there is also €708m (approx. 5% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.

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Quantitative information

Table 8.1 - Risk mitigation techniques

Exposures to	Amounts as at 30/6/15			Amounts as at 30/6/14		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	–	–	184,751	–	–	156,369
Regulatory intermediaries	11,108,329	–	100,564	15,173,930	–	112,189
Regional entities	–	–	–	–	–	–
Non-profit-making and public sector entities	–	–	2,482	–	–	534
Multilteral development banks	–	–	307	–	–	306
International bodies	–	–	–	–	–	–
Companies	3,408,968	–	163,004	2,318,831	–	134,872
Retail exposures	38,496	–	–	63,494	–	–
Short-term exposures to companies	–	–	–	–	–	–
OICRs	–	–	–	–	–	–
Exposures guaranteed by properties	353	–	–	326	–	–
Exposures in the form of guaranteed bank debt securities	–	–	–	–	–	–
Overdue exposures	2,114	–	–	2,166	–	–
High-risk exposures	–	–	–	–	–	–
Exposures to equity instruments	–	–	–	–	–	–
Other exposures	–	–	146,305	–	–	36,210
Total	**14,558,260**	**–**	**597,413**	**17,558,747**	**–**	**440,480**

Section 9 – Securitizations

Qualitative information

The securitization of a portfolio of Futuro performing receivables was finalized in April 2015, through SPV Quarzo CQS S.r.l., for a total nominal amount of €820m, €82m of which in junior tranches subscribed for by Futuro and €738m in senior bonds (Moody's rating Aa2), subscribed for as to €538m by third-party investors and as to €200m by Mediobanca S.p.A. The receivables forming the underlying instrument of the securitization (€820m in salary-backed finance) continue to be recognized as assets in Futuro's financial statements as part of its consumer business.

The Group's portfolio of securities deriving from securitizations by other issuers totalled €229m (30/6/14: €308.3m), the reduction attributable to repayments totalling €150.1m being only partly offset by the €57m in new market acquisitions. Three-quarters of the portfolio is concentrated in the banking book (AFS and HTM), while the remainder involves the trading book, on which trading amounting to €106.5m was recorded.

The fair value of the portfolio is calculated based on prices supplied by financial information providers, with the exception of the ELM synthetic security. The portfolio showing an unrealized gain on the fixed assets of €2.8m.

Over 90% consists of senior-ranking securities, with seven mezzanine and one junior-ranking security. All the securities have external ratings, and around two-thirds are eligible for refinancing transactions with the European Central Bank.

Asset-backed securities (ABS), in particular those of the peripheral EU member states, significantly outperformed the other credit products due to the European Central Bank's decision to launch the Asset-Backed Purchase Programme (ABSPP), which at 30 June 2015 had a reached a total of €6.6bn, and allowed certain ABS to be included in the liquidity indicator (LCR).

The Group's portfolio remains concentrated on senior tranches of domestic stocks backed by mortgages and state-owned properties. Most of the other exposures involve CLOs with European corporate loans as the underlying instrument.

- **Quarzo Lease S.r.l. (securitization originated by SelmaBipiemme Leasing)** – This company currently has three securitizations outstanding, all with SelmaBipiemme receivables as the underlying instruments, with the junior tranches underwritten by SelmaBipiemme itself and the senior tranches by the EIB. The deals are all in the advanced amortization stages ; the third tranche was repaid in full on 27 July 2015, when the company bought back the outstanding receivables. The main terms of the securitizations and accounts between SelmaBipiemme and vehicle Quarzo Lease for the year are as follows.

Tranche	Date	Outstanding at issue date			Amortiz.	Outstanding at 30/6/15	
		Junior	Senior	Loans	Date	Senior	Loans
I	lug-07	36.9	350.0	386.9	apr-13	123.4	185.1
II	mag-09	100.0	350.0	450.0	lug-12	30.4	152.9
III	lug-11	123.1	202.0	325.0	ott-13	8.0	137.2

Tranche	Amounts collected	Servicing fee	Interest on junior notes
I	65.7	0.04	6.98
II	54.0	0.04	4.7
III	86.5	0.06	6.7

- **Quarzo s.r.l. (securitization originated by Compass receivables)** - Quarzo S.r.l. currently has one securitization outstanding subscribed for directly by Group companies, with the purpose of expanding the Group's sources of funding, by taking advantage of the possibility of refinancing senior bonds with the European Central Bank. The transaction consists of a senior issue in an amount of €2,960m plus a junior tranche worth €540m. The monthly revolving periods will continue until December 2015. Accounts between Compass and vehicle company Quarzo were as follows:

Collections on behalf of Quarzo:	€1,854.4m
Servicing fees collected:	€17.5m
Interest accruing on junior notes:	€16.4m
Additional return accrued:	€102.6m

A new intercompany securitization was finalized on 12 July 2015, with an initial portfolio of performing loans worth a total amount of €2,200m being ceded and senior notes worth €1,694m and junior notes worth €506m being issued.

- **Quarzo CQS S.r.l. (Futuro)** - The first securitization of Futuro receivables was finalized in April 2015, via SPV Quarzo CQS S.r.l. The transaction involves performing loans worth a total of €820m being ceded in a single, non-revolving tranche, and senior notes issued in an amount of €738m being issued (and listed on the Dublin stock market) plus junior notes, subscribed for by the same company, worth €82m. The senior notes were mostly sold on the market, while a €200m share was subscribed for by the Mediobanca treasury department.

  Accounts between Futuro S.p.A. and vehicle company Quarzo CQS are as follows:

Collections on behalf of Quarzo CQS:	€60,050,100
Servicing fees collected:	€116,000
Interest accruing on junior notes:	€358,700
Interest accruing on loan to SPV	€30,700
Additional return accrued:	€24,944,900

The exposure to securities deriving from securitizations is monitored by the Market Risk Management unit as part of its checks to ensure that the issuer risk limits are complied with and its measurement of market risks through calculation of the simplified value-at-risk (products are treated as equivalent to bonds with a maturity equal to the weighted average life and a credit spread specific to the issue).

For the purpose of calculating the exposure for the investments held as part of the banking and trading books, a rating-based approach is used,[6] or alternatively an internal valuation is made using the “look-through” method for unrated positions; these involve only deals where Mediobanca has played an active role in the securitization, e.g. as sponsor, manager.

[6] A list of the ECAIs used is provided in section 6.

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Quantitative information

Standardized methodology: positions in securitizations

Table 9.1 - Banking book securitizations (AFS, HTM and LR portfolios)

Risk weighting classes	Amounts as at 30/6/15									
	Cash risk assets				Off-balance-sheet risk assets				Early repayment clauses	
	Own securitizations		Third-party securitizations [1]		Own securitizations		Third-party securitizations [1]		Own securitizations	
	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	–	–	47,265	–	–	–	–	–	–	–
Weighting 50%	–	–	–	–	–	–	–	–	–	–
Weighting 100%	–	–	84,923	–	–	–	–	–	–	–
Weighting 350%	–	–	–	–	–	–	–	–	–	–
Weighting 1250% - with rating	–	–	–	–	–	–	–	–	–	–
Weighting 1250% - without rating	–	–	–	–	–	–	–	–	–	–
Look-through - second loss in ABCP	–	–	–	–	–	–	–	–	–	–
Look-through - other	–	–	22,785	–	–	–	–	–	–	–
Total	**–**	**–**	**154,973**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

[1] No off-balance-sheet risk assets iand trading book securitizations ncluded.

Table 9.2 - Trading book securitizations

Fasce di ponderazione del rischio	Amounts as at 30/6/15			
	Cash risk assets*			
	Own securitizations		Third-party securitizations [1]	
	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	–	–	44,036	–
Weighting 50%	–	–	16,191	–
Weighting 100%	–	–	2,745	–
Weighting 350%	–	–	–	–
Weighting 1250% - with rating	–	–	–	–
Weighting 1250% - without rating	–	–	–	–
Look-through - second loss in ABCP	–	–	–	–
Look-through - other	–	–	–	–
Total	**–**	**–**	**62,972**	**–**

* No off-balance-sheet risk assets included.

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Section 10 – Operational risk

Qualitative information

Mediobanca has decided to adopt the Basic Indicator Approach ("BIA") in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2014 was equal to €255.5m (30/6/14: €254.9m).

Section 11 – Exposures to equities: information on banking book positions

Qualitative information

Equity instruments refer to those assets recognized in the accounts as "Equity investments and other AFS shares". The accounting policies adopted in respect of these asset classes are described below.

Equity investments

This heading consists of investments in:

- associates, which are equity-accounted. Associates are defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment is sufficient to ensure an influence in the governance of the investee company;
- jointly-controlled companies, which are also equity-accounted;
- other investments of negligible value, which are recognized at cost.

Where there is objective evidence that the value of an investment may be impaired, estimates are made of its current value using market prices if possible, and of the present value of estimated cash flows generated by the investment, including its terminal value. Where the value thus calculated is lower than the asset's carrying amount, the difference is taken through the profit and loss account.

AFS securities

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes in fair value are recognized in a separate net equity reserve, which is then eliminated against the corresponding item in the profit and loss account as and when an asset is disposed of or impairment is recognized.

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, the loss is recognized in the profit and loss account. The criteria used to determine impairment are a reduction in fair value of over 30% or for longer than twenty-four months, compared to the initial recognition value.

Quantitative information

Table 11.1 - Banking book: cash exposures in equities and UCITS

Items	Amounts as at 30/6/15										
	Book value		Fair value		Impairment	Gains/losses realized		Gain/loss not realized		Gain/loss not realized included in Tier 1/Tier 2 capital	
	Listed	Unlisted	Listed	Unlisted		Gains	Losses	Gains	Losses	Gains	Losses
A. Equities											
A.1 Shares	4,154,141	215,115	3,330,497	215,115	(19,021)	271,487	–	139,858	(6,750)	128,485	(16)
A.2 Innovative equity instruments	–	–	–	–	–	–	–	–	–	–	–
A.3 Other equity instruments	–	–	–	–	–	77,990	–	–	–	–	–
B. OICR units											
B.1 Incorporated under Italian law	–	–	–	–	–	–	–	–	–	–	–
harmonized, open	–	–	–	–	–	–	–	–	–	–	–
not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
closed	–	78,933	–	78,933	(2,002)	–	–	5,672	(4,045)	2,452	(2)
reserved	–	30,750	–	30,750	(81)	–	(12)	26	–	7	–
speculative	–	6,977	–	6,977	–	–	–	271	–	530	–
B.2 Other EU states	–	–	–	–	–	–	–	–	–	–	–
harmonized	–	20,128	–	20,128	–	–	(54)	3	(614)	15	(164)
not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
not harmonized, closed	–	6,601	–	6,601	–	–	–	634	–	1,128	–
B.3 Non-EU states	–	–	–	–	–	–	–	–	–	–	–
open	–	11,384	–	11,384	–	48	–	1,150	(2)	1,755	–
closed	–	–	–	–	–	–	–	–	–	–	–
Total	**4,154,141**	**369,888**	**3,330,497**	**369,888**	**(21,104)**	**349,525**	**(66)**	**147,614**	**(11,411)**	**134,372**	**(182)**

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Table 11.2 -Banking book: equity instruments

Category	Book value as at 30/6/15
Private equity instruments held in a sufficiently diversified form	154,773
Equity instruments listed on regulated markets	4,154,141
Other equity instruments	215,115
Total equity instruments	**4,524,029**
Balance-sheet values, listed and unlisted	4,524,029
Difference	–

Section 12 – Interest rate risk on banking book positions

Qualitative information

See section 1, "General disclosure requirement", under "Interest rate risk on the banking book".

Quantitative information

The Group's exposure to interest rate risk has been quantified in accordance with the simplified methodology described by the Bank of Italy in Circular 285. The regulatory approach is based on quantifying the variation in the economic value of the supervisory banking book following a change in interest rates.

In determining internal capital under ordinary conditions, reference has been made to the annual changes in interest rates recorded during an observation period of 6 years, considering alternately the first percentile (reduction) and the 99th percentile (increase).[7]

The calculation of the interest rate risk on interest on the banking book is shown below, following a shift in the interest rate considering the 99th percentile (increase) in the annual changes in interest rates recorded in the last six years:[8]

Table 12.1 – Interest rate risk on the banking book

(€ mln)	Amounts at 30/6/15
Interest rate risk on the banking book	**218**
◆ Euro	214
◆ Other currencies	4

In addition, stress tests have been carried out on the interest rate on the banking book at the consolidated level, with the aim of quantifying the effect of a parallel shift of ± 200 basis points in the interest rate curve as required by Circular 285, in order to calculate the risk indicator.

A breakdown of the exposures in the individual relevant currencies and the aggregate of non-relevant currencies is provided below, along with a calculation of the risk indicator, assuming a parallel shift in interest rates of ± 200 bps:

Table 12.2 – Interest rate risk on the banking book following a parallel shift in interest rates of ± 200 bps

(€ mln)	Amounts at 30/6/15	
	Negative shifts	Positive shifts
Interest rate risk on the banking book	**117**	**(546)**
◆ Euro	114	(552)
◆ Other currencies	3	6
Own Funds	**8,883**	**8,883**
Risk Index	**-**	**6.21%**

In the event of a parallel shift of ±200 bps in the interest rate, the value of the banking book would reduce by €552m, with a riskiness index of 6.48%, comfortably below the 20% attention threshold set by the Bank of Italy.

[7] The calculation methods are in line with the simplified methodology provided for in Circular 285.
[8] In the event of interest rates falling, there would be an overall increase in the value of the banking book which does not represent a source of risk. On prudential grounds, no offset between exposures in different currencies has been offset included in the calculation.

Section 13 – Market risk

Mediobanca's exposure to price risk on the trading book is measured on a daily basis by calculating two main indicators:

- sensitivity (the so-called "Greeks") to minor changes in risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends and correlations);
- value-at-risk,[9] calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

Such analysis regards not just the trading book but the Bank's entire asset structure, including the banking book but net of the equity investments. For exposures to bonds and credit derivatives, the daily VaR reading is able to capture and distinguish accurately between the risks deriving from changes in market interest rates and loan spreads.

In addition to these metrics, specific indicators are compiled to capture other risks not measured by VaR. Stress tests are carried out monthly on the main risk factors, to show the impact which significant movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of the most pronounced historical oscillations.

In order to check that the various business units' operations have been carried out within the risk limits which the Bank considers appropriate, limits have been introduced for each trading desk based on the above indicators. In the case of VaR, the indicator used to check the limit is calculated by using the Monte Carlo method. Historical simulations of VaR are also used for comparison purposes.[10] This measurement is also used to calculate the expected shortfall at the 99th percentile (or Conditional VaR at the 99th percentile), which measures average loss in 1% of the most unfavourable scenarios not included in the calculation of VaR.

Value at Risk ed Expected Shortfall della struttura patrimoniale Fattori di rischio (dati in € migliaia)	30/6/15	Min	Max	Avg	30/6/14 Avg
Interest rates	20,410	9,683	27,750	15,339	14,967
- of which: specific risk	9,133	2,658	9,981	5,364	6,684
Shares prices	7,265	7,107	15,331	10,544	17,484
Exchange rates	6,390	1,087	9,568	4,253	2,547
Inflation	3,314	835	5,724	2,809	1,640
Volatility	1,182	436	4,709	1,628	2,322
Diversification effect (*)	(8,377)	(4,543)	(20,630)	(11,468)	(10,398)
Total	**30,184**	**16,676**	**35,107**	**23,105**	**28,562**
Expected Shortfall	**30,535**	**25,380**	**64,241**	**41,115**	**64,871**

* Due to mismatch between risk factors.

The expected shortfall declined sharply, with the average reading falling from €65m to €41.1m, due to less extreme historical scenarios for shares and bonds on the Italian market, as well as the reduction in equity assets referred to above.

The trading book showed a still more pronounced reduction in VaR than last year, due to the decrease in directional positions and a general mitigation during the period under review of the volatility of spreads on government and financial securities.

The average reading declined from €7.8m to €3.3m, due to lower contributions from the interest rate and loan spread component (which declined from €4.2m to €2.6m) and enhanced coverage of the foreign currency risk, which reduced from €4.1m to under €1m. The equity component also declined, from €1.7m to €1.3m.

[9] VaR: maximum potential loss over to specified time horizon and to given confidence level.
[10] Determines portfolio values based on random and historical variations in risk factors respectively.

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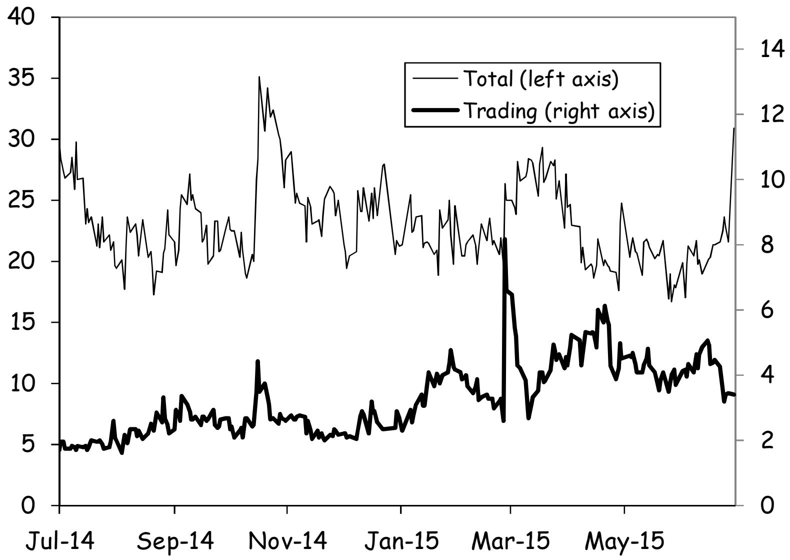
Value at Risk ed Expected Shortfall del portafoglio di trading Risk factors (€'000)	30/6/15	Min	Max	Avg	30/6/14 Avg
Tassi di interesse	4,203	1,119	4,857	2,552	4,158
- di cui rischio specifico	1,766	325	2,042	802	1,580
Azioni	1,706	658	7,425	1,300	1,622
Tassi di cambio	451	33	1,769	739	4,123
Inflazione	1,488	225	2,243	860	433
Volatilità	1,695	437	7,079	2,278	2,771
Effetto diversificazione (*)	(6,220)	(1,310)	(10,173)	(4,435)	(5,316)
Totale	**3,356**	**1,645**	**8,166**	**3,294**	**7,791**
Expected Shortfall	**3,918**	**3,160**	**17,270**	**7,448**	**13,661**

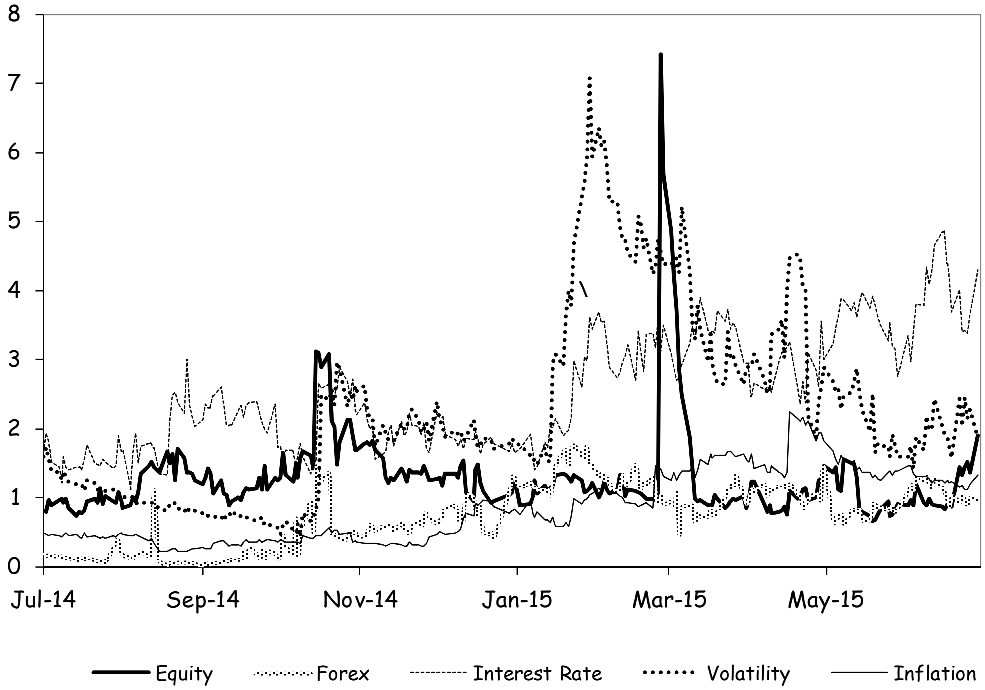
* Due to mismatch between risk factors.

The expected shortfall on the trading book declined from €13.6m to €7.4m.

Trends in VaR



Trends in VaR constituents (trading book)



The results of the daily back-testing based on calculations of theoretical profits and losses[3] show no signs of VaR being ineffective as a measurement. For the aggregate portfolio including the AFS positions, losses of higher than the VaR readings were recorded on just four days (in line with the theoretical level of 1% of the readings), in mid-October and between April and June, in conjunction with the negative newsflow arising on the Greek situation.

The trading books of other Mediobanca Group companies remain extremely limited. Apart from the Mediobanca VaR, the only other company to contribute is Compagnie Monégasque de Banque. CMB's average VaR reading, calculated at the 99th percentile, was €884,000 in 1H 2015, up slightly on the €771,000 average reading for last year. The increase was due to the slightly higher position in bonds, and more so, to the increased volatility in the interest rate and credit risk factors.

With reference to the sensitivity of net interest income, the trading book (Mediobanca only) as at 30 June 2015 showed a gain of €7.3m in the event of a 100 bps rise in interest rates, which reduces to approx. €0.6m in the opposite scenario (100 bps reduction).

Data at 30/6/15		Trading Book
Net interst income sensitivity	+ 100 bps	7.30
	- 100 bps	(0.56)
Discounted value of Cash Flow sensitivity	+ 200 bps	18.74
	– 200 bps	(20.87)

[3] Based on repricing the previous days' positions using data from the following business day, in order to eliminate intraday trading items.

Section 14 – Remuneration and incentivization systems and practices

Qualitative information

Introduction

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of staff remuneration policies, including in the light of the new documents published by the supervisory authorities on this subject. In particular:

- the new Bank of Italy supervisory instructions on remuneration and incentivization policies and practices published on 18 November 2014, enacting the European Capital Requirements Directive (CRD IV) issued on 26 June 2013;
- the consultation document issued by the European Banking Authority (EBA) on 4 March 2015 containing the new guidelines on remuneration formulated pursuant to CRD IV, and providing guidance for standardized implementation of the regulations at European level. Once the final version has been released, the guidelines will be applied by the relevant authorities at European level, replacing those issued by CEBS in 2010.

As required by the regulations, this report incorporates the disclosure requirements established by both the Bank of Italy and Consob.

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Section 1

A) Staff remuneration policies for FY 2014/15

Introduction

In line with its strategic plan objectives, in the year ended 30 June 2015 the Mediobanca Group reported growth in revenues, profits and dividends as a result of the ongoing reallocation of the capital freed up by the sale of equity investments to banking businesses.

The following in particular should be noted:

- optimization of the Group's asset structure, with solid capital ratios;
- growth in lending, alongside an improvement in asset quality and coverage ratios;
- increase in turnover on both the corporate and retail sides, along with increased diversification in geographical and business terms, with rising net profit and profitability;
- further equity stake disposals;
- increased remuneration to shareholders with a higher dividend;
- concrete launch of the MAAM platform with the acquisition of Cairn Capital.

During the twelve months under review, the enhancement of the control units and in particular the Risk Management area continued; a new organizational structure was finalized for the Treasury area; and the quality of the Group's staff was improved through inclusion in internal career development schemes and new staff being recruited externally as well.

The decisions regarding staff remuneration have been taken in view of the above business and organizational scenario, which increasingly is requiring the contribution of high-quality professional skills.

Governance

The governing bodies and company units have governed the entire process of applying and revising the remunerations policies.

In particular, as described in the Annual statement on corporate governance and ownership structure, the Remunerations committee has met on eight occasions in the course of the year, compared to five occasions last year. The Committee is made up of five non-executive members, a majority of whom qualify as independent under the Code of conduct for listed companies operated by Borsa Italiana. The Statutory Audit Committee also participates in Committee meetings, as do the Chief Executive Officer and the General Manager, the Chief Risk Officer and the head of Human Resources on invitation.

The main items on the agenda in Committee meetings are: analysis of developments in the regulatory framework; formulation of proposals to the Board of Directors regarding the variable remuneration of directors who are members of the Group's management (defining and marking their scorecards); assessment of the proposals made by the Chief Executive Officer regarding the variable remuneration of the other staff; benchmark analysis of market compensation; severance treatment; and drafting the new remuneration policies to be submitted to the approval of the Board of

Directors and shareholders in general meeting. The committee has also assessed the possibility of implementing a long-term incentive scheme in the future which is consistent with the regulatory framework, and reviewed and directed the internal processes and procedures adopted in connection with the remuneration system.

The Group Human Resources department has provided support on the above governance activities in co-ordinating the process of formulating the proposals and resolutions. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and finalizing the remunerations new policies.

The Group Audit and Compliance units have issued reports stating that the remunerations policies conform to the Bank of Italy regulations. The Risk Management unit, too, has been involved in the activity of ascertaining that the gateways have been met. The Accounting and Financial Reporting and Planning and Control units, finally, have provided the data for checking the gateways and for determining the business areas' performances.

Board of Directors' remuneration for the 2015-17 three-year period

The Board of Directors reappointed on 28 October 2014 allocated its annual maximum emolument of €2,750,000 set by shareholders in general meeting as follows, with a saving of approx. 15% compared to the previous year.

Group	No.	Fee, 2015-17	Total
Directors	**18**	100,000	1,800,000
Deputy Chair	**2**	35,000	70,000
Executive Committee	**2**	90,000	180,000
Remunerations Committee	**5**	30,000	150,000
Appointments Committee	**4**	20,000	80,000
Control and Risks Committee	**3**	80,000	240,000
TOTAL			**2,520,000**

Calculation of bonus pool and allocation using risk-adjusted metrics based on sustainable results over time

The variable component remuneration component to be assigned to the "identified staff"[11] constitutes the so-called "bonus pool". Payment is conditional upon a series a conditions, or "gateways", which consist of the following indicators approved by shareholders at the last general meeting, being met:

- capital adequacy and liquidity requirements[12] indicated by the risk metrics adopted in the Risk Appetite Framework[13] approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP;
- positive operating profit delivered at Group level.[14]

The Chief Executive Officer allocates the aggregate bonus pool to be awarded on the basis of the Economic Profit[15] earned by the Wholesale Banking division (the area in which most staff with the ability to impact substantially on Mediobanca's risk profile are employed) according to quantitative and qualitative indicators. The bonus pool for the individual business areas is calculated on the basis of scorecards which generally use Economic Profit as their primary metric as well as other secondary quantitative and qualitative metrics, whereas individual awards are made on the basis of overall assessment of personal performance, with particular emphasis on reputational and compliance issues as well. The bonus pool for staff employed by the control units and staff and support areas is established based on qualitative considerations, to limit the correlation between bonuses paid and the results delivered by the Bank and so guarantee the independence of their role. The Chief Executive Officer's decisions are illustrated to the Remunerations Committee and the Board of Directors. The remuneration paid to the heads of the control units is approved by the Board.

At 30 June 2015, the Group's results for the year showed a consolidated pre-tax profit of €757m, up 51% on last year, driven by: a 12% increase in revenues, from €1.8bn to €2bn; a good performance by the securities portfolio, which delivered a gain of €106m (30/6/14: €212m) representing the net surplus following gains on disposals less writedowns to equity investments and AFS securities; and lower loan loss provisions, which were down from €736 to €533m. The main income items performed as follows:

- net interest income rose 5%, driven by the consumer segment which grew 10%, with wholesale business down 7%;
- net fee and commission income up 11%, driven by a good performance in capital markets activity;
- net treasury income recovering, from €45m to €207m, partly due to the stronger US dollar;
- reduction in the contribution from the equity-accounted companies (from €264m to €224m);
- lower loan loss provisions, which decreased from €736m to €533m, on an 8% rise in lending volumes;
- cost/income and compensation/income ratios close to 2012 levels.

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[11] The Mediobanca Group's most relevant staff as at 30 June 2015 comprised 76 employees , representing 2% of the total headcount of the Group 11% of that of Mediobanca S.p.A., compared with 1.75% and 9% at 30 June 2014.
[12] CET 1 ratio, leverage ratio, AFR/ECAP, liquidity coverage ratio, net stable funding ratio, retail funding ratio.
[13] The Risk Appetite Framework identifies the risks which the Bank is willing to take, and for each risk defines the objectives and limits in normal and stressed conditions, identifying the management actions necessary to bring the risk back within the set limit. It is based on assessment of the principal risk drivers to which the Bank is exposed, both macroeconomic and specific. The RAF is subject to ongoing fine-tuning and update, in line with the continual changes in the risk metrics and analysis methodologies adopted, not to mention to the regulatory framework and the corporate processes with which it is integrated.
[14] Total income less operating costs and loan loss provisions, as shown in the restated financial statements, and including the results of the Principal Investing division.
[15] Economic Profit (EP) is defined as the pre-tax profit earned by the Wholesale Banking division, net of variable labour costs and the cost of regulatory capital (not represented in the accounts) required to perform such activities. It therefore measures the additional profit generated after the return on capital, the cost of which is calculated based on a risk-free rate in the medium/long term, the risk premium and taking into account the Division's cost of funding. As required by the supervisory authorities, the EP metric reflects both present and future risks and the sustainability of results over time.

The Wholesale Banking division's results in the twelve months ended 30 June 2015 reflect:

- pre-tax profit of €276m, with revenues up 39% driven by a good performance in fee income (up 15%) and trading income;
- a substantial reduction in loan loss provisions (from €232m to €74m).

The Retail and Consumer Banking division's results for the year ended 30 June 2015 were as follows for the main companies:

- for the Compass Group, a net profit of €83m (€41.9m), after loan loss provisions totalling €413.4m including €41.8m in one-off adjustments charged to the interim accounts;

- for CheBanca!, a net loss of €12.8m (after a tax rebate of €0.5m), an improvement on last when a net loss of €25.1m was posted (tax rebate €2.4m).The loss at the pre-tax level improved by €14.2m, declining from €27.5m to €13.3m, on a €3.2m increase in total income (from €163.5m to €166.7m), a €7.4m improvement in the cost of risk (down from €27.8m to €20.4m), and a €5.2m reduction in deposit guarantee provisioning (from €6.1m to €0.9m).

All the Group's gateways for the year ended 30 June 2015 were thus met.[16]

The Economic Profit earned by the Wholesale Banking division as stated in the accounts, which is not one of the gateways but is used as a risk-adjusted indicator in assessing the sustainability of the bonus pool, totalled €237m.

The other quantitative and qualitative metrics were also met, in the sense that the Group's results reflected the required risk/return balance, compliance with all the objectives set in the Risk Appetite Framework and the annual budget (including in terms of cost/income and compensation/income ratios), and represented an improvement on previous years' performances.

Having therefore ascertained that all the conditions precedent to the distribution of the bonus pool had been met, and in application of the criteria provided for in the remuneration policies, the Chief Executive Officer, after consulting with the General Manager, established an aggregate variable remuneration component of €69m for Mediobanca, €34m of which for identified staff (compared with a retention bonus of approx. €14m paid in 2014), corresponding to a payout ratio of 29% of the WB Economic Profit (14.3%). These amounts include the variable component reserved to directors who are members of the Mediobanca Group's senior management. The aggregate variable component amounts to 76% of the fixed component (124% for identified staff[17]).

For the Retail and Consumer division, the risk-adjusted earnings performances delivered in the year were positive. The total variable remuneration component, which amounts to 9% of the total fixed component, came to approx. €11m (vs €9.5m last year), €1m of which was the bonus pool for identified staff (representing 99% of the fixed remuneration).

Management with strategic responsibilities other than the executive directors and referred to in the Consob resolution issued in 2011, consisted of five persons as at 30 June 2015: the three heads of the control units, the head of company financial reporting and the co/head of the Corporate and Investment Banking division. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of identified staff to which they belong.

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[16] CET 1 ratio 11.98%; leverage ratio 10.98%; AFR/ECAP, liquidity coverage ratio, retail funding ratio all above RAF; net stable funding ratio ≥100%; Group operating profit €757m.
[17] Excluding identified staff working in control and support units.

Variable remuneration of the Chief Executive Officer and General Manager

The annual variable remuneration component for directors who are members of the Group's senior management is included in the aggregate bonus pool, subject to the gateways being met, and is conditional upon the quantitative and qualitative targets assigned in the individual scorecards approved by the Board of Directors being achieved. If the quantitative objectives are met, the amount of the bonus payable to the CEO and the General Manager is between 50% and 200% of their gross annual salary. This amount may be adjusted by the BoD according to whether or not the qualitative objectives are met also (without prejudice to the cap instituted).

The quantitative performance indicators assigned for the financial year ended 30 June 2015 involved: for the CEO, Group risk-adjusted profitability indicators (profit before tax earned from Group banking activities/capital absorbed), consolidated revenues, capital solidity indicators (tier 1 ratio); and for the General Manager, Group risk-adjusted profitability indicators (profit before tax earned from Group banking activities/capital absorbed), consolidated revenues from money management activities (net interest income and trading income generated by the Mediobanca Group), and control of administrative expenses. For the CEO the qualitative objectives involved in the initiatives in the asset management area, the Group's non-Italian operations and strengthening of the company units; and for the General Manager, the projects to improve the quality of resources, and development of factoring and private banking operations.

Based on the results of the scorecards, the Board of Directors, having obtained the favourable opinion of the Remunerations Committee, resolved to award variable remuneration of €2,250,000 to the CEO and of €1,870,000 to the General Manager (in both cases approx. 125% of their fixed salaries). Contributions to the complementary pension scheme are also paid in both cases on the upfront cash component.

Means of distributing the variable component

The means of distribution are as provided in the remuneration policies.

The aggregate bonus pool amounts include the share to be paid to identified staff in equity form ("performance shares") equal to approx. €16m (approx. 50% of the bonus pool), which will be booked to the accounts over the next three financial years under the accounting standards currently in force.

Accordingly, the Board of Directors adopted a resolution to award Group staff a total of 1,710,836 performance shares[18] (at the average stock market value of Mediobanca shares in the month prior to the award, i.e. €9.1758), including those awarded to identified staff employed at Group companies[19].

[18] 122,605 of which to the CEO and 101,898 to the General Manager.
[19] In January 2015 a further 41,886 performance shares were awarded to CMB, a Mediobanca Group company whose financial year and performance cycle ends on 31 December 2014. A further 108,628 performance shares were also awarded in the course of the year under the terms of severance agreements, 43,451 of which were delivered.

B) New staff remuneration policies

Introduction

As in the past, the new Remunerations policies:

- comply with the supranational and national regulations currently in force;
- allow areas of the Bank which create value to be awarded, using objective measurement criteria;
- enable the Group to attract and retain staff with the professional skills and capabilities required to meet its needs;
- are in line with the policies adopted by other national and international operators.

The main changes compared to the previous versions involve:

- a more accurate description of the process used to define the variable component;
- the treatment provided in cases where beneficiaries leaves the company (including the treatment of performance shares, deferred components and contributions to the complementary pension scheme);
- the addition of malus conditions at the individual business unit level, as a further indicator for measuring the performance of risk-adjusted results over time;
- the deferral of variable remuneration for senior Bank figures over a five-year time horizon.

The Economic Profit earned by the Wholesale Banking division continues to be used as the metric for quantifying the Mediobanca bonus pool, and a cap of 200% of fixed remuneration has been adopted on the variable component.

Governance

The governance process for the Group remuneration policy is structured across two levels: corporate and organizational.

a) Corporate governance

Under the current Articles of Association:

- shareholders in general meeting establish the annual fee payable to members of the Board of Directors when they are appointed, and for the entire duration of their term of office, to be allocated among the individual members based on the Board's own decision.
- shareholders in general meeting, within the terms set by the regulations in force at the time, also approve the remuneration policies and compensation schemes based on financial instruments for Group directors, staff and collaborators, and set the criteria for establishing compensation to be agreed in the event of a beneficiary leaving the company or office.
- at the Board of Directors' proposal, shareholders in general meeting may, with the requisite majorities, establish the variable remuneration of Group staff and collaborators up to the limit of 200% of their fixed salaries or any other limit set by the regulations in force at the time.
- the Board of Directors institutes the committees envisaged by the regulations in force from among its own number, including the Remunerations Committee, establishing their powers and composition in accordance with the regulations in force.

Under the regulations in force:

- the Remunerations Committee consists of between three and five members, all non-executive directors, at least a majority of whom qualify as independent under the terms of the Code of conduct in respect of listed companies. Proceedings at Committee meetings are co-ordinated by a chairman appointed from among the independent members. The Committee's duties include proposing compensation for staff whose remuneration and incentivization systems are decided by the Board of Directors; it serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff; it monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this area. It also prepares the documentation to be submitted to the Board of Directors for the relevant decisions; works together with the other internal committees, in particular the Risks Committee; and ensures the involvement of all relevant company units in compiling and checking the remuneration and incentivization policies and practices. It also gives its opinion, based *inter alia* on the information received from the relevant company units, on whether the performance objectives to which the incentivization schemes are linked have been reached and ascertains whether or not the other conditions precedent to payment of compensation have been met; it provides feedback on the activities performed to the governing bodies, including shareholders in general meeting. To be able to perform its duties effectively and responsibly, the Remunerations Committee has access to company information relevant to such ends, is endowed with sufficient funds to guarantee it is independent in operational terms, and may call on the services of experts, including from outside the company, on matters for which it is responsible. The Committee is regularly constituted at meetings where a majority of the directors in office are in attendance, and adopts resolutions on the basis of the majority of those present voting in favour. Minutes of Committee meetings are taken and kept in separate registers.
- the Risks Committee, with reference to the remuneration and incentivization policies, ascertains whether the incentives provided by the remuneration system take adequate account of the risks, capital and liquidity situation, co-ordinating as appropriate with the Remunerations Committee.
- the Chief Executive Officer presents the proposed Group staff remuneration and retention

policies to the governing bodies, is responsible for staff management, and having sought the opinions of the General Manager, determines the bonus pool based on the criteria established by the Board of Directors and then distributes it.

b) Organizational governance

- Human Resources directs and governs the entire remuneration process, involving the governing bodies, control units and other teams responsible for verifying the Group's earnings and financial data.
- The Accounting and Financial Reporting and Planning and Control units provide the data for ascertaining that the gateways have been met and for determining the business areas' performances based on the results achieved.
- The Risk Management unit helps in defining the metrics to be used to calculate the risk-adjusted company performance, in validating the results and the gateways, and in checking that these are consistent with the provisions of the Risk Appetite Framework.
- The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the sector regulatory framework. It is also responsible, after consulting with the other control units, for checking whether or not any compliance breaches have been committed with relevance for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time, including in terms of establishing the identified staff, analysing the metrics adopted, and the practice in cases where the beneficiary has left the company.
- The Group Audit unit makes a statement declaring that the staff remuneration and incentivization policy adopted by the Bank complies with the Instructions. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

All activities are documented to ensure that they may be fully tracked.

Definition of "identified staff"

The criteria adopted to identify relevant staff with a substantial impact on the Mediobanca Group's risk profile are those provided in the EU delegated regulation enacted by the European Commission on 4 March 2014 (published in the *Official Journal of the European Union* on 6 June 2014):

- qualitative, linked to the role covered within the company organization (including non-executive directors), relevant business units, control and staff unit;
- quantitative, based on total overall remuneration received in the previous financial year.

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Mediobanca regularly carries out analysis of the Group's organizational structure via a documented process. At 30 June 2015 the Groups "identified staff" (including non-executive directors) broke down as follows:

Cluster	Definition	EBA regulations	MRT # 2015
1) **Non-executive directors**	Non-executive members of BoD, including Chairman	Article 3. 2	**1 (+13)**
2) **Directors with executive duties**	Management who are members of the Executive Committee	Article 3. 1	**4**
3) **Senior management and heads of relevant BUs** (principal business lines, geographical areas and other senior business figures)	◆ Co Head of CIB ◆ Head of Principal Investing ◆ Head of Finance division ◆ Head of Corporate Finance ◆ Head of Equity Capital Markets ◆ Head of Debt Capital Markets ◆ Head of Lending and Structured Finance ◆ Head of CMS/London ◆ Head of Financial Institutions Group ◆ Head of Global Coverage ◆ Frankfurt branch manager ◆ Madrid branch manager ◆ Paris branch manager ◆ Head of MB Turkey ◆ CEO of CMB	Art. 3. 3 Art. 3.6	**15**
4) **Heads and senior staff of internal control units**	◆ Compliance ◆ Risk Management ◆ Group Audit Unit	Article 3. 4 Article 3.5 Art.3.7 Article 3.15	**10**
5) **Staff with managerial responsibilities in relevant business units**	◆ Heads of trading desks, liquidity, trading origination ◆ Staff with key responsibilities in the Lending and Structured Finance and Corporate Finance areas ◆ Other staff with responsibility for specific product areas (MB Securities, research) ◆ General Managers of Compass, CB! and CMB; and CEOs of SelmaBPM and Spafid	Article 3.8 Article 3.15	**25**
6) **Heads and senior staff in staff and support units**	◆ Human resources ◆ Head of company financial reporting ◆ Accounts and financial reporting ◆ Budget and planning/control ◆ Legal counsel ◆ COO ◆ CIO	Art. 3. 9 Art. 3.15	**7**
7) **Quantitative criteria**	Holders of roles with total compensation ≥ €500,000 in the previous financial year not included in the above categories	Article 4	**14**
	TOTAL as % of total Mediobanca S.p.A. staff as % of total Mediobanca Group staff	**76 (89)** 11% 2%	

Management with strategic responsibilities as defined in the Consob resolution issued in 2011 other than directors (i.e. the three heads of the control units, the head of company financial reporting and the co-head of the Corporate and Investment Banking division) are all included in the definition of identified staff.

Pay mix

The Mediobanca Group Remuneration policy is intended to attract and retain highly qualified and professional staff, in particular for key roles and positions, who are suited to the complexity, increasing internationalization and specialization of its businesses, based on a rationale of prudent management and sustainability of costs and results over time. The structure of Mediobanca staff remuneration is based on various components, with the objective of: balancing the fixed and variable components over time (pay mix), implementing a flexible approach to remuneration, and helping to gear compensation towards performance in view of the significance of role within the company without encouraging risky and/or short-term behaviour. Each year the staff compensation package's positioning is assessed relative to its reference market, including with the assistance of outside advisors.

a) Remuneration structure for non-executive directors

The non-executive directors' emolument is fixed by the shareholders in general meeting, and no provision is made for incentives linked to the Bank's performance. An insurance policy is also available to cover directors and officers (D&O) against civil liability.

b) Remuneration structure for directors who are members of the Group's senior management

The remuneration for directors who are members of the Group's senior management is regulated by agreements approved by the Board of Directors. Their remuneration structure comprises:

1) a fixed salary;

2) a variable annual component (or short-term incentive) which only accrues if the gateways stipulated in the Remunerations policy are met (see below the section entitled "Determination of bonus pool and correlation between risks and performance"), commensurate with the quantitative and qualitative performance indicators contained in an individual scorecard approved annually by the Board of Directors at the Remunerations Committee's proposal being reached.

   The scorecards contain performance objectives identified within each individual manager's sphere of responsibility (for example these may regard risk-adjusted profitability or revenues, Group-wide or for particular divisions, Economic Profit of individual areas for which they are responsible, other objectives consistent with the guidelines of the strategic plan with respect to capitalization, liquidity or new business initiatives) and weighted according to the relevance assigned to them by the Board of Directors and the actual margin of autonomy in terms of decision-making. If the objectives are met, this triggers the payment of a variable bonus ranging from 50% (or lower) of the gross annual salary on certain minimum objectives being reached (usually related to the budget objectives) to a maximum of 200% in the event of outstanding performances (indicatively between 115% and 150% of the minimum value).
   Of the variable component, 50% is paid in cash and 50% in equity, and 60% is deferred over a five-year time horizon. All the deferred items are subject to the performance and malus conditions stipulated in these Policies (see below the section entitled "Performance conditions, malus condition and clawback").

3) upon the approval of a long-term Group plan, the Board of Directors may choose to award an extraordinary bonus, conditional upon the objectives set forth in the plan itself being reached. In the event of a long-term incentive being implemented, the short-term scheme described under the previous point will be linked to the provisions of the long-term scheme, with the latter being included in the existing 200% cap on variable remuneration. Actual payment will be made on the terms, conditions and methods provided for the variable remuneration component referred to above, unless provided otherwise by the Board of Directors, having consulted with the Remunerations Committee, in accordance with the regulations in force for long-term incentivization schemes.

The Chairman receives only a fixed salary. However, the Board of Directors may, having consulted with the Remunerations Committee and within the limits set by the regulations, assess the possibility of also paying him a variable component, to be distributed in accordance with the regulations set forth in this policy.

The Group's executive directors also receive their emoluments as directors, but not those due in respect of participation in committees. In the case of positions held on behalf of Mediobanca in subsidiaries or investee companies, any emoluments are paid to Mediobanca as the persons concerned are Bank employees. An insurance policy is available to cover such directors, like the others, for third-party liability, and they also benefit from participation in the complementary pension scheme operated for Mediobanca Group management staff.

c) Compensation structure for staff employed in control units and staff and support areas

The remuneration package for identified staff in the control units (Group Audit, Compliance and Risk Management), Human Resources and the Head of Company Financial Reporting is structured so that the fixed component represents the majority, with a smaller variable component assigned annually based on qualitative and efficiency criteria. The variable component has a maximum limit of 33% of the fixed component, while that of the heads of unit is set annually by the Board of Directors after consulting with the Remunerations Committee.

The remuneration of staff employed in the staff and support areas is normally determined on the basis of positioning vis-à-vis the reference market (which varies according to the value of the individual employee, their role and the retention strategies in place). For such staff the variable component, usually modest, is not related to the Group's earnings results but to the quality of the individual's performance.

d) Remuneration structure for other "identified staff"

- fixed salary: this reflects technical, professional and managerial capabilities, and the related responsibilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are monitored in relation to its competitors and adapted to changes in the market scenario from time to time, avoiding excessive reliance on annual bonuses while at the same time being careful not to make the overall package unduly inflexible.
- variable remuneration: this functions as recognition and reward for targets set and results achieved, and is calculated based on risk-adjusted indicators. It constitutes an important motivational factor, and for some business figures (in the Wholesale Banking division in particular) may form a significant portion of their annual pay, in line with reference market practice, without prejudice to the cap and to the other conditions established by the regulations in force.

  The variable component is paid in cash and equity instruments, in part upfront and in part in subsequent years, subject to performance conditions being met. Any shares awarded are subject, after the respective rights have vested, to an additional holding period for retention purposes. The section entitled "Variable component structure" describes the criteria and means of deferral in more detail.
- Benefits: in line with the market, compensation package is completed by a series of fringe benefits which are evidence of the ongoing attention paid by Mediobanca to the personal needs and welfare of its own staff, even after retirement. The benefits chiefly consist of pension, insurance and healthcare schemes. The benefit schemes are sometimes distinguished by families of professionals and geographical areas, but do not make provision for individual discretionary systems. The Bank's supplementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company. Company cars are provided only for the most senior figures.

e) Other information on remuneration structure

For a restricted number of staff with high potential and generally low seniority, a long-term incentive is applied in the form of deferred cash (a bonus which accrues over three years and is paid in the following two years) in addition to the annual bonus.

Guaranteed bonuses: these may be awarded to staff with particularly important profiles but only at the recruitment stage and for the first year of their employment by the company, as per the regulations in force. They also include bonuses awarded upon recruitment to compensate for any loss in earnings from previous jobs, in accordance with sector practice. Such bonuses are decided and paid in accordance with the policies and regulations in force from time to time.

Staff are not allowed to use personal hedging or insurance strategies involving the variable component of their remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with the company's risk. The control units carry out checks to this end.

Remuneration cannot under any circumstances be paid in forms, instruments or means that seek to avoid the regulatory provisions.

Limit on variable remuneration

In accordance with the national and supranational regulations, the upper limit on the variable remuneration component for all staff belonging to the Mediobanca Group[20] and hence for all identified staff has been set at 200% the amount of their fixed remuneration (without prejudice to the provisions in place for staff employed in the control units, Human Resources and the Head of company financial reporting).[21]

The reasons justifying this limit are primarily:

- the need to attract and retain the most talented staff, in investment banking in particular, by aligning the Bank's practice with that of its competitors;
- the need to maintain the appropriate operating flexibility, minimizing the risks that would be associated with increasing the fixed labour cost component;
- to ensure that the remuneration policy is consistent with incentives which seek to promote virtuous conduct in the pursuit of business objectives and value creation;
- to align the Bank with the policies adopted by the leading Italian and international banks;
- the increasing presence of competitors in sectors (financial institutions which are not banks, private equity, hedge funds) or geographies (Far East, the Americas) with a liberalized regulatory framework;
- the possibility of ensuring that funds are distributed appropriately between the most deserving candidates.

The sustainability of this limit is guaranteed by the provisions of the remunerations policies regarding the determination of the bonus pool, the correlation between risk and performance, and the performance conditions, malus conditions and clawback provisions.

[20] With the exception of staff not included in the definition of identified staff employed in business areas governed by sector regulations where there is no cap on variable remuneration under the present regulatory framework and in the absence of specific guidance from the supervisory authorities in this area.

[21] The Group's headcount currently comprises approx. 3,700 staff made up as follows: 860 in Wholesale Banking (with 70 qualifying as identified staff), 2,440 in Consumer and Retail Banking (3 identified staff), 230 in Private Banking (3 identified staff), and 170 in the services company.

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Determination of bonus pool and correlation between risks and performance

Determination of the bonus pool and the correlation between risks and performance is achieved via a process which has the objective of rewarding staff based on the Bank's and the Group's risk-adjusted performances, in accordance with the risk profile defined in the Risk Appetite Framework (RAF), seeking to maintain a solid capital base and strong liquidity position, preserve profitability over the long term in line with its own business profile, and safeguard its reputational capital, with a view to achieving business continuity and sustainable results over the long term. In particular:

a) Gateways

Distribution of the bonus pool (which constitutes the variable component earmarked for the remuneration of "identified staff") only takes place if the following indicators or "gateways" are complied with:

a. capital adequacy and liquidity requirements[22] indicated by the risk metrics adopted in the Risk Appetite Framework[23] approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP;

b. positive operating profit delivered at Group level.[24]

b) Budgeting phase

Under the process for determining the bonus pool, in preparing the budget the Board of Directors approves the cost of labour for the financial year to come, including the amount of variable remuneration and the bonus pool payable to identified staff, determined on the basis of Mediobanca's and the individual business units' estimated performance targets, the market scenario and historical pay trends.

c) Determination of the bonus pool

Once the final results have been closed, the bonus pool payable to Mediobanca's identified staff is calculated by the CEO who identifies the share of the Economic Profit earned by the Wholesale banking division[25] (the area to which most staff who have a substantial impact on Mediobanca's risk profile belong) produced from assessment of the quantitative parameters (satisfactory Group results in terms of risk/return, consistency with Risk Appetite Framework profiles other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the three-year business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and market share, proper conduct and reliability of staff members with reference in particular to reputational and compliance issues, retention of key staff, need for new professional talent). The amount this determined is measured against the bonus pools resulting from the scorecards for the individual business activities, which may be fine-tuned to ensure that overall sustainability is maintained.

[22] CET 1 ratio, leverage ratio, AFR/ECAP, liquidity coverage ratio, net stable funding ratio, retail funding ratio.

[23] The Risk Appetite Framework identifies the risks which the Bank is willing to take, and for each risk defines the objectives and limits in normal and stressed conditions, identifying the management actions necessary to bring the risk back within the set limit. It is based on assessment of the principal risk drivers to which the Bank is exposed, both macroeconomic and specific. The RAF is subject to ongoing fine-tuning and update, in line with the continual changes in the risk metrics and analysis methodologies adopted, not to mention to the regulatory framework and the corporate processes with which it is integrated.

[24] Total income less operating costs and loan loss provisions, as shown in the restated financial statements, and including the results of the Principal Investing division.

[25] Economic Profit (EP) is defined as the pre-tax profit earned by the Wholesale Banking division, net of variable labour costs and the cost of regulatory capital (not represented in the accounts) required to perform such activities. It therefore measures the additional profit generated after the return on capital, the cost of which is calculated based on a risk-free rate in the medium/long term, the risk premium and taking into account the Division's cost of funding. As required by the supervisory authorities, the EP metric reflects both present and future risks and the sustainability of results over time.

d) Distribution and allocation of the bonus pool

The bonus pool for the individual business activities is calculated on the basis of scorecards which generally use Economic Profit as the primary metric and other secondary quantitative metrics (including reference to budget objectives and historical results performances) and qualitative metrics with the institution of a cap. The scorecards are structured in such a way as to incentivize internal co-operation, in particular between heads of business unit.
The bonus pool to be earmarked for identified staff in the control units and staff and support areas is determined on the basis of qualitative considerations, in order to limit the degree of correlation with the Bank's results, thus safeguarding the independence of their role (see section above entitled "Compensation structure for staff employed in control units and staff and support areas").

e) Exceptions (bonus pools for retention purposes and floors)

The Board of Directors, after consulting with the Remunerations Committee and at the Chief Executive Officer's proposal, may authorize the payment of a bonus pool for retention purposes even if the gateways are not met. The possibility of paying a retention bonus pool is assessed in view of the reasons why the individual gateways were not met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability. The scope of the staff and the amount involved is based on the following main criteria: the contribution of the individual beneficiary to the overall results of the division and the Group, the importance of the profile to the sustainability of future results, benchmark analysis of the market and competitive scenario, the need to ensure business continuity, and consistency with the succession planning policy.

Furthermore, if the gateways are net but the Wholesale Banking division delivers a Economic Profit which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the overall results.

f) Assessment of individual quantitative and qualitative performance in the award of the annual bonus

Annual bonuses are awarded to the individual beneficiaries by the Chief Executive Officer and senior management through a shared annual performance assessment process which emphasizes professional merit and quality, with particular attention paid to reputational issues (the bonus either cannot be paid or is reduced for any staff guilty of committing a compliance breach of either the internal or external regulations in the course of the year). The entitlement to receive variable remuneration is subject to the beneficiary continuing to work for the Mediobanca throughout the assessment period and their still being in the company's employment at the actual date of distribution and/or not serving a period of notice for resignation or dismissal.

Mediobanca valorizes its staff on a meritocratic basis, developing their professional capabilities in accordance with the principle of equal opportunities and in line with its own strategic choices and organizational and productive requirements. Career development is facilitated through the provision of adequate training, practical work experience under the leadership of line managers, in some cases mobility across different positions, assessment of performance, and ultimately the career advancement and promotion process.

At the start of the year the professional, personal and company objectives for each staff member are assigned and discussed with the respective line manager. Such objectives are meant to be achievable, challenging and weighted according to the priority assigned to each staff member. Particular attention is paid to proper individual conduct in accordance with the provisions of the Code of ethics, Organizational model and Business conduct policy, and in general terms with the principles established by regulations, operational rules and internal procedures, with reference in particular to those considered to be most relevant in terms of reputational risk.

At the end of each year, the line managers make their assessment of the individual staff members based on the objectives set. Regular feedback throughout the year also allows the line manager and staff to agree on the extent to which the objectives have been met, with objective discussion of individual performances. In this way the organization is able to reach its objectives while respecting its corporate values, and transparency is ensured with reference to training opportunities, professional development and assessment criteria.

For staff belonging to the business units, the assessment reflects:

- qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, reputational and compliance issues, and adherence to the Bank's values
- earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios, and to value generation in accordance with the risk-adjusted principles referred to above.

For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of resources. In particular, for staff employed in the accounting, planning and control areas the following aspects are considered: all obligatory, supervisory and market disclosure requirements being complied with, all the accounting processes, related electronic procedures and tax requirements being managed efficiently and accurately. For staff employed in the internal control units (Group Audit, Compliance and Risk Management), continuous monitoring and control of the Bank's processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly; continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

In close correlation with the valuation process, staff may also be involved in a career advancement process involving covering new organizational roles, promotion to a new contractual level or being assigned a new corporate title based on the experience acquired and results achieved. Promotions are proposed by the head of the business unit concerned, agreed with Human Resources and approved by the General Manager and/or the Chief Executive Officer (for middle management). For higher levels (senior management or equivalent), the process involves specific appraisal of the candidate concerned, including by other senior Bank staff from a variety of different professional backgrounds, experiences and roles. The process is closely linked to that of succession planning which involves researching, identifying and managing individual candidates for senior positions (specifically executive directors, including in cases where such figures have to be replaced ahead of the scheduled expiry of their term of office, taking into account that under Mediobanca's current Articles of Association some of the directors must be chosen from among staff with at least three years' experience as senior management at companies forming part of the Mediobanca Banking Group), and identifying a pool of possible replacements with high potential (the "senior talent pool" for key positions, including the business areas, control units, and staff and support roles) in view also of likely future requirements in terms of strategic leadership and/or professional and managerial capabilities through a global organizational approach.

The remunerations policies are therefore co-ordinated in close conjunction with the Succession planning and Staff management policies, both of which are approved by the Board of Directors.

Variable component structure: timescale for distribution and instruments

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term and to ascertain the continuity of the company's results.

The variable component payable to directors with executive duties, to senior management (i.e. groups 2 and 3 of the table shown in the section entitled "Identified staff") and to staff employed in areas operating on financial markets, included in groups 5 and 7 of the same table, is deferred as to 60%.

For the remaining identified staff the deferred share is 40%.

The time horizon for deferral is three years, save for directors with executive duties and for senior management (i.e. groups 2 and 3 in the table shown in the section entitled "Definition of identified staff"), for whom it is five years, with annual distributions made pro rata. Deferral applies to any amount of variable remuneration.

For line managers and senior staff in the control units and staff and support areas (groups 4 and 6), deferral is applied to variable remuneration which is equal to or exceeds €80,000.

The upfront component (i.e. paid in the same year as the award is made) and the deferred variable remuneration are distributed as to 50% in cash and as to 50% in equity instruments.

After the vesting period, the equity instruments are subject to a further retention holding period, of two years for the upfront component and one year for the deferred component.

Given the full time horizon over which the variable remuneration is distributed, in cash and shares, the economic benefit for recipients is spread across six financial years for management staff and over five years for the other identified staff.

Mediobanca also applies a 30% deferral over a three-year time horizon, all in cash and subject to malus conditions, to all staff not included in the definition of identified staff who receive variable remuneration equal to or higher than €100,000.

Performance conditions, malus condition and clawback

The deferred variable remuneration component is paid, provided that:

- the beneficiary is still a Group employee and not serving a period of notice for resignation or dismissal;
- the performance conditions, which are the same as the "gateways" described in the section entitled "Determination of bonus pool and correlation between risks and performance", have been met in each year;
- the beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as ratified by the Risk Management unit and the Control and Risks Committee;
- the beneficiary has not committed any compliance breaches (i.e. has not been subject to disciplinary measures under the terms, *inter alia*, of Mediobanca's Code of ethics, Organizational model, Business conduct policy and other internal regulations[26]), and no losses have been incurred which were attributable to their actions.

[26] The relevant cases for application of compliance breaches are assessed internally, through an appraisal of the regulatory areas which are most relevant to the Bank's reputational risk and the gravity of the breach, as well as the process for evaluating them correctly and potentially taking action, involving the control units and governing bodies as well. Relevant factors for applying the malus and/or clawback mechanisms include not only the application of penalties as provided by the various disciplinary codes, but also warnings or reminders sent by the control units regarding the most relevant instances, or the outcomes of audits conducted again by the control units. The Compliance unit, after consulting with the other control units, once a year prepares a summary report of the relevant events that have taken place, at both the individual and business unit level.

In this way staff are required, in accordance with their role and business activity, to conduct themselves at all times in such a way as to ensure that Mediobanca retains a solid capital base, a strong liquidity position and close control of all risks as well as profitable results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

The Board of Directors may also identify further performance indicators upon the occasion of each individual award cycle. For staff employed at other Group companies, the Chief Executive Officer may choose to identify one or more specific economic indicators to replace those referred to above.

The Board of Directors, with the favourable opinion of the Remunerations committee, may, at the Chief Executive Officer's proposal, authorize payment of the deferred component, including in part, even if the gateways are not achieved, either to business divisions or individuals who during the year have delivered particularly outstanding performances or who are expected to be decisive with regard to the sustainability of results over time, for retention purposes.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members whether or not fraud and/or wilful misconduct are established. Provision for such measures is also made in cases involving breach of the obligations imposed under Article 26 of the Italian banking act (company representatives – personal and professional qualifications and independence) or, where relevant to the party involved, Article 53, paras. 4ff (regulatory supervision) or of the obligations in respect of remuneration and incentivization.

Performance share scheme

In connection with the equity instruments to be used as components of staff remuneration, Mediobanca has adopted a performance share scheme, subject to the approval of shareholders at the annual general meeting to be held on 28 October 2015, to which reference is made for all further details.

The scheme involves the award of Mediobanca shares to beneficiaries as the equity component of the variable remuneration awarded to them as a result of the annual or long-term performance assessment process. The shares awarded are assigned to the beneficiaries in practice at the end of a vesting period of at least three years – two years for the upfront component – provided that the beneficiaries are still employed by the Group and that the performance conditions stipulated in the remuneration policies in force at the time under the section entitled "Performance conditions, malus condition and clawback" regarding the sustainability of the results achieved have been met, without prejudice to the company's capital solidity and liquidity and/or proper individual conduct.

The performance shares awarded as deferred equity component, after the performance conditions for the reference year have been checked, are subject to a further holding period of at least one year prior to the their actual assignation, which remains conditional upon the beneficiary continuing to work for Mediobanca. The performance shares awarded as upfront equity component are subject to a holding period of two years prior to their actual assignation, which remains conditional upon the beneficiary continuing to work for the Group.

The Chief Executive Officer may also use this instrument outside the annual award cycle, to define remuneration packages upon the occasion of recruiting new key staff. The governing bodies may also award quantities of performance shares as part of compensation agreed in respect of early termination of the working relationship, to correlate it to the performance delivered and the risks taken by the individual and the Bank, as required by the regulations in force and consistent with the provisions of the remunerations policies in force at the time.

The shares received are personal, without prejudice to succession rights. The right to receive shares is retained in the event of retirement or the beneficiary being permanently disabled and/or suffering from an illness which makes them unable to continue working. The right to receive shares is forfeited in cases where the beneficiary tenders their resignation or is dismissed. Exceptions to the foregoing are handled by the governing bodies within their respective areas of authority, namely the Board of Directors, Remunerations Committee and the Chief Executive Officer, based on the powers vested in them, particularly in cases which involve departures by mutual consent within the limits defined by the remunerations policies in force at the time. The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies, and without prejudice to any regulations providing for more favourable treatment instituted by the applicable local legislations.

The maximum number of shares that may be awarded under the terms of the scheme is 20 million, from the capital increase reserved for award to Mediobanca Group staff members before 28 October 2020, pursuant to Article 2349 of the Italian Civil Code, which is submitted to the approval of the Bank's shareholders at the annual general meeting to be held on 28 October 2015. Alternatively those of the 15,736,786 treasury shares held by the Bank and not reserved for other purposes may be used to this end. At present a total of 9,820,990 shares have been awarded but not assigned, 65,177 from the treasury share holdings and the other 9,755,813 from the limit approved by shareholders in general meeting.

Performance stock option scheme

At an extraordinary general meeting held on 27 June 2007, the shareholders of Mediobanca approved a capital increase involving the issue of 40,000,000 shares for use as part of a stock option scheme (to be exercised by 1 July 2022). A total of 24,464,000 are outstanding, and at present their use in the scheme is not anticipated.[27] At an ordinary general meeting held on 27 October 2007, in accordance with the provisions of the regulatory instructions, the shareholders of Mediobanca approved a resolution to adopt the scheme and its methods of implementation. At a Board meeting held on 24 June 2011, in exercise of the powers granted to them, the directors of Mediobanca revised the stock option scheme to bring it in line with the Instructions, including provision for performance conditions for exercise in addition to those of a purely temporal nature, thereby effectively transforming the scheme into a performance stock option scheme.

The essential characteristics of the scheme, which is for staff with roles key to the achievement of the Group's objectives, are: a vesting period of three years from the award date, subject to the performance conditions being met as defined in the section entitled "Performance conditions, malus condition and clawback"; an exercise period of up to the end of year 8 (three years' vesting plus five years' exercise); a holding period of at least 18 months for Mediobanca shares corresponding to at least half of the capital gain achieved, irrespective of tax issues, for certain participants in the scheme who perform significant roles. In each year the performance conditions must be met for one-third of the stock options awarded. Failure to meet the performance conditions in any one year will result in the relevant share being cancelled.

Remuneration policies for staff employed at Group companies

Mediobanca liaises constantly with its Group companies to ensure that the remuneration systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation, organizational structures, regulations applicable according to type of business and geographical location. In particular the parent company manages the process of defining identified staff, issues guidance to be adopted and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries.

[27] As at 15 September 2015, a total of 21,761,000 stock options and/or performance stock options, as yet unexercised, had been assigned to Mediobanca Group staff, at an average price of €8.489 per share, from the schemes approved by the shareholders in general meetings held on 28 October 2004 and 27 June 2007. As mentioned earlier, a total of 9,820,990 performance shares have been allocated but not yet awarded on the grounds that they are still subject to either vesting or holding periods. The fully-diluted percentage of the company's share capital represented by equity instruments issued to Group staff therefore amounts to 3.4%. The impact on the shares' market value and the possible dilution of the share capital is not material, given the fact that several schemes and several instruments are in operation across different years and vesting and holding periods spread across a medium-/long-term time horizon.

Mediobanca sets the basic principles for the guidelines of the incentives mechanism of management at the various Group companies, leaving the specific decisions up to their respective Boards of Directors with the objective of attracting and motivating key staff. The incentivization system is reserved to staff who, on account of their professional specialization, organizational role and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are identified by the Chief Executive Officer of the companies themselves, having sought the opinion of the General Manager and the Human Resources department of Mediobanca. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined individual annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is usually the economic profit earned by the business area in which they operate) and other secondary, quantitative objectives. Other assessment criteria are also adopted linked to quality of performance, for example indicators of customer satisfaction, and to the achievement of individual qualitative and project-based objectives. The work once complete is subject to ratification by Mediobanca.

There are also limits below which the bonus is paid fully in cash in the year in which it accrues. Above this limit forms of deferral are envisaged, on a three-year basis. Mediobanca reserves the right not to pay all or part of the deferred share in the event of losses related (such instances not to be construed restrictively) to provisions which prove to be insufficient, contingent liabilities or other items which might prejudice the integrity of the accounts ("malus conditions").

In line with the provisions in place for Mediobanca, the incentivization schemes in operation at the Group companies too place particular emphasis on the issue of proper individual conduct (i.e. compliance with regulations and internal procedures, and transparency versus clients) by adopting the concept of compliance breaches, both at the stage of award of the variable component, and in assessment of whether or not to pay any deferred components.

Policies in the event of employment being terminated or otherwise ended

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases of early termination, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

a) Treatment for directors leaving office early

Mediobanca does not pay compensation to directors who leave office for any reason.

b) Definition and payment of severance pay

For individuals linked to Mediobanca Group companies under the terms of employment contracts (including those directors who are members of the Group's senior management and all identified staff, including the aggregate of management with strategic responsibilities), different types of severance pay are envisaged.

The additional amount over and above the amount established and payable in respect of the cost of the failure to provide notice and other entitlements payable upon termination (severance provision, holiday leave etc.) in accordance with the locally applicable legal and contractual provisions, is usually referred to as "severance" and represents the main instrument recognized in the various jurisdictions for cases where termination of the employment relationship is by mutual consent. This amount:

- is determined not only based on regulatory provisions but also on legal and jurisprudential provisions, collective or individual contractual arrangements, and/or practices used in the individual reference markets;
- takes account of the Bank's long-term performances and is not paid if the conduct of the individual staff has in any way damaged the integrity of Mediobanca's capital, profitability, earnings/financial situation or reputation, regardless of whether or not such conduct constitutes instances of fraud or wilful misconduct;
- is paid in the context of those processes intended to minimize the earnings and reputational risks, present and future, which the Bank might face as a result of possible disputes.

Other types of arrangement may also be agreed upon termination of the employment relationship, such as non-competition agreements or settlements paid in respect of potential moral or material damages.

c) Severance pay amount

The amount of severance pay is assessed on the basis of the various factors normally provided in the applicable regulations (including employment law). Although it is difficult to provide an exhaustive definition of the concrete situation given the variety of individual cases, the following factors in particular are taken into account: number of years service within the Group, age and personal and social conditions, role and organizational position held, the historical performance in qualitative/quantitative terms delivered by the individual concerned, the reasons underlying the termination of the employment relationship (which in some cases may be organizational and strategic rather than related to the question of individual performance), the performance of activities which have generated criticalities for the risk profile established by the Group, the adoption of personal conduct which does not conform to company values, and the existence of risks for the Bank linked to possible disputes. The approach adopted reflects the effective and long-term results of the individual and company performance.

The applicable regulations in the countries where Mediobanca operates determines the basis for calculating the additional monthly salaries to be paid by way of severance, with reference being habitually made to both fixed salary and average variable remuneration paid over a given time horizon (generally the last three years) and in some cases also the value of fringe benefits.

Mediobanca, apart from the exceptions contemplated under point g) below, defines the total maximum amount payable by way of severance and non-competition agreement (if any) as 24 monthly salaries as previously defined and in any case not to exceed €5m. This amount does not include any amounts paid as indemnity for failure to give notice and the other amounts due in connection with termination of the employment relationship (severance provision, holiday leave etc.).[28] Severance payments may not under any circumstances exceed the limits set by the applicable laws, regulations and collective contracts.

d) Timescales for payment and instruments used

For identified staff included in clusters 2 and 3 in the table shown in the section entitled "Definition of identified staff", the methods and timescales provided for in making severance payments and any compensation for non-competition agreements entered into upon terminating an employment relationship include payment of a deferred share of at least 40% over a time horizon of at least three years, use of shares or instruments related to them, payment being made subject to malus conditions in the event of liability being established in cases of fraud and/or wilful misconduct and/or attributed in a court of law to the individual staff member's own responsibility during the period in which they worked for the company which emerge after the employment relationship has been terminated. For other identified staff, forms of deferral and risk adjustment may be applied, with the appropriate methods to be identified based on the amount to be paid by way of severance, in addition to the considerations described under point c) above.
The Bank also reserves the right to claw back amounts paid under the applicable employment law regulations.

e) Treatment of any variable remuneration deferred component awarded but not yet paid and fringe benefits

Entitlement to any deferred variable remuneration components, in cash and/or equity, awarded in previous years but not yet paid are forfeited in cases where staff tender their resignations or are dismissed, as the entitlement to any company benefits.
In cases where termination of the employment relationship is by mutual consent, exceptions are handled by the governing bodies within their respective areas of responsibility, namely the Board of Directors, Remunerations Committee and Chief Executive Officer, based on the powers vested in them, in connection with more favourable treatment in individual cases and the possibility of applying local legislations.

f) Decisions by third parties

The foregoing is without prejudice to any decisions that may be taken by a third party authorized for such purpose, namely judicial authorities and/or arbitration and/or conciliation bodies

g) Exceptions and involvement of governing bodies

Possible exceptions to the foregoing, applicable under the terms of this policy to cases of particular significance (e.g. identified staff belonging to clusters 2 and 3), are handled by the Board of Directors, after consulting with the Remunerations Committee, based on assessments provided by the relevant internal units, in particular the control units, and if appropriate external lawyers.
Regular reporting is made to the Remunerations Committee on any decisions taken vis-à-vis employees qualifying as identified staff, and the Committee itself is involved promptly in deciding on the treatment of the most critical individual cases.

h) Arrangements for the Chairman, the Chief Executive Officer and General Manager

In cases where the Chairman (if a member of the Group's management), Chief Executive Officer and/or General Manager leave the Bank's employment for any reason, the provisions of the Group policies for identified staff and the sector regulations in force from time to time shall apply. Any amounts paid in addition to notice when the employment relationship is terminated shall be subject

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[28] In terms of the number of years' fixed remuneration, if an employee has received variable remuneration throughout the time horizon considered equal to twice their annual fixed salary (cf. 2:1 cap), a total of six years' annual salary would be considered. This provision, which is entirely theoretical, is balanced by the maximum amount payable in absolute terms established by the remuneration policies.

to contributions to the company's complementary pension scheme, and save in cases of dismissal for just cause, the said persons will be allowed to retain any financial instruments assigned to them up to the time of their departure.

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Section 2

Table 1: Compensation paid to members of the Bank's governing and control bodies, general managers and other managerial staff with strategic responsibilities.

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/severance
					Emolu-ments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Renato Pagliaro	Chairman of Board of Directors	01/07/2014	30/06/2015	30/06/2017	100.000	1.800.000	1.900.000				350.460 of which complementary pension scheme 346.432				
	(I) Compensation in company preparing the accounts				100.000	1.800.000	1.900.000				350.460		2.250.460	0	
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				100.000	1.800.000	1.900.000	0	0	0	350.460	0	2.250.460	0	0
Maurizia Angelo Comneno	Deputy Chairman of Board of Directors	28/10/2014	30/06/2015	30/06/2017	90.616		90.616						90.616		
	Member of Executive Committee	28/10/2014	30/06/2015	30/06/2017	60.411		60.411						60.411		
	(I) Compensation in company preparing the accounts				151.027		151.027						151.027		
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				151.027	0	151.027	0	0	0	0	0	151.027	0	0
Dieter Rampl	Deputy Chairman of Board of Directors	01/07/2014	28/10/2014	30/06/2014	44.384		44.384						44.384		
	(I) Compensation in company preparing the accounts				44.384	0	44.384	0					44.384	0	0
	(II) Compensation from subsidiaries/associates at 28/10/2014														
	(III) Total				44.384	0	44.384	0	0	0	0	0	44.384	0	0
Marco Tronchetti Provera	Deputy Chairman of Board of Directors	01/07/2014	30/06/2015	30/06/2017	135.000		135.000						135.000		
	(I) Compensation in company preparing the accounts (1)				135.000	0	135.000						135.000	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				135.000		135.000	0	0	0	0	0	135.000	0	0
Alberto Nagel	CEO	01/07/2014	30/06/2015	30/06/2017	100.000	1.800.000	1.900.000		450.000		439.284 of which complementary pension scheme 434.357		2.789.284	261.725	
	(I) Compensation in company preparing the accounts				100.000	1.800.000	1.900.000	0	450.000	0	439.284	0	2.789.284	261.725	0
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				100.000	1.800.000	1.900.000	0	450.000	0	439.284	0	2.789.284	261.725	0
Francesco Saverio Vinci	General Manager	01/07/2014	30/06/2015	30/06/2017	100.000	1.500.000	1.600.000		374.000		365.798 of which complementary pension scheme 361.010		2.339.798	225.792	
	(I) Compensation in company preparing the accounts				100.000	1.500.000	1.600.000	0	374.000		365.798		2.339.798	225.792	0
	(II) Compensation from subsidiaries/associates at 30/06/2015 (1) (2)				12.658		12.658	7.342					20.000		
	(III) Total				112.658	1.500.000	1.612.658	7.342	374.000	0	365.798	0	2.359.798	225.792	0

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/severance
					Emolu-ments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Tarak Ben Ammar	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	(I) Compensation in company preparing the accounts				100.000	0	100.000						100.000	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				100.000	0	100.000	0	0	0	0	0	100.000	0	0
Gilberto Benetton	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	(I) Compensation in company preparing the accounts				100.000	0	100.000	0			0		100.000		
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				100.000	0	100.000	0	0	0	0	0	100.000	0	0
Roberto Bertazzoni	Director	01/07/2014	28/10/2014	30/06/2014	32.877		32.877						32.877		
	Member of Remunerations committee	01/07/2014	28/10/2014	30/06/2014	6.575		6.575						6.575		
	Member of Appointments committee (3)	01/07/2014	28/10/2014	30/06/2014	6.575		6.575						6.575		
	(I) Compensation in company preparing the accounts				46.027	0	46.027						46.027	0	0
	(II) Compensation from subsidiaries/associates at 28/10/2014						0						0		
	(III) Total				46.027	0	46.027	0	0	0	0	0	46.027	0	0
Mauro Bini	Director	28/10/2014	30/06/2015	30/06/2017	67.123		67.123						67.123		
	Member of Control and risks committee and Related parties committee	28/10/2014	30/06/2015	30/06/2017	53.699		53.699						53.699		
	Member of Appointments committee (3)	28/10/2014	30/06/2015	30/06/2017	13.425		13.425						13.425		
	(I) Compensation in company preparing the accounts				134.247	0	134.247	0			0		134.247		
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				134.247	0	134.247	0	0	0	0	0	134.247	0	0
Marie Bolloré	Director	28/10/2014	30/06/2015	30/06/2017	67.123		67.123						67.123		
	Member of Appointments committee	28/10/2014	25/03/2015	--	8.110		8.110						8.110		
	(I) Compensation in company preparing the accounts				75.233	0	75.233	0			0		75.233		
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				75.233	0	75.233	0	0	0	0	0	75.233	0	0
Maurizio Carfagna	Director	28/10/2014	30/06/2015	30/06/2017	67.123		67.123						67.123		
	Member of Remunerations committee	28/10/2014	30/06/2015	30/06/2017	20.137		20.137						20.137		
	(I) Compensation in company preparing the accounts				87.260	0	87.260	0			0		87.260		
	(II) Compensation from subsidiaries/associates at 30/06/2015 (2)				13.333		13.333	16.457					29.790		
	(III) Total				100.593	0	100.593	16.457	0	0	0	0	117.050	0	0
Angelo Casò	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	Chairman of Control and risks committee and Related parties committee	01/07/2014	28/10/2014		24.657		24.657						24.657		
	Member of Executive Committee	01/07/2014	30/06/2015	30/06/2017	80.137		80.137						80.137		
	Chairman of Remunerations committee	01/07/2014	28/10/2014		6.575		6.575						6.575		
	Member of Appointments committee	01/07/2013	28/10/2014		6.575		6.575						6.575		
	(I) Compensation in company preparing the accounts				217.944	0	217.944						217.944	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				217.944	0	217.944	0	0	0	0	0	217.944	0	0

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(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
					Fixed compensation				Variable compensation (non-						
Name and surname	Post	Period for which post has been held		Term of office expires	Emolu-ments	Fixed salary	Total	Fees payable for participation in committees	Bonus and other incentives	Interest in earnings	Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/severance
Maurizio Cereda	Director	01/07/2014	28/10/2014	30/06/2014	32.877	383.500	416.377				65.545		481.922		
											of which complementary pension scheme 63.467				
	(I) Compensation in company preparing the accounts				32.877	383.500	416.377	0			65.545		481.922		
	(II) Compensation from subsidiaries/associates at 28/10/2014														
	(III) Total				32.877	383.500	416.377	0	0	0	65.545	0	481.922	0	0
Maurizio Costa	Director	28/10/2014	30/06/2015	30/06/2017	67.123		67.123						67.123		
	Member of Remunerations committee	28/10/2014	30/06/2015	30/06/2017	20.137		20.137						20.137		
	Member of Appointments committee (3)	28/10/2014	30/06/2015	30/06/2017	13.425		13.425						13.425		
	(I) Compensation in company preparing the accounts				100.685	0	100.685	0			0		100.685		
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				100.685	0	100.685	0	0	0	0	0	100.685	0	0
Alessandro Decio	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	(I) Compensation in company preparing the accounts (1)				100.000	0	100.000	0			0		100.000		
	(II) Compensi da controllate e collegate al 30/06/2015														
	(III) Total				100.000	0	100.000	0	0	0	0	0	100.000	0	0
Massimo Di Carlo	Director	01/07/2014	28/10/2014	30/06/2014	32.877	413.000	445.877				70.281		516.158		
											of which complementary pension scheme 68.310				
	(I) Compensation in company preparing the accounts				32.877	413.000	445.877				70.281		516.158		
	(II) Compensation from subsidiaries/associates at 28/10/2014 (2)				3.187		3.187	1.772					4.959		
	(III) Total				36.064	413.000	449.064	1.772	0	0	70.281	0	521.117	0	0
Bruno Ermolli	Director	01/07/2014	28/10/2014	30/06/2014	32.877		32.877						32.877		
	Member of Remunerations committee	01/07/2014	28/10/2014	30/06/2014	6.575		6.575						6.575		
	(I) Compensation in company preparing the accounts				39.452	0	39.452	0			0		39.452		
	(II) Compensation from subsidiaries/associates at 28/10/2014														
	(III) Total				39.452	0	39.452	0	0	0	0	0	39.452	0	0
Giorgio Guazzaloca	Director	01/07/2014	28/10/2014	30/06/2014	32.877		32.877						32.877		
	(I) Compensation in company preparing the accounts				32.877		32.877	0			0		32.877		
	(II) Compensation from subsidiaries/associates at 28/10/2014														
	(III) Total				32.877	0	32.877	0	0	0	0	0	32.877	0	
Anne Marie Idrac	Director	01/07/2014	28/10/2014	30/06/2014	32.877		32.877						32.877		
	Member of Remunerations committee	01/07/2014	28/10/2014	30/06/2014	6.575		6.575						6.575		
	Member of Appointments committee (3)	01/07/2014	28/10/2014	30/06/2014	6.575		6.575						6.575		
	(I) Compensation in company preparing the accounts				46.027	0	46.027						46.027	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				46.027	0	46.027	0	0	0	0	0	46.027	0	0

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(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/severance
					Emolu-ments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Vanessa Labérenne	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	Member of Executive Committee	01/07/2014	28/10/2014		19.726		19.726						19.726		
	Chairman of Remunerations committee	28/10/2014	30/06/2015	30/06/2017	20.137		20.137						20.137		
	Member of Remunerations committee	01/07/2014	28/10/2014		6.575		6.575						6.575		
	Member of Control and risks committee and Related parties committee	01/07/2014	30/06/2015	30/06/2017	78.356		78.356						78.356		
	Member of Appointments committee	25/03/2015	30/06/2015	30/06/2017	5.370		5.370						5.370		
	(I) Compensation in company preparing the accounts				230.164	0	230.164						230.164	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				230.164	0	230.164	0	0	0	0	0	230.164	0	0
Elisabetta Magistretti	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	Chairman of Control and risks committee and Related parties committee	28/10/2014	30/06/2015	30/06/2017	53.699		53.699						53.699		
	Member of Control and risks committee and Related parties committee	01/07/2014	28/10/2014	30/06/2014	24.657		24.657						24.657		
	Member of Appointments committee	01/07/2014	30/06/2015	30/06/2017	20.000		20.000						20.000		
	Member of Remunerations committee	28/10/2014	30/06/2015	30/06/2017	20.137		20.137						20.137		
	(I) Compensation in company preparing the accounts				218.493	0	218.493						218.493	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				218.493	0	218.493	0	0	0	0	0	218.493	0	0
Alberto Pecci	Director	01/07/2014	30/06/2015	30/06/2017	100.000		100.000						100.000		
	Member of Remunerations committee	28/10/2014	30/06/2015	30/06/2017	20.137		20.137						20.137		
	(I) Compensation in company preparing the accounts				120.137	0	120.137	0			0		120.137		
	(II) Compensation from subsidiaries/associates at 30/06/2015						0						0		
	(III) Total				120.137	0	120.137	0	0	0	0	0	120.137	0	0
Carlo Pesenti	Director	01/07/2014	28/10/2014	30/06/2014	32.877		32.877						32.877		
	Member of Remunerations committee	01/07/2014	28/10/2014	30/06/2014	6.575		6.575						6.575		
	(I) Compensation in company preparing the accounts				39.452	0	39.452						39.452	0	0
	(II) Compensation from subsidiaries/associates at 28/10/2014						0						0		
	(III) Total				39.452	0	39.452	0	0	0	0	0	39.452	0	0
Gian Luca Sichel	Director	28/10/2014	30/06/2015	30/06/2017	67.123		67.123						67.123		
	(I) Compensation in company preparing the accounts				67.123		67.123						67.123		
	(II) Compensation from subsidiaries/associates at 30/06/2015					450.000	450.000		110.000		4.776		564.776	66.410	
	(III) Total				67.123	450.000	517.123	0	110.000	0	4.776	0	631.899	66.410	0
Eric Strutz	Director	01/07/2014	28/10/2014	30/06/2014	32.877		32.877						32.877		
	Member of Executive Committee	01/07/2014	28/10/2014	30/06/2014	19.726		19.726						19.726		
	(I) Compensation in company preparing the accounts				52.603	0	52.603						52.603	0	0
	(II) Compensation from subsidiaries/associates at 28/10/2014														
	(III) Total				52.603	0	52.603	0	0	0	0	0	52.603	0	0
Alexandra Young	Director	28/10/2014	30/06/2015	30/06/2017	67.123	335.400	402.523		51.900		38.556 of which complementary pension scheme 33.933		492.979	25.963	
	(I) Compensation in company preparing the accounts				67.123	335.400	402.523		51.900		38.556		492.979	25.963	
	(II) Compensation from subsidiaries/associates at 30/06/2015														
	(III) Total				67.123	335.400	402.523	0	51.900	0	38.556	0	492.979	25.963	0

(A)	(B)	(C)		(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held	Term of office expires	Fixed compensation: Emolu-ments	Fixed compensation: Fixed salary	Fixed compensation: Total	Fees payable for participation in committees	Variable compensation (non-: Bonus and other incentives	Variable compensation (non-: Interest in earnings	Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/severance
Management with strategic responsibilities					2.534.632	2.534.632		315.000		354.253 of which complementary pension scheme 309.022		3.203.885	13.316	
	(I) Compensation in company preparing the accounts				2.534.632	2.534.632		315.000		354.253	0	3.203.885	13.316	
	(II) Compensation from subsidiaries/associates at 30/06/2015 (1) (4)			78.000		78.000	48.000		3.998			129.998		
	(III) Total			78.000	2.534.632	2.612.632	48.000	315.000	3.998	354.253	0	3.333.883	13.316	0
Stefano Marsaglia					1.401.600	1.401.600		1.299.520		112.129 of which complementary pension scheme 112.129		2.813.249	1.850.547	
	(I) Compensation in company preparing the accounts			0	1.401.600	1.401.600		1.299.520		112.129	0	2.813.249	1.850.547	
	(II) Compensation from subsidiaries/associates at 30/06/2015					0								
	(III) Total			0	1.401.600	1.401.600	0	1.299.520	0	112.129	0	2.813.249	1.850.547	0
Natale Freddi	Chairman of Statutory Audit Committee	01/07/2014 30/06/2015	30/06/2017	133.425		133.425						133.425		
	(I) Compensation in company preparing the accounts			133.425	0	133.425		0		0		133.425	0	
	(II) Compensation from subsidiaries/associates at 30/06/2015					0						0		
	(III) Total			133.425	0	133.425	0	0	0	0	0	133.425	0	0
Maurizia Angelo Comneno	Member of Statutory Audit Committee	01/07/2014 28/10/2014	30/06/2014	29.589		29.589						29.589		
	(I) Compensation in company preparing the accounts			29.589	0	29.589		0		0		29.589	0	
	(II) Compensation from subsidiaries/associates at 28/10/2014					0						0		
	(III) Total			29.589	0	29.589	0	0	0	0	0	29.589	0	0
Laura Gualtieri	Member of Statutory Audit Committee	28/10/2014 30/06/2015	30/06/2017	70.479		70.479						70.479		
	(I) Compensation in company preparing the accounts			70.479	0	70.479		0		0		70.479	0	
	(II) Compensation from subsidiaries/associates at 30/06/2015					0						0		
	(III) Total			70.479	0	70.479	0	0	0	0	0	70.479	0	0
Gabriele Villa	Member of Statutory Audit Committee	01/07/2014 30/06/2015	30/06/2017	100.068		100.068						100.068		
	(I) Compensation in company preparing the accounts			100.068	0	100.068		0		0		100.068	0	
	(II) Compensation from subsidiaries/associates at 30/06/2015					0						0		
	(III) Total			100.068	0	100.068	0	0	0	0	0	100.068	0	0

1) Fees are paid directly to the company of origin.
2) Fees due in respect of position held in Banca Esperia.
3) Independent director added to the Appointments Committee as required by Articles of Association for certain resolutions only.
4) Fees due in respect of position held in Assicurazioni Generali during the relevant period.

As shown in the Report on remuneration, the definition of “management with strategic responsibilities other than directors”, as at 30 June 2015 involved five staff members: the three heads of the control units, the head of company financial reporting and the co-head of the Corporate and Investment Banking division. The definition has therefore changed since 1 July 2014 when a total of ten staff were included. The data shown here include the accruals in respect of those staff excluded from the aggregate in the course of the twelve months. Reference is made to the notes to the tables for the cash and non-cash incentivization schemes.

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Table 2: Stock options granted to members of the governing bodies, general managers and managerial staff with strategic responsibilities

			Options held at start of financial year			Options awarded during the year						Options exercised during the year			Options expired during the year	Options held at year-end	Options attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Post	Scheme	No. of options	Strike price	Possible exercise period (from-to)	No. of options	Strike price	Possible exercise period (from-to)	Fair value at award date	Award date	Market price of shares underlying award	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
Renato Pagliaro	Chairman	28/10/04	275.000	€ 10,31	From 1 July 2011 to 30 June 2016											275.000	
		27/10/07	350.000	€ 6,54	From 2 August 2013 to 1 August 2018											350.000	
Alberto Nagel	CEO	28/10/04	275.000	€ 10,31	From 1 July 2011 to 30 June 2016											275.000	
		27/10/07	350.000	€ 6,54	From 2 August 2013 to 1 August 2018											350.000	
Francesco Saverio Vinci	GM	28/10/04	275.000	€ 10,31	From 1 July 2011 to 30 June 2016											275.000	
		27/10/07	250.000	€ 6,54	From 2 August 2013 to 1 August 2018											250.000	
Gianluca Sichel	Director	28/10/04	100.000	€ 10,31	From 1 July 2011 to 30 June 2016											100.000	
		27/10/07	50.000	€ 6,54	From 2 August 2013 to 1 August 2018							50.000	€ 6,54	8,458			
Maurizio Cereda	Director till 28 October 2014	28/10/04	275.000	€ 10,31	From 1 July 2011 to 30 June 2016											275.000	
Massimo Di Carlo	Director till 28 October 2014	28/10/04	275.000	€ 10,31	From 1 July 2011 to 30 June 2016											275.000	
Managerial staff with strategic responsibilities		28/10/04	895.000	€ 10,31	From 1 July 2011 to 30 June 2016											160.000	
		27/10/07	1.575.000	€ 6,54	From 2 August 2013 to 1 August 2018											80.000	
(III) Total			4.945.000													2.665.000	

N.B.: Start and end figures vary according to changes in the management with strategic responsibilities aggregate.

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Table 3A: Incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

			Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and not allocated		Financial instruments attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Post	Scheme	No. and type of instrument	Vesting period	No. and type of financial instrument	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value upon vesting	Fair value
Alberto Nagel	CEO	28-ott-10			122.605 Performance shares	970.796	Nov. 2017 – Nov. 2019	25 September 2015	8,603				261.725
Francesco Saverio Vinci	GM	28-ott-10			101.898 Performance shares	837.448	Nov. 2017 – Nov. 2019	25 September 2015	8,603				225.792
Gianluca Sichel	Director	28-ott-10			29.494 Performance shares	182.689	Nov. 2016 – Nov. 2018	26 September 2014	6,691				50.161
		28-ott-10			29.970 Performance shares	246.308	Nov. 2017 – Nov. 2019	25 September 2015	8,603				66.410
Alexandra Young	Director	28-ott-10			11.089 Performance shares	91.715	Nov. 2017 – Nov. 2019	25 September 2015	8,603				25.963
Managerial staff with strategic responsibilities		28-ott-10	60.076 Performance Shares	Nov. 2015							60.076	414.584	73.373
		28-ott-10	201.045 Performance Shares	Nov. 2015 – Nov. 2016							134.030	924.941	151.952
		28-ott-10	101.724 Performance Shares	Nov. 2015 – Nov. 2017									128.558
		28-ott-10			121.662 Performance shares	753.589	Nov. 2016 – Nov. 2018	26 September 2014	6,691				206.918
		28-ott-10			5.449 Performance shares	45.300	Nov. 2017 – Nov. 2019	25 September 2015	8,603				13.316
Stefano Marsaglia		28-ott-10	634.113 performance shares	Nov. 2015 – Nov. 2018									1.634.873
					95.360 Performance shares	786.077	Nov. 2017 – Nov. 2019	25 September 2015	8,603				215.674
Total			**996.958**		**517.527**	**3.913.922**					**194.106**	**1.339.526**	**3.054.715**

Includes the award of performance shares from the scheme approved by shareholders in the annual general meetings held on 28 October 2010 and 25 September 2015, in application of the staff remuneration policy and the resolution approved by the Board of Directors for the year ended 30 June 2015.

Management with strategic responsibilities: for the awards made on 25 September 2015, the table shows the amount awarded to the managers included in the definition at the end-date of 30 June 2015. For the previous years' schemes, the amount also refers to the strategic management included in the definition at the start of the year.

Table 3B: Cash incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

A	B	(1)	(2)			(3)			(4)
Name and surname	Post	Scheme	Bonus for the year			Previous years' bonuses			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
Alberto Nagel	CEO	FY 2014/2015	450.000	675.000	Nov.2016-Nov.2019				
Francesco Saverio Vinci	GM	FY 2014/2015	374.000	561.000	Nov.2016-Nov.2019				
Gianluca Sichel	Director	FY 2014/2015	110.000	165.000	Nov.2016-Nov.2019				
		FY 2013/2014						120.000	
Alexandra Young	Director	FY 2014/2015	51.900	49.850	Nov.2016-Nov.2019				
Management with strategic responsibilities		FY 2014/2015	215.000	20.000	Nov.2016-Nov.2018				
		FY 2013/2014						495.000	
		FY 2012/2013				125.000	100.000	150.000	
		FY 2011/2012				34.000		284.000	
		FY 2010/2011				65.000			
Stefano Marsaglia		FY 2014/2015	350.000	525.000	Nov.2016-Nov.2018				949.520
Total compensation in company preparing the accounts			1.550.900	1.995.850		224.000	100.000	1.049.000	949.520

Management with strategic responsibilities: for the awards made on 25 September 2015, the table shows the amount awarded to the managers included in the definition at the end-date of 30 June 2015. For the previous years' schemes, the amount also refers to the strategic management included in the definition at the start of the year.

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Investments held by members of the governing and control bodies and by general managers

Name and surname	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
PAGLIARO RENATO	Chairman	MEDIOBANCA	2.730.000	==	==	2.730.000
NAGEL ALBERTO	CEO	MEDIOBANCA	2.626.050	==	==	2.626.050
VINCI FRANCESCO SAVERIO	GM	MEDIOBANCA	945.000	==	==	945.000
BERTAZZONI ROBERTO*	Director	MEDIOBANCA	1.050.000	==	==	1.050.000
MAURIZIO CARFAGNA	Director	MEDIOBANCA	28.000 **	==	==	28.000
CEREDA MAURIZIO	Director	MEDIOBANCA	619.500	==	==	619.500
DI CARLO MASSIMO	Director	MEDIOBANCA	556.500	==	==	556.500
PECCI ALBERTO*	Director	MEDIOBANCA	4.757.500	==	==	4.757.500
GIAN LUCA SICHEL	Director	MEDIOBANCA	==	50.000 ***	42.400	7.600

N.B. For directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.
* Investment owned through subsidiaries.
** Of which 8,000 shares held via subsidiaries.
*** Shares subscribed for in exercising stock options

Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares owned at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
5*	MEDIOBANCA	215.180	115.267**	21.010***	97.125

N.B. Values at start and end of period vary according to changes in composition of aggregate of managerial staff with strategic responsibilities.
* Strategic management as at 30/6/15.
** Shares awarded in execution of performance share scheme.
*** Sold to meet tax charges relating to the award of performance shares.

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Aggregate quantitative information by division as required by Bank of Italy instructions

Mediobanca area of activity	Fixed Salary	Variable	% variable maximum	% variable on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred equity
1) Staff and support	19.262	5.698,1	200%	30%	5.035,5	216,9	285,85	159,85
2) Control functions	4.858	977,5	33%	20%	977,5	-	-	-
3) Wholesale Banking - Financial Markets	26.342	26.968,5	200%	102%	12.531,2	3.113	6.892,3	4.432
4) Wholesale Banking - Advisory	21.217	20.323,25	200%	96%	10.733,75	2.293	4.559,5	2.737
5) Wholesale Banking - Lending and Structured Finance	4.852	3.634	200%	75%	2.778,5	105	680,5	70
6) Retail and Consumer	97.791	8.827,9	200%	9%	7.906,22	232,5	442,6	246,6
	174.322	**66.429**	**-**	**38%**	**39.963**	**5.960**	**12.861**	**7.645**

Gross amounts in €'000.
Does not include Mediobanca CEO or General Manager.

Aggregate quantitative information by the various categories of "identified staff" as required by the Bank of Italy instructions

	Mediobanca Group	#	Fixed Salary	Variable	% variable maximum	% variable on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred equity
1)	Non-executive directors (non-executive members of BoD, including Chairman)	1	1.800	-	-	-	-	-	-	-
	CEO	1	1.800	2.250	200%	125%	450	450	675	675
2)	GM	1	1.500	1.870	200%	125%	374	374	561	561
	Other Directors with executive duties (management who are members of Executive Committee)	2	790	754	200%	95%	162	162	215	215
3)	Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	12	9.000	11.700	200%	130%	2.340	2.340	3.510	3.510
4)	Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	10	1.433	460	33%	32%	460	-	-	-
5)	Staff with managerial responsibilities in relevant business units	24	7.450	9.529	200%	128%	2.079	2.079	2.685	2.685
6)	Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	7	1.612	569	200%	35%	429	60	40	40
7)	Quantitative criteria	14	4.855	5.030	200%	104%	1.319,5	1.319,5	1.196	1.196
		72	**30.240**	**32.162**	**-**	**106%**	**7.614**	**6.785**	**8.882**	**8.882**

Gross amounts in €'000.
For Group CEOs does not include emoluments payable in respect of their office.
Does not include relevant staff (two persons) employed at Group companies whose financial year ends after 30 June.

Group	#	Deferred from previous years and paid during the year in cash[1]	#	Deferred from previous years and paid during the year in number of MB shares [2]	#	Deferred from previous years due for cash payment during the year being cancelled
1) Non-executive directors (non-executive members of BoD, including Chairman)	-	-	-	-	-	-
2) Directors with executive duties (management who are members of Executive Committee)	-	-	-	-	-	-
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business	5	2.450	6	951.176	-	-
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	-	-	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	17	1.912	10	493.584	-	-
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	-	-	-	-	-	-
7) Quantitative criteria	10	641	5	334.257	-	-
	32	5.003	21	1.779.017	-	-

[1] Gross amounts in €'000.
[2] Number of Mediobanca shares.

Group	#	Treatment at start of relationship	#	Treatment at end of relationship[1]
1) Non-executive directors (non-executive members of BoD, including Chairman)	-	-	-	-
2) Directors with executive duties (management who are members of Executive Committee)	-	-	-	-
3) Senior management and heads of relevant BUs (principle business lines, geographical areas	-	-	1	4.000 *
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	1	70	1	465
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR,	-	-	-	-
7) Quantitative criteria	1	275	1	450
	2	345	3	4.915

Gross amounts in €'000.
[1] With reference to the identified staff identified as of 30 June 2014.
* Includes cost of indemnity for failing to give notice and complementary pension scheme contributions; of which €1,861,000 by way of incentive, deferred as to 60% over the three-year cash/equity horizon.

Total remuneration awarded over € 1 mln.	#
€ 1 million - 1,5 millions	11
€ 1,5 - 2 millions	2
€ 2 - 2,5 millions	2
€ 2,5 - 3 millions	2
€ 3 - 3,5 millions	2
€ 3,5 - 4 millions	
€ 4 - 4,5 millions	1
€ 4,5 - 5 millions	1

MEDIOBANCA

Declaration by Head of Company Financial Reporting

As required by Article 154-*bis*, paragraph 2 of Italian Legislative Decree 58/98 the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Head of

Company Financial Reporting

Massimo Bertolini